

COHEN & STEERS INFRASTRUCTURE FUND INC  
Form POS 8C  
February 23, 2010

As filed with the Securities and Exchange Commission on February 23, 2010

Securities Act Registration No. 333-160353

Investment Company Registration No. 811-21485

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-14**  
**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

.. **Pre-Effective Amendment No.**

x **Post-Effective Amendment No. 2**

**COHEN & STEERS INFRASTRUCTURE FUND, INC.**

(Exact Name of Registrant as Specified in Charter)

280 Park Avenue

New York, New York 10017

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(Address of Principal Executive Offices)

212-832-3232

(Registrant's Telephone Number, including Area Code)

Tina M. Payne, Esq.

Cohen & Steers, Inc.

280 Park Avenue

New York, NY 10017

(Name and Address of Agent for Service)

*With Copies to:*

Janna Manes, Esq.

Stroock & Stroock & Lavan LLP

180 Maiden Lane

New York, New York 10038

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT**

| <b>Title of Securities Being Registered</b> | <b>Amount Being Registered</b> | <b>Proposed Maximum Offering Price Per Unit</b> | <b>Proposed Maximum Aggregate Offering Price</b> | <b>Amount of Registration Fee</b> |
|---|--------------------------------|---|--|-----------------------------------|
| Common Shares, \$.001 par value             | 19,890,972 shares              | \$16.81*  | \$334,367,239                                    | \$23,841                          |
| Common Shares, \$.001 par value**           | 36,788,288 shares              | \$13.64   | \$501,792,115                                    | \$28,000                          |

\* Estimated solely for the purpose of calculating the registration fee for the shares being registered on Post-Effective Amendment No. 2. Based on the Registrant's net asset value per share as of the close of business on February 19, 2010.

\*\* Shares previously registered on Registrant's initial Registration Statement filed on June 30, 2009. Price per unit based on Registrant's net asset value per share as of the close of business on June 26, 2009. Amount of registration fee has been previously paid, and was based on the then-effective fee rate of \$55.80 per million dollars.

**It is proposed that this filing will become effective when declared effective by the Securities and Exchange Commission pursuant to Section 8(c) of the Securities Act of 1933.**



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COHEN & STEERS INFRASTRUCTURE FUND, INC.

280 Park Avenue

New York, New York 10017

**Reconvened Special Meeting of Stockholders to be held February 26, 2010**

January 8, 2010

Dear Stockholder:

You are being asked to vote on a proposal to merge Cohen & Steers REIT and Utility Income Fund, Inc. ( RTU ) and Cohen & Steers Infrastructure Fund, Inc. ( UTF and, together with RTU, the Funds and each a Fund ). Detailed information about the proposed transaction is contained in the enclosed materials.

The Board of Directors (the Board ) of UTF believes that combining the Funds could benefit stockholders of UTF by providing the potential for:

a lower operating expense ratio;

portfolio management efficiencies; and

enhanced market liquidity for UTF's shares of common stock.

**The Board of UTF recommends that you vote FOR the proposed Merger.**

The Board of UTF initially called a special meeting of stockholders of the Fund (the Meeting ), to be held on October 22, 2009, in order to vote on a proposal to merge RTU with and into UTF in accordance with the Maryland General Corporation Law (the Merger ). Stockholders of RTU also were asked to approve this proposal. The Meeting was adjourned until November 24, 2009 in order to solicit additional votes of the stockholders of the Funds to approve the Merger. **The stockholders of RTU approved the Merger on November 24, 2009.** Stockholders of UTF, however, did not submit sufficient votes to approve the proposed Merger, and the Meeting was again adjourned with respect to UTF. Although stockholders of UTF overwhelmingly voted FOR the Merger, with approximately 88% of shares voting in favor of the proposal, on November 27, 2009, the Meeting was adjourned with respect to UTF due to an insufficient number of votes to approve the Merger, and the Board of UTF considered various alternatives, including continuing to solicit votes necessary to consummate the proposed Merger.

On December 10, 2009, the Board of UTF determined that the proposed Merger continues to be in the best interests of UTF and its stockholders and, as such, set a new record date for stockholders to vote at, and called to reconvene, the Meeting for UTF on February 26, 2010 at the offices of Cohen & Steers, 280 Park Avenue, New York, New York 10017 at 10:00 a.m., Eastern time, in order to vote on the Merger. **Stockholders of record of UTF as of July 30, 2009 who voted at the Meeting, as adjourned, who continue to hold common stock of UTF as of December 17, 2009, may not need to take further action with respect to this proposal.** Please review the enclosed materials for additional information.

As a result of the Merger, each full (and fractional) share of common stock of RTU would convert into an equivalent dollar amount (to the nearest \$0.001) of full (and fractional) shares of common stock of UTF, based on the net asset value of each Fund. The currently issued and outstanding shares of common stock of UTF will remain issued and outstanding. **The Merger, excluding the costs borne by UTF, will not be dilutive to existing UTF stockholders.**

Each Fund is a closed-end, non-diversified management investment company with common stock listed on the New York Stock Exchange. The Funds have similar overall investment objectives and are managed by Cohen & Steers Capital Management, Inc.

Stockholders also are being asked to approve an amendment to UTF's charter to increase the number of shares of UTF's authorized common stock. This action is not dilutive to stockholders of UTF, and does not

increase the number of issued and outstanding shares of UTF's common stock. Except for shares issued in the Merger, and otherwise in accordance with its dividend reinvestment plan, UTF does not currently intend to issue additional shares of common stock. **The Board of UTF recommends that the stockholders of UTF vote FOR this amendment to UTF's charter.**

Your vote is very important to us regardless of the number of shares you own. Whether or not you plan to attend the Meeting in person, please read the Proxy Statement and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for voting by touch-tone telephone or on the Internet.

It is important that your vote be received no later than the time of the Meeting.

Sincerely,

Adam M. Derechin

President of UTF

**COHEN & STEERS INFRASTRUCTURE FUND, INC.**

**IMPORTANT NEWS FOR STOCKHOLDERS**

The enclosed Proxy Statement describes a proposal to merge Cohen & Steers REIT and Utility Income Fund, Inc. ( RTU ) with and into Cohen & Steers Infrastructure Fund, Inc. ( UTF and, together with RTU, the Funds and each a Fund ), in accordance with the Maryland General Corporation Law (the Merger ), plus a related proposal relating to an amendment to UTF 's charter to increase the number of shares of UTF 's authorized common stock.

While we encourage you to read the full text of the enclosed Proxy Statement, the following is a brief overview of the proposed Merger. Please refer to the more complete information contained elsewhere in the Proxy Statement about the Merger.

**COMMON QUESTIONS YOU MAY HAVE ABOUT THE PROPOSED MERGER**

**Q. WHAT IS HAPPENING?**

A. The Board of Directors (the Board ) of UTF initially called a special meeting of stockholders of the Fund (the Meeting ), to be held on October 22, 2009, in order to vote on the proposed Merger. Stockholders of RTU also were asked to approve this proposal. The Meeting was adjourned until November 24, 2009 in order to solicit additional votes of the Funds ' stockholders to approve the Merger. **The stockholders of RTU approved the Merger on November 24, 2009.** Stockholders of UTF, however, did not submit sufficient votes to approve the proposed Merger, and the Meeting was again adjourned with respect to UTF. Although stockholders of UTF overwhelmingly voted FOR the Merger, with approximately 88% of shares voting in favor of the proposal, on November 27, 2009, the Meeting was adjourned with respect to UTF due to an insufficient number of votes to approve the Merger, and the Board of UTF considered various alternatives, including continuing to solicit votes necessary to consummate the proposed Merger.

On December 10, 2009, the Board of UTF determined that the proposed Merger continues to be in the best interests of UTF and its stockholders and, as such, set a new record date for stockholders to vote at, and called to reconvene, the Meeting in order to vote on the Merger.

**Stockholders of record of UTF as of July 30, 2009 who voted at the Meeting, as adjourned, who continue to hold common stock of UTF as of December 17, 2009, may not need to take further action with respect to this proposal.** Please review the Proxy Statement for additional information.

**Q. WHAT OTHER MATTERS ARE BEING VOTED ON?**

A. In a separate vote, stockholders are being asked to vote on an amendment to UTF 's charter to increase the number of shares of UTF 's authorized common stock. This proposed charter amendment would ensure that UTF will have a sufficient number of authorized shares to issue to stockholders of the combined Fund after the Merger in connection with UTF 's dividend reinvestment plan. This action is not dilutive to stockholders of UTF, and does not increase the number of issued and outstanding shares of UTF 's common stock. Except for shares issued in the Merger, and otherwise in accordance with its dividend reinvestment plan, UTF does not currently intend to issue additional shares of common stock.

**Q. HOW WILL THE MERGER AFFECT ME?**

- A. In the Merger, if approved by UTF's stockholders, RTU will be merged with and into UTF in accordance with the Maryland General Corporation Law. RTU's assets and liabilities will be combined with the assets

and liabilities of UTF, and stockholders of RTU will become stockholders of UTF. As a result of the Merger, each full (and fractional) share of common stock of RTU would convert into an equivalent dollar amount (to the nearest \$0.001) of full (and fractional) shares of common stock of UTF, based on the net asset value of each Fund. The currently issued and outstanding shares of common stock of UTF will remain issued and outstanding. The Merger, excluding the costs borne by UTF, will not be dilutive to existing UTF stockholders. The Merger will not have any affect on UTF's investment objective, principal investment strategies, policies or restrictions. UTF will be the accounting survivor in the Merger, and the combined Fund will be managed in accordance with UTF's current investment objective, principal investment strategies, policies and restrictions. In addition, the number of shares of common stock of UTF held by UTF's current stockholders will be the same before and after the Merger.

**Q. WHAT HAPPENS IF THE MERGER IS NOT APPROVED?**

A. If the Merger is not approved by UTF's stockholders, UTF will continue as a separate investment company, and the Board of UTF will consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger.

**Q. WHY IS THE MERGER BEING RECOMMENDED?**

A. The Board of UTF believes that combining the Funds could benefit stockholders of each Fund by providing a lower operating expense ratio, the potential for portfolio management efficiencies and enhanced market liquidity for UTF's shares of common stock.

**Q. HOW WILL THE MERGER AFFECT FUND FEES AND EXPENSES?**

A. The total annual operating expense ratio of the combined Fund after the Merger is expected to be lower than the current total annual operating expense ratio of UTF, because the fixed expenses of the combined Fund following the Merger will be spread over a larger asset base. The Board of UTF believes that administrative expenses of a larger combined Fund comprised of the assets of RTU combined with UTF's assets would be less than the aggregate current expenses of the Funds operating separately, resulting in a lower total annual operating expense ratio for the combined Fund. UTF's management fee will not change as a result of the Merger.

**Q. WILL I HAVE TO PAY ANY U.S. FEDERAL INCOME TAXES AS A RESULT OF THE MERGER?**

A. The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming that the Merger qualifies for such treatment, you will not recognize a gain or loss for federal income tax purposes as a result of the Merger. As a condition to the closing of the Merger, the Funds will each receive an opinion of counsel substantially to the effect that the Merger will qualify for such treatment. Opinions of counsel are not binding on the Internal Revenue Service or the courts. You should talk to your tax advisor about any state, local and other tax consequences of the Merger. See Proposal 1 Information About the Proposed Merger Material U.S. Federal Income Tax Consequences.

**Q. WHO WILL PAY THE EXPENSES OF THE MERGER?**

A. The expenses incurred in the Merger will be paid by each Fund in proportion to its net assets.

**Q. HOW DOES THE BOARD RECOMMEND THAT I VOTE ON THE PROPOSALS?**



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A. The Board of UTF, including the Directors who are not interested persons (as defined in the Investment Company Act of 1940, as amended) of UTF, recommends that you vote **FOR** the Merger.

In addition, the Board of UTF recommends that stockholders vote **FOR** the amendment to UTF's charter to increase the number of shares of UTF's authorized common stock. If UTF's stockholders do not approve

this proposal, the Merger will proceed if stockholders of UTF approve the Merger, but UTF may not have a sufficient amount of authorized stock to continue to issue to stockholders of the combined Fund in connection with UTF's dividend reinvestment plan subsequent to the Merger or in connection with any other corporate action. Except for shares issued in the Merger, and otherwise in accordance with its dividend reinvestment plan, UTF does not currently intend to issue additional shares of common stock.

Q. WHEN IS THE MERGER EXPECTED TO HAPPEN?

A. The Merger, if approved by UTF's stockholders, is expected to occur on or about March 19, 2010. Stockholders of RTU have already approved the Merger.

Q. WHO CAN VOTE ON THE PROPOSALS?

A. If you owned shares of UTF at the close of business on December 17, 2009, you are entitled to vote those shares, even if you are no longer a common stockholder of UTF. **If you were a stockholder of UTF as of July 30, 2009 (the original record date for the Meeting) who continues to hold common stock of UTF as of December 17, 2009, you have not changed brokerage accounts and you previously submitted a valid proxy card or authorized a proxy in connection with the Meeting (and have not revoked your proxy), you do not need to take any additional action to vote your shares of UTF. Your previous proxy will remain effective as to the number of shares you held as of December 17, 2009.**

Q. I AM AN INVESTOR WHO HOLDS A SMALL NUMBER OF SHARES. WHY SHOULD I VOTE?

A. Your vote makes a difference. If many stockholders just like you do not vote their proxies, UTF may not receive enough votes to approve the Merger.

Q. HOW CAN I VOTE?

A. If you have not yet voted, you may vote by mail by returning the enclosed proxy card. You may also authorize your vote by either touch-tone telephone or online via the Internet, as follows:

**To vote by touch-tone telephone:**

- (1) Read the Proxy Statement and have your proxy card at hand.
- (2) Call the toll-free number that appears on your proxy card.
- (3) Enter the control number set out on the proxy card and follow the simple instructions.

**To vote by Internet:**

- (1) Read the Proxy Statement and have your proxy card at hand.
- (2) Go to the website that appears on your proxy card.
- (3) Enter the control number set out on the proxy card and follow the simple instructions.

Proxy cards are not being sent to stockholders who have already voted FOR the proposals.

Q. WHOM DO I CALL IF I HAVE QUESTIONS?

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- A. If you need more information or have any questions on how to cast your vote or, if you were a stockholder of UTF as of July 30, 2009 who has already voted and would like to confirm or change your vote, please call Broadridge Financial Solutions, Inc., UTF's proxy solicitor, at 866-615-7265.

**YOUR VOTE IS IMPORTANT. PLEASE VOTE PROMPTLY TO AVOID THE EXPENSE OF**

**ADDITIONAL SOLICITATION.**

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COHEN & STEERS INFRASTRUCTURE FUND, INC.

NOTICE OF RECONVENED SPECIAL MEETING OF STOCKHOLDERS

To Be Held on February 26, 2010

Please take notice that a Reconvened Special Meeting of Stockholders (the Meeting ) of the above-referenced fund will be held on February 26, 2010 at the offices of Cohen & Steers, 280 Park Avenue, New York, New York 10017 at 10:00 a.m., Eastern time, for the following purposes, all of which are described in the accompanying Proxy Statement:

PROPOSAL 1: To approve the merger of Cohen & Steers REIT and Utility Income Fund, Inc. ( RTU ) with and into Cohen & Steers Select Utility Fund, Inc. ( UTF and, together with RTU, the Funds ) in accordance with the Maryland General Corporation Law; and

PROPOSAL 2: To approve an amendment to UTF s charter to increase the number of authorized shares of UTF s capital stock. The appointed proxies will vote in their discretion on any other business as may properly come before the Meeting or any adjournments or postponements thereof.

Stockholders of UTF of record at the close of business on December 17, 2009 are entitled to vote at the Meeting and at any adjournments or postponements thereof. **If you were a stockholder of UTF as of July 30, 2009 (the original record date for the Meeting) who continues to hold common stock of UTF as of December 17, 2009, you have not changed brokerage accounts and you previously submitted a valid proxy card or authorized a proxy in connection with the Meeting (and have not revoked your proxy), you do not need to take any additional action to vote your shares of UTF. Your previous proxy will remain effective as to the number of shares you held as of December 17, 2009.**

By order of the Board of Directors,

Francis C. Poli  
Secretary of UTF

January 6, 2010

**YOUR VOTE IS IMPORTANT**

**If you have not yet voted, we invite you to utilize the convenience of Internet voting at the site indicated on your proxy card. While at that site you will be able to enroll in our electronic delivery program so you receive future mailings relating to annual meetings as quickly as possible and will help the Funds save costs. Or you may indicate your voting instructions on your proxy card, sign and date it, and return it in the envelope provided, which needs no postage if mailed in the United States. In order to save the Funds any additional expense of further solicitation, please vote your proxy promptly.**

**PROXY STATEMENT**

**January 6, 2010**

**COHEN & STEERS INFRASTRUCTURE FUND, INC.**

280 Park Avenue

New York, New York 10017

(212) 832-3232

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors (the **Board**) of Cohen & Steers Infrastructure Fund, Inc. ( **UTF** ) for a Reconvened Special Meeting of Stockholders of UTF (the **Meeting** ). The Meeting will be held on February 26, 2010 at the offices of Cohen & Steers, 280 Park Avenue, New York, New York 10017 at 10:00 a.m., Eastern time. At the Meeting, stockholders of UTF will be asked to consider and act upon the following:

**PROPOSAL 1:** To approve the merger of Cohen & Steers REIT and Utility Income Fund, Inc. ( **RTU** ) and, together with UTF, the **Funds** and each a **Fund** ) with and into UTF in accordance with the Maryland General Corporation Law (the **MGCL** ); and

**PROPOSAL 2:** To approve an amendment to UTF's charter to increase the number of authorized shares of UTF's capital stock. If Proposal 1 is approved, as a result of the Merger, each full (and fractional) share of common stock, par value \$0.001 per share, of RTU ( **RTU Common Shares** ) would convert into an equivalent dollar amount (to the nearest \$0.001) of full (and fractional) shares of common stock, par value \$0.001 per share, of UTF ( **UTF Common Shares** ), based on the net asset value of each Fund. Although UTF Common Shares received in the Merger will have the same total net asset value as RTU Common Shares held immediately before the Merger, their stock price on the New York Stock Exchange (the **NYSE** ) may be greater or less than the stock price of RTU Common Shares, based on current market prices at the time of the Merger. All UTF Common Shares currently issued and outstanding will remain issued and outstanding following the Merger. **The Merger will not be dilutive to existing UTF stockholders.**

If stockholders of UTF do not approve the Merger, the Merger will not proceed and UTF will continue in operation as a separate investment company, and the Board of UTF will separately consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger. Stockholders of RTU have previously approved the Merger.

The Board of UTF believes that combining the Funds could benefit stockholders of each Fund by providing the potential for portfolio management efficiencies, a lower total annual operating expense ratio and enhanced market liquidity for UTF Common Shares.

Stockholders of UTF also are being asked to approve an amendment to UTF's charter that would increase the number of shares of the Fund's authorized common stock from 100 million to 300 million. If UTF's stockholders do not approve Proposal 2, the Merger will proceed if stockholders of the Funds approve Proposal 1, but UTF may not have a sufficient amount of authorized stock to continue to issue to stockholders of the combined Fund in connection with UTF's dividend reinvestment plan ( **DRIP** ) or in connection with any other corporate action. Except for shares issued in the Merger, and otherwise in accordance with its DRIP, UTF does not currently intend to issue additional shares of common stock.

RTU and UTF were incorporated in Maryland on October 1, 2003 and January 8, 2004, respectively. Each Fund is a closed-end, non-diversified management investment company with common stock listed on the NYSE. The Funds have similar overall investment objectives and are managed by Cohen & Steers Capital Management, Inc. (the **Investment Manager** ). Please see **Proposal 1 Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds** in this Proxy Statement.

The Merger will be effected pursuant to an Agreement and Plan of Merger, which is attached to this Proxy Statement as Appendix A. The material terms and conditions of the Agreement and Plan of Merger are summarized in this Proxy Statement. See Proposal 1 Information About the Merger The Agreement and Plan of Merger.

Assuming UTF's stockholders approve the Merger and all other conditions to the consummation of the Merger are satisfied or waived, the Funds will file articles of merger (the Articles of Merger) with the State Department of Assessments and Taxation in Maryland (the SDAT). The Merger will become effective when the SDAT accepts for record the Articles of Merger or at such later time, which may not exceed 30 days after the Articles of Merger are accepted for record, as specified in the Articles of Merger. The date when the Articles of Merger are accepted for record, or the later date, is referred to in this Proxy Statement as the Closing Date. RTU, as soon as practical after the Closing Date, will terminate its registration under the Investment Company Act of 1940, as amended (the 1940 Act).

The Merger is being structured as a reorganization for federal income tax purposes. See Proposal 1 Information About the Proposed Merger Material U.S. Federal Income Tax Consequences. Stockholders should consult their tax advisors to determine the actual impact of the Merger on them in light of their individual tax circumstances.

You should retain this Proxy Statement for future reference as it sets forth concisely information about the Funds that you should know before voting on the proposed Merger described herein. You may receive free of charge a copy of a Fund's Annual Report to Stockholders for the fiscal year ended December 31, 2008 and Semi-Annual Report to Stockholders for the six month period ended June 30, 2009, which highlight certain important information such as investment performance and expense and financial information, by visiting our website at [www.cohenandsteers.com](http://www.cohenandsteers.com), by calling 800-330-7348 or by writing a Fund at the address listed above.

In addition, you can copy and review this Proxy Statement and the complete filing on Form N-14 containing the Proxy Statement, and any of the other above-referenced documents, at the Public Reference Room of the Securities and Exchange Commission (the SEC) in Washington, D.C. You may obtain information about the operation of the Public Reference Room by calling the SEC at (202) 551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also obtain copies of this information, after paying a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC at Public Reference Section, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549.

RTU and UTF Common Shares are listed on the NYSE under the symbols RTU and UTF, respectively. After the Closing Date, UTF Common Shares will continue to be listed on the NYSE under the symbol UTF. You also may inspect the Funds' stockholder reports, proxy materials and other information about the Funds at the NYSE.

The information contained herein concerning each Fund has been provided by, and is included herein in reliance upon, each respective Fund.

**The SEC has not approved or disapproved these securities nor passed upon the accuracy or adequacy of this Proxy Statement. Any representation to the contrary is a criminal offense.**

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**PROPOSAL 1**

**TO APPROVE THE MERGER OF RTU WITH AND INTO UTF IN ACCORDANCE WITH THE**

**MARYLAND GENERAL CORPORATION LAW**

**SUMMARY**

This summary is qualified in its entirety by reference to the additional information contained elsewhere in this Proxy Statement and the Agreement and Plan of Merger, which is attached to this Proxy Statement as Appendix A.

**Proposed Merger**

At various meetings held in June 2009 and at a meeting held on December 10, 2009, UTF's Board, including the Directors who are not interested persons (as defined in the 1940 Act) of UTF (the Independent Directors), considered, and on June 29, 2009 and December 10, 2009 approved, the Agreement and Plan of Merger. The Agreement and Plan of Merger approved on December 10, 2009 is identical to the Agreement and Plan of Merger approved on June 29, 2009. As a result of the Merger:

each full (and fractional) RTU Common Share will convert into an equivalent dollar amount (to the nearest \$0.001) of full (and fractional) UTF Common Shares, based on the net asset value per share of each Fund calculated at 4:00 p.m. on the Closing Date; and

each holder of RTU Common Shares will become a holder of UTF Common Shares and will receive, on the Closing Date, that number of full (and fractional) UTF Common Shares having an aggregate net asset value equal to the aggregate net asset value of such stockholder's RTU Common Shares as of the close of business on the Closing Date.

If the Merger is not approved, UTF will continue as a separate investment company, and the Board of UTF will separately consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger.

For the reasons set forth below in Information About the Proposed Merger Reasons for the Merger and Board Considerations, the Board of UTF, including the Independent Directors, have concluded that the Merger would be in the best interests of UTF and its stockholders, and that the interests of UTF stockholders would not be diluted as a result of the Merger. Stockholders of RTU have already approved the Merger. **The Board, therefore, is hereby submitting the Merger to UTF stockholders and recommends that stockholders of UTF vote FOR the Merger.**

Because the Merger has been approved by the Board of UTF, including at least 75% of the Continuing Directors (as defined herein), under UTF's charter, approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding shares of common stock of UTF. See Voting Information below. If stockholders of UTF approve the Merger, the Closing Date of the Merger is expected to be March 19, 2010.

Prior to completion of the Merger, the Funds will each have received an opinion of Stroock & Stroock & Lavan LLP substantially to the effect that the Merger will qualify as a reorganization for federal income tax purposes. Accordingly, for federal income tax purposes, (i) no gain or loss will generally be recognized by RTU or the holders of RTU Common Shares as a result of the Merger, (ii) the aggregate tax basis of the UTF Common Shares received by the holders of RTU Common Shares will be the same as the aggregate tax basis of the holders' RTU Common Shares and (iii) a holder's holding period for UTF Common Shares will generally be determined by including the period for which he or she held RTU Common Shares that are converted pursuant to the Merger, provided that such shares were held as capital assets. For more information about the federal income tax consequences of the Merger, see Information about the Proposed Merger Material U.S. Federal Income Tax Consequences below.

### Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds

The Funds have similar overall investment objectives. RTU's primary investment objective is high current income with a secondary objective of capital appreciation. UTF's investment objective is total return, with an emphasis on income. Each Fund is a non-diversified, closed-end management investment company and is managed by the Investment Manager. As a result of UTF's recent shift in investment focus to infrastructure companies, the Board of UTF also has appointed Cohen & Steers Europe S.A. (CNS Europe), Cohen & Steers UK Limited (CNS UK) and Cohen & Steers Asia Limited (CNS Asia) as sub-investment advisers to UTF (collectively, the Subadvisers).

Each Fund focuses its investments in equity securities, including common stocks, preferred stocks and other equity securities. Under normal market conditions, UTF invests at least 80% of its managed assets in securities issued by infrastructure companies, which consist of utilities, pipelines, toll roads, airports, railroads, ports, telecommunications companies and other infrastructure companies. Under normal market conditions, RTU invests at least 80% of its managed assets in a portfolio of securities issued by real estate investment trusts (REITs) and utility companies. RTU invests at least 65% of its managed assets in common stocks, preferred stocks and other equity securities issued by real estate companies, including REITs, and utility companies, with at least 25% of its managed assets invested in equity securities issued by real estate companies and at least 25% in equity securities issued by utility companies. The Investment Manager retains broad discretion to allocate RTU's investments between securities issued by companies in the real estate and utilities industries in a manner it believes will best achieve RTU's investment objectives. As used in this Proxy Statement, managed assets are a Fund's net assets applicable to shares of its common stock plus the liquidation preference of auction market preferred securities (AMPS), if any, and the outstanding balance of its borrowings, if any.

Each Fund may invest up to 20% of its managed assets in preferred securities and other fixed income securities issued by any type of company in which it does not focus its investments. Each Fund also may invest up to 25% of its managed assets in non-investment grade preferred securities and other fixed income securities. RTU may invest up to 20% of its managed assets in foreign securities, including up to 10% in companies located in emerging market countries. UTF is not limited in the amount of assets it may invest in foreign securities, including in companies located in emerging market countries.

Each Fund may invest up to 10% of its managed assets in illiquid securities. Each Fund generally will not invest more than 10% of its managed assets in the securities of one issuer.

Each Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities (including securities of investment companies and baskets of securities), indexes, and other financial instruments; purchase and sell financial futures contracts and options thereon, enter into various interest rate transactions, such as swaps, caps, floors or collars or credit transactions; equity index, total return and credit default swaps; forward contracts; and structured investments. In addition, the Funds may enter into various currency transactions, such as forward currency contracts, currency futures contracts, currency swaps and options on currency or currency futures. The Funds also may purchase and sell derivative instruments that combine features of these instruments.

Each Fund may engage in securities lending up to 33-1/3% of managed assets, and may acquire or maintain securities in investment companies in accordance with the limits set forth in Section 12(d)(1) of the 1940 Act.

The fundamental investment restrictions to which the Funds are subject are identical, except with respect to the Funds' fundamental policies to concentrate at least 25% of their managed assets in the utility industry (UTF) and each of the real estate and utility industries (RTU).

Because each Fund concentrates at least 25% its assets in the utility industry, a Fund's investments will be linked to the performance of the utility industry. Certain segments of this industry and individual companies

within such segments may not perform as well as the industry as a whole. Issuers in the utility industry are subject to a variety of factors that may adversely affect their business or operations, including: high interest costs in connection with capital construction and improvement programs; effects of economic slowdowns and surplus capacity; increased competition from other providers of utility services; costs associated with reduced availability of certain types of fuel; and technological innovations that may render existing plants, equipment or products obsolete. Issuers in the utility industry also may be subject to regulation by various governmental authorities and may be affected by the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. In addition, there are substantial differences between the regulatory practices and policies of various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. There is no assurance that regulatory authorities will, in the future, grant rate increases or that such increases will be adequate to permit the payment of dividends on preferred or common stocks. Prolonged changes in climatic conditions can also have a significant impact on both the revenues of an electric or gas utility as well as its expenses.

Because UTF focuses its investments in infrastructure companies, its investments will be linked to the performance of the infrastructure sector. Securities and instruments of infrastructure companies are more susceptible to adverse economic or regulatory occurrences affecting their industries. Infrastructure companies may be subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, high leverage, costs associated with environmental and other regulations, the effects of economic slowdown, surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies and other factors.

Because RTU also concentrates its assets in the real estate industry, its investments will be linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and poor management. Many REITs utilize leverage, which increases investment risk and could adversely affect a REIT's operations and market value in periods of rising interest rates as well as risks normally associated with debt financing. In addition, there are specific risks associated with particular sectors of real estate investments such as retail, office, hotel, healthcare, and multifamily properties.

When the Investment Manager believes that market or general economic conditions justify a temporary defensive position, each Fund may deviate from its investment objective(s) and invest all or any portion of its assets in investment grade debt securities, without regard to whether the issuer is a utility company, an infrastructure company or a real estate company (as applicable). When and to the extent a Fund assumes a temporary defensive position, it may not pursue or achieve its investment objective(s).

Neither of the Funds are intended to be a complete investment program, and there is no assurance that either of the Funds will achieve their investment objective(s).

The preceding summary of the Funds' investment objective(s) and certain policies and related risks should be considered in conjunction with the discussion below under Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds' Investment Objectives, Strategies and Principal Risks, Additional Investment Activities, Risk Factors and Investment Restrictions, which contains a more complete comparison of the Funds' investment objective(s), strategies, policies and restrictions and related risks. The investment strategies, policies and restrictions of UTF will be the same for the combined Fund.

#### **Fees and Expenses**

Each Fund has employed leverage as part of its investment strategy since shortly after its inception. Historically, the Funds' leverage has consisted of proceeds from the issuance of AMPS. In February 2008, the auction market for these types of securities failed, and the Funds have, since that time, redeemed all of their

outstanding shares of AMPS by borrowing funds pursuant to lines of credit with a financial institution ( borrowings ) or by cash proceeds from the sale of portfolio securities. As of December 31, 2008, each Fund s most recent fiscal year end for which audited financial statements are available, each Fund used a combination of AMPS and borrowings to finance its leverage strategy. On June 30, 2009, the Funds publicly announced their intent to redeem all of their outstanding shares of AMPS through the incurrence of additional borrowings. These redemptions were completed on July 24, 2009.

To complete the AMPS redemptions and maintain the Funds leverage strategies at their levels at the time of such redemptions, the Funds relied, and continue to rely, on an exemptive order from the SEC providing temporary relief from the 300% asset coverage requirements for debt set forth in Section 18 of the 1940 Act. This allowed each Fund to redeem its then-outstanding AMPS by borrowing funds pursuant to a line of credit under the same 200% asset coverage requirements set forth in Section 18 of the 1940 Act for AMPS, instead of the statutorily-imposed asset coverage ratio for debt of 300%. This relief is temporary and, unless extended by the SEC, will expire on October 31, 2010.

Upon the Closing Date, assuming the Merger is approved by UTF s stockholders, the existing credit arrangement for RTU will terminate in accordance with its terms, and the existing lender for UTF will remain the sole lender to the combined Fund, which will assume the debt of RTU as part of the Merger. After the Merger, the amount available under the credit arrangement will be sufficient for the combined Fund to maintain its current leverage strategy, although the amount of leverage employed by UTF may change over time. In addition, there is no guarantee that borrowing rates under the existing or future credit arrangements will remain the same.

Following completion of the Merger, the Investment Manager expects the total annual operating expenses borne by the stockholders of the combined Fund to vary, in some circumstances substantially, from the expense information provided in each Fund s Annual Report to Stockholders for the fiscal year ended December 31, 2008, as the combined Fund will no longer be paying dividend payments on AMPS (which are not reflected as Fund expenses), but will be paying interest and fees on borrowings, including the borrowings assumed from RTU. In light of the material change in the Funds capital structure that has occurred since December 31, 2008, the fee table below reflects the Funds actual expenses as of November 30, 2009, on an annualized basis, and assumes each Fund had credit arrangements with its lender on the same terms in effect for UTF as of November 30, 2009. The Funds expect that the expenses of the stockholders of the combined Fund will more closely reflect the expense structure shown in the table below instead of the expenses borne by the Funds stockholders for the twelve month period ended December 31, 2008.

*Fee Table*

After the Merger, the combined Fund is anticipated to have a lower total annual operating expense ratio, including the cost of leverage (interest and fees on borrowings), than UTF's total annual operating expense ratio individually prior to the Merger (including interest and fees on borrowings).

The table below reflects the Funds' expenses (based upon each Fund's net assets) as of November 30, 2009, on an annualized basis, and assumes each Fund had credit arrangements with its lender on the same terms in effect for UTF as of November 30, 2009. Accordingly, the actual fees and expenses of each Fund and the combined Fund as of the Closing Date can be expected to differ from those reflected in the table below due to changes in net assets and interest rates from those at November 30, 2009 and other factors. Changes in net assets may result from market appreciation or depreciation and other factors occurring between November 30, 2009 and the Closing Date. As a general matter, changes (positive or negative) in a Fund's expense ratio resulting from fluctuations in the Fund's net assets will be borne by that Fund's stockholders and, after the Merger, the combined Fund. The table does not reflect non-recurring estimated Merger expenses of approximately \$982,000, of which \$475,000 is attributable to RTU and \$507,000 is attributable to UTF. These estimated expenses are equal to 0.08% of the net assets of each individual Fund, as well as the combined Fund.

|   | RTU    | UTF    | Pro Forma<br>Combined<br>Fund (UTF) <sup>1</sup> |
|---|--------|--------|--|
| <b>Stockholder Transaction Expenses</b>   |        |        |  |
| Sales Load (as a percentage of offering price) <sup>2</sup>                                     | None   | None   | None   |
| Dividend Reinvestment Plan Fees <sup>3</sup>  | None   | None   | None   |
| <b>Annual Expenses (as a percentage of net assets attributable to common stock)<sup>4</sup></b> |        |        |  |
| Management Fees <sup>5</sup>  | 1.34%  | 1.38%  | 1.36%  |
| Other Expenses  | 0.24%  | 0.25%  | 0.22%  |
| Interest Payments on Borrowed Funds <sup>6</sup>  | 0.75%  | 0.82%  | 0.78%  |
| Total Annual Fund Operating Expenses  | 2.33%  | 2.44%  | 2.37%  |
| Expense Waivers <sup>5</sup>  | -0.17% | -0.19% | -0.19%   |
| Net Annual Fund Operating Expenses  | 2.16%  | 2.25%  | 2.18%  |

1. The Pro Forma Combined Fund column assumes the Merger was consummated on November 30, 2009.
2. Shares of the Funds' common stock are traded on the secondary market and, as such, transactions are not subject to sales charges, but may be subject to brokerage commissions or other charges. The table does not include any underwriting commissions paid by stockholders in the initial public offering of the common stock of each Fund.
3. Each participant in a Fund's DRIP pays a proportionate share of the brokerage commissions incurred with respect to open market purchases, if any, made by the Fund's Plan Agent (defined below).
4. Annual Expenses are stated as a percentage of net assets attributable to the Funds' shares of common stock, assuming leverage (borrowings) as discussed above.
5. Reflects the effective management fee rate paid by each Fund's common stockholders. RTU and UTF are each charged a management fee of 0.85% of the Fund's average daily managed assets, and the combined Fund will continue to pay a contractual management fee of 0.85% of its average daily managed assets. The Investment Manager has contractually agreed to waive a portion of each Fund's management fee on a declining annual basis. The contractual fee waiver arrangement for UTF also is reflected in the Pro Forma Combined Fund column. For more information on the Funds' contractual fee waivers, please see Information About Management of the Funds' Investment Manager and Subadvisers.
6. The expenses related to the Funds' borrowings, including certain non-interest expenses, are reflected under Interest Payments on Borrowed Funds. As of November 30, 2009, RTU and UTF had separate lines of credit of \$405 million and \$445 million, respectively. The Pro Forma Combined Fund column assumes a single line of credit of \$850 million as of November 30, 2009 (on the terms and conditions currently in place for UTF).

*Expense Example*

The following example is intended to help you compare the costs of an investment in the combined Fund (UTF), after the Merger is consummated, with the costs of investing in UTF before the Merger. The example is based on each Fund's Total Annual Fund Operating Expenses as set forth in the Fee Table, which are based on an annualization of each Fund's actual expenses as of November 30, 2009 and assumes the assumptions set forth in the table above. An investor would pay the following expenses on a \$1,000 investment in shares of a Fund's common stock, assuming a 5% annual return on net asset value through the period and no changes to Total Annual Fund Operating Expenses (except to account for contractual expense waiver arrangements) for each Fund for years 1 through 10:

|                         | 1 Year | 3 Years | 5 Years | 10 Years |
|-------------------------|--------|---------|---------|----------|
| RTU                     | \$ 22  | \$ 71   | \$ 124  | \$ 268   |
| UTF                     | \$ 23  | \$ 73   | \$ 126  | \$ 271   |
| Pro Forma Combined Fund | \$ 22  | \$ 71   | \$ 122  | \$ 264   |

The example set forth above assumes the reinvestment of all dividends and distributions at net asset value. The example should not be considered a representation of past or future expenses or annual rates of return. Actual expenses or annual rates of return may be more or less than those assumed for purposes of the example.

## COMPARISON OF INVESTMENT OBJECTIVES, STRATEGIES AND PRINCIPAL RISKS OF

### INVESTING IN THE FUNDS

#### Investment Objectives, Strategies and Principal Risks

The Funds have similar overall investment objectives. RTU's primary investment objective is high current income with a secondary objective of capital appreciation. UTF's investment objective is total return, with an emphasis on income. Each Fund is a non-diversified, closed-end management investment company and is managed by the Investment Manager, and CNS Europe, CNS UK and CNS Asia also serve as sub-investment advisers to UTF. For more information on the Subadvisers, see Information about Management of the Funds Investment Manager and Subadvisers below.

Each Fund focuses its investments in equity securities, including common stocks, preferred stocks and other equity securities. Under normal market conditions, UTF invests at least 80% of its managed assets in securities issued by infrastructure companies, which consist of utilities, pipelines, toll roads, airports, railroads, ports, telecommunications companies and other infrastructure companies. Under normal market conditions, RTU invests at least 80% of its managed assets in a portfolio of securities issued by REITs and utility companies. RTU invests at least 65% of its managed assets in common stocks, preferred stocks and other equity securities issued by real estate companies, including REITs, and utility companies, with at least 25% of its managed assets invested in equity securities issued by real estate companies and at least 25% in equity securities issued by utility companies. The Investment Manager retains broad discretion to allocate RTU's investments between securities issued by companies in the real estate and utilities industries in a manner it believes will best achieve RTU's investment objectives.

In making investment decisions with respect to common stocks and other equity securities issued by utility companies, in which each Fund concentrates its assets, and infrastructure companies, in which UTF invests, the Investment Manager relies on a fundamental analysis of each company. Securities are evaluated for their potential to provide an attractive total return, through a combination of dividend yield and capital appreciation. The Investment Manager reviews each company's potential for success in light of general economic and industry trends, as well as the company's quality of management, financial condition, business plan, industry and sector market position, dividend payout ratio and corporate governance. The Investment Manager utilizes a value-oriented approach, and evaluates each company's valuation on the basis of relative price/cash flow and price earnings multiples, earnings growth rate, dividend yield and price/book value, among other metrics.

In making investment decisions with respect to common stocks and other equity securities, including securities of REITs in which RTU concentrates its investments and UTF may invest, the Investment Manager relies on a fundamental analysis of each company. Securities are evaluated for their potential to provide an attractive total return, through a combination of dividend income and capital appreciation. The Investment Manager reviews a company's potential for success in light of the company's industry and sector position, and economic and market conditions. The Investment Manager evaluates a number of company-specific factors, including quality of management, financial condition, corporate governance, business plan and cash flow and dividend growth potential. The Investment Manager evaluates a security's valuation on one or more of the following criteria: price/cash flow multiple, discounted cash flow, price/net asset value and dividend yield.

In making investment decisions with respect to preferred securities and other fixed income securities in which each Fund invests, the Investment Manager seeks to select securities it views as undervalued on the basis of risk and return profiles. In making these determinations, the Investment Manager evaluates the fundamental characteristics of an issuer, including an issuer's creditworthiness, and also takes into account prevailing market factors. In analyzing credit quality, the Investment Manager considers not only fundamental analysis, but also an issuer's corporate and capital structure and the placement of the preferred or debt securities within that structure. The Investment Manager takes into account other factors, such as call and other structural features, event risk, the likely directions of ratings and relative value versus other income security classes, among others. Each Fund generally will not invest more than 10% of its managed assets in the securities of one issuer.

The combined Fund will continue to employ the same principal investment strategies used by UTF.

Each Fund may invest in, among other things, the types of securities and instruments described below:

*Utility Companies*

Under normal market conditions, each Fund concentrates at least 25% of its managed assets in the utility industry. Utility companies derive at least 50% of their revenues from, or have at least 50% of their assets committed to, the:

generation, transmission, sale or distribution of electric energy;

distribution, purification and treatment of water;

production, transmission or distribution of natural gas; and

provision of communications services, including cable television, satellite, microwave, radio, telephone and other communications media.

Substantially all of the securities issued by utility companies in which a Fund invests are traded on a national securities exchange or in the over-the-counter market. Utility companies generally pay dividends on their equity securities that qualify for the dividends received deduction (the DRD) under Section 243 of the Internal Revenue Code of 1986, as amended (the Code), and are considered qualified dividend income eligible for reduced rates of taxation. Corporate stockholders are generally permitted to claim a deduction with respect to that portion of their distributions attributable to amounts received by a Fund that qualify for the DRD. Under current law, individuals will generally be taxed at long-term capital gain rates on qualified dividend income. Each Fund generally can pass the tax treatment of qualified dividend income it receives through to stockholders, provided that holding period and other requirements are met.

*Infrastructure Companies*

Under normal market conditions, UTF invests at least 80% of its managed assets in infrastructure companies. Like utility companies, infrastructure companies derive at least 50% of their revenues from, or have at least 50% of their assets committed to, the:

generation, transmission, sale or distribution of electric energy;





distribution, purification and treatment of water;

production, transmission or distribution of natural resources used to produce energy; and

provision of communication services, including cable television, satellite, microwave, radio, telephone and other communications media.

In addition, infrastructure companies derive at least 50% of their revenues from, or have at least 50% of their assets committed to, the management, ownership and/or operation of infrastructure assets or construction, development or financing of infrastructure assets, such as pipelines, toll roads, airports, railroads or ports. Infrastructure companies also include energy-related companies organized as master limited partnerships ( MLPs ) and their affiliates.

#### *Real Estate Companies*

Under normal market conditions, RTU also concentrates at least 25% of its managed assets in the real estate industry. UTF may invest, but does not concentrate its assets, in the real estate industry. For purposes of RTU's investment policies, a real estate company is one that:

derives at least 50% of its revenues from the ownership, construction, financing, management or sale of commercial, industrial, or residential real estate; or

has at least 50% of its assets in such real estate.

Equity securities of real estate companies consist of:

common stocks (including REIT shares);

preferred stocks;

rights or warrants to purchase common and preferred stocks; and

securities convertible into common and preferred stocks where the conversion feature represents, in the Investment Manager's view, a significant element of the securities' value.

#### *Real Estate Investment Trusts*

A REIT is a company dedicated to owning, and usually operating, income producing real estate, or to financing real estate. REITs pool investors' funds for investment primarily in income producing real estate or real estate-related loans or interests. A REIT is not taxed on income distributed to stockholders if, among other things, it distributes to its stockholders substantially all of its taxable income (other than net capital gains) for each taxable year. As a result, REITs tend to pay relatively higher dividends than other types of companies and RTU intends to use these REIT dividends in an effort to meet the high current income goal of its investment objective.

REITs can generally be classified as equity REITs, mortgage REITs and hybrid REITs. Equity REITs, which invest the majority of their assets directly in real property, derive their income primarily from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs, which invest the majority of their assets in real estate mortgages, derive their income primarily from interest payments. Hybrid REITs combine the characteristics of both equity REITs and mortgage REITs. RTU does not currently intend to invest more than 10% of its managed assets in mortgage REITs or hybrid REITs.

#### *Foreign (Non-U.S.) Companies*

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Each Fund may invest in securities of foreign issuers. RTU may invest up to 20% of its managed assets in securities of foreign issuers, including securities represented by American Depositary Receipts ( ADRs ). RTU

will not invest more than 10% of its managed assets in securities of issuers in emerging markets (or less developed countries). UTF is not limited in the amount of assets it may invest in foreign securities, including in companies located in emerging market countries.

Dividend income a Fund receives from foreign securities may not be eligible for the special tax treatment applicable to qualified dividend income. However, dividend income a Fund receives from securities of certain qualified foreign corporations (e.g., generally, foreign corporations incorporated in a possession of the United States or in certain countries with a qualifying comprehensive tax treaty with the United States, or the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States, but not including a foreign corporation which for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a passive foreign investment company, as defined in the Code) will be eligible for the special tax treatment applicable to qualified dividend income.

#### *MLPs*

An MLP is a publicly traded company organized as a limited partnership or limited liability company and treated as a partnership for federal income tax purposes. MLPs may derive income and gains from the exploration, development, mining or production, processing, refining, transportation (including pipelines transporting gas, oil, or products thereof), or the marketing of any mineral or natural resources. MLPs generally have two classes of owners, the general partner and limited partners. The general partner of an MLP is typically owned by one or more of the following: a major energy company, an investment fund, or the direct management of the MLP. The general partner may be structured as a private or publicly traded corporation or other entity. The general partner typically controls the operations and management of the MLP through an up to 2% equity interest in the MLP plus, in many cases, ownership of common units and subordinated units. Limited partners own the remainder of the partnership, through ownership of common units, and have a limited role in the partnership's operations and management.

#### *Canadian Royalty Trusts*

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

#### *Preferred Securities*

Each Fund may invest up to 20% of its managed assets in preferred securities and other fixed-income securities issued by any type of company in which it does not focus its investments. There are two basic types of preferred securities. The first, sometimes referred to in this Proxy/Prospectus as traditional preferred securities, consists of preferred stock issued by an entity taxable as a corporation. Preferred stocks are considered equity securities. The second basic type is referred to in this Proxy/Prospectus as hybrid-preferred securities. Hybrid-preferred securities are usually issued by a trust or limited partnership and often represent preferred interests in subordinated debt instruments issued by a corporation for whose benefit the trust or partnership was established. Hybrid-preferred securities are considered debt securities. Preferred securities pay fixed or floating dividends to

investors and have preference over common stock in the payment of dividends and in the liquidation of a company's assets. This means that a company must pay dividends on preferred stock before paying dividends on its common stock. Preferred stockholders usually have no right to vote for corporate directors or on other matters. The hybrid and REIT preferred securities in which the Funds invest do not qualify for the DRD and are not expected to provide significant benefits under the rules relating to qualified dividend income. As a result, any corporate stockholder who otherwise would qualify for the DRD, and any individual stockholder who otherwise would qualify to be taxed at long-term capital gain rates on qualified dividend income, should assume that none of the distributions the stockholder receives from a Fund attributable to hybrid and REIT preferred securities will qualify for the DRD or provide significant benefits under the rules relating to qualified dividend income. Distributions received from a Fund attributable to traditional preferred securities, other than those issued by REITs, generally would qualify for the DRD as to any corporate stockholder and generally would qualify to be taxed at long-term capital gains rates as to any individual stockholder.

#### *Debt Securities*

Each Fund may invest in debt securities issued by real estate companies, including REITs, utility companies and other types of issuers. The Fund's investments in debt securities may include investments in convertible debt securities, convertible preferred securities, corporate debt securities issued by domestic and non-U.S. corporations and government debt securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities or a non-U.S. Government or its agencies or instrumentalities, such as mortgage debt securities. Convertible securities are exchangeable for common stock at a predetermined stock (the conversion price). Depending upon the relationship of the conversion price to the market value of the underlying securities, convertible securities may trade more like common stock than debt instruments.

#### *Lower-Rated Securities*

Each Fund is permitted to invest up to 25% of its managed assets in preferred stock and debt securities rated below investment grade and equivalent unrated securities of comparable quality as determined by the Investment Manager. Securities rated non-investment grade (lower than BBB- by Standard & Poor's Ratings Group (S&P)) or lower than Baa3 by Moody's Investors Service, Inc. (Moody's)) are sometimes referred to as high yield or junk bonds. UTF may only invest in high yield securities that are rated CCC or higher by S&P, or rated Caa or higher by Moody's or unrated securities determined by the Investment Manager to be of comparable quality. The issuers of these securities have a currently identifiable vulnerability to default and such issues may be in default or there may be present elements of danger with respect to principal or interest. The Funds will not invest in securities that are in default at the time of purchase. For a description of S&P and Moody's ratings, see Appendix D to this Proxy Statement.

#### **Additional Investment Activities**

##### *Derivatives Transactions*

The Funds may, but are not required to, use various strategic transactions described below to seek to generate total return, facilitate portfolio management and mitigate risks. Although the Investment Manager may seek to use these kinds of transactions to further a Fund's investment objective(s), no assurance can be given that they will achieve this result.

The Funds may enter into exchange-listed and over-the-counter put and call options on securities (including securities of investment companies and baskets of securities), indexes, and other financial instruments; purchase and sell financial futures contracts and options thereon; enter into various interest rate transactions, such as swaps, caps, floors or collars or credit transactions; equity index, total return and swaps; credit default swaps; forward contracts; and structured investments. In addition, the Funds may enter into various currency transactions, such as forward currency contracts, currency futures contracts, currency swaps or options on currency or currency futures. The Funds also may purchase and sell derivative instruments that combine features

of these instruments. The Funds may invest in other types of derivatives, structured and similar instruments which are not currently available but which may be developed in the future. Collectively, all of the above are referred to as Derivatives Transactions.

#### *Securities Lending*

Each Fund may lend portfolio securities to broker/dealers or other institutions. The borrower must maintain with a Fund cash or equivalent collateral equal to at least 100% of the market value of the securities loaned. During the time portfolio securities are on loan, the borrower pays the Fund any dividends or interest paid on the securities. The Fund may invest the collateral and earn additional income or receive an agreed upon amount of interest income from the borrower. Loans are subject to termination at the option of the Fund or the borrower. The Funds may pay reasonable administrative and custodial fees in connection with a loan. The Funds do not have the right to vote securities on loan, but would terminate the loan and regain the right to vote if that were considered important with respect to the investment. A Fund may lose money if a borrower defaults on its obligation to return securities and the value of the collateral held by the Fund is insufficient to replace the loaned securities. In addition, each Fund is responsible for any loss that might result from its investment of the borrower's collateral.

#### *Other Investment Companies*

Each Fund may invest in other investment companies to the extent permitted by Section 12(d)(1) of the 1940 Act. Each Fund also may invest in other investment companies either during periods when it has large amounts of uninvested cash or during periods when there is a shortage of attractive opportunities in the market. As a stockholder in an investment company, a Fund would bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's advisory and other fees and expenses with respect to assets so invested. Common stockholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. The securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks to which the Fund is subject. Investment companies may have investment policies that differ from those of the Funds. In addition, to the extent a Fund invests in other investment companies, the Fund will be dependent upon the investment and research abilities of persons other than the Investment Manager.

In accordance with Section 12(d)(1)(F) of the 1940 Act, a Fund may be limited in the amount the Fund and its affiliates, including the other Funds, can invest in any one fund (a Portfolio Fund) to 3% of the Portfolio Fund's total outstanding stock. As a result, the Fund may hold a smaller position in a Portfolio Fund than if it were not subject to this restriction. To comply with provisions of the 1940 Act, on any matter upon which Portfolio Fund stockholders are solicited to vote the Investment Manager may be required to vote Portfolio Fund shares in the same general proportion as shares held by other stockholders of the Portfolio Fund.

#### *Restricted and Illiquid Securities*

Each Fund may each invest up to 10% of its managed assets in such securities. Illiquid securities include, but are not limited to, restricted securities (securities the disposition of which is restricted under the federal securities laws), securities that may only be resold pursuant to Rule 144A under the Securities Act but that are deemed to be illiquid, and repurchase agreements with maturities in excess of seven days. Each Fund's Board or its delegate has the ultimate authority to determine, to the extent permissible under the federal securities laws, which securities are liquid or illiquid for purposes of the Fund's investment limitations, if applicable. The Boards have delegated to the Investment Manager the day-to-day determination of the illiquidity of any security held by the Funds, although they have retained oversight and ultimate responsibility for such determinations. Although no definitive liquidity criteria are used, the Boards and/or the Investment Manager will consider factors such as (i) the nature of the market for a security (including the institutional private resale market; the frequency of trades and quotes for the security; the number of dealers willing to purchase or sell the security; the amount of

time normally needed to dispose of the security; and the method of soliciting offers and the mechanics of transfer), (ii) the terms of certain securities or other instruments allowing for the disposition to a third party or the issuer thereof (e.g., certain repurchase obligations and demand instruments) and (iii) other permissible relevant factors.

#### *Other Investments*

Each Fund's cash reserves, held to provide sufficient flexibility to take advantage of new opportunities for investments and for other cash needs, are invested in money market instruments. Money market instruments in which each Fund may invest its cash reserves will generally consist of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and such obligations that are subject to repurchase agreements and commercial paper.

#### *Portfolio Turnover*

The Funds may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving a Fund's investment objectives. However, there are no limits on the rate of portfolio turnover, and investments may be sold without regard to length of time held when, in the opinion of the Investment Manager, investment considerations warrant such action. A higher turnover rate results in correspondingly greater brokerage commissions and other transactional expenses which are borne by a Fund. High portfolio turnover may result in the realization of net short-term capital gains by a Fund which, when distributed to stockholders, will be taxable as ordinary income.

#### *Temporary Defensive Position*

Upon the Investment Manager's recommendation, during periods of unusual adverse market condition and in order to keep a Fund's cash fully invested, the Fund may deviate from its investment objectives and invest all or any portion of its assets in, for RTU, investment grade debt securities, and for UTF, short-term debt instruments, government securities, cash or cash equivalents, without regard to whether the issuer is a real estate company, an infrastructure company or a utility company (as applicable). In such a case, the Funds may not pursue or achieve their investment objectives.

#### **Risk Factors**

There is no guarantee that each Fund's common stock will not lose value. This means the stockholders of each Fund including the combined Fund could lose money. The following discussion describes the principal and certain other risks that may affect the Funds.

#### *Market Risk*

An investment in a Fund represents an indirect investment in the common stock, preferred securities and other securities owned by the Fund, substantially all of which are traded on a domestic or foreign securities exchange or in the over-the-counter markets. The value of these securities, like other investments, may move up or down, sometimes rapidly and unpredictably. A Fund's common stock, at any point in time, may be worth less than what was initially invested, even after taking into account the reinvestment of dividends and distributions. Each Fund utilizes leverage, which magnifies market risk.

#### *Risks of Securities Linked to the Utility Industry*

Because each Fund concentrates its investments in common stocks, preferred stocks and other equity securities issued by utility companies, an investment in a Fund will be significantly impacted by the performance of the utilities industry. Each Fund's emphasis on securities of utility issuers makes it more susceptible to adverse

economic, political or regulatory occurrences affecting such issuers than a fund that does not have its assets invested to a similar degree in such issuers. The utility industry generally includes companies involved in providing products, services or equipment for (i) the generation or distribution of electricity, gas or water, (ii) telecommunications services or (iii) infrastructure operations, such as airports, toll roads and municipal services. Certain segments of this industry and individual companies within such segments may not perform as well as the industry as a whole. Issuers in the utility industry are subject to a variety of factors that may adversely affect their business or operations, including:

high interest costs in connection with capital construction and improvement programs;

difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets;

governmental regulation of rates charged to customers;

costs associated with compliance with and changes in environmental and other regulations;

effects of economic slowdowns and surplus capacity;

increased competition from other providers of utility services;

inexperience with and potential losses resulting from a developing deregulatory environment;

costs associated with reduced availability of certain types of fuel, occasionally reduced availability and high costs of natural gas for resale and the effects of energy conservation policies, and the potential that costs incurred by the utility, such as the cost of fuel, change more rapidly than the rate the utility is permitted to charge its customers;

effects of a national energy policy and lengthy delays and greatly increased costs and other problems associated with the design, construction, licensing, regulation and operation of nuclear facilities for electric generation, including, among other considerations, the problems associated with the use of radioactive materials and the disposal of radioactive wastes;

technological innovations that may render existing plants, equipment or products obsolete; and

potential impact of terrorist activities on the utility industry and its customers and the impact of natural or man-made disasters, including events such as the blackout that affected electric utility companies in many Mid-Atlantic and Midwest states in 2003.

Issuers in the utility industry may be subject to regulation by various governmental authorities in various jurisdictions and may be affected by the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. Various regulatory regimes also impose limitations on the percentage of the shares of a public utility held by a Fund as an investment for its clients. These limitations may unfavorably restrict the ability of a Fund to make certain investments. Generally, prices charged by certain utilities are regulated in the United States with the intention of protecting the public while ensuring that the rate of return earned by such companies is sufficient to allow them to attract capital in order to grow and continue to provide appropriate services. There can be no assurance that such pricing policies or rates of return will continue in the future. The nature of regulation in the utility industry is evolving. Changes in regulation increasingly allow participants in the utility industry to provide services and products outside their traditional geographic areas and lines of business, creating new areas of competition within such industries. The emergence of competition may result in certain companies being forced to defend their core businesses which may cause such companies to be less profitable.

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In addition, there are substantial differences between the regulatory practices and policies of various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. There is no assurance that regulatory authorities will, in the future, grant rate increases or that such increases will be adequate to permit the payment of dividends on preferred or common stocks. Additionally, existing and possible future regulatory legislation may make it even more difficult for these utilities to obtain adequate relief. Certain



of the issuers of securities held in a Fund's portfolio may own or operate nuclear generating facilities. Governmental authorities may from time to time review existing policies and impose additional requirements governing the licensing, construction and operation of nuclear power plants. Prolonged changes in climatic conditions can also have a significant impact on both the revenues of an electric and gas utility as well as its expenses.

The nature of regulation of the utility industries is evolving both in the United States and in foreign countries. In recent years, changes in regulation in the United States increasingly have allowed utility companies to provide services and products outside their traditional geographic areas and lines of business, creating new areas of competition within the industries. In some instances, utility companies are operating on an unregulated basis. Because of trends toward deregulation and the evolution of independent power producers as well as new entrants to the field of telecommunications, non-regulated providers of utility services have become a significant part of their respective industries. The emergence of competition and deregulation may result in certain utility companies being able to earn more than their traditional regulated rates of return, while others may be forced to defend their core business from increased competition and may be less profitable. Reduced profitability, as well as new uses of funds (such as for expansion, operations or stock buybacks) could result in cuts in dividend payout rates.

Foreign utility companies are also subject to regulation, although such regulation may or may not be comparable to those in the United States. Foreign utility companies may be more heavily regulated by their respective governments than utilities in the United States and, as in the United States, generally are required to seek government approval for rate increases. In addition, many foreign utilities use fuels that may cause more pollution than those used in the United States, which may require such utilities to invest in pollution control equipment to meet any proposed pollution restrictions. Foreign regulatory systems vary from country to country and may evolve in ways different from regulation in the United States.

Investments in certain utility companies are also subject to certain additional risks.

Electric. Electric utilities consist of companies that are engaged principally in one or more of the following activities: the generation, transmission, sale and distribution of electric energy, although many also provide other energy-related services. In the past, electric utility companies, in general, have been favorably affected by lower fuel and financing costs and the full or near completion of major construction programs. In addition, many of these companies have generated cash flows in excess of current operating expenses and construction expenditures, permitting some degree of diversification into unregulated businesses. Some electric utilities have also taken advantage of the right to sell power outside of their traditional geographic areas. Electric utility companies have historically been subject to the risks associated with increases in fuel and other operating costs, high interest costs on borrowings needed for capital construction programs, costs associated with compliance with environmental and safety regulations and changes in the regulatory climate. As interest rates declined, many utilities refinanced high cost debt and in doing so improved their fixed charges coverage. Regulators, however, lowered allowed rates of return as interest rates declined and thereby caused the benefits of the rate declines to be shared wholly or in part with customers.

The construction and operation of nuclear power facilities are subject to increased scrutiny by, and evolving regulations of, the Nuclear Regulatory Commission and state agencies having comparable jurisdiction. Increased scrutiny might result in higher operating costs and higher capital expenditures, with the risk that the regulators may disallow inclusion of these costs in rate authorizations or the risk that a company may not be permitted to operate or complete construction of a facility. In addition, operators of nuclear power plants may be subject to significant costs for disposal of nuclear fuel and for decommissioning such plants.

The rating agencies are taking a closer look at the business profile of utilities. Ratings for companies are expected to be impacted to a greater extent in the future by the division of their asset base. Electric utility companies that focus more on the generation of electricity may be assigned less favorable ratings as this business

is expected to be competitive and the least regulated. On the other hand, companies that focus on transmission and distribution which is expected to be the least competitive and the more regulated part of the business may see higher ratings given the greater predictability of cash flow.

Currently, several states are considering deregulation proposals, while other states have already enacted enabling legislation. The introduction of competition into the industry as a result of deregulation may result in lower revenue, lower credit ratings, increased default risk and lower electric utility security prices. Such increased competition may also cause long-term contracts, which electric utilities previously entered into to buy power, to become stranded assets which have no economic value. Any loss associated with such contracts must be absorbed by ratepayers and investors. In addition, in anticipation of increasing competition, some electric utilities have acquired electric utilities overseas to diversify, enhance earnings and gain experience in operating in a deregulated environment. In some instances, such acquisitions have involved significant borrowings, which have burdened the acquirer's balance sheet. There is no assurance that current deregulation proposals will be adopted. However, deregulation in any form could significantly impact the electric utilities industry.

Following deregulation of the energy markets in certain states, a number of companies have engaged in energy trading and incurred substantial losses. Certain of these energy trading businesses have been accused of employing improper accounting practices and have been required to make significant restatements of their financial results. In addition, several energy companies have been accused of attempting to manipulate the price and availability of energy in certain states.

Telecommunications. The telecommunications industry today includes both traditional telephone companies with a history of broad market coverage and highly regulated businesses, and cable companies, which began as small, lightly regulated businesses focused on limited markets. Today these two historically different businesses are converging in an industry which is trending toward larger, competitive, national and international markets with an emphasis on deregulation. Companies that distribute telephone services and provide access to the telephone networks still comprise the greatest portion of this segment, but non-regulated activities such as cellular telephone services, paging, data processing, equipment retailing, computer software and hardware services are becoming increasingly significant components as well. The presence of unregulated companies in this industry and the entry of traditional telephone companies into unregulated or less regulated businesses provide significant investment opportunities with companies which may increase their earnings at faster rates than had been allowed in traditional regulated businesses. Still, increasing competition, technological innovations and other structural changes could adversely affect the profitability of such utilities and the growth rate of their dividends. Given mergers, certain marketing tests currently underway and proposed legislation and enforcement changes, it is likely that both traditional telephone companies and cable companies will soon provide a greatly expanded range of utility services, including two-way video and informational services to both residential, corporate and governmental customers.

In February 1996, the Telecommunications Act of 1996 (the Act) became law. The Act removed regulatory restrictions on entry that prevented local and long-distance telephone companies and cable television companies from competing against one another. The Act also removed most cable rate controls and allows broadcasters to own more radio and television stations. Litigation concerning the constitutionality of certain major provisions of the Act has slowed the implementation of such provisions.

Gas. Gas transmission companies and gas distribution companies are also undergoing significant changes. In the United States, interstate transmission companies are regulated by the Federal Energy Regulatory Commission, which is reducing its regulation of the industry. Many companies have diversified into oil and gas exploration and development, making returns more sensitive to energy prices. In the recent decade, gas utility companies have been adversely affected by disruptions in the oil industry and have also been affected by increased concentration and competition. Prolonged changes in climatic conditions can also have a significant impact on both the revenues and expenses of a gas utility.

Water. Water supply utilities are companies that collect, purify, distribute and sell water. In the United States and around the world the industry is highly fragmented because most of the water utilities are owned by local authorities. Companies in this industry are generally mature and are experiencing little or no per capita volume growth.

There can be no assurance that the positive developments noted above, including those relating to privatization and changing regulation, will occur or that risk factors other than those noted above will not develop in the future.

*Risks of Investing in Infrastructure Securities*

Securities and instruments of infrastructure companies are more susceptible to adverse economic or regulatory occurrences affecting their industries. Infrastructure companies may be subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, high leverage, costs associated with environmental and other regulations, the effects of economic slowdown, surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies and other factors. Infrastructure companies may also be affected by or subject to (i) regulation by various government authorities, (ii) government regulation of rates charged to customers, (iii) service interruption due to environmental, operational or other mishaps, (iv) the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards, and (v) general changes in market sentiment towards infrastructure and utility assets.

*Risks of Securities Linked to the Real Estate Market*

Each Fund may invest in securities of real estate companies; however, because RTU concentrates its assets in the real estate industry, including REITs, an investment in RTU will be significantly impacted by the performance of the real estate market. RTU does not invest in real estate directly, but because of its policy of concentration in the securities of companies in the real estate industry, the Fund also is subject to the risks associated with the direct ownership of real estate. These risks include:

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;

increased competition;

increases in property taxes and operating expenses;

changes in zoning laws;

losses due to costs resulting from the clean-up of environmental problems;

liability to third parties for damages resulting from environmental problems;

casualty or condemnation losses;

limitations on rents;

changes in neighborhood values and the appeal of properties to tenants;

changes in interest rates;

financial condition of tenants, buyers and sellers of real estate; and

quality of maintenance, insurance and management services.

Thus, the value of the Fund's common stock may change at different rates compared to the value of shares of a registered investment company with investments in a mix of different industries and will depend on the general condition of the economy. An economic downturn could have a material adverse effect on the real estate markets and on real estate companies in which the Fund invests, which in turn could result in the Fund not achieving its investment objectives.

Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws (*e.g.*, Americans with Disabilities Act and tax laws), interest rate levels and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions in which the real estate owned by a portfolio company is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited. A real estate company may also have joint venture investments in certain of its properties and, consequently, its ability to control decisions relating to such properties may be limited.

Real property investments are also subject to risks which are specific to the investment sector or type of property in which the real estate companies are investing. These risks include the following:

Retail Properties. Retail properties are affected by the overall health of the applicable economy. A retail property may be adversely affected by the growth of alternative forms of retailing, bankruptcy, decline in drawing power, departure or cessation of operations of an anchor tenant, a shift in consumer demand due to demographic changes, and/or changes in consumer preference (for example, to discount retailers) and spending patterns. A retail property may also be adversely affected if a significant tenant ceases operation at such location, voluntarily or otherwise. Certain tenants at retail properties may be entitled to terminate their leases if an anchor tenant ceases operations at such property.

Office Properties. Office properties generally require their owners to expend significant amounts for general capital improvements, tenant improvements and costs of reletting space. In addition, office properties that are not equipped to accommodate the needs of modern businesses may become functionally obsolete and thus noncompetitive. Office properties are affected by the overall health of the economy and other factors such as a down turn in the businesses operated by their tenants, obsolescence and non-competitiveness. The risks of such an adverse effect is increased if the property revenue is dependent on a single tenant or if there is a significant concentration of tenants in a particular business or industry.

Hotel Properties. The risks of hotel properties include, among other things, the necessity of a high level of continuing capital expenditures to keep necessary furniture, fixtures and equipment updated, competition from other hotels, increases in operating costs (which increases may not necessarily be offset in the future by increased room rates), dependence on business and commercial travelers and tourism, increases in fuel costs and other expenses of travel, changes to regulation of operating liquor and other licenses, and adverse effects of general and local economic conditions. Due to the fact that hotel rooms are generally rented for short periods of time, hotel properties tend to be more sensitive to adverse economic conditions and competition than many other commercial properties.

Also, hotels may be operated pursuant to franchise, management and operating agreements that may be terminable by the franchiser, the manager or the operator. Contrarily, it may be difficult to terminate an ineffective operator of a hotel property subsequent to a foreclosure of such property.

Healthcare Properties. Healthcare properties and healthcare providers are affected by several significant factors, including federal, state and local laws governing licenses, certification, adequacy of care, pharmaceutical distribution, rates, equipment, personnel and other factors regarding operations; continued availability of revenue from government reimbursement programs (primarily Medicaid and Medicare) and competition in terms of appearance, reputation, quality and cost of care with similar properties on a local and regional basis.

These governmental laws and regulations are subject to frequent and substantial changes resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. Changes may also be applied retroactively and the timing of such changes cannot be predicted. The failure of any healthcare operator to comply with governmental laws and regulations may affect its ability to operate its facility or receive government reimbursement. In addition, in the event that a tenant is in default on its lease, a new operator or purchaser at a foreclosure sale will have to apply in its own right for all relevant licenses if such new operator does not already hold such licenses. There can be no assurance that such new licenses could be obtained, and consequently, there can be no assurance that any healthcare property subject to foreclosure will be disposed of in a timely manner.

Multifamily Properties. The value and successful operation of a multifamily property may be affected by a number of factors such as the location of the property, the ability of management to provide adequate maintenance and insurance, types of services provided by the property, the level of mortgage rates, presence of competing properties, the relocation of tenants to new projects with better amenities, adverse economic conditions in the locale, the amount of rent charged and oversupply of units due to new construction. In addition, multifamily properties may be subject to rent control laws or other laws affecting such properties, which could impact the future cash flows of such properties.

Insurance Issues. Certain of the portfolio companies may, in connection with the issuance of securities, have disclosed that they carry comprehensive liability, fire, flood, earthquake, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. However such insurance is not uniform among the portfolio companies. Moreover, there are certain types of extraordinary losses that may be uninsurable, or not economically insurable. Certain of the properties may be located in areas that are subject to earthquake activity for which insurance may not be maintained. Should a property sustain damage as a result of an earthquake, even if the portfolio company maintains earthquake insurance, the portfolio company may incur substantial losses due to insurance deductibles, co-payments on insured losses or uninsured losses. Should any type of uninsured loss occur, the portfolio company could lose its investment in, and anticipated profits and cash flows from, a number of properties and, as a result, would impact a Fund's investment performance.

Credit Risk. Real estate companies may be highly leveraged and financial covenants may affect the ability of such companies to operate effectively. The portfolio companies are subject to risks normally associated with debt financing. If the principal payments of a real estate company's debt cannot be refinanced, extended or paid with proceeds from other capital transactions, such as new equity capital, the real estate company's cash flow may not be sufficient to repay all maturing debt outstanding. In addition, a portfolio company's obligation to comply with financial covenants, such as debt-to-asset ratios and secured debt-to-total asset ratios, and other contractual obligations may restrict a real estate company's range of operating activity. A portfolio company, therefore, may be limited from incurring additional indebtedness, selling its assets and engaging in mergers or making acquisitions which may be beneficial to the operation of the real estate company.

Environmental Issues. In connection with the ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or toxic substances, a portfolio company may be

considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines and liabilities for injuries to persons and property. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of any such portfolio company and, as a result, the amount available to make distributions on the shares could be reduced.

#### *REIT Tax Risk*

REITs are subject to a highly technical and complex set of provisions in the Code. It is possible that a Fund may invest in a real estate company which purports to be a REIT and that the company could fail to qualify as a REIT. In the event of any such unexpected failure to qualify as a REIT, the company would be subject to corporate-level taxation, significantly reducing the return to the Fund on its investment in such company. REITs could possibly fail to qualify for tax free pass-through of income under the Code, or to maintain their exemptions from registration under the 1940 Act. The general risks described above relating to the real estate markets may adversely affect a borrower's or a lessee's ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. In addition, REITs may be affected by changes to the tax laws.

#### *Common Stock Risk*

Each Fund may invest in equity securities, including common stock. While common stock has historically generated higher average returns than fixed income securities, common stock has also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of an issuer's common stock held by a Fund. Also, the price of common stock is sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stock held by a Fund.

#### *Convertible Securities Risk*

Each Fund may invest in convertible securities. Although to a lesser extent than with non-convertible fixed-income securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stock. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock.

#### *Foreign Securities Risk*

RTU may invest up to 20% of its managed assets in foreign securities, while UTF is not limited in the amount of its assets that may be invested in foreign securities. In addition, each Fund may invest in foreign securities of issuers in so-called "emerging markets" (or lesser developed countries). Investments in such securities are particularly speculative. Investing in foreign securities involves certain risks not involved in domestic investments, including, but not limited to:

fluctuations in foreign exchange rates;

future foreign economic, financial, political and social developments;

different legal systems;

the possible imposition of exchange controls or other foreign governmental laws or restrictions;

lower trading volume;

much greater volatility and illiquidity of certain foreign securities markets;

different trading and settlement practices;

less governmental supervision;

regulation changes;

changes in currency exchange rates;

less publicly available information about companies due to less rigorous disclosure or accounting standards or regulatory practices;

high and volatile rates of inflation;

fluctuating interest rates; and

different accounting, auditing and financial record-keeping standards and requirements.

Investments in foreign securities, especially in emerging market countries, will expose a Fund to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. Certain countries in which the Funds may invest, especially emerging market countries, have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. Many of these countries are also characterized by political uncertainty and instability. The cost of servicing external debt will generally be adversely affected by rising international interest rates because many external debt obligations bear interest at rates which are adjusted based upon international interest rates. In addition, with respect to certain foreign countries, there is a risk of:

the possibility of expropriation of assets;

confiscatory taxation;

difficulty in obtaining or enforcing a court judgment;

economic, political or social instability;

the possibility that an issuer may not be able to make payments to investors outside of the issuer's country; and

diplomatic developments that could affect investments in those countries.



In addition, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as:

growth of gross domestic product;

rates of inflation;

capital reinvestment;

resources;

self-sufficiency; and

balance of payments position.

Furthermore, certain investments in foreign securities also may be subject to foreign withholding taxes and dividend income a Fund receives from foreign securities may not be eligible for the reduced rates of taxation applicable to qualified dividend income.

Each Fund may invest in securities of issuers located or doing substantial business in emerging markets. RTU may invest up to 10% of its managed assets in emerging market countries, whereas UTF is not limited in the amount of its assets it may invest in such countries. Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments, and on repatriation of capital invested. Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading value compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities. For example, limited market size may cause prices to be unduly influenced by traders who control large positions. Adverse publicity and investors' perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of portfolio securities, especially in these markets. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates and corresponding currency devaluations have had and may continue to have negative effects on the economies and securities markets of certain emerging market countries. Emerging market countries also may have less reliable custodial services and settlement practices.

As a result of these potential risks, the Investment Manager may determine that, notwithstanding otherwise favorable investment criteria, it may not be practicable or appropriate to invest in a particular country. The Funds may invest in countries in which foreign investors, including the Investment Manager, have had no or limited prior experience.

#### *Foreign Currency Risk*

Although each Fund reports its net asset value ( NAV ) and pays dividends in U.S. dollars, foreign securities often are purchased with, and make interest payments in, foreign currencies. Therefore, when a Fund invests in foreign securities, it is subject to foreign currency risk, which means that the Fund's NAV could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. Certain foreign countries may impose restrictions on the ability of issuers of foreign securities to make payment of principal and interest to investors located outside the country, due to blockage of foreign currency exchanges or otherwise.

#### *MLP Risk*

An investment in MLP units involves some risks that differ from an investment in the common stock of a corporation. Holders of MLP units have limited control on matters affecting the partnership. Investing in MLPs involves certain risks related to investing in the underlying assets of the MLPs and risks associated with pooled investment vehicles. MLPs holding credit-related investments are subject to interest rate risk and the risk of default on payment obligations by debt issuers. MLPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with such industry or region. The benefit derived from UTF's investment in MLPs is largely dependent on the MLPs being treated as partnerships for federal income tax purposes.

#### *Canadian Royalty Trusts Risk*

The royalty trusts in which UTF may invest are heavily invested in oil and gas and are not diversified. Potential growth may be sacrificed because revenue is passed on to a royalty trust's unit holders (such as the Fund), rather than reinvested in the business. Royalty trusts generally do not guarantee minimum distributions or even return of capital. If the assets underlying a royalty trust do not perform as expected, the royalty trust may reduce or even eliminate distributions. The declaration of such distributions generally depends upon various factors, including the operating performance and financial condition of the royalty trust and general economic conditions. An investment in a Canadian royalty trust also could be affected by changes in the Canadian tax treatment of royalty trusts.

### *Preferred Stock Risk*

In addition to the risks of equity securities, the preferred stocks in which the Funds may invest also are more sensitive to changes in interest rates than common stocks. There also are special risks associated with investing in preferred securities, including:

Deferral and Omission. Preferred securities may include provisions that permit the issuer, at its discretion, to defer or omit distributions for a stated period without any adverse consequences to the issuer. If a Fund owns a preferred security that is deferring or omitting its distributions, the Fund may be required to report income for tax purposes although it has not yet received such income.

Subordination. Preferred securities are generally subordinated to bonds and other debt instruments in a company's capital structure in terms of having priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. Government securities.

Limited Voting Rights. Generally, traditional preferred securities offer no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. Hybrid-preferred security holders generally have no voting rights.

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by a Fund.

New Types of Securities. From time to time, preferred securities, including hybrid-preferred securities, have been, and may in the future be, offered having features other than those described herein. Each Fund has reserved the right to invest in these securities if the Investment Manager believes that doing so would be consistent with the Fund's investment objectives and policies. Because the market for these instruments would be new, a Fund may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as high price volatility.

Financial Services. Companies principally engaged in financial services are prominent issuers of preferred securities and, therefore, a Fund may be susceptible to adverse economic or regulatory occurrences affecting that sector. Investing in the financial services sector includes the following risks:

regulatory actions financial services companies may suffer a setback if regulators change the rules under which they operate;

changes in interest rates unstable interest rates can have a disproportionate effect on the financial services sector;

concentration of loans financial services companies whose securities a Fund may purchase may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that sector; and

competition financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies.

### *Lower-Rated Securities Risk*

Each Fund may invest in lower-rated securities, including securities rated below investment grade. Lower-rated securities may be considered speculative with respect to the issuer's continuing ability to make principal



and interest payments. Analysis of the creditworthiness of issuers of lower-rated securities may be more complex than for issuers of higher quality debt securities, and a Fund's ability to achieve the Fund's investment objectives may, to the extent the Fund is invested in lower-rated securities, be more dependent upon such creditworthiness analysis than would be the case if the Fund was investing in higher quality securities. An issuer of these securities has a currently identifiable vulnerability to default and the issues may be in default or there may be present elements of danger with respect to principal or interest. Neither Fund will invest in securities which are in default at the time of purchase. A security will be considered to be investment grade if, at the time of investment, such security has a rating of BBB or higher by S&P, Baa or higher by Moody's or an equivalent rating by a nationally recognized statistical rating agency, or, if unrated, such security is determined by the Investment Manager to be of comparable quality.

Lower-rated securities, or equivalent unrated securities, which are commonly known as junk bonds, generally involve greater volatility of price and risk of loss of income and principal and may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of lower-rated securities have been found to be less sensitive to interest-rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual corporate developments. Yields on lower-rated securities will fluctuate. If the issuer of lower-rated securities defaults, a Fund may incur additional expenses to seek recovery.

The secondary markets in which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect the price at which a Fund could sell a particular lower-rated security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause large fluctuations in the NAV of the Fund's common stock. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities.

It is reasonable to expect that any adverse economic conditions could disrupt the market for lower-rated securities, have an adverse impact on the value of those securities, and adversely affect the ability of the issuers of those securities to repay principal and pay interest on those securities. New laws and proposed new laws may adversely impact the market for lower-rated securities.

#### *Interest Rate Risk*

Interest rate risk is the risk that fixed-income securities, such as preferred and debt securities, and to a lesser extent dividend-paying common stocks, will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall.

During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled which is generally known as call or prepayment risk. If this occurs, a Fund may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Preferred and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities in which a Fund will invest have recently declined significantly below the recent historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future (which would cause the value of a Fund's net assets to decline) and the degree to which asset values may decline in such events; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

*Tax Risk*

Each Fund's investment program and the tax treatment of Fund distributions may be affected by Internal Revenue Service ( IRS ) interpretations of the Code and future changes in tax laws and regulations. In particular, the provisions that currently apply to the favorable tax treatment of qualified dividend income are scheduled to expire for taxable years beginning after December 31, 2010 unless future legislation is passed to extend the effective date of those provisions. There can be no assurance of what portion, if any, of a Fund's distributions will be entitled to the lower tax rates that apply to qualified dividend income. In addition, each Fund may invest in preferred securities or other securities the federal income tax treatment of which may not be clear or may be subject to recharacterization by the IRS. It could be more difficult for a Fund to comply with the tax requirements applicable to regulated investment companies if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the IRS.

*Derivatives Transactions Risk*

Derivatives Transactions can be highly volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction and illiquidity of the derivative instruments. Derivatives Transactions may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on a Fund's performance, effecting a form of investment leverage on the Fund's portfolio. In certain types of Derivatives Transactions a Fund could lose the entire amount of its investment; in other types of Derivatives Transactions the potential loss is theoretically unlimited.

The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for Derivatives Transactions. A Fund could experience losses if it were unable to liquidate its position because of an illiquid secondary market. Successful use of Derivatives Transactions also is subject to the ability of the Investment Manager to predict correctly movements in the direction of the relevant market and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the derivatives. Derivatives Transactions entered into to seek to manage the risks of a Fund's portfolio of securities may have the effect of limiting gains from otherwise favorable market movements. The use of Derivatives Transactions may result in losses greater than if they had not been used (and a loss on a Derivatives Transaction position may be larger than the gain in a portfolio position being hedged), may require a Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. Amounts paid by a Fund as premiums and cash or other assets held as collateral with respect to Derivatives Transactions may not otherwise be available to the Fund for investment purposes.

The use of currency transactions can result in a Fund incurring losses as a result of the imposition of exchange controls, political developments, government intervention or failure to intervene, suspension of settlements or the inability of the Fund to deliver or receive a specified currency.

Structured notes and other related instruments carry risks similar to those of more traditional derivatives such as futures, forward and option contracts. However, structured instruments may entail a greater degree of market risk and volatility than other types of debt obligations.

A Fund will be subject to credit risk with respect to the counterparties to certain Derivatives Transactions entered into by the Fund. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter ( OTC ) derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. However, many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day and once the daily limit has been reached in a particular contract no trades may be made that day at a

price beyond that limit or trading may be suspended. There also is no assurance that sufficient trading interest to create a liquid secondary market on an exchange will exist at any particular time and no such secondary market may exist or may cease to exist. Each party to an OTC derivative bears the risk that the counterparty will default. OTC derivatives are less liquid than exchange-traded derivatives because the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, a Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Each Fund will not be a commodity pool (*i.e.*, a pooled investment vehicle which trades in commodity futures contracts and options thereon and the operator of which is registered with the Commodity Futures Trading Commission). In addition, each Fund has claimed an exclusion from the definition of commodity pool operator and, therefore, is not subject to registration or regulation as a pool operator under the Commodity Exchange Act.

A Fund will be subject to credit risk with respect to the counterparties to certain Derivatives Transactions entered into by the Fund. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter ( OTC ) derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. Each party to an OTC derivative bears the risk that the counterparty will default. OTC derivatives are less liquid than exchange-traded derivatives because the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, a Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. A Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

#### *Restricted and Illiquid Securities Risk*

Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the Securities Act or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid investments involve the risk that the securities will not be able to be sold at the time desired by a Fund or at prices approximating the value at which the Fund is carrying the securities on its books.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act. Where registration is required, a Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If during such a period adverse market conditions were to develop, the Fund might obtain a less favorable price than that which prevailed when it decided to sell. For purposes of determining a Fund's NAV, illiquid securities will be priced at fair value as determined in good faith by the Board or its delegate.

#### *Leverage Risk*

Each Fund is authorized to use financial leverage as part of its investment strategy. Historically, the Funds engaged in leverage through the issuance of AMPS. Each Fund currently engages in leverage through borrowings. Leverage risk is the risk associated with the borrowing of funds and other investment techniques that increase investment exposure above the amount available from its common stock. Leverage is a speculative technique which will expose a Fund to greater risk and increase its costs. Increases and decreases in the value of

a Fund's portfolio will be magnified when the Fund uses leverage. For example, leverage will cause greater swings in the Fund's NAV or cause the Fund to lose more than it invested. A Fund also will generally have to pay interest on its borrowings, reducing the Fund's return. These interest expenses may be greater than the Fund's return on the underlying investment. There is no assurance that a Fund's leveraging strategy will be successful.

When leverage is employed, the NAV and market value of a Fund's common stock will be more volatile, and the yield to common stockholders will tend to fluctuate with changes in the shorter-term interest rates on the leverage. If the interest rate on a Fund's borrowings approaches the net rate of return on the Fund's investment portfolio, the benefit of leverage to common stockholders would be reduced. If the interest rate on a Fund's borrowings exceeds the net rate of return on the Fund's portfolio, the leverage will result in a lower rate of return to common stockholders than if the Fund were not leveraged. The Funds will pay (and common stockholders will bear) any costs and expenses relating to any leverage. Accordingly, the Funds cannot assure you that the use of leverage would result in a higher yield or return to common stockholders.

Any decline in the NAV of a Fund's investments will be borne entirely by common stockholders. Therefore, if the market value of a Fund's portfolio declines, the leverage will result in a greater decrease in NAV to common stockholders than if the Fund were not leveraged. This greater NAV decrease will also tend to cause a greater decline in the market price for the Fund's common stock. A material decline in a Fund's NAV may impair the Fund's ability to maintain required levels of asset coverage pursuant to the requirements of the 1940 Act or the Fund's contractual arrangements with its lender. In such cases, the Fund's current investment income might not be sufficient to meet the interest payments on indebtedness. In order to counteract such an event, a Fund might need to reduce its leverage and to liquidate investments in order to repay its borrowings. Liquidation at times of low security prices may result in capital losses and may reduce returns to common stockholders.

The Funds' borrowings constitute an effective lien on the Funds' common stock by reason of their prior claim against the income of a Fund and against the net assets of the Fund in liquidation. A Fund may not be permitted to declare dividends or other distributions with respect to its common stock, or repurchase its common stock, unless (i) at the time of such declaration or repurchase the Fund meets certain asset coverage requirements and (ii) there is no event of default under any borrowings, that is continuing. In the event of a default under any borrowings, the lenders may have the right to cause a liquidation of the collateral (*i.e.*, sale of portfolio securities) and if any such default is not cured, the lenders may be able to control the liquidation as well.

Each Fund reserves the right at any time, if it believes that market conditions are appropriate, to increase its level of borrowings or other senior securities to maintain or increase the level of leverage to the extent permitted by the 1940 Act and existing agreements between the Fund and third parties. While a Fund may from time to time consider reducing or raising leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that the Fund will actually reduce or increase leverage in the future or that any reduction or increase, if undertaken, will benefit common stockholders. Changes in the future direction of interest rates are very difficult to predict accurately. If a Fund were to reduce or raise leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction or increase in leverage would likely reduce the income and/or total returns to common stockholders relative to the circumstance where the Fund had not reduced or increased leverage. A Fund may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and share price if the prediction were to turn out to be correct, and determine not to reduce or increase leverage as described above.

Because each Fund's management fee paid to the Investment Manager is calculated on the basis of managed assets, the fee will be higher when leverage is utilized, which may provide the Investment Manager an incentive to utilize leverage.



#### *Non-Diversified Status*

Each Fund is classified as a non-diversified investment company under the 1940 Act, which means the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. However, each Fund intends to conduct its operations so as to qualify as a regulated investment company for purposes of the Code, which generally will relieve the Fund of any liability for federal income tax to the extent its earnings are distributed to stockholders. To so qualify, among other requirements, each Fund limits its investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the value of its managed assets are invested in the securities (other than U.S. Government securities or the securities of other regulated investment companies) of a single issuer, two or more issuers which the Fund controls and are engaged in the same, similar or related trades or businesses, or the securities of certain publicly traded partnerships, and (ii) at least 50% of the value of its managed assets are invested in cash and cash items, U.S. Government securities, securities of other regulated investment companies and other securities; provided, however, that with respect to such other securities, not more than 5% of the value of its managed assets are invested in the securities of a single issuer and the Fund will not own more than 10% of the outstanding voting securities of a single issuer. Because a Fund, as a non-diversified investment company, may invest in a smaller number of individual issuers than a diversified investment company, an investment in the Fund presents greater risk to you than an investment in a diversified company.

#### *Anti-Takeover Provisions*

Certain provisions of each Fund's charter and By-Laws could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to modify its structure. The provisions may have the effect of depriving common stockholders of an opportunity to sell their shares at a premium over prevailing market prices and may have the effect of inhibiting conversion of the Fund to an open-end investment company. These include provisions for staggered terms of office for Directors, super-majority voting requirements for merger, consolidation, liquidation, termination and asset sale transactions, amendments to the charter and conversion to open-end status. For additional information about these provisions, see Description of the Funds' Capital Stock Special Voting Provisions below.

#### **Investment Restrictions**

The following restrictions, along with each Fund's investment objective(s), are each Fund's only fundamental policies that is, policies that cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. As used in this Proxy/Prospectus, a majority of the Fund's outstanding voting securities means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares. Non-fundamental policies may be changed by a Fund's Board without stockholder approval. If a percentage restriction set forth below is adhered to at the time a transaction is effected, later changes in percentage resulting from any cause other than actions by the Fund will not be considered a violation.

#### *Fundamental Investment Restrictions*

The Funds' fundamental investment restrictions are identical, except with respect to their concentration policies. Neither Fund may, without the approval of the holders of a majority of the Fund's outstanding voting securities:

1. Issue senior securities (including borrowing money for other than temporary purposes) except in conformity with the limits set forth in the 1940 Act; or pledge its assets other than to secure such issuances or borrowings or in connection with permitted investment strategies; provided that, notwithstanding the foregoing, the Fund may borrow up to an additional 5% of its total assets for temporary purposes;
2. Act as an underwriter of securities issued by other persons, except insofar as the Fund may be deemed an underwriter in connection with the disposition of securities;

3. Purchase or sell real estate, mortgages on real estate or commodities, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including REITs, and securities secured by real estate or interests therein and the Fund may hold and sell real estate or mortgages on real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such securities;
4. Purchase or sell commodities or commodity futures contracts, except that the Fund may invest in financial futures contracts, options thereon and such similar instruments; or
5. Make loans to other persons except through the lending of securities held by it (but not to exceed a value of one-third of total assets), through the use of repurchase agreements, and by the purchase of debt securities.

In addition, UTF may not invest more than 25% of its managed assets in securities of issuers in any one industry other than the utility industry, with at least 25% of its managed assets being invested in the utility industry. Similarly, RTU may not invest more than 25% of its managed assets in securities of issuers in any one industry other than the real estate and utilities industries, with at least 25% of the Fund's managed assets being invested in each of the real estate and utilities industries. Each of these limitations, however, do not apply to obligations issued or guaranteed by the United States Government or by its agencies or instrumentalities.

Under the 1940 Act, each Fund is not permitted to issue preferred stock unless immediately after the issuance the value of the Fund's assets is at least 200% of the liquidation preference of the outstanding preferred stock (*i.e.*, such liquidation preference may not exceed 50% of the Fund's assets less liabilities other than borrowings). In addition, a Fund is not permitted to declare any cash dividend or other distribution on its shares of common stock unless, at the time of such declaration, the value of the Fund's assets less liabilities other than borrowings is at least 200% of such liquidation preference.

Under the 1940 Act, each Fund generally is not permitted to borrow unless immediately after the borrowing the value of the Fund's assets less liabilities other than the borrowings is at least 300% of the principal amount of such borrowing (*i.e.*, such principal amount may not exceed 33-1/3% of the Fund's assets less liabilities other than borrowings). In addition, a Fund is not permitted to declare any cash dividend or other distribution on its shares of common stock unless, at the time of such declaration, the value of the Fund's assets, less liabilities other than the borrowings, is at least 300% of such principal amount. As noted above, the Funds have received temporary relief from the SEC from certain provisions of the 1940 Act that permitted the Funds to redeem all of their AMPS outstanding at the time the relief was granted at an asset coverage ratio of 200% instead of 300%. This relief currently is set to expire on October 31, 2010.

#### *Non-Fundamental Investment Restrictions*

Currently, the Funds may not:

1. Purchase preferred securities and other fixed income securities rated below investment grade and unrated securities of comparable quality, if, as a result, more than 25% of the Fund's managed assets would then be invested in such securities;
2. Acquire or retain securities of any investment company, except that the Fund may (a) acquire securities of investment companies up to the limits permitted by Section 12(d)(1) of the 1940 Act, or any exemption granted under the 1940 Act, and (b) acquire securities of any investment company as part of a merger, consolidation or similar transaction;
3. Invest in oil, gas or other mineral exploration programs, development programs or leases, except that the Fund may purchase securities of companies engaging in whole or in part in such activities; or
4. Pledge, mortgage or hypothecate its assets except in connection with permitted borrowings.

*Portfolio Turnover*

For the fiscal years ended December 31, 2008 and 2009, the Funds' portfolio turnover rates were as follows:

|     | 2008 | 2009 |
|-----|------|------|
| RTU | 39%  | 77%  |
| UTF | 29%  | 113% |

The increase in UTF's portfolio turnover rate from 2008 to 2009 was a result of managing the Funds' leverage strategy and the change to its principal investment strategy.

### INFORMATION ABOUT THE PROPOSED MERGER

#### The Agreement and Plan of Merger

The following is a summary of the material terms and conditions of the Agreement and Plan of Merger entered into between RTU and UTF. This summary is qualified in its entirety by reference to the Agreement and Plan of Merger attached as Appendix A to this Proxy Statement. Under the Agreement and Plan of Merger, RTU will merge with and into UTF on the Closing Date. As a result of the Merger and on the Closing Date:

RTU will no longer exist, and

UTF will be the surviving corporation.

RTU will then:

deregister as an investment company under the 1940 Act,

cease its separate existence under Maryland law,

remove its RTU Common Shares from listing on the NYSE, and

withdraw from registration under the Securities Exchange Act of 1934, as amended (the "1934 Act").

Each full (and fractional) outstanding RTU Common Share will be converted into an equivalent dollar amount (to the nearest one tenth of one cent) of full (and fractional) UTF Common Shares, based on the net asset value per share of each of the Funds at 4:00 p.m., Eastern time on the Closing Date. No sales charge or fee of any kind will be charged to holders of RTU Common Shares in connection with their receipt of UTF Common Shares in the Merger.

From and after the Closing Date, UTF will possess all of the properties, assets, rights, privileges and powers, and shall be subject to all of the restrictions, liabilities, obligations, disabilities and duties, of UTF, all as provided under Maryland law.

Under Maryland law, stockholders of a corporation whose shares are traded publicly on a national securities exchange, such as RTU Common Shares and UTF Common Shares, are not entitled to demand the fair value of their shares upon a merger; therefore, the holders of RTU Common Shares and UTF Common Shares will be bound by the terms of the Merger, if approved. However, any holder of RTU Common Shares and UTF Common Shares may sell such shares on the NYSE at any time prior to the Merger.

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The Agreement and Plan of Merger may be terminated, and the Merger abandoned, whether before or after approval by the Funds' stockholders, at any time prior to the Closing Date by resolution of either of the Funds' Boards, if circumstances should develop that, in the opinion of that Board, make proceeding with the Merger inadvisable with respect to the Fund it oversees.

Prior to the Merger, RTU shall have, and UTF may have, declared and paid a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its stockholders substantially all of its net investment income that has accrued through the Closing Date, if any, and substantially all of its net capital gain (after reduction for capital loss carryforwards) realized through the Closing Date, if any.

The Agreement and Plan of Merger provides that either Fund may waive compliance with any of the terms or conditions therein for the benefit of that Fund, other than the requirements that: (a) the Agreement and Plan of Merger be approved by stockholders of the Fund; and (b) the Fund receive the opinion of Stroock & Stroock & Lavan LLP substantially to the effect that the transactions contemplated by the Agreement and Plan of Merger will constitute a reorganization for federal income tax purposes if, in the judgment of the Fund's Board, after consultation with Fund counsel, such waiver will not have a material adverse effect on the benefits intended to be provided by the Merger to the stockholders of the Fund.

Under the Agreement and Plan of Merger, each Fund, out of its assets and property, will indemnify and hold harmless the other Fund and the Directors and officers of the other Fund from and against any and all losses, claims, damages, liabilities or expenses (including, without limitation, the payment of reasonable legal fees and reasonable costs of investigation) to which the other Fund and those Directors and officers may become subject, insofar as such loss, claim, damage, liability or expense (or actions with respect thereto) arises out of or is based on (a) any breach by the Fund of any of its representations, warranties, covenants or agreements set forth in the Agreement and Plan of Merger or (b) any act, error, omission, neglect, misstatement, materially misleading statement, breach of duty or other act wrongfully done or attempted to be committed by the Fund or the Directors or officers of the Fund prior to the Closing Date, provided that such indemnification by the Fund is not (i) in violation of any applicable law or (ii) otherwise prohibited as a result of any applicable order or decree issued by any governing regulatory authority or court of competent jurisdiction.

The Board of each Fund, including the Independent Directors, has determined, with respect to its Fund, that the interests of that Fund's stockholders will not be diluted as a result of the Merger and that participation in the Merger is in the best interests of that Fund. All expenses incurred in connection with the Merger will be borne by the Funds in proportion to their respective net assets. Such expenses shall include, but not be limited to, all costs related to the preparation and distribution of this Proxy Statement, proxy solicitation expenses, SEC registration fees and NYSE listing fees.

Approval of the Agreement and Plan of Merger will require the affirmative vote of a majority of the outstanding UTF Common Shares. See Voting Information below. RTU's stockholders have already approved the Merger.

### **Reasons for the Merger and Board Considerations**

#### *Board Considerations*

At various meetings held in June 2009 and at a meeting held on December 10, 2009, UTF's Board, including the Independent Directors, considered, and on June 29, 2009 and December 10, 2009 approved, the Agreement and Plan of Merger. The Agreement and Plan of Merger approved on December 10, 2009 is identical to the Agreement and Plan of Merger approved on June 29, 2009. In considering the Agreement and Plan of Merger, the Board did not identify any single factor or information item as all-important or controlling. Following discussions, and based on its evaluation of all material factors to UTF, including those described below, the Board of UTF, including the Independent Directors, determined, with respect to UTF, that: (1) the Merger would be in the best interests of UTF; and (2) the Merger would not result in the dilution of the interests of UTF or its stockholders.

In recommending the Merger, UTF's Board, with the advice of counsel to UTF's Independent Directors, considered a number of factors, including the following:

the combined Fund is expected to have a lower total annual operating expense ratio than UTF's current total annual operating expense ratio;

the Funds have similar overall investment objectives and are managed by the Investment Manager;

UTF's expense ratio and information as to specific fees and expenses of UTF, including management fees, costs of UTF's leverage strategy and other operating expenses;

the benefits to UTF and its stockholders that are expected to be derived from the Merger, including the potential for portfolio management efficiencies;

the Merger will not dilute the interests of UTF's current stockholders;

the federal tax consequences of the Merger to UTF and the holders of UTF Common Shares, including that the Merger has been structured to qualify as a reorganization for federal income tax purposes;

UTF's significant unused capital loss carryforwards and factors affecting UTF's and stockholders' ability to utilize available capital loss carryforwards (even in the absence of the Merger);

the combined Fund may have a substantially larger trading market for its common stock than UTF has currently, which may:

increase liquidity for stockholders;

to the extent that trading discounts may be influenced by demand, reduce the extent of trading discounts that would be experienced in a smaller trading market; and

create a larger trading market and offer the potential for greater investor and analyst interest as well as reduce trading costs below those incurred if UTF were managed individually; and

the benefits that may be derived by the Investment Manager and its affiliates as a result of the Merger, including the elimination of duplicative operations and that profitability of the Investment Manager may increase as a result of the expected decline in the Investment Manager's operational expenses for administrative, compliance and portfolio management services.

The Investment Manager may be deemed to have a financial interest in the Merger because of the benefits that may be derived by the Investment Manager and its affiliates as a result of the Merger, including the elimination of duplicative operations and that profitability of the Investment Manager may increase as a result of the expected decline in the Investment Manager's operational expenses for administrative, compliance and portfolio management services.

## **Material U.S. Federal Income Tax Consequences**

### *Tax Consequences of the Merger Generally*

Assuming that the Merger is completed according to the terms of the Agreement and Plan of Merger and based upon facts, factual representations and assumptions contained in the representation letters provided by the Funds, all of which must continue to be true and accurate in all material respects as of the effective time of the Merger, Stroock & Stroock & Lavan LLP, counsel to the Funds, will render its opinion substantially to the effect that for federal income tax purposes:

(i) the Merger as provided in the Agreement and Plan of Merger will constitute a reorganization within the meaning of Section 368(a)(1) of the Code and that each Fund will be a party to a reorganization within the meaning of Section 368(b) of the Code;

(ii) no gain or loss will be recognized to RTU as a result of the Merger and the conversion of RTU Common Shares to UTF Common Shares;

(iii) no gain or loss will be recognized to UTF as a result of the Merger and the conversion of RTU Common Shares to UTF Common Shares;

(iv) no gain or loss will be recognized to the stockholders of RTU upon the conversion of their RTU Common Shares to UTF Common Shares;

(v) the tax basis of RTU assets in the hands of UTF will be the same as the tax basis of such assets in the hands of RTU immediately prior to the consummation of the Merger;

(vi) immediately after the Merger, the aggregate tax basis of the UTF Common Shares received by each holder of RTU Common Shares in the Merger will be equal to the aggregate tax basis of the RTU Common Shares owned by such stockholder immediately prior to the Merger;

(vii) a stockholder's holding period for UTF Common Shares will be determined by including the period for which he or she held RTU Common Shares that are converted pursuant to the Merger, provided that such shares of RTU Common Shares were held as capital assets; and

(viii) UTF's holding period with respect to RTU's assets transferred will include the period for which such assets were held by RTU.

Such opinion will not address the effect of the Merger on (i) the Funds with respect to any 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 and (ii) any stockholder of RTU that is required to recognize unrealized gains and losses for federal income tax purposes under a mark-to-market system of accounting.

#### *Other Tax Considerations*

While the Funds are not aware of any adverse state or local tax consequences of the proposed Merger, they have not requested any ruling or opinion with respect to such consequences, and stockholders should consult their own tax advisor with respect to such matters.

Immediately prior to the Closing Date, RTU, to the extent necessary, will pay, and UTF may pay, a dividend or dividends which, together with all previous dividends, are intended to have the effect of distributing to its stockholders substantially all of its net investment income that has accrued through the Closing Date, if any, and substantially all of its net capital gain (after reduction for capital loss carryforwards), if any, realized through the Closing Date. Such dividends will be included in the taxable income of the stockholders of the relevant Fund. Each Fund may, as necessary, terminate or suspend its DRIP in connection with the payment of such dividends.

#### *Information Regarding Tax Capital Loss Carryforwards*

UTF will inherit capital loss carryforwards (and any unrealized built-in losses) of RTU which will be subject to the limitations described below. RTU has capital loss carryforwards (and may have unrealized built-in losses) that, in the absence of the Merger, would generally be available to offset their capital gains. If, however, the Merger occurs, then RTU will undergo an ownership change for U.S. federal income tax purposes (because RTU is smaller than UTF) and, accordingly, UTF's use of RTU's capital loss carryforwards (and certain unrealized built-in losses, if any) will be significantly limited by the operation of the tax loss limitation rules of the Code. The Code generally limits the amount of RTU's pre-ownership-change losses that may be used to offset post-ownership-change gains to a specific annual loss limitation amount (generally the product of (i) the fair market value, with certain adjustments, of the stock of RTU immediately prior to the Merger and (ii) a rate established by the IRS (for example, the rate is 4.16% for December 2009)). Subject to certain limitations, any unused portion of these losses may be available in subsequent years.

Due to the operation of these tax loss limitation rules if the Merger occurs, it is possible that stockholders of UTF and RTU will receive taxable distributions earlier than they would have in the absence of the Merger. The actual effect of the loss limitation rules on a stockholder of each of the Funds will, however, depend upon many variables, including (a) whether, in the absence of the Merger, RTU would generate sufficient capital gains against which to utilize its capital loss carryforwards prior to their expiration (and certain realized built-in losses, if any), and whether such capital gains are in excess of what would be the annual loss limitation amount if the Merger occurs, (b) the timing and amount of future capital gains recognized by UTF if the Merger occurs, and (c) the timing of a Fund's stockholder's disposition of his or her shares (the tax basis of which might, depending



on the facts, reflect that stockholder's share of either UTF or RTU capital losses). The combination of these factors on the use of loss carryforwards may result in some portion of the loss carryforwards of either of the Funds expiring unused, even in the absence of the Merger. Stockholders of the Funds are urged to consult their own tax advisors in this regard.

#### **PORTFOLIO SECURITIES**

Because RTU is required by its investment policies to invest at least 25% of its managed assets in equity securities issued by real estate securities and UTF does not focus its investments in real estate securities, the Investment Manager expects to dispose of a substantial portion of RTU's real estate investments in connection with the Merger. It is currently anticipated that if stockholders approve the Merger the Investment Manager would begin selling RTU's real estate investments prior to the Closing Date. As a result, if stockholders approve the Merger, RTU may not be in compliance with its policy to invest at least 25% of its managed assets in real estate companies during the period between the date the Merger is approved by UTF's stockholders and the Closing Date. The tax impact of the sale of these RTU portfolio assets will depend on the difference between the price at which such assets are sold and RTU's tax basis in such assets. Any capital gains recognized in these sales on a net basis, after the application of any available capital loss carryforwards, will be distributed to RTU's stockholders as capital gain dividends (to the extent of net realized long-term capital gains distributed) and/or ordinary dividends (to the extent of net short-term capital gain) during or with respect to RTU's taxable year that ends on the Closing Date, and such distributions will be taxable to stockholders. As of the date hereof, RTU is not expected to recognize material capital gains as a result of repositioning its portfolio in connection with the Merger. The transaction costs associated with repositioning RTU's portfolio in connection with the Merger will be borne by RTU. The Funds also may buy and sell securities in the normal course of their operations.

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**INFORMATION ABOUT MANAGEMENT OF THE FUNDS**
**Information About Directors and Officers***Boards of Directors*

The business and affairs of each Fund are managed under the direction of its Board. The Directors approve all significant agreements between the Fund and persons or companies furnishing services to it, including the Fund's agreements with the Investment Manager (and, for UTF, the Subadvisers) and the Fund's sub-administrator, custodian and transfer agent. The management of each Fund's day-to-day operations is delegated to its officers and the Investment Manager, subject always to the investment objectives and policies of the Fund and to the general supervision of the Directors.

The Directors of the Funds, their addresses, their ages, the length of time served, their principal occupations for at least the past five years, the number of portfolios they oversee within the Cohen & Steers Fund Complex, and other directorships held by the Director are set forth below. The same individuals serve as the Directors of each Fund.

| Name, Address* and Age       | Position Held with Fund | Principal Occupation(s) During At Least The Past Five Years (Including Other Directorships Currently Held)  |  | Length of Time Served** | Term of Office | Number of Funds Within Fund Complex Overseen by Director (Including the Funds) |
|------------------------------|-------------------------|---|--|-------------------------|----------------|--|
|                              |                         |   |  |                         |                |  |
| <i>Independent Directors</i> |                         |   |  |                         |                |  |
| Bonnie Cohen***<br>Age: 67   | Director                | Consultant. Board Member United States Department of Defense Business Board; Vice-Chair Global Heritage Fund; Chair of the Advisory Committee, The Posse Foundation, DC; Finance Chair, District of Columbia Public Libraries. Government service: former Undersecretary of State for Management, US Department of State; previously Assistant Secretary of Interior for Policy Management and Budget, US Department of Interior. Private employment includes Senior Vice President National Trust for Historic Preservation, Treasurer UMWA Health and Retirement Funds. |  | Since 2001              | 2011           | 18   |
| George Grossman<br>Age: 56   | Director                | Attorney-at-Law.  |  | Since 1993              | 2012           | 18   |
| Richard E. Kroon<br>Age: 67  | Director                | Member of Investment Committee, Monmouth University. Retired Chairman and Managing Partner of Sprout Group venture capital funds, then an affiliate of Donaldson, Lufkin and Jenrette Securities Corporation; and former chairman of the National Venture Capital Association.  |  | Since 2004              | 2011           | 18   |

| Name, Address* and Age          | Position Held with Fund  | Principal Occupation(s) During At Least The Past Five Years<br>(Including Other Directorships Currently Held)  |  | Length of Time Served** | Term of Office | Number of Funds Within Fund Complex Overseen by Director (Including the Funds) |
|---------------------------------|--------------------------|--|--|-------------------------|----------------|--|
|                                 |                          |  |  |                         |                |  |
| Richard J. Norman<br>Age: 66    | Director                 | Private Investor. Advisory Board Member of The Salvation Army. Member: DC Department of Corrections Chaplain's Corps. Prior thereto, Investment Representative of Morgan Stanley Dean Witter.  |  | Since 2001              | 2010           | 18   |
| Frank K. Ross<br>Age: 66        | Director                 | Professor of Accounting, Howard University. Board member of Pepco Holdings, Inc. (electric utility). Formerly, Midatlantic Area Managing Partner for Audit and Risk Advisory Services at KPMG LLP and Managing Partner of its Washington, DC office. |  | Since 2004              | 2010           | 18   |
| Willard H. Smith Jr.<br>Age: 73 | Director                 | Board member of Essex Property Trust, Inc., Managing Director at Merrill Lynch & Co., Equity Capital Markets Division, from 1983 to 1995.  |  | Since 1996              | 2011           | 18   |
| C. Edward Ward, Jr.<br>Age: 63  | Director                 | Member of The Board of Trustees of Manhattan College, Riverdale, New York. Formerly head of closed-end fund listing for the New York Stock Exchange.   |  | Since 2004              | 2012           | 18   |
| <i>Interested Directors****</i> |                          |  |  |                         |                |  |
| Martin Cohen<br>Age: 61         | Director and Co-Chairman | Co-Chairman and Co-Chief Executive Officer of the Investment Manager and CNS. Prior thereto, President of the Investment Manager.  |  | Since 1991              | 2010           | 18   |
| Robert H. Steers<br>Age: 56     | Director and Co-Chairman | Co-Chairman and Co-Chief Executive Officer of the Investment Manager and CNS. Prior thereto, President of the Investment Manager.  |  | Since 1991              | 2012           | 18   |

\* The address of each Director is 280 Park Avenue, New York, New York 10017.

\*\* The length of time served represents the year in which the Director was first elected or appointed to any fund in the Cohen & Steers Fund Complex.

\*\*\* Martin Cohen and Bonnie Cohen are unrelated.

\*\*\*\* Interested person, as defined in the 1940 Act, of each Fund ( Interested Director ) because of the affiliation with the Investment Manager and its parent company, Cohen & Steers Inc. ( CNS ).

The Board of each Fund is divided into three classes, having terms of three years each. At each annual meeting of stockholders, the term of one class will expire and Directors will be elected to serve in that class for terms of three years.

The following table provides information concerning the dollar range of equity securities owned beneficially by each Director as of December 31, 2009:

| Name of Director     | Dollar Range of Equity Securities Owned* |     |  |
|----------------------|--|-----|--|
|                      | RTU                                      | UTF | Aggregate Equity Securities in the Cohen & Steers Fund Complex |
| Robert H. Steers**   | E  | A   | E  |
| Martin Cohen**       | E  | A   | E  |
| Bonnie Cohen         | A  | A   | E  |
| George Grossman      | A  | A   | E  |
| Richard E. Kroon     | B  | B   | E  |
| Richard J. Norman    | D  | A   | E  |
| Frank K. Ross        | A  | A   | E  |
| Willard H. Smith Jr. | A  | E   | E  |
| C. Edward Ward, Jr.  | B  | B   | C  |

\* The dollar ranges are as follows: A = None; B = \$1-\$10,000; C = \$10,001-\$50,000; D = \$50,001-\$100,000; E = Over \$100,000.

\*\* Interested Director.

No Independent Director of the Funds, nor any of their immediate family members, to the best of the Funds' knowledge, had any interest in the Investment Manager, the Subadvisers or any person or entity (other than the Funds) directly or indirectly controlling, controlled by or under common control with the Investment Manager as of December 31, 2009.

During the Funds' fiscal years ended December 31, 2009, the Boards of RTU and UTF met 11 and 12 times, respectively. Each Director attended at least 75% of the aggregate number of meetings of each Board and the Committees of the Board for which he or she was a member. The Funds do not have policies with regard to the Directors' attendance at annual meetings, and none of the Directors attended either Fund's 2009 annual meeting of stockholders.

#### *Committees of the Boards*

Each Fund maintains four standing Board Committees: the Audit Committee, the Nominating Committee, the Contract Review Committee and the Governance Committee of the Board of Directors. Each Committee operates pursuant to a written charter adopted by the Board. The Directors serving on each Committee are Independent Directors and otherwise satisfy the applicable standards for independence of a committee member of an investment company issuer under the federal securities laws and under applicable listing standards of the NYSE. The members of the Audit Committee are Ms. Cohen and Messrs. Ross, Kroon and Grossman. The members of the Nominating and Contract Review Committees are Ms. Cohen and Messrs. Kroon, Grossman, Norman, Ross, Smith and Ward. The members of the Governance Committee are Messrs. Norman, Ward and Smith.

The Audit Committee of each Fund met five times during the fiscal year ended December 31, 2009. The main function of each Audit Committee is to oversee the Fund's accounting and financial reporting policies and practices and its internal controls, including by assisting with the Board's oversight of the integrity of the Fund's financial statements, the Fund's compliance with legal and regulatory requirements, the selection, retention, qualifications and independence of the Fund's independent registered public accounting firm and the performance of the Fund's internal control systems and independent registered public accounting firm.

The Nominating Committee of each Fund met once during the fiscal year ended December 31, 2009. The main functions of each Nominating Committee are to (i) identify individuals qualified to become Directors in the event that a position is vacated or created, (ii) select the Director nominees for the next annual meeting of

stockholders and (iii) set any necessary standards or qualifications for service on the Board. The Nominating Committee will consider Director candidates recommended by stockholders, provided that any such stockholder recommendation is submitted in writing to the Fund, to the attention of the Secretary, at the address of the principal executive offices of the Fund and further provided that such recommendation includes all other information specified in the charter and complies with the procedures set forth in the Nominating Committee charter. The Nominating Committee requires that Director candidates have a college degree or equivalent business experience. The Committee may take into account a wide variety of factors in considering Director candidates, including (but not limited to): (i) availability and commitment of a candidate to attend meetings and perform his or her responsibilities on the Board, (ii) relevant industry and related experience, (iii) educational background, (iv) financial and other relevant experience, (v) an assessment of the candidate's character, integrity, ability and judgment, (vi) whether or not the candidate serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related mutual fund complexes, (vii) whether or not the candidate has any relationships that might impair his or her independence and (viii) overall interplay of a candidate's experience, skill and knowledge with that of other Committee members. In identifying potential nominees for the Board, the Committee may consider candidates recommended by one or more of the following sources: (i) the Fund's current Directors, (ii) the Fund's officers, (iii) the Investment Manager, (iv) the Fund's stockholders (see above) and (v) any other source the Committee deems to be appropriate. The Committee may, but is not required to, retain a third party search firm at the Fund's expense to identify potential candidates.

The Contract Review Committee of each Fund met once during the fiscal year ended December 31, 2009. The main functions of each Contract Review Committee are to make recommendations to the Board of Directors after reviewing advisory and other contracts that the Fund has with the Investment Manager and to select third parties to provide evaluative reports and other information to the Board regarding the services provided by the Investment Manager.

The Governance Committee of each Fund met two times during the fiscal year ended December 31, 2009. The main function of each Governance Committee is to assist the Board in the oversight of appropriate and effective governance of the Fund. The Governance Committee oversees, among other things, the structure and composition of the Board Committees, the size of the Board and the compensation of Independent Directors for service on the Board and any Board Committee and the process for securing insurance coverage for the Board.

#### *Officers of the Funds*

The principal officers of the Funds and their principal occupations during at least the past five years, as reported by them to the Funds, are set forth below. The address of each of the Funds' officers is 280 Park Avenue, New York, New York 10017.

#### Both Funds

*Robert H. Steers* and *Martin Cohen*, Co-Chairmen of the Board (see above, Boards of Directors for biographical information).

*Adam M. Derechin*, President and Chief Executive Officer, age 45, joined the Investment Manager in 1993. He has been the Chief Operating Officer of the Investment Manager since 2003 and prior to that was a Senior Vice President.

*Joseph M. Harvey*, Vice President, age 46, joined the Investment Manager in 1992. He has been President and Chief Investment Officer of the Investment Manager since 2003 and prior to that was a Senior Vice President.

*Francis C. Poli*, Secretary, age 47, joined the Investment Manager in 2007 as Executive Vice President, Secretary and General Counsel. Prior thereto, he was General Counsel of Allianz Global Investors of America LP.

*James Giallanza*, Treasurer and Chief Financial Officer, age 43, joined the Investment Manager in 2006 as Senior Vice President. Prior thereto, he was Deputy Head of US Funds Administration and Treasurer and Chief Financial Officer of various mutual funds within the Legg Mason (formerly Citigroup Asset Management) fund complex.

*Lisa Phelan*, Chief Compliance Officer, age 41, joined the Investment Manager in 2004 as a Vice President and has been a Senior Vice President since 2008. Prior to joining the Investment Manager, she was Chief Compliance Officer of Avatar Associates and Overture Asset Managers.

*William F. Scapell*, Vice President, age 42, joined the Investment Manager in 2003 as a Senior Vice President. Prior to joining the Investment Manager, he was the chief strategist for preferred securities at Merrill Lynch & Co.

*Robert Becker*, Vice President, age 40, joined the Investment Manager in 2003 as a Senior Vice President. Prior to joining the Investment Manager, he was a co-portfolio manager of the Franklin Utilities Fund at Franklin Templeton Investments.

*Yigal D. Jhirad*, Vice President, age 45, joined the Investment Manager in 2007 as a Senior Vice President. Prior thereto, he served as Executive Director at Morgan Stanley heading the portfolio and derivatives strategies effort.

RTU only

*Thomas N. Bohjalian*, Vice President, age 44, joined the Investment Manager in 2002 and has been Senior Vice President since 2006. Prior to that, he was Vice President of the Investment Manager from 2003 through 2005.

*Director Compensation*

Prior to October 1, 2009, Independent Directors were paid by each Fund an annual retainer of \$4,500 and a fee of \$500 for each regular meeting attended and are reimbursed for the expenses of attendance at such meetings. As of October 1, 2009, Independent Directors are paid an annual retainer of \$95,000, paid quarterly, and a quarterly per-meeting fee of \$10,000, with such fees being allocated among the Cohen & Steers funds based on each fund's average daily net assets. Additionally, under both compensation structures, the Audit Committee Chairman is paid \$15,000 per year in the aggregate for his service as Chairman of the Audit Committee of the Funds and of all of the Cohen & Steers funds, the Contract Review and Governance Committee Chairmen are each paid \$10,000 per year in the aggregate for their work in connection with the Funds and of all of the Cohen & Steers funds and the lead director is paid \$50,000 per year in the aggregate for his service as lead director of all of the Cohen & Steers funds. For the fiscal year ended December 31, 2009, such fees and expenses paid by RTU and UTF totaled \$51,271 and \$51,268, respectively.

The following table sets forth information regarding compensation of Directors by each Fund for the fiscal year ended December 31, 2009 and by the Cohen & Steers Fund Complex for the calendar year ended December 31, 2009. Officers of the Funds, other than the Chief Compliance Officer, who receives less than \$60,000 from each Fund, and Interested Directors do not receive any compensation from the Funds or any fund in the Cohen & Steers Fund Complex. In the column headed Total Compensation to Directors by Fund Complex, the compensation paid to each Director represents the 21 funds that each Director served in the Cohen & Steers Fund Complex during 2009. The Directors do not receive any pension or retirement benefits from the Cohen & Steers Fund Complex.

| Name of Person, Position   | Aggregate<br>Compensation<br>From RTU | Aggregate<br>Compensation<br>From UTF | Total<br>Compensation Paid<br>to Directors by<br>Fund Complex* |
|--|---------------------------------------|---------------------------------------|--|
| Bonnie Cohen, Director   | \$ 6,592                              | \$ 6,592                              | \$ 136,125   |
| Martin Cohen**, Director and Co-Chairman                         | \$ 0                                  | \$ 0                                  | \$ 0   |
| George Grossman, Director and Contract Review Committee Chairman | \$ 7,068                              | \$ 7,068                              | \$ 146,005   |
| Richard E. Kroon, Director and Lead Independent Director         | \$ 8,973                              | \$ 8,973                              | \$ 185,529   |
| Richard J. Norman, Director and Governance Committee Chairman    | \$ 7,068                              | \$ 7,068                              | \$ 146,005   |
| Frank K. Ross, Director and Audit Committee Chairman             | \$ 7,307                              | \$ 7,306                              | \$ 150,946   |
| Willard H. Smith Jr., Director                                   | \$ 6,592                              | \$ 6,592                              | \$ 136,125   |
| Robert H. Steers**, Director and Co-Chairman                     | \$ 0                                  | \$ 0                                  | \$ 0   |
| C. Edward Ward, Jr., Director                                    | \$ 6,592                              | \$ 6,592                              | \$ 136,125   |

\* As of April 30, 2008, one of the Cohen & Steers open-end funds was liquidated. On December 18, 2009, two of the Cohen & Steers closed-end funds merged into another existing Cohen & Steers closed-end fund. These actions resulted in 18 funds remaining in the Cohen & Steers Fund Complex as of December 31, 2009.

\*\* Interested Director.

#### Investment Manager and Subadvisers

##### *Investment Manager*

Cohen & Steers Capital Management, Inc., with principal offices located at 280 Park Avenue, New York, New York 10017, has been retained to provide investment advice, and, in general, to conduct the management and investment program of each Fund under the overall supervision and control of the Board. The Investment Manager, a registered investment adviser, was formed in 1986, and as of September 30, 2009 had \$22.5 billion of assets under management. Its clients include pension plans, endowment funds and registered investment companies, including open-end and closed-end real estate funds. The Cohen & Steers funds invest in U.S. and non-U.S. real estate investment trusts and other real estate securities, infrastructure securities, preferred and other fixed income securities and dividend paying large-cap value securities. The Investment Manager is a wholly-owned subsidiary of Cohen & Steers, Inc., a publicly traded company whose common stock is listed on the NYSE under the symbol CNS.

Under its Investment Management Agreement with each Fund (each, an Investment Management Agreement), the Investment Manager furnishes a continuous investment program for the Fund's portfolio, makes the day-to-day investment decisions for the Fund, and generally manages the Fund's investments in accordance with the stated policies of the Fund, subject to the general supervision of the Board of Directors of the Fund. The Investment Manager also performs certain administrative services for the Fund and provides persons satisfactory to the Directors of the Fund to serve as officers of the Fund. Such officers, as well as certain other employees and Directors of the Fund, may be directors, officers or employees of the Investment Manager.

The Funds' Investment Management Agreements provide for management fees to the Investment Manager to be paid by each Fund at the rate of 0.85% of the Fund's average daily managed assets. During the fiscal year ended December 31, 2009, RTU and UTF paid management fees to the Investment Manager at the effective rate 0.70% and 0.69%, respectively, of the Fund's average daily managed assets. In addition to its monthly management fee, each Fund pays all other costs and expenses of its operations, including compensation of its Directors, custodian, transfer agency

and dividend disbursing expenses, legal fees, expenses of independent accountants, listing expenses, expenses of preparing, printing and distributing stockholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

For the fiscal years ended December 31, 2007, 2008 and 2009, the Funds paid the Investment Manager management fees as follows:

|             | Gross Fee     | Amount Waived | Net Fee Paid  |
|-------------|---------------|---------------|---------------|
| <b>2007</b> |               |               |               |
| RTU         | \$ 19,026,873 | \$ 4,476,911  | \$ 14,549,962 |
| UTF         | \$ 16,584,670 | \$ 3,902,275  | \$ 12,682,395 |
| <b>2008</b> |               |               |               |
| RTU         | \$ 14,744,195 | \$ 3,469,222  | \$ 11,274,973 |
| UTF         | \$ 13,426,409 | \$ 3,159,155  | \$ 10,267,254 |
| <b>2009</b> |               |               |               |
| RTU         | \$ 7,768,470  | \$ 1,408,083  | \$ 6,360,387  |
| UTF         | \$ 8,534,223  | \$ 1,616,731  | \$ 6,917,492  |

The Investment Manager contractually agreed to waive a portion of its investment management fee for each of the Funds, as follows:

RTU: 0.15% of average daily managed asset value for the twelve-month period ending January 31, 2010, 0.10% of average daily managed asset value for the twelve-month period ending January 31, 2011 and 0.05% of average daily managed asset value for the twelve-month period ended January 31, 2012. For the fiscal years ended or ending December 31, 2008 and 2009, the Investment Manager waived its fee at the annual rate of 0.20% and 0.15%, respectively.

UTF: 0.15% of average daily managed asset value for the twelve-month period ending March 31, 2010, 0.10% of average daily managed asset value for the twelve-month period ending March 31, 2011 and 0.05% of average daily managed asset value for the twelve-month period ended March 31, 2012. For the fiscal years ended or ending December 31, 2008 and 2009, the Investment Manager waived its fee at the annual rate of 0.20% and 0.16%, respectively.

Additional information about the factors considered by the Board of each Fund in approving its Investment Management Agreement is contained in each Fund's Annual Report to Stockholders for the fiscal year ended December 31, 2008.

Each Fund also has entered into an administration agreement with the Investment Manager (each, an Administration Agreement), under which the Investment Manager performs certain administrative functions for the Fund and receives a fee, accrued daily and paid monthly, at the annual rate of 0.06% of the Fund's average daily managed assets up to \$1 billion, 0.04% of the Fund's average daily managed assets in excess of \$1 billion up to \$1.5 billion and 0.02% of the Fund's average daily managed assets in excess of \$1.5 billion. For the fiscal years ended December 31, 2007, 2008 and 2009, RTU paid the Investment Manager \$947,691, \$818,923 and \$541,838, respectively, and UTF paid the Investment Manager \$890,228, \$791,150 and \$592,119, respectively, in fees under the Administration Agreements. Additionally, each Fund pays State Street Bank and Trust Company as sub-administrator under a fund accounting and administration agreement.

#### Subadvisers

With respect to UTF, as a result of the recent shift in the Fund's focus to infrastructure companies, as of January 1, 2010, the Investment Manager entered into sub-investment advisory agreements (each a Subadvisory



Agreement and collectively, the Subadvisory Agreements), with three of its affiliated registered investment advisers, CNS Europe, CNS Asia and CNS UK, all of which also are direct or indirect wholly-owned subsidiaries of CNS. Each of the Subadvisers provides investment advisory and research services to the Investment Manager in connection with managing the Fund's investments. CNS Europe is located at 166 Chaussee de la Hulpe, 1170 Brussels, Belgium, CNS Asia is located at 1202, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong and CNS UK is located at 21 Sackville Street, 4th floor, London, U.K. References in this Proxy Statement to activities and responsibilities of the Investment Manager may be performed by one or more of the Subadvisers.

For their services under the Subadvisory Agreements, the Investment Manager (not UTF) pays each Subadviser. The Investment Manager allocates 50% of the management fee received from UTF among itself and the Subadvisers, based on portion of UTF's average assets managed by each Subadviser and the Investment Manager. The Investment Manager retains the remaining 50% of the management fee received from UTF.

Appointment of the Subadvisers was not subject to approval by UTF's stockholders, in reliance on the issuance of an opinion from Fund counsel. Additional information about the factors considered by UTF's Board in approving the Subadvisory Agreements will be included in UTF's Annual Report to Stockholders for the fiscal year ended December 31, 2009.

### **Codes of Ethics**

UTF, the Investment Manager and the Subadvisers have adopted codes of ethics under Rule 17j-1 under the 1940 Act. The code of ethics of UTF, the Investment Manager and the Subadvisers, among other things, prohibits management personnel from investing in REITs and real estate securities, preferred securities and initial public offerings and requires pre-approval for investments in Cohen & Steers closed-end funds and private placements. In addition, UTF Independent Directors are prohibited from purchasing or selling any security if they knew or reasonably should have known at the time of the transaction that the security is being considered for purchase or sale by UTF, or is being purchased or sold by UTF. These codes of ethics can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room can be obtained by calling the SEC at (202) 551-5850), are available on the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov), and copies may be obtained, after paying a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or writing the SEC at Public Reference Section, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549.

### **Proxy Voting Policies**

UTF's Board has delegated the responsibility for voting proxies on behalf of the Fund to the Investment Manager. The Investment Manager's Proxy Voting Policy is attached to the Proxy Statement as Appendix B. In addition, UTF's proxy voting record for the most recent 12-month period ended June 30 is available (i) without charge, upon request, by calling (800) 330-7348 or (ii) on the SEC's website at [www.sec.gov](http://www.sec.gov).

### **Portfolio Managers of the Funds**

Below is summary information for the Funds' portfolio managers. Messrs. Cohen, Steers, Harvey, Scapell, Becker and Bohjalian are the primary portfolio managers for RTU. Mr. Becker and Mr. Scapell serve as the primary portfolio managers for UTF, and will continue in their same capacities for the combined Fund.

*Martin Cohen and Robert H. Steers*, portfolio managers since inception (see above, [Boards of Directors](#) for biographical information).

*Joseph Harvey*, portfolio manager since 2004 (see above, [Officers of the Funds](#) for biographical information).

*William F. Scapell*, portfolio manager since inception (see above, Officers of the Funds for biographical information).

*Robert Becker*, portfolio manager since inception (see above, Officers of the Funds for biographical information).

*Thomas N. Bohjalian*, portfolio manager since 2006 (see above, Officers of the Funds for biographical information).

*Other Accounts Managed by Portfolio Managers*

Each portfolio manager manages other investment companies and/or investment vehicles and accounts in addition to the Funds. The following tables show, as of December 31, 2009, the number of accounts (including the Funds) each portfolio manager managed in each of the listed categories and the total assets in the accounts managed within each category. The portfolio managers do not receive performance-based fees with respect to any of the registered investment companies, other pooled investment vehicles or other accounts that they manage.

Martin Cohen (RTU only)

|                                  | Number of Accounts | Total Assets      |
|----------------------------------|--------------------|-------------------|
| Registered investment companies  | 15                 | \$ 11,284,365,000 |
| Other pooled investment vehicles | 37                 | \$ 7,385,259,000  |
| Other accounts                   | 45                 | \$ 3,057,923,000  |

Robert Steers (RTU only)

|                                  | Number of Accounts | Total Assets      |
|----------------------------------|--------------------|-------------------|
| Registered investment companies  | 15                 | \$ 11,284,365,000 |
| Other pooled investment vehicles | 37                 | \$ 7,385,259,000  |
| Other accounts                   | 45                 | \$ 3,057,923,000  |

Joseph Harvey (RTU only)

|                                  | Number of Accounts | Total Assets      |
|----------------------------------|--------------------|-------------------|
| Registered investment companies  | 15                 | \$ 11,284,365,000 |
| Other pooled investment vehicles | 37                 | \$ 7,385,259,000  |
| Other accounts                   | 45                 | \$ 3,057,923,000  |

William F. Scapell (both Funds)

|                                  | Number of Accounts | Total Assets     |
|----------------------------------|--------------------|------------------|
| Registered investment companies  | 7                  | \$ 5,027,409,000 |
| Other pooled investment vehicles | 2                  | \$ 41,187,000    |
| Other accounts                   | 10                 | \$ 499,097,000   |

Robert Becker (both Funds)

|                                  | Number of Accounts | Total Assets     |
|----------------------------------|--------------------|------------------|
| Registered investment companies  | 3                  | \$ 2,446,326,000 |
| Other pooled investment vehicles | 2                  | \$ 125,757,000   |
| Other accounts                   | 0                  | \$ 0             |



Thomas N. Bohjalian (RTU only)

|                                  | Number of<br>Accounts | Total Assets     |
|----------------------------------|-----------------------|------------------|
| Registered investment companies  | 5                     | \$ 3,722,694,000 |
| Other pooled investment vehicles | 2                     | \$ 41,187,000    |
| Other accounts                   | 6                     | \$ 234,909,000   |

It is possible that conflicts of interest may arise in connection with the portfolio managers' management of a Fund's investments on the one hand and the investments of other accounts or vehicles for which the portfolio managers are responsible on the other. For example, a portfolio manager may have conflicts of interest in allocating management time, resources and investment opportunities among the Fund and the other accounts or vehicles he advises. In addition, due to differences in the investment strategies or restrictions among the Fund and the other accounts, a portfolio manager may take action with respect to another account that differs from the action taken with respect to the Fund. In some cases, another account managed by a portfolio manager may provide more revenue to the Investment Manager or a Subadviser. While this may appear to create additional conflicts of interest for the portfolio manager in the allocation of management time, resources and investment opportunities, the Investment Manager strives to ensure that portfolio managers endeavor to exercise their discretion in a manner that is equitable to all interested persons. In this regard, in the absence of specific account-related impediments (such as client-imposed restrictions or lack of available cash), it is the policy of the Investment Manager and the Subadvisers to allocate investment ideas pro rata to all accounts with the same primary investment objective.

In addition, certain of the portfolio managers may from time to time manage one or more accounts on behalf of the Investment Manager and its affiliated companies, including the Subadvisers (the CNS Accounts). Certain securities held and traded in the CNS Accounts also may be held and traded in one or more client accounts. It is the policy of the Investment Manager and the Subadvisers however not to put the interests of the CNS Accounts ahead of the interests of client accounts. The Investment Manager and the Subadvisers may aggregate orders of client accounts with those of the CNS Accounts; however, under no circumstances will preferential treatment be given to the CNS Accounts. For all orders involving the CNS Accounts, purchases or sales will be allocated prior to trade placement, and orders that are only partially filled will be allocated across all accounts in proportion to the shares each account, including the CNS Accounts, was designated to receive prior to trading. As a result, it is expected that the CNS Accounts will receive the same average price as other accounts included in the aggregated order. Shares will not be allocated or re-allocated to the CNS Accounts after trade execution or after the average price is known. In the event so few shares of an order are executed that a pro-rata allocation is not practical, a rotational system of allocation may be used; however, the CNS Accounts will never be part of that rotation or receive shares of a partially filled order other than on a pro-rata basis. Because certain CNS Accounts are managed with a cash management objective, it is possible that a security will be sold out of the CNS Accounts but continue to be held for one or more client accounts. In situations when this occurs, such security will remain in a client account only if the Investment Manager, acting in its reasonable judgment and consistent with its fiduciary duties, believes this is appropriate for, and consistent with the objectives and profile of, the client account.

#### *Compensation Structure of the Investment Manager and Subadvisers*

Compensation of the Investment Manager's and, for UTF, Subadvisers' portfolio managers and other investment professionals has three primary components: (1) a base salary, (2) an annual cash bonus, and (3) annual stock-based compensation consisting generally of restricted stock units of the Investment Manager's and Subadvisers' parent, CNS. The Investment Manager's and Subadvisers' investment professionals, including the portfolio managers, also receive certain retirement, insurance and other benefits that are broadly available to all of its employees. Compensation of the Investment Manager's and Subadvisers' investment professionals is reviewed primarily on an annual basis. Cash bonuses, stock-based compensation awards, and adjustments in base salary are typically paid or put into effect in the January following the fiscal year-end of CNS.

The Investment Manager and Subadvisers compensate their portfolio managers based primarily on the scale and complexity of their portfolio responsibilities and the total return performance of managed funds and accounts versus appropriate peer groups or benchmarks. The Investment Manager and Subadvisers use a variety of benchmarks to evaluate the portfolio managers' performance, including the NAREIT Equity REIT Index, the S&P 1500 Utilities Index, the Merrill Lynch Fixed Rate Preferred Index, the S&P 500 Index and other broad-based indexes based on the asset classes managed by each portfolio manager. In evaluating the performance of a Fund and its portfolio manager, primary emphasis is normally placed on one- and three-year performance, with secondary consideration of performance over longer periods of time. Performance is evaluated on a pre-tax and pre-expense basis. In addition to rankings within peer groups of funds on the basis of absolute performance, consideration may also be given to risk-adjusted performance. For managers responsible for multiple funds and accounts, investment performance is evaluated on an aggregate basis. Portfolio managers are also evaluated on the basis of their success in managing their dedicated team of analysts. Base compensation for portfolio managers varies in line with the portfolio manager's seniority and position with the firm.

The compensation of portfolio managers with other job responsibilities (such as acting as an executive officer of the Investment Manager or CNS and supervising various departments within the Investment Manager or CNS) will include consideration of the scope of such responsibilities and the managers' performance in meeting them. The Investment Manager and Subadvisers seek to compensate portfolio managers commensurate with their responsibilities and performance, and competitive with other firms within the investment management industry. The Investment Manager and Subadvisers participate in investment-industry compensation surveys and utilizes survey data as a factor in determining salary, bonus and stock-based compensation levels for portfolio managers and other investment professionals. Salaries, bonuses and stock-based compensation are also influenced by the operating performance of the Investment Manager or Subadviser and CNS. While the salary of each portfolio manager is fixed, cash bonuses and stock-based compensation may fluctuate significantly from year to year, based on changes in manager performance and other factors as described herein. For a high performing portfolio manager, cash bonuses and stock-based compensation generally are a substantial portion of total compensation.

#### *Portfolio Manager Securities Ownership*

The table below identifies the dollar range of securities beneficially owned by the portfolio managers of each Fund as of December 31 2009.

| Name of Portfolio Manager | Dollar Range of Equity Securities Owned* |     |
|---------------------------|--|-----|
|                           | RTU                                      | UTF |
| Martin Cohen              | E  | N/A |
| Robert H. Steers          | F  | N/A |
| Joseph Harvey             | A  | N/A |
| William F. Scapell        | A  | A   |
| Robert Becker             | A  | A   |
| Thomas N. Bohjalian       | A  | N/A |

\* The dollar ranges are as follows: A = None; B = \$1-\$10,000; C = \$10,001-\$50,000; D = \$50,001-\$100,000; E = \$100,001-\$500,000; \$500,001-\$1,000,000; and G = Over \$1,000,000.

### ADDITIONAL INFORMATION ABOUT THE FUNDS

Further information about each Fund is included in its Annual Report to Stockholders for the fiscal year ended December 31, 2008 and Semi-Annual Report to Stockholders for the six month period ended June 30, 2009. Copies of these documents and the SAI related to this Proxy Statement are available upon request and without charge by visiting the Funds' website at [www.cohenandsteers.com](http://www.cohenandsteers.com), by calling 800-330-7348 or by writing to a Fund at 280 Park Avenue, New York, New York 10017.

The Funds are subject to the informational requirements of the 1934 Act and, in accordance therewith, file reports and other information including proxy material, reports and charter documents with the SEC. These reports and other information can be inspected and copied at the public reference facilities at the SEC's Public Reference Room, Washington, D.C. 20549. You may obtain information about the operation of the Public Reference Room by calling the SEC at (202) 551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also obtain copies of this information, after paying a duplication fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC at Public Reference Section, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates.

#### Financial Highlights

The financial highlights tables are intended to help you understand the performance of each Fund for the last five years or since its inception, whichever is less. Certain information reflects financial results for a single share. Total return represents the rate that a stockholder would have earned (or lost) on a Fund share assuming reinvestment of all dividends and distributions. The information in the following tables has been derived from the Funds' financial statements, which have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm for each of the years or periods ended December 31, whose reports, along with the Funds' financial statements, are included in the Funds' annual reports (available upon request).

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The following tables include selected data for a share outstanding throughout each year and other performance information derived from the financial statements for each Fund. Each table should be read in conjunction with the relevant Fund's financial statements and the notes thereto.

*Financial Highlights for UTF*

For a share of common stock outstanding through each period indicated in the table below:

| Per Share Operating Performance:                                 | For the Six                                     | For the Year Ended December 31, |          |                   |                   | For the Period  |
|--|---|---------------------------------|----------|-------------------|-------------------|---|
|  | Months Ended<br>June 30,<br>2009<br>(unaudited) | 2008                            | 2007     | 2006              | 2005              | March 30, 2004 <sup>a</sup><br>through<br>December 31, 2004 |
| Net asset value per common share, beginning of period.           | \$ 13.21  | \$ 29.56                        | \$ 28.45 | \$ 23.95          | \$ 22.38          | \$ 19.10  |
| Income from investment operations:                               |   |                                 |          |                   |                   |   |
| Net investment income  | 0.56  | 1.48                            | 1.61     | 1.56              | 1.42 <sup>b</sup> | 0.85 <sup>b</sup>   |
| Net realized and unrealized gain (loss)                          | 0.43  | (14.94)                         | 3.35     | 5.13              | 1.72              | 3.36  |
| Total income (loss) from investment operations                   | 0.99  | (13.46)                         | 4.96     | 6.69              | 3.14              | 4.21  |
| Less dividends and distributions to preferred shareholders from: |   |                                 |          |                   |                   |   |
| Net investment income  | (0.05)  | (0.53)                          | (0.40)   | (0.51)            | (0.37)            | (0.12)  |
| Net realized gain  |   |                                 | (0.39)   | (0.13)            | (0.02)            | (0.00) <sup>c</sup>   |
| Total dividends and distributions to preferred shareholders      | (0.05)  | (0.53)                          | (0.79)   | (0.64)            | (0.39)            | (0.12)  |
| Total from investment operations applicable to common shares     | 0.94  | (13.99)                         | 4.17     | 6.05              | 2.75              | 4.09  |
| Less: Preferred share offering cost adjustment                   |   |                                 |          |                   |                   |   |
| Offering costs charged to paid-in capital - common shares        |   | (0.00) <sup>c</sup>             |          | 0.00 <sup>c</sup> |                   | (0.04)  |
| Offering costs charged to paid-in capital - preferred shares     |   |                                 | (0.02)   |                   | (0.02)            | (0.14)  |
| Anti-dilutive effect of common share offering                    |   |                                 |          |                   |                   | 0.05  |
| Total offering costs   |   | (0.00)                          | (0.02)   | 0.00              | (0.02)            | (0.13)  |
| Less dividends and distributions to common shareholders from:    |   |                                 |          |                   |                   |   |
| Net investment income  | (0.48)  | (0.82)                          | (1.20)   | (1.05)            | (1.03)            | (0.67)  |
| Net realized gain  |   |                                 | (1.12)   | (0.28)            | (0.04)            | (0.01)  |
| Tax return of capital  |   | (1.54)                          | (0.72)   | (0.22)            | (0.09)            | (0.00) <sup>c</sup>   |
| Total dividends and distributions to common shareholders         | (0.48)  | (2.36)                          | (3.04)   | (1.55)            | (1.16)            | (0.68)  |
| Net increase (decrease) in net asset value per common share      | 0.46  | (16.35)                         | 1.11     | 4.50              | 1.57              | 3.28  |
|  | \$ 13.67  | \$ 13.21                        | \$ 29.56 | \$ 28.45          | \$ 23.95          | \$ 22.38  |

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Net asset value, per common share, end of period

|  |                     |          |          |          |          |                     |
|--|---------------------|----------|----------|----------|----------|---------------------|
| Market value, per common share, end of period. | \$ 12.14            | \$ 10.30 | \$ 27.50 | \$ 24.48 | \$ 20.16 | \$ 19.82            |
| Net asset value total return <sup>d</sup>      | 8.15% <sup>e</sup>  | 49.17%   | 15.93%   | 27.30%   | 13.16%   | 21.57% <sup>e</sup> |
| Market value return <sup>d</sup>               | 23.18% <sup>e</sup> | 57.40%   | 25.34%   | 30.13%   | 7.55%    | 2.82% <sup>e</sup>  |

|  | For the Six                  | For the Year Ended December 31, |            |            |            | For the Period               |
|--|------------------------------|---------------------------------|------------|------------|------------|------------------------------|
|  | Months Ended                 | 2008                            | 2007       | 2006       | 2005       | March 30, 2004 <sup>a</sup>  |
| <b>Ratios/Supplemental Data:</b>   | June 30, 2009<br>(unaudited) |                                 |            |            |            | through<br>December 31, 2004 |
| Net assets applicable to common shares, end of period (in millions)  | \$ 592.3                     | \$ 572.3                        | \$ 1,280.7 | \$ 1,232.3 | \$ 1,037.6 | \$ 969.4                     |
| Ratio of expenses to average daily net assets applicable to common shares (before expense reduction) <sup>g</sup>                                | 2.90% <sup>f</sup>           | 2.00%                           | 1.54%      | 1.59%      | 1.55%      | 1.51% <sup>f</sup>           |
| Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction) <sup>g</sup>                                | 2.60% <sup>f</sup>           | 1.68%                           | 1.24%      | 1.28%      | 1.26%      | 1.22% <sup>f</sup>           |
| Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction and excluding interest expense) <sup>g</sup> | 2.33% <sup>f</sup>           | 1.62%                           |            |            |            |                              |
| Ratio of net investment income to average daily net assets applicable to common shares (before expense reduction) <sup>g</sup>                   | 9.07% <sup>f</sup>           | 6.31%                           | 4.67%      | 5.60%      | 5.72%      | 5.33% <sup>f</sup>           |
| Ratio of net investment income to average daily net assets applicable to common shares (net of expense reduction) <sup>g</sup>                   | 9.37% <sup>f</sup>           | 6.64%                           | 4.97%      | 5.90%      | 6.02%      | 5.62% <sup>f</sup>           |
| Ratio of expenses to average daily managed assets (before expense reduction) <sup>g,h</sup>  | 1.67% <sup>f</sup>           | 1.24%                           | 1.04%      | 1.05%      | 1.05%      | 1.06% <sup>f</sup>           |
| Ratio of expenses to average daily managed assets (net of expense reduction) <sup>g,h</sup>  | 1.50% <sup>f</sup>           | 1.04%                           | 0.84%      | 0.85%      | 0.85%      | 0.86% <sup>f</sup>           |
| Portfolio turnover rate  | 41%                          | 29%                             | 23%        | 15%        | 23%        | 14% <sup>e</sup>             |

**Preferred Shares/Revolving Credit**

**Agreement:**

|   |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|
| Liquidation value, end of period (in 000 s)               | \$ 287,000 | \$ 292,000 | \$ 652,000 | \$ 567,000 | \$ 567,000 | \$ 492,000 |
| Total shares outstanding (in 000 s)                       | 11         | 12         | 26         | 23         | 23         | 20         |
| Asset coverage ratio for revolving credit agreement       | 865%       | 981%       |            |            |            |            |
| Asset coverage per \$1,000 for revolving credit agreement | \$ 8,646   | \$ 9,806   |            |            |            |            |



|   |           |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Asset coverage ratio for auction market preferred shares <sup>a</sup>     | 247%      | 247%      | 296%      | 317%      | 283%      | 297%      |
| Asset coverage per share for auction market preferred shares <sup>b</sup> | \$ 61,750 | \$ 61,750 | \$ 74,108 | \$ 79,335 | \$ 70,748 | \$ 74,259 |
| Liquidation preference per share  | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| Average market value per share <sup>j</sup>                               | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 |

<sup>a</sup> Commencement of operations.

<sup>b</sup> Calculation based on average shares outstanding.

<sup>c</sup> Amount is less than \$0.005.

<sup>d</sup> Total market value return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effects of brokerage commissions. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested. Dividends and distributions, if any, are assumed for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.

<sup>e</sup> Not annualized.

<sup>f</sup> Annualized.

<sup>g</sup> Ratios do not reflect dividend payments to preferred shareholders.

<sup>h</sup> Average daily managed assets represent net assets applicable to common shares plus liquidation preference of preferred shares and the outstanding balance of the revolving credit agreement.

<sup>i</sup> Includes the effect of the outstanding borrowings from the revolving credit agreement.

<sup>j</sup> Based on weekly prices.

*Financial Highlights for RTU*

For a share of common stock of RTU outstanding through each period indicated in the table below:

| <b><u>Per Share Operating Performance:</u></b>                      | <b>For the Six<br/>Months Ended<br/>June 30, 2009<br/>(unaudited)</b> | <b>For the Year Ended December 31,</b> |             |             |                   | <b>For the<br/>Period<br/>January 30,<br/>2004<sup>a</sup><br/>through<br/>December 31, 2004</b> |
|---|---|--|-------------|-------------|-------------------|--|
|   |   | <b>2008</b>                            | <b>2007</b> | <b>2006</b> | <b>2005</b>       |  |
| Net asset value per common share,<br>beginning of period            | \$ 9.16   | \$ 22.13                               | \$ 25.22    | \$ 21.26    | \$ 21.51          | \$ 19.10   |
| Income from investment operations:                                  |   |  |             |             |                   |  |
| Net investment income   | 0.31  | 1.22                                   | 1.50        | 1.43        | 1.17 <sup>b</sup> | 0.90   |
| Net realized and unrealized gain (loss)                             | (0.45)  | (11.91)                                | (1.85)      | 5.47        | 0.57              | 2.97   |
| Total income (loss) from investment<br>operations                   | (0.14)  | (10.69)                                | (0.35)      | 6.90        | 1.74              | 3.87   |
| Less dividends and distributions to<br>preferred shareholders from: |   |  |             |             |                   |  |
| Net investment income   | (0.04)  | (0.48)                                 | (0.55)      | (0.32)      | (0.25)            | (0.12)   |
| Net realized gain   |   |  | (0.18)      | (0.26)      | (0.12)            | (0.01)   |
| Total dividends and distributions to<br>preferred shareholders      | (0.04)  | (0.48)                                 | (0.73)      | (0.58)      | (0.37)            | (0.13)   |
| Total from investment operations<br>applicable to common shares     | (0.18)  | (11.17)                                | (1.08)      | 6.32        | 1.37              | 3.74   |
| Less: Offering costs charged to paid-in<br>capital common shares    |   |  |             |             |                   | (0.04)   |
| Offering costs charged to paid-in<br>capital preferred shares       |   |  | (0.02)      | (0.01)      | (0.02)            | (0.12)   |
| Preferred and common share offering<br>cost adjustment              |   | (0.00) <sup>c</sup>                    |             |             | 0.00 <sup>c</sup> |  |
| Total offering costs  |   |  | (0.02)      | (0.01)      | (0.02)            | (0.16)   |
| Dilutive effect of common share<br>offering.                        |   |  |             |             |                   | (0.12)   |
| Less dividends and distributions to<br>common shareholders from:    |   |  |             |             |                   |  |
| Net investment income   | (0.36)  | (0.60)                                 | (0.99)      | (1.13)      | (0.93)            | (0.79)   |
| Net realized gain   |   |  | (0.33)      | (0.87)      | (0.46)            | (0.03)   |
| Tax return of capital.  |   | (1.20)                                 | (0.67)      | (0.35)      | (0.21)            | (0.23)   |
| Total dividends and distributions to<br>common shareholders         | (0.36)  | (1.80)                                 | (1.99)      | (2.35)      | (1.60)            | (1.05)   |
| Net increase (decrease) in net asset<br>value per common share      | (0.54)  | (12.97)                                | (3.09)      | 3.96        | (0.25)            | 2.41   |

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|   |                     |         |          |          |          |                     |
|---|---------------------|---------|----------|----------|----------|---------------------|
| Net asset value, per common share, end of period. | \$ 8.62             | \$ 9.16 | \$ 22.13 | \$ 25.22 | \$ 21.26 | \$ 21.51            |
| Market value, per common share, end of period     | \$ 7.13             | \$ 6.36 | \$ 20.11 | \$ 22.35 | \$ 17.66 | \$ 18.76            |
| Net asset value total return <sup>d</sup>         | 0.17%               | 52.23%  | 3.69%    | 32.65%   | 7.65%    | 19.46% <sup>e</sup> |
| Market value return <sup>d</sup>                  | 18.92% <sup>e</sup> | 63.50%  | 1.24%    | 41.52%   | 2.53%    | 0.50%               |

For the Year Ended December 31,

|  | For the Six<br>Months Ended<br>June 30, 2009 | 2008               | 2007               | 2006       | 2005       | For the<br>Period<br>January 30,<br>2004 <sup>a</sup><br>through<br>December 31, 2004 |
|--|--|--------------------|--------------------|------------|------------|---|
| <b>Ratios/Supplemental Data:</b>   |  |                    |                    |            |            |   |
| Net assets applicable to common shares, end of period (in millions)  | \$ 507.3                                     | \$ 539.0           | \$ 1,302.5         | \$ 1,484.3 | \$ 1,251.4 | \$ 1,266.2  |
| Ratio of expenses to average daily net assets applicable to common shares (before expense reduction) <sup>f</sup>                                | 3.36% <sup>g</sup>                           | 2.11%              | 1.60%              | 1.57%      | 1.57%      | 1.49% <sup>g</sup>  |
| Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction) <sup>f</sup>                                | 3.08% <sup>g</sup>                           | 1.77%              | 1.29%              | 1.27%      | 1.27%      | 1.21% <sup>g</sup>  |
| Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction and excluding interest expense) <sup>f</sup> | 2.85% <sup>g</sup>                           | 1.74%              |                    |            |            |   |
| Ratio of net investment income to average daily net assets applicable to common shares (before expense reduction) <sup>f</sup>                   | 8.00% <sup>g</sup>                           | 6.69% <sup>g</sup> | 5.12%              | 5.47%      | 5.15%      | 5.40% <sup>g</sup>  |
| Ratio of net investment income to average daily net assets applicable to common shares (net of expense reduction) <sup>f</sup>                   | 8.28% <sup>g</sup>                           | 7.04%              | 5.42%              | 5.77%      | 5.45%      | 5.68% <sup>g</sup>  |
| Ratio of expenses to average daily managed assets (before expense reduction) <sup>f,h</sup>  | 1.89% <sup>g</sup>                           | 1.24% <sup>g</sup> | 1.04% <sup>g</sup> | 1.04%      | 1.04%      | 1.04% <sup>g</sup>  |
| Ratio of expenses to average daily managed assets (net of expense reduction) <sup>f,h</sup>  | 1.73% <sup>g</sup>                           | 1.04%              | 0.84%              | 0.84%      | 0.84%      | 0.84% <sup>g</sup>  |
| Portfolio turnover rate  | 43% <sup>e</sup>                             | 39%                | 22%                | 24%        | 20%        | 18% <sup>e</sup>  |

**Preferred Shares/Revolving Credit Agreement:**

|   |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|
| Liquidation value, end of period (in 000 s) | \$ 226,150 | \$ 325,150 | \$ 795,000 | \$ 700,000 | \$ 645,000 | \$ 570,000 |
| Total shares outstanding (in 000 s)         | 9          | 13         | 32         | 28         | 26         | 23         |

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|   |           |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Asset coverage ratio for revolving credit agreement                       | 613%      | 4,421%    |           |           |           |           |
| Asset coverage per \$1,000 for revolving credit agreement                 | \$ 6,129  | \$ 44,206 |           |           |           |           |
| Asset coverage ratio for auction market preferred shares <sup>i</sup>     | 237%      | 256%      | 264%      | 312%      | 294%      | 322%      |
| Asset coverage per share for auction market preferred shares <sup>i</sup> | \$ 59,250 | \$ 64,000 | \$ 65,958 | \$ 78,011 | \$ 73,504 | \$ 80,534 |
| Liquidation preference per share  | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| Average market value per share <sup>j</sup>                               | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 |

<sup>a</sup> Commencement of operations.

<sup>b</sup> Calculation based on average shares outstanding.

<sup>c</sup> Amount is less than \$0.005.

<sup>d</sup> Total market value return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effects of brokerage commissions. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested. Dividends and distributions, if any, are assumed for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.

<sup>e</sup> Not annualized.

<sup>f</sup> Ratios do not reflect dividend payments to preferred shareholders.

<sup>g</sup> Annualized.

<sup>h</sup> Average daily managed assets represent net assets applicable to common shares plus liquidation preference of preferred shares and the outstanding balance of the revolving credit agreement.

<sup>i</sup> Includes the effect of the outstanding borrowings from the revolving credit agreement.

<sup>j</sup> Based on weekly prices.

**Past Performance**

As shown in the table below, the performance of UTF, based on NAV, has exceeded that of RTU for 3- and 5-year periods and since each Fund's inception. Each Fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several factors, including investor perceptions of each Fund or the Investment Manager, supply and demand for each Fund's shares, general market and economic conditions and changes in each Fund's distributions.

*Total Returns as of December 31, 2009*

|              | <b>1 Year</b> | <b>3 Years</b> | <b>5 Years</b> | <b>Since Inception</b> |
|--------------|---------------|----------------|----------------|------------------------|
| <b>RTU</b>   |               |                |                |                        |
| NAV          | 54.16%        | -10.82%        | 0.25%          | 3.27% (1.30.04)        |
| Market Price | 83.21%        | -12.92%        | -0.85%         | -0.80% (1.30.04)       |
| <b>UTF</b>   |               |                |                |                        |
| NAV          | 42.09%        | -5.76%         | 3.81%          | 6.87% (3.30.04)        |
| Market Price | 67.09%        | -3.73%         | 4.54%          | 4.44% (3.30.04)        |

**Net Asset Value, Market Price and Premium/Discount**

Common shares of closed-end investment companies, such as the Funds, have frequently traded at a discount from net asset value, or in some cases trade at a premium. Shares of closed-end investment companies, such as the Funds, may tend to trade on the basis of income yield on the market price of the shares, and the market price may also be affected by investor perceptions of each Fund or the Investment Manager, supply and demand for each Fund's shares, general market and economic conditions and changes in each Fund's distributions. As a result, the market price of each Fund's common shares may be greater or less than the net asset value per share. Since the commencement of each Fund's operations, each Fund's shares of common stock have traded in the market at prices that were generally below net asset value per share.

The following tables set forth the high and low sales prices for each Fund's common shares on the NYSE and the high and low net asset value per share for each quarterly period during the last two calendar years. The discount or premium to net asset value per share is at each quarterly period ended during the last two calendar years.

## RTU

| Quarter Ended | Quarterly High Price |            | Quarterly Low Price |            | Quarter End Premium/Discount |
|---------------|----------------------|------------|---------------------|------------|------------------------------|
|               | NAV Per Share        | NYSE Price | NAV Per Share       | NYSE Price |                              |
| 03/31/08      | \$ 21.90             | \$ 20.04   | \$ 18.69            | \$ 16.51   | -12.26%                      |
| 06/30/08      | \$ 21.96             | \$ 19.44   | \$ 19.39            | \$ 17.56   | -10.45%                      |
| 09/30/08      | \$ 19.69             | \$ 17.72   | \$ 15.26            | \$ 12.49   | -22.54%                      |
| 12/31/08      | \$ 16.01             | \$ 13.07   | \$ 6.48             | \$ 4.87    | -30.57%                      |
| 03/31/09      | \$ 9.46              | \$ 7.41    | \$ 4.77             | \$ 3.29    | -28.29%                      |
| 06/30/09      | \$ 9.16              | \$ 7.27    | \$ 6.00             | \$ 4.55    | -17.29%                      |
| 09/30/09      | \$ 12.01             | \$ 9.97    | \$ 7.97             | \$ 6.78    | -17.38%                      |
| 12/31/09      | \$ 13.17             | \$ 10.88   | \$ 10.88            | \$ 8.81    | -17.48%                      |

## UTF

| Quarter Ended | Quarterly High Price |            | Quarterly Low Price |            | Quarter End Premium/Discount |
|---------------|----------------------|------------|---------------------|------------|------------------------------|
|               | NAV Per Share        | NYSE Price | NAV Per Share       | NYSE Price |                              |
| 03/31/08      | \$ 30.34             | \$ 28.16   | \$ 24.56            | \$ 22.49   | -8.04%                       |
| 06/30/08      | \$ 28.07             | \$ 25.75   | \$ 25.57            | \$ 23.20   | -8.75%                       |
| 09/30/08      | \$ 26.78             | \$ 24.61   | \$ 17.96            | \$ 15.19   | -13.73%                      |
| 12/31/08      | \$ 18.52             | \$ 16.28   | \$ 11.22            | \$ 8.24    | -22.03%                      |
| 03/31/09      | \$ 13.89             | \$ 12.36   | \$ 8.77             | \$ 6.78    | -16.88%                      |
| 06/30/09      | \$ 14.05             | \$ 12.14   | \$ 10.90            | \$ 9.29    | -11.19%                      |
| 09/30/09      | \$ 15.93             | \$ 14.57   | \$ 13.04            | \$ 11.84   | -11.04%                      |
| 12/31/09      | \$ 17.47             | \$ 16.62   | \$ 15.07            | \$ 12.95   | -8.28%                       |

On February 18, 2010, each Fund's net asset value per share, closing price on the NYSE and resulting market price premium/discount to net asset value was as follows.

|     | Net Asset Value Per Share | NYSE Price | Premium/Discount |
|-----|---------------------------|------------|------------------|
| RTU | \$ 12.40                  | \$ 10.37   | -16.37%          |
| UTF | \$ 16.74                  | \$ 14.94   | -10.75%          |

UTF Common Shares have recently been trading at a narrower discount than RTU Common Shares. However, the trading discount for UTF Common Shares may change after the issuance of additional UTF Common Shares in the Merger and the resulting increase in supply of UTF Common Shares in the market.

## CAPITALIZATION

The following table sets forth the unaudited capitalization of each Fund as of June 30, 2009, and on a pro forma basis for the combined Fund as of that date as if the proposed Merger had occurred on that date. The pro forma capitalization information is for informational purposes only. No assurance can be given as to how many UTF Common Shares will be received by stockholders of RTU on the Closing Date, and the information should not be relied upon to reflect the number of UTF Common Shares that actually will be received.

The following table sets out the effect of the proposed acquisition of assets at net asset value on a pro forma basis:

### Pro Forma Combined Capitalization Table

As of June 30, 2009 (Unaudited)

|                                    | RTU            | UTF            | Pro Forma<br>Adjustments   | Pro Forma<br>Combined<br>Fund(UTF) |
|------------------------------------|----------------|----------------|----------------------------|------------------------------------|
| Total Net Assets                   | \$ 507,326,195 | \$ 592,333,075 | \$(982,000 ) <sup>1</sup>  | \$ 1,098,677,270                   |
| Shares of Common Stock Outstanding | 58,858,135     | 43,320,750     | (21,754,443 ) <sup>2</sup> | 80,424,442                         |
| Net Asset Value                    | \$ 8.62        | \$ 13.67       |                            | \$ 13.66                           |

1. Non-recurring estimated Merger expenses of approximately \$982,000, of which \$475,000 is attributable to RTU and \$507,000 is attributable to UTF.
  2. Reflects adjustment to the number of UTF Common Shares outstanding as a result of the Merger.
- For more information about the Funds' capital stock, see Description of the Funds' Capital Stock.

## PORTFOLIO TRANSACTIONS

Subject to the supervision of the Directors, decisions to buy and sell securities for a Fund and negotiation of its brokerage commission rates are made by the Investment Manager and, as applicable, the Subadvisers. There is generally no stated commission in the case of securities traded in the over-the-counter market, but the price paid by the Funds usually includes an undisclosed dealer commission or markup. In certain instances, the Funds may make purchases of underwritten issues at prices which include underwriting fees.

In selecting a broker to execute each particular transaction, the Investment Manager and, as applicable, the Subadvisers, will take the following into consideration: the best net price available; the reliability, integrity and financial condition of the broker; the size and difficulty in executing the order; and the value of the expected contribution of the broker to the investment performance of the Fund on a continuing basis. Accordingly, the cost of the brokerage commissions to the Funds in any transaction may be greater than that available from other brokers if the difference is reasonably justified by other aspects of the portfolio execution services offered. Subject to such policies and procedures as the Directors may determine, the Investment Manager or a Subadviser shall not be deemed to have acted unlawfully or to have breached any duty solely by reason of its having caused a Fund to pay a broker that provides research services to the Investment Manager or a Subadviser an amount of commission for effecting a portfolio investment transaction in excess of the amount of commission another broker would have charged for effecting that transaction, if the Investment Manager or a Subadviser determines in good faith that such amount of commission was reasonable in relation to the value of the research service provided by such broker viewed in terms of either that particular transaction or the Investment Manager's or Subadvisers' ongoing responsibilities with respect to the Fund. Research and investment information is provided by these and other brokers at no cost to the Investment Manager or Subadvisers and is available for the benefit of other accounts advised by the Investment Manager, Subadvisers and their respective affiliates, and not all of the

information will be used in connection with the Funds. This information may be useful in varying degrees and may tend to reduce the Investment Manager's and Subadvisers' expenses. The extent to which the Investment Manager or a Subadviser makes use of statistical, research and other services furnished by brokers is considered by the Investment Manager or a Subadviser in the allocation of brokerage business, but there is no formula by which such business is allocated. The Investment Manager and Subadvisers, as applicable, do so in accordance with their judgment of the best interests of each Fund and its stockholders.

## DIVIDENDS AND DISTRIBUTIONS

### Distributions

Each Fund currently intends to make regular quarterly cash distributions to common stockholders based on the current and projected performance of the Fund. The tax treatment and characterization of a Fund's distributions may vary significantly from time to time because of the varied nature of the Fund's investments, and the ultimate tax characterization of a Fund's distributions made in a taxable year cannot be determined finally until after the end of that taxable year.

Over time, each Fund will distribute all of its net investment income. In addition, at least annually, each Fund intends to distribute all of its net realized capital gains, if any, to stockholders. The net income of a Fund consists of all income accrued on portfolio assets less all expenses of the Fund. Expenses of each Fund are accrued each day. At times, the Fund may pay out less than all of its net investment income or pay out accumulated undistributed income, or return capital, in addition to current net investment income. The distributions paid by a Fund for any particular quarterly period may be more or less than the amount of net investment income actually earned by the Fund during the period. Undistributed net investment income will be added to a Fund's net asset value and, correspondingly, distributions from undistributed net investment income will be deducted from the Fund's net asset value. See *Taxation*.

### *Managed Distribution Policy*

The Funds, the Investment Manager and all of the other closed-end funds managed by the Investment Manager have received exemptive relief from the SEC facilitating the implementation of a distribution policy that could include distribution of long-term capital gains more frequently than otherwise permitted under the 1940 Act ( *Managed Distribution Policy* ). Each Fund may, subject to the determination of its Board, implement a Managed Distribution Policy. Under a Managed Distribution Policy, if, for any distribution, net investment income and net realized capital gains were less than the amount of the distribution, the difference would be distributed from a Fund's assets and would constitute a return of capital. The Fund's final distribution for each calendar year would include any remaining net investment income and net realized capital gain undistributed during the year. In the event a Fund distributed in any calendar year amounts in excess of net investment income and net realized capital gain (such excess, the *Excess* ), such distribution would decrease the Fund's assets and, therefore, have the likely effect of increasing the Fund's expense ratio. There is a risk that the Fund would not eventually realize capital gains in an amount corresponding to a distribution of the *Excess*. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action.

A Managed Distribution Policy may require certain distributions that may be deemed a return of capital for tax purposes. For each taxable year, the *Excess* generally will be treated as a return of capital that is tax-free to the Fund's common stockholders, up to the amount of the stockholder's tax basis in the applicable common shares, with any amounts exceeding such basis treated as gain from the sale of such common shares. In certain instances, a Fund may make distributions exceeding net capital gains for that year (as reduced by capital loss carryforwards) but not exceeding current earnings and profits, in which case those distributions will be taxable as ordinary income even though the Fund could have retained those gains without paying a tax thereon.



There is no guarantee that the a Fund's Board will determine to implement a Managed Distribution Policy. The Boards reserve the right to change the distribution policy from time to time.

A Managed Distribution Policy results in the payment of distributions in approximately the same amount or percentage to stockholders each quarter. If the source of the dividend or other distribution were the original capital contribution of the stockholder, and the payment amounted to a return of capital, a Fund would be required to provide written disclosure to that effect. Nevertheless, stockholders who periodically receive the payment of a dividend or other distribution may be under the impression that they are receiving net income or profits when they are not. Stockholders should read any written disclosure regarding dividends or other distributions carefully, and should not assume that the source of any distribution from their Fund is net income or profits.

#### **Dividend Reinvestment Plans**

Each Fund has a DRIP commonly referred to as an "opt-out" plan. Each common stockholder who participates in a DRIP has all distributions of dividends and capital gains ( "Dividends" ) automatically reinvested in additional common shares by The Bank of New York Mellon as agent (the "Plan Agent" ). Stockholders who elect not to participate in the DRIP will receive all Dividends in cash paid by check mailed directly to the stockholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend disbursing agent. Stockholders whose common shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the DRIP.

The Plan Agent serves as agent for the stockholders in administering the DRIPs. After a Fund declares a Dividend, the Plan Agent will, as agent for the stockholders, either: (i) receive the cash payment and use it to buy common shares in the open market, on the NYSE or elsewhere, for the participants' accounts or (ii) distribute newly issued common shares of the Fund on behalf of the participants.

The Plan Agent will receive cash from a Fund with which to buy common shares in the open market if, on the Dividend payment date, the NAV per share exceeds the market price per share plus estimated brokerage commissions on that date. The Plan Agent will receive the Dividend in newly issued common shares of the Fund if, on the Dividend payment date, the market price per share plus estimated brokerage commissions equals or exceeds the NAV per share of the Fund on that date. The number of shares to be issued will be computed at a per share rate equal to the greater of (i) the NAV or (ii) 95% of the closing market price per share on the payment date.

If the market price per share is less than the NAV on a Dividend payment date, the Plan Agent will have until the last business day before the next ex-dividend date for the common stock, but in no event more than 30 days after the Dividend payment date (as the case may be, the "Purchase Period" ), to invest the Dividend amount in shares acquired in open market purchases. If at the close of business on any day during the Purchase Period on which NAV is calculated the NAV on Dividend payment date equals or is less than the market price per share on such day plus estimated brokerage commissions, the Plan Agent will cease making open market purchases and the uninvested portion of such Dividends shall be filled through the issuance of new shares of common stock from the Fund at the price set forth in the immediately preceding paragraph.

Participants in a DRIP may withdraw from the DRIP upon notice to the Plan Agent. Such withdrawal will be effective immediately if received not less than ten days prior to a Dividend record date; otherwise, it will be effective for all subsequent Dividends. When a participant withdraws from the DRIP or upon termination of the DRIP as provided below, certificates for whole common shares credited to his or her account under the DRIP will be issued and a cash payment will be made for any fraction of a common share credited to such account. If any participant elects to have the Plan Agent sell all or part of his or her shares and remit the proceeds, the Plan Agent is authorized to deduct a \$15.00 fee plus \$0.10 per share brokerage commissions.

The Plan Agent's fees for the handling of reinvestment of Dividends will be paid by the Funds. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of Dividends. The automatic reinvestment of Dividends will not relieve participants of any income tax that may be payable or required to be withheld on such Dividends.

Each Fund reserves the right to amend or terminate its DRIP. All correspondence concerning the DRIPs should be directed to the Plan Agent at (800) 432-8224.

## TAXATION

Set forth below is a discussion of certain U.S. federal income tax issues concerning the Funds and the purchase, ownership and disposition of shares in the Funds. This discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to stockholders in light of their particular circumstances. This discussion is based upon present provisions of the Code, the regulations promulgated thereunder, and judicial and administrative ruling authorities, all of which are subject to change, which change may be retroactive. Prospective investors should consult their own tax advisors with regard to the federal tax consequences of the purchase, ownership, or disposition of shares in either of the Funds, as well as the tax consequences arising under the laws of any state, foreign country, or other taxing jurisdiction.

### Taxation of the Funds

Each Fund has elected to be treated as a regulated investment company under the Code.

To qualify for the favorable U.S. federal income tax treatment generally accorded to a regulated investment company, each Fund must, among other things, (i) derive in each taxable year at least 90% of its gross income from: (a) dividends, interest, payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gains from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies; and (b) net income derived from interests in certain publicly traded partnerships that are treated as partnerships for U.S. federal income tax purposes and that derive less than 90% of their gross income from the items described in (a) above (each a "Qualified Publicly Traded Partnership"); and (ii) diversify its holdings so that, at the end of each quarter of each taxable year: (a) at least 50% of the value of that Fund's total assets is represented by (I) cash and cash items, U.S. government securities, the securities of other regulated investment companies and (II) other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of that Fund's total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the value of that Fund's total assets is invested in the securities (other than U.S. government securities and the securities of other regulated investment companies) of (I) any one issuer, (II) any two or more issuers that are controlled by that Fund and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses or (III) any one or more Qualified Publicly Traded Partnerships.

As regulated investment companies, each Fund generally will not be subject to U.S. federal income tax on its investment company taxable income (which includes among other items, dividends, interest and net short-term capital gains in excess of net long-term capital losses, but which is determined, for this purpose, without regard to the deduction for dividend paid) and net capital gains (the excess of net long-term capital gains over net short-term capital losses), if any, that it distributes to stockholders, provided that it distributes at least 90% of its investment company taxable income for such taxable year. Each Fund intends to distribute to its stockholders, at least annually, substantially all of its investment company taxable income and net capital gains. Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement, described below, are subject to a nondeductible 4% excise tax. To prevent imposition of the excise tax, each Fund must distribute

during each calendar year an amount at least equal to the sum of (1) 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) 98% of its capital gains in excess of its capital losses (adjusted for certain ordinary losses) for the one-year period ending on October 31 or December 31, as elected by each Fund, and (3) any ordinary income and capital gain net income for previous years that was not distributed during those years.

If for any taxable year a Fund does not qualify as a regulated investment company or satisfy the 90% distribution requirement, all of its taxable income (including its net capital gain) will be subject to U.S. federal income tax at regular corporate rates without any deduction for distributions to its stockholders, and such distributions will be taxable to its stockholders as ordinary dividends to the extent of that Fund's current and accumulated earnings and profits.

### **Distributions**

Dividends paid out of a Fund's current and accumulated earnings and profits will, except in the case of distributions of qualified dividend income and capital gain dividends described below, be taxable to a U.S. stockholder as ordinary income to the extent of that Fund's earnings and profits. For taxable years beginning on or before December 31, 2010, qualified dividend income received by individual stockholders is taxed at rates equivalent to long-term capital gain tax rates, which reach a maximum of 15%. Qualified dividend income generally includes dividends from domestic corporations and dividends from qualified foreign corporations. Dividends paid by U.S. REITs will not generally be eligible to qualify as qualified dividend income. A foreign corporation is a qualified foreign corporation if it is (1) incorporated in a possession of the United States or is eligible for benefits of a comprehensive income tax treaty with the United States that the United States Treasury Department determines is satisfactory for this purpose and that includes an exchange of information program or (2) any other foreign corporation with respect to any dividend paid by such corporation if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States. A qualified foreign corporation does not include any foreign corporation, which for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a passive foreign investment company. Each Fund generally can pass the tax treatment of qualified dividend income it receives through to its stockholders. For a Fund to receive qualified dividend income, that Fund must meet certain holding period requirements for the stock on which the otherwise qualified dividend is paid. In addition, that Fund cannot be obligated to make payments (pursuant to a short sale or otherwise) with respect to substantially similar or related property. The same provisions, including the holding period requirements, apply to each stockholder's investment in that Fund. The provisions of the Code applicable to qualified dividend income and the 15% maximum individual tax rate on long-term capital gains are currently effective through 2010. Thereafter, qualified dividend income will no longer be taxed at the rates applicable to long-term capital gains, and the maximum individual tax rate on long-term capital gains will increase to 20%, unless Congress enacts legislation providing otherwise. Because of the fact-specific nature of the inquiry, there can be no assurance as to what portion, if any, of a particular Fund's distributions will be entitled to the lower tax rates that apply to qualified dividend income.

Distributions of net capital gain, if any, designated as capital gain dividends are taxable to a stockholder as long-term capital gains, regardless of how long the stockholder has held shares in any particular Fund. Long-term capital gain rates for individuals have been temporarily reduced to 15% (with lower rates for individuals in the 10% and 15% rate brackets) for taxable years beginning on or before December 31, 2010.

A distribution by a Fund will be treated as paid on December 31 of the current calendar year if it is declared by that Fund in October, November or December with a record date in such a month and paid by that Fund during January of the following calendar year. Such distributions will be taxable to stockholders of that Fund in the calendar year in which the distributions are declared, rather than the calendar year in which the distributions are received. To prevent application of the excise tax, each Fund intends to make its distributions in accordance with the calendar year distribution requirement.

A distribution of an amount in excess of a Fund's current and accumulated earnings and profits will be treated by a stockholder of that Fund as a return of capital which is applied against and reduces the stockholder's basis in his or her shares of that Fund. To the extent that the amount of any such distribution exceeds the stockholder's basis in his or her shares in the relevant Fund, the excess will be treated by the stockholder as gain from a sale or exchange of the shares in that Fund.

Dividends designated by a Fund and received by corporate stockholders of that Fund will qualify for the DRD to the extent of the amount of DRD qualifying dividends received by that Fund from domestic corporations (other than REITs) for the taxable year. A dividend received by a Fund will not be treated as a DRD qualifying dividend (i) if the stock on which the dividend is paid is considered to be debt-financed (generally, acquired with borrowed funds), (ii) if that Fund fails to meet certain holding period requirements for the stock on which the dividend is paid or (iii) to the extent that the relevant Fund is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. Moreover, the DRD may be disallowed or reduced if the corporate stockholder fails to satisfy the foregoing requirements with respect to its shares of the relevant Fund or by application of the Code.

Distributions will be treated in the manner described above regardless of whether such distributions are paid in cash or invested in additional shares of a Fund through a DRIP or otherwise.

Each Fund may elect to retain its net capital gain or a portion thereof for investment and be taxed at corporate rates on the amount retained. In such case, the relevant Fund may designate its retained amount as undistributed capital gains in a notice to its stockholders who will be treated as if each received a distribution of his or her pro rata share of such gain, with the result that each stockholder will (i) be required to report his or her pro rata share of such gain on his or her tax return as long-term capital gain, (ii) receive a refundable tax credit for his or her pro rata share of tax paid by the relevant Fund on the gain and (iii) increase the tax basis for his or her shares by an amount equal to the deemed distribution less the tax credit.

Stockholders of each of the Funds will be notified annually as to the U.S. federal tax status of distributions.

#### **Sale or Exchange of Fund Shares**

Upon the sale or other disposition of shares of a Fund which a stockholder holds as a capital asset, including an exchange of shares in a Fund for shares of another Cohen & Steers fund, such stockholder may realize a capital gain or loss which will be long-term or short-term, depending upon the stockholder's holding period for the shares. A stockholder who exchanges shares in a Fund for shares of another Cohen & Steers fund generally will have a tax basis in the newly-acquired fund shares equal to the amount invested in the newly-acquired fund and will begin a new holding period for federal income tax purposes.

Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced (including through reinvestment of dividends) with substantially similar shares within a period of 61 days beginning 30 days before and ending 30 days after disposition of the shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized by a stockholder on a disposition of shares in a Fund held by the stockholder for six months or less will be treated as a long-term capital loss to the extent of any distributions of net capital gains received by the stockholder with respect to such shares.

If a stockholder recognizes a loss of \$2 million or more with respect to shares of a Fund for an individual stockholder or \$10 million or more for a corporate stockholder, the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, stockholders of a regulated investment company are not excepted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Stockholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

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**Nature of the Funds Investments**

Certain investment practices of each of the Funds are subject to special and complex federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause one or more of the Funds to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not qualify as good income under the 90% annual gross income test described above. Each Fund will monitor its transactions and may make certain tax elections in order to mitigate the effect of these provisions.

*Investments In REITs*

Each Fund may invest in U.S. REITs that hold residual interests in real estate mortgage investment conduits ( REMICs ) or which are, or have certain wholly-owned subsidiaries that are taxable mortgage pools. Under a Notice issued by the IRS, the Code, and Treasury regulations to be issued, a portion of a Fund's income from a U.S. REIT that is attributable to the REIT's residual interest in a REMIC or, possibly, equity interests in a taxable mortgage pool (referred to in the Code as an excess inclusion ) will be subject to federal income tax in all events. These regulations are also expected to provide that excess inclusion income of a regulated investment company, such as each Fund, will be allocated to stockholders of the regulated investment company in proportion to the dividends received by such stockholders, with the same consequences as if the stockholders held the related REMIC residual interest or, if applicable, taxable mortgage pool directly. In general, excess inclusion income allocated to stockholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity) subject to tax on unrelated business income, thereby potentially requiring such an entity that is allocated excess inclusion income, and otherwise might not be required to file a tax return, to file a tax return and pay tax on such income, and (iii) in the case of a foreign stockholder, will not qualify for any reduction in U.S. federal withholding tax. In addition, if at any time during any taxable year a disqualified organization (as defined in the Code) is a record holder of a share in a regulated investment company, then the regulated investment company will be subject to a tax equal to that portion of its excess inclusion income for the taxable year that is allocable to the disqualified organization, multiplied by the highest federal income tax rate imposed on corporations. The Notice imposes certain reporting requirements upon regulated investment companies that have excess inclusion income.

*Investment in Foreign (Non-U.S.) Securities*

Investment income that may be received by a Fund from sources within foreign countries may be subject to foreign taxes withheld at the source. The United States has entered into tax treaties with many foreign countries, which entitle each Fund to a reduced rate of, or exemption from, taxes on such income. If more than 50% of the value of a Fund's total assets at the close of the taxable year consists of stock or securities of foreign corporations, that Fund may elect to pass through to its stockholders the amount of foreign taxes paid by that Fund. If that Fund so elects, each stockholder would be required to include in gross income, even though not actually received, his or her pro rata share of the foreign taxes paid by that Fund, but would be treated as having paid his or her pro rata share of such foreign taxes and would therefore be allowed to either deduct such amount in computing taxable income or use such amount (subject to various Code limitations) as a foreign tax credit against federal income tax (but not both). For purposes of the foreign tax credit limitation rules of the Code, each stockholder would treat as foreign source income his or her pro rata share of such foreign taxes plus the portion of dividends received from the relevant Fund representing income derived from foreign sources. No deduction for foreign taxes could be claimed by an individual stockholder who does not itemize deductions. In certain circumstances, a stockholder that (i) has held shares of the relevant Fund for less than a specified minimum period during which it is not protected from risk of loss or (ii) is obligated to make payments related to the

dividends will not be allowed a foreign tax credit for foreign taxes deemed imposed on dividends paid on such shares. Additionally, the relevant Fund must also meet this holding period requirement with respect to its foreign stocks and securities in order for creditable taxes to flow-through. Each stockholder should consult his or her own tax adviser regarding the potential application of foreign tax credits.

#### *Passive Foreign Investment Companies*

Each Fund may invest in shares of foreign corporations that may be classified under the Code as passive foreign investment companies ( PFICs ). In general, a foreign corporation is classified as a PFIC if at least one-half of the average value of its assets held during the taxable year constitute investment-type assets, or 75% or more of its gross income is investment-type income. If a Fund receives a so-called excess distribution with respect to PFIC stock, that Fund itself may be subject to a tax on a portion of the excess distribution, whether or not the corresponding income is distributed by that Fund to stockholders. In general, under the PFIC rules, an excess distribution is treated as having been realized ratably over the period during which the relevant Fund held the PFIC shares. A Fund will itself be subject to tax on the portion, if any, of an excess distribution that is so allocated to prior taxable years of that Fund and an interest factor will be added to the tax, as if the tax had been payable in such prior taxable years. Certain distributions from a PFIC as well as gain from the sale of PFIC shares are treated as excess distributions. Excess distributions are characterized as ordinary income even though, absent application of the PFIC rules, certain excess distributions might have been classified as capital gain.

Each Fund may be eligible to elect alternative tax treatment with respect to its PFIC shares. Under an election that currently is available in some circumstances, the Fund would be required to include in its gross income its share of the earnings of a PFIC on a current basis, regardless of whether distributions were received from the PFIC in a given year. If this election were made, the special rules, discussed above, relating to the taxation of excess distributions, would not apply. In addition, another election would involve marking to market the electing Fund's PFIC shares at the end of each taxable year, with the result that unrealized gains would be treated as though they were realized and reported as ordinary income. Any mark-to-market losses and any loss from an actual disposition of PFIC shares would be deductible as ordinary losses to the extent of any net mark-to-market gains included in income in prior years by the relevant Fund.

Under either election, a Fund might be required to recognize in a year income in excess of its distributions from PFICs and its proceeds from dispositions of PFIC stock during that year, and such income would nevertheless be included in determining the amount of income which that Fund must distribute to maintain its status as a regulated investment company and to avoid the payment of federal income tax and the 4% excise tax.

Dividends from a PFIC and certain other foreign corporations are not eligible for treatment as qualified dividend income. See Distributions above for a discussion regarding the taxation of qualified dividend income.

Certain other anti-deferral rules could apply to a Fund and its stockholders to the extent that Fund owns 10% or more of the voting powers of the voting stock of a controlled foreign corporation.

#### *Foreign Currency Transactions*

Under Section 988 of the Code, gains or losses attributable to fluctuations in exchange rates between the time a Fund accrues income or receivables or expenses or other liabilities denominated in a foreign currency and the time that Fund actually collects such income or receivables or pays such liabilities are generally treated as ordinary income or loss. Similarly, gains or losses on foreign currency forward contracts and the disposition of debt securities denominated in a foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, are also treated as ordinary income or loss.

*Options And Hedging Transactions*

The taxation of equity options and OTC options on debt securities is governed by Section 1234 of the Code. Pursuant to Section 1234 of the Code, the premium received by a Fund for selling a put or call option is not included in income at the time of receipt. If the option expires, the premium is short-term capital gain to that Fund. If a Fund enters into a closing transaction, the difference between the premium received and the amount paid to close out its position is short-term capital gain or loss. If a call option written by a Fund is exercised, thereby requiring that Fund to sell the underlying security, the premium will increase the amount realized upon the sale of such security, and any resulting gain or loss will be capital gain or loss and will be long-term or short-term depending upon the holding period of the security. With respect to a put or call option that is purchased by a Fund, if the option is sold, any resulting gain or loss will be a capital gain or loss, and will be long-term or short-term, depending upon the holding period of the option. If the option expires, the resulting loss is a capital loss and is long-term or short-term depending upon the holding period of the option. If the option is exercised, the cost of the option, in the case of a call option, is added to the basis of the purchased security and, in the case of a put option, reduces the amount realized on the underlying security in determining gain or loss.

Certain options, futures contracts and forward contracts in which a Fund may invest may be Section 1256 contracts governed by Section 1256 of the Code. Gains or losses on Section 1256 contracts generally are considered 60% long-term and 40% short-term capital gains or losses; however, foreign currency gains or losses (as discussed below) arising from certain Section 1256 contracts may be treated as ordinary income or loss. Also, Section 1256 contracts held by a Fund at the end of each taxable year (and, generally, for purposes of the 4% excise tax, on October 31 or December 31, as elected by the Fund) are marked-to-market (that is, treated as sold at fair market value), resulting in unrealized gains or losses being treated as though they were realized.

Generally, the hedging transactions undertaken by a Fund may result in straddles for U.S. federal income tax purposes. The straddle rules may affect the character of gains (or losses) realized by a Fund. In addition, losses realized by a Fund on positions that are part of a straddle may be deferred under the straddle rules, rather than being taken into account in calculating the taxable income for the taxable year in which the losses are realized. Because only a few regulations implementing the straddle rules have been promulgated, the tax consequences to a Fund of engaging in hedging transactions are not entirely clear. Hedging transactions may increase the amount of short-term capital gain realized by a Fund which is taxed as ordinary income when distributed to stockholders.

Each Fund may make one or more of the elections available under the Code which are applicable to straddles. If a Fund makes any of the elections, the amount, character and timing of the recognition of gains or losses from the affected straddle positions will be determined under rules that vary according to the election(s) made. The rules applicable under certain of the elections may operate to accelerate the recognition of gains or losses from the affected straddle positions.

Because the straddle rules may affect the character of gains or losses, defer losses and/or accelerate the recognition of gains or losses from the affected straddle positions, the amount which may be distributed to stockholders of a Fund, and which will be taxed to them as ordinary income or long-term capital gain, may be increased or decreased as compared to a fund that did not engage in such hedging transactions.

Notwithstanding any of the foregoing, a Fund may recognize gain (but not loss) from a constructive sale of certain appreciated financial positions if that Fund enters into a short sale, offsetting notional principal contract, or futures or forward contract transaction with respect to the appreciated position or substantially identical property. Appreciated financial positions subject to this constructive sale treatment are interests (including options, futures and forward contracts and short sales) in stock, partnership interests, certain actively traded trust instruments and certain debt instruments. Constructive sale treatment does not apply to certain transactions closed prior to the end of the 30th day after the close of the taxable year, if certain conditions are met.

#### *Market Discount Bonds*

Gains derived by a Fund from the disposition of any market discount bonds (*e.g.*, bonds purchased other than at original issue, where the face value of the bonds exceeds their purchase price) held by that Fund will be taxed as ordinary income to the extent of the accrued market discount of the bonds, unless that Fund elects to include the market discount in income as it accrues.

#### *Original Issue Discount Securities*

Investments by a Fund in zero coupon or other discount securities will result in income to that Fund generally equal to a portion of the excess of the face value of the securities over their issue price (the original issue discount) each year that the securities are held, even though that Fund receives no cash interest payments. This income is included in determining the amount of income which that Fund must distribute to maintain its status as a regulated investment company and to avoid the payment of federal income tax and the 4% excise tax. In addition, if a Fund invests in certain high yield original issue discount securities issued by corporations, a portion of the original issue discount accruing on any such obligation may be eligible for the deduction for dividends received by corporations. In such event, dividends of investment company taxable income received from the relevant Fund by its corporate stockholders, to the extent attributable to such portion of accrued original issue discount, may be eligible for this deduction for dividends received by corporations if so designated by that Fund in a written notice to stockholders. Because such income may not be matched by a corresponding cash distribution to that Fund, that Fund may be required to borrow money or dispose of other securities to be able to make distributions to its stockholders.

#### *Investments in Securities of Uncertain Tax Character*

Each Fund may invest in preferred securities or other securities the U.S. federal income tax treatment of which may not be clear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the tax treatment expected by the particular Fund, it could affect the timing or character of income recognized by that Fund, requiring that Fund to purchase or sell securities, or otherwise change its portfolio, in order to comply with the tax rules applicable to regulated investment companies under the Code.

#### **Backup Withholding**

Each Fund may be required to withhold U.S. federal income tax on certain distributions payable to its stockholders who fail to provide it with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Corporate stockholders and certain other stockholders specified in the Code generally are exempt from such backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be credited against the stockholder's U.S. federal income tax liability.

#### **Foreign Stockholders**

U.S. taxation of income from a Fund to a stockholder who, as to the United States, is a nonresident alien individual, a foreign trust or estate, a foreign corporation or foreign partnership (foreign stockholder) depends on whether the income of that Fund is effectively connected with a U.S. trade or business carried on by the stockholder.

#### *Income Not Effectively Connected*

If the income from a Fund is not effectively connected with a U.S. trade or business carried on by the foreign stockholder, distributions of investment company taxable income will generally be subject to a U.S. tax



of 30% (or lower treaty rate, except in the case of any excess inclusion income allocated to the stockholder (see Taxation Investments In REITs, above)), which tax is generally withheld from such distributions.

Capital gain dividends and any amounts retained by the Fund which are designated as undistributed capital gains will not be subject to U.S. tax at the rate of 30% (or lower treaty rate) unless the foreign stockholder is a nonresident alien individual and is physically present in the United States for more than 182 days during the taxable year and meets certain other requirements. However, this 30% tax on capital gains of nonresident alien individuals who are physically present in the United States for more than the 182-day period only applies in exceptional cases because any individual present in the United States for more than 182 days during the taxable year is generally treated as a resident for U.S. income tax purposes; in that case, he or she would be subject to U.S. income tax on his or her worldwide income at the graduated rates applicable to U.S. citizens, rather than the 30% U.S. withholding tax. In the case of a foreign stockholder who is a nonresident alien individual, the Fund may be required to withhold U.S. income tax on distributions of net capital gains unless the foreign stockholder certifies his or her non-U.S. status under penalties of perjury or otherwise establishes an exemption (generally by providing an Internal Revenue Service Form W-8BEN).

If a Fund is a U.S. real property holding corporation (as such term as defined in the Code), or would be but for the operation of certain exclusions, distributions by that Fund attributable to gains from U.S. real property interests realized on account of certain capital gain dividends from REITs will generally cause the foreign stockholder to be treated as recognizing such gain as income effectively connected to a trade or business within the United States. Foreign stockholders would thus generally be taxed at the same rates applicable to U.S. stockholders, subject to a special alternative minimum tax in the case of nonresident alien individuals. Also, such gain may be subject to a 30% branch profits tax in the hands of a foreign stockholder that is a corporation. Such distributions will be subject to U.S. withholding tax and will generally give rise to an obligation on the part of the foreign stockholder to file a U.S. federal income tax return. The treatment of distributions by a Fund attributable to gains from U.S. real property interests derived through REITs described above does not apply if the foreign stockholder-recipient has not owned more than 5% of the class of stock of the Fund in respect of which the distributions were made at any time during the one-year period ending on the date of the distribution. In that case, the distribution generally is treated as an ordinary dividend subject to U.S. withholding tax at the rate of 30% (or lower treaty rate).

Any gain that a foreign stockholder realizes upon the sale or exchange of such stockholder's shares of a Fund will ordinarily be exempt from U.S. tax unless (i) in the case of a stockholder that is a nonresident alien individual, the gain is U.S. source income and such stockholder is physically present in the United States for more than 182 days during the taxable year and meets certain other requirements, or (ii) at any time during the shorter of the period during which the foreign stockholder held shares of the Fund and the five-year period ending on the date of the disposition of those shares, the Fund was a U.S. real property holding corporation and the foreign stockholder actually or constructively held more than 5% of the shares of the Fund. In the latter event, the gain would be taxed in the same manner as for a U.S. stockholder, as discussed above. A corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests equals or exceeds 50% of the fair market value of such interests plus its interests in real property located outside the United States plus any other assets used or held for use in a business. In the case of a Fund, U.S. real property interests include interests in stock in U.S. real property holding corporations (other than stock of a REIT controlled by U.S. persons and holdings of 5% or less in the stock of publicly traded U.S. real property holding corporations) and certain participating debt securities.

Foreign stockholders that engage in certain wash sale and/or substitute dividend payment transactions the effect of which is to avoid the receipt of distributions from a Fund that would be treated as gain effectively connected with a United States trade or business will be treated as having received such distributions. The stockholders of each Fund should consult their tax advisors regarding the application of the foregoing rule.

Investors are advised to consult their own tax advisers with respect to the application to their own circumstances of the above-described general taxation rules and with respect to the state, local, foreign and other tax consequences to them of an investment in either of the Funds.

#### *Income Effectively Connected*

If the income from a Fund is effectively connected with a U.S. trade or business carried on by a foreign stockholder, then distributions of investment company taxable income and capital gain dividends, any amounts retained by that Fund which are designated as undistributed capital gains and any gains realized upon the sale or exchange of shares of that Fund will be subject to U.S. income tax at the graduated rates applicable to U.S. citizens, residents and domestic corporations. Foreign corporate stockholders may also be subject to the branch profits tax imposed by the Code.

The tax consequences to a foreign stockholder entitled to claim the benefits of an applicable tax treaty may differ from those described herein.

Foreign stockholders are advised to consult their own tax advisers with respect to the particular tax consequences to them of an investment in a Fund.

#### **Other Taxation**

Each Fund's stockholders may be subject to state, local and foreign taxes on distributions from their Funds. Stockholders are advised to consult their own tax advisers with respect to the particular tax consequences to them of an investment in a Fund.

#### **NET ASSET VALUE**

Each Fund determines the NAV of its shares daily, as of the close of trading on the NYSE (currently 4:00 p.m., Eastern time). NAV is computed by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including accrued expenses and dividends declared but unpaid), by the total number of shares outstanding. Any swap transaction that a Fund enters into may, depending on the applicable interest rate environment, have a positive or negative value for purposes of calculating NAV. In addition, accrued payments to a Fund under such transactions will be assets of the Fund, and accrued payments by a Fund will be liabilities of the Fund.

Investments in securities that are listed on the NYSE are valued, except as indicated below, at the last sale price reflected at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices for the day or, if no asked price is available, at the bid price.

Securities not listed on the NYSE but listed on other domestic or foreign securities exchanges or admitted to trading on the National Association of Securities Dealers Automated Quotations, Inc. (Nasdaq) are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined as reflected on the tape at the close of the exchange representing the principal market for such securities. If after the close of a foreign market, but prior to the close of business on the day the securities are being valued, market conditions change significantly, certain foreign securities may be fair valued pursuant to procedures established by the Board.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by the Investment Manager to be over-the-counter, are valued at the official closing prices as reported by sources a Fund's Board deems appropriate to reflect their fair market value. If there has

been no sale on such day, the securities are valued at the mean of the closing bid and asked prices for the day, or if no asked price is available, at the bid price. However, certain fixed-income securities may be valued on the basis of prices provided by a pricing service when such prices are believed by the Board to reflect the fair market value of such securities.

Securities for which market prices are unavailable, or securities for which the Investment Manager determines that bid and/or asked price does not reflect market value, will be valued at fair value pursuant to procedures approved by the Boards. Circumstances in which market prices may be unavailable include, but are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security is principally traded. In these circumstances, the Funds determine fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors they deem appropriate. These may include recent transactions in comparable securities, information relating to the specific security and developments in the markets.

A Fund's use of fair value pricing may cause the net asset value of Fund shares to differ from the net asset value that would be calculated using market quotations. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of that security.

Short-term debt securities, which have a maturity date of 60 days or less, are valued at amortized cost, which approximates value.

### DESCRIPTION OF THE FUNDS CAPITAL STOCK

The following table presents the number of shares of (i) capital stock, par value \$0.001 per share, authorized by each Fund, and (ii) capital stock outstanding for each Fund as of December 17, 2009:

| Fund | Amount Authorized | Amount Outstanding<br>as of December 17,<br>2009 |
|------|-------------------|--|
| RTU  | 100,000,000       | 58,858,135                                       |
| UTF  | 100,000,000       | 43,320,750                                       |

As of December 17, 2009, all of the Funds' outstanding capital stock consisted entirely of common stock. The Board of Directors of UTF reclassified the Fund's redeemed AMPS as authorized, but unissued shares of common stock on December 10, 2009. Additional information about each Fund's shares of common stock appears below in this section.

#### Common Shares

There are no material differences among the rights of the Funds' common stockholders. Each Fund is authorized to issue up to 100,000,000 shares of capital stock pursuant to its charter. UTF's stockholders are being asked to approve an increase in the number of shares of capital stock authorized under its charter from 100 million to 300 million. Please see Proposal 2 for additional information.

The outstanding UTF Common Shares are, and the UTF Common Shares to be issued in the Merger will be, when issued, fully paid and nonassessable. All UTF Common Shares are equal as to dividends, distributions and voting privileges. There are no conversion, preemptive or other subscription rights. In the event of liquidation, each UTF Common Share is entitled to its proportion of UTF's assets after debts and expenses. There are no cumulative voting rights for the election of Directors.

The outstanding RTU Common Shares are fully paid and nonassessable. All RTU Common Shares are equal as to dividends, distribution and voting privileges. There are no conversion, preemptive or other subscription rights. In the event of liquidation, each RTU Common Share is entitled to its proportion of the assets of RTU after debts and expenses. There are no cumulative voting rights for the election of Directors.

Neither of the Funds have a present intention of offering additional common shares to the public except to the extent that UTF intends to issue new UTF Common Shares to holders of RTU Common Shares in the Merger. Other offerings of a Fund's common shares, if made, will require approval of that Fund's Board. Any additional offering will be subject to the requirements of the 1940 Act that shares of common stock may not be sold at a price below the then current net asset value (exclusive of underwriting discounts and commissions) except in connection with an offering to existing stockholders or with the consent of a majority of the outstanding shares of common stock.

#### *Special Voting Provisions*

Each Fund has provisions in its Articles of Incorporation and By-Laws that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. Each Fund's Board is divided into three classes, having terms of three years each. At the annual meeting of stockholders in each year, the term of one class will expire and Directors will be elected to serve in that class for terms of three years. This provision could delay for up to two years the replacement of a majority of the Board. A Director may be removed from office only for cause and only by a vote of the holders of at least 75% of the outstanding shares of the Fund entitled to vote on the matter.

The affirmative vote of at least 75% of the entire Board is required to authorize the conversion of a Fund from a closed-end to an open-end fund. Such conversion also requires the affirmative vote of the holders of at least 75% of the votes entitled to be cast thereon by the common stockholders unless it is approved by a vote of at least 75% of the Continuing Directors (as defined below), in which event such conversion requires the approval of the holders of a majority of the votes entitled to be cast thereon by the stockholders of the Fund.

A Continuing Director is any member of the Board of a Fund who (i) is not a person or affiliate of a person who enters or proposes to enter into a Business Combination (as defined below) with the Fund (an Interested Party) and (ii) who has been a member of the Board of the Fund for a period of at least 12 months, or has been a member of the Board since the Fund's initial public offering of common shares, or is a successor of a Continuing Director who is unaffiliated with an Interested Party and is recommended to succeed a Continuing Director by a majority of the Continuing Directors then on the Board of the Fund. The affirmative vote of at least 75% of the votes entitled to be cast thereon by stockholders of a Fund will be required to amend the Articles of Incorporation to change any of the provisions in this paragraph and the preceding paragraph.

The affirmative votes of at least 75% of the entire Board and the holders of at least (i) 80% of the votes entitled to be cast thereon by the stockholders of a Fund and (ii) in the case of a Business Combination (as defined below), 66 2/3% of the votes entitled to be cast thereon by the stockholders of the Fund other than votes held by an Interested Party who is (or whose affiliate is) a party to a Business Combination or an affiliate or associate of the Interested Party, are required to authorize any of the following transactions:

(i) merger, consolidation or statutory share exchange of the Fund with or into any other entity;

(ii) issuance or transfer by the Fund (in one or a series of transactions in any 12-month period) of any securities of the Fund to any person or entity for cash, securities or other property (or combination thereof) having an aggregate fair market value of \$1,000,000 or more, excluding (a) issuances or transfers of debt securities of the Fund, (b) sales of securities of the Fund in connection with a public offering, (c) issuances of securities of the Fund pursuant to a dividend reinvestment plan adopted by the Fund, (d) issuances of securities of the Fund upon the exercise of any stock subscription rights distributed by the Fund and (e) portfolio transactions effected by the Fund in the ordinary course of business;

(iii) sale, lease, exchange, mortgage, pledge, transfer or other disposition by the Fund (in one or a series of transactions in any 12 month period) to or with any person or entity of any assets of the Fund having an aggregate fair market value of \$1,000,000 or more except for portfolio transactions (including pledges of portfolio securities in connection with borrowings) effected by the Fund in the ordinary course of its business (transactions within clauses (i) and (ii) above and this clause (iii) being known individually as a Business Combination );

(iv) any voluntary liquidation or dissolution of the Fund or an amendment to the Fund's Articles of Incorporation to terminate the Fund's existence; or

(v) any stockholder proposal as to specific investment decisions made or to be made with respect to the Fund's assets as to which stockholder approval is required under federal or Maryland law.

However, the stockholder vote described above will not be required with respect to the foregoing transactions (other than those set forth in (v) above) if they are approved by a vote of at least 75% of the Continuing Directors (as defined above). In that case, if Maryland law requires stockholder approval, the affirmative vote of a majority of votes entitled to be cast thereon shall be required and if Maryland law does not require stockholder approval, no stockholder approval will be required unless otherwise provided in the 1940 Act.

In accordance with each Fund's By-Laws and elections made by each Fund under Section 3-804(b) and (c) of the MGCL, the number of Directors of the Fund may be fixed only by vote of the Directors, and any vacancy on the Board may be filled only by vote of a majority of the remaining Directors in office, even if the remaining Directors do not constitute a quorum. A Director elected to fill a vacancy shall hold office for the remainder of the full term of the class of Directors in which the vacancy occurred and until a successor is elected and qualified.

The Board of each Fund has determined that the foregoing voting requirements, which are generally greater than the minimum requirements under Maryland law and the 1940 Act, are in the best interest of the Fund's stockholders generally.

Each Fund's By-Laws require that stockholders wishing to propose matters, including nominees for election as Directors, to be acted upon at an annual meeting of stockholders must give the Fund advance notice of such proposals not earlier than the 150th day nor later than the 120th day prior to the anniversary of the notice for the preceding year's annual meeting. Special meetings may be called by the Fund's Board (or certain officers) or at the request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting. The only business which may be transacted at a special meeting shall be the business specified in the Fund's notice of meeting. If the purpose of a special meeting is to elect Directors, notice of nominations of candidates by stockholders must be received by the Fund not earlier than the 120th day before the meeting and before the later of the 90th day prior to the meeting or the 10th day following announcement of the meeting.

Reference is made to the Articles of Incorporation and By-Laws of each Fund, on file with the SEC, for the full text of these provisions. These provisions could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. On the other hand, these provisions may require persons seeking control of a Fund to negotiate with its management regarding the price to be paid for the shares required to obtain such control, they promote continuity and stability and they enhance the Fund's ability to pursue long-term strategies that are consistent with its investment objectives.

**The Board of Directors of UTF, including the Independent Directors,**

**recommends that you vote FOR this Proposal 1.**

**PROPOSAL 2**

**TO APPROVE AN AMENDMENT TO UTF S CHARTER TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF UTF S CAPITAL STOCK**

In connection with the consummation of the proposed Merger described in Proposal 1, UTF will issue additional UTF Common Shares in exchange for RTU Common Shares and list such shares on the NYSE. The aggregate net asset value of UTF Common Shares received in the Merger will equal the aggregate net asset value of RTU Common Shares held immediately prior to the Merger. The Merger will result in no dilution of net asset value of the UTF Common Shares, other than to reflect the costs of the Merger. No gain or loss will be recognized by UTF or its stockholders in connection with the Merger. UTF will continue to operate as a registered closed-end investment company as described in this Proxy/Prospectus.

As noted under "Description of the Funds' Capital Stock" in Proposal 1, UTF has 100 million shares of capital stock authorized, of which 43,320,750 were outstanding as of December 17, 2009. Although UTF has a sufficient number of authorized and unissued shares of capital stock available to consummate the Merger, the number of UTF Common Shares expected to be issued to RTU stockholders in the Merger is substantial and will result in a small residual number of authorized but unissued UTF Common Shares. Subsequent to the Merger, UTF may not have a sufficient amount of authorized stock to continue to issue to stockholders of the combined Fund in connection with UTF's DRIP or in connection with any other corporate action.

The Fund's Articles of Incorporation, as amended and supplemented (the "Charter"), does not provide the Board with the ability to increase or decrease the aggregate number of shares of stock that the Fund has authority to issue, without approval of the Fund's stockholders. As such, under Maryland law, stockholders of UTF are being asked to approve an amendment to UTF's Charter increasing the number of shares of capital stock UTF has authority to issue from 100 million to 300 million. The Board of UTF has adopted a resolution declaring that the amendment is advisable and recommending its approval by UTF's stockholders. The amendment requires approval by the affirmative vote of a majority of the outstanding UTF Common Shares. This increase should provide a sufficient number of shares of authorized stock for UTF to issue in the Merger and list with the NYSE, and to issue in connection with the Fund's DRIP and any potential future fund mergers or other corporate action to avoid the need for subsequent stockholder action.

Increasing the number of shares of authorized capital stock of UTF would permit UTF's Board to authorize future corporate actions, such as additional mergers and secondary offerings, including rights offerings or continuous offerings, of UTF Common Shares. Certain of these actions could result in the dilution of the value of a stockholder's UTF Common Shares. However, the Board of UTF would not authorize any such action unless, after consideration, the Board determined such action to be in the best interests of UTF and its stockholders. Except for shares issued in the Merger, and otherwise in accordance with its DRIP, UTF does not currently intend to issue additional shares of common stock.

UTF's Charter also authorizes the Board to classify, reclassify, and designate as to series or class any unissued shares of stock of UTF by setting, changing or terminating the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms and conditions of or rights to require redemption of the stock, and otherwise in any manner and to the extent now or hereafter permitted by the MGCL. Thus, the Board could authorize the issuance of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of UTF Common Shares or otherwise be in their best interest. UTF has no current intention to issue preferred stock.

In connection with the Merger, and as contemplated by the Agreement and Plan of Merger, UTF will issue additional UTF Common Shares and list such shares on the NYSE. Applicable NYSE rules require the stockholders of UTF to approve the authorization of the additional UTF Common Shares to be issued in connection with the Merger. Approval of Proposal 2 to approve the amendment to UTF's Charter will be deemed an approval of the issuance of additional UTF Common Shares for NYSE purposes.

**The Board of Directors of UTF, including the Independent Directors, recommends that you vote FOR this Proposal 2.**

#### OTHER BUSINESS

The Board of UTF does not intend to present any other business at the Meeting. If, however, any other matters are properly brought before the Meeting or any adjournment or postponement thereof, the persons named as proxies will vote thereon in accordance with their judgment.

#### SUBMISSION OF STOCKHOLDER PROPOSALS

All proposals by stockholders of UTF which are intended to be presented at the Fund's next annual meeting of stockholders, to be held in 2010, must have been received by UTF (addressed to the Fund, 280 Park Avenue, New York, New York 10017) for inclusion in UTF's proxy statement and proxy relating to that meeting no later than November 13, 2009. Any stockholder who desired to bring a proposal for consideration at the Fund's 2010 annual meeting of stockholders without including such proposal in UTF's proxy statement must have delivered written notice thereof to the Secretary or Assistant Secretary of UTF (addressed to the Fund, 280 Park Avenue, New York, New York 10017) during the 30-day period from October 14, 2009 to November 13, 2009. All stockholder proposals must have included the information required by UTF's By-Laws.

#### STOCKHOLDER COMMUNICATIONS WITH THE BOARD

Stockholders may send written communications to UTF's Board to the attention of the Board of Directors, c/o Cohen & Steers Funds, 280 Park Avenue, New York, New York 10017. Stockholder communications must be signed by the stockholder and identify the number of shares held by the stockholder. Each properly submitted stockholder communication shall be provided to the Board at its next regularly scheduled meeting or, if such communication requires more immediate attention, it will be forwarded to the Directors promptly after receipt.

#### VOTING INFORMATION

This Proxy Statement is furnished in connection with a solicitation of proxies by the Board of UTF to be used at the Meeting. This Proxy Statement, along with the Notice of Reconvened Special Meeting and proxy card, are first being mailed to stockholders of UTF on or about January 8, 2010 or as soon as practicable thereafter. Only stockholders of record as of the close of business on December 17, 2009 (the New Record Date) will be entitled to notice of, and to vote at, the Meeting, and at any adjournments or postponements thereof. If a proxy card is properly signed and dated and returned in time to be voted at the Meeting, the proxies named thereon will vote the shares represented by the proxy in accordance with the instructions marked thereon. Unmarked but properly signed and dated proxy cards will be voted FOR approval of Proposals 1 and 2 and FOR any other matters the proxies deem appropriate.

A stockholder may revoke a proxy at any time on or before the Meeting by either (1) submitting to UTF a subsequently dated proxy, (2) delivering to UTF a written notice of revocation (addressed to the Secretary at the principal executive office of UTF at the address shown at the beginning of this Proxy Statement) or (3) otherwise giving notice of revocation at the Meeting, at all times prior to the exercise of the authority granted in the proxy card. Merely attending the Meeting, however, will not revoke any previously executed proxy. Unless revoked, all valid and executed proxies will be voted in accordance with the specifications thereon or, in the absence of such specifications, for approval of each Proposal.

Even if you plan to attend the Meeting, we ask that you vote by a proxy card or by telephone or through the Internet. This will help us ensure that an adequate number of shares are present for the Meeting to be held. **However, you do not need to take any action if you were a stockholder of UTF as of July 30, 2009 (the original record date for the Meeting), have not changed brokerage accounts and previously submitted a valid proxy card or authorized a proxy in connection with the Meeting (and have not revoked your proxy).**

**Your previous proxy will remain effective as to the number of UTF Common Shares you hold on the New Record Date. If you would like to confirm or change your previous proxy, you may call Broadridge Financial Solutions, Inc., the Funds' proxy solicitor, at 866-615-7265.**

Votes cast will be tabulated by the inspector of election appointed for the Meeting. The inspector of election will determine whether or not a quorum is present at the Meeting.

Broker-dealer firms holding shares of UTF in street name for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their shares with respect to approval of the Merger before the Meeting. The NYSE has taken the position that a broker-dealer that is a member of the NYSE and that has not received instructions from a customer or client prior to the date specified in the broker-dealer firm's request for voting instructions may not vote such customer or client's shares with respect to approval of Proposal 1 or 2. A signed proxy card or other authorization by a beneficial owner of UTF shares that does not specify how the beneficial owner's shares should be voted on the proposal may be deemed an instruction to vote such shares in favor of the proposal.

If you hold shares of UTF through a bank or other financial institution or intermediary (called a service agent) that has entered into a service agreement with the Fund, the service agent may be the record holder of your shares. At the Meeting, a service agent will vote shares for which it receives instructions from its customers in accordance with those instructions. A signed proxy card or other authorization by a stockholder that does not specify how the stockholder's shares should be voted on the proposal may be deemed an instruction to vote such shares in favor of the proposal. Depending on its policies, applicable law or contractual or other restrictions, a service agent may be permitted to vote shares with respect to which it has not received specific voting instructions from its customers. In those cases, the service agent may, but may not be required to, vote such shares in the same proportion as those shares for which the service agent has received voting instructions. This practice is commonly referred to as "echo voting."

If you beneficially own shares that are held in street name through a broker-dealer or that are held of record by a service agent, and if you do not give specific voting instructions for your shares, they may not be voted at all or, as described above, they may be voted in a manner that you may not intend. Therefore, you are strongly encouraged to give your broker-dealer or service agent specific instructions as to how you want your shares to be voted.

#### **Proxy Solicitation**

Solicitation may be made by letter or telephone by officers or employees of the Investment Manager and its affiliates. Brokerage houses, banks and other fiduciaries may be requested to forward proxy solicitation material to the beneficial owner of shares of UTF to obtain authorization for the execution of proxies. UTF will reimburse brokerage firms, custodians, banks and fiduciaries for their expenses in forwarding the Proxy and proxy materials to the beneficial owners of UTF's shares. In addition, the Investment Manager, on behalf of each Fund, has retained Broadridge Financial Solutions, Inc., a proxy solicitation firm, to assist in the solicitation of proxies. It is anticipated that Broadridge Financial Solutions, Inc. will be paid approximately \$625,000 for such solicitation services to be borne by the Funds. Broadridge Financial Solutions, Inc. may solicit proxies personally and by telephone.

#### **Quorum**

The presence in person or by proxy of holders of shares entitled to cast a majority of the votes entitled to be cast at a Meeting is necessary for a quorum.

#### **Votes Required**

Approval of each of Proposals 1 and 2 will require the affirmative vote of the holders of a majority of the outstanding UTF Common Shares.



**Effect of Abstentions and Broker Non-Votes**

For purposes of determining the presence of a quorum for transacting business at the Meeting with respect to a Fund, executed proxies marked as abstentions and broker non-votes (*i.e.*, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote shares on a particular matter with respect to which the brokers or nominees do not have discretionary power) will be treated as shares that are present for quorum purposes but which have not been voted. Accordingly, abstentions and broker non-votes will have the effect of a vote against approval of Proposals 1 and 2. Accordingly, stockholders are urged to forward their voting instructions promptly.

**Adjournments and Postponements**

UTF's By-Laws authorize the Chairman of the Meeting to adjourn or postpone the Meeting to a later date (whether or not a quorum is present) without notice other than announcement at the Meeting for such purposes as the Chairman shall deem appropriate, including further solicitation of proxies. In the absence of a quorum, the Chairman may (but shall not be required to) allow the stockholders present (in person or by proxy) to adjourn the Meeting to a later date by majority vote of those present. Adjournments or postponements may occur in order to defer action on one or more Proposals. The Meeting may be adjourned up to 120 days after the New Record Date (April 16, 2010) for the Meeting without further notice other than announcement at the Meeting. If the Meeting is adjourned to a date more than 120 days after the New Record Date upon at least 10 days' notice, another new record date must be established for voting at such adjourned Meeting, and any unrevoked proxies submitted by any stockholder of record as of the New Record Date, with respect to shares that such stockholder continues to hold of record on the subsequent new record date, may be voted at the adjourned Meeting and any subsequent adjourned Meeting, provided that any adjourned Meeting is not more than 120 days after the subsequent new record date. At any adjourned Meeting at which a quorum is present, any action may be taken that could have been taken at the Meeting originally called.

**Record Date and Outstanding Shares**

Only stockholders of record of UTF at the close of business on December 17, 2009 are entitled to notice of and to vote at the Meeting and at any postponement or adjournment thereof. The chart below lists the number of shares of UTF that were outstanding and entitled to vote as of the close of business on the New Record Date:

| Fund | Number of<br>Common Shares<br>Outstanding on the<br>New Record Date |
|------|---|
| UTF  | 43,320,750  |

At the New Record Date, the Directors and officers of UTF, as a group, beneficially owned less than 1% of UTF's outstanding shares of common stock. To the knowledge of management, no person owned of record, or owned beneficially, more than 5% of UTF's outstanding shares at that date, except that Cede & Co., a nominee for participants in Depository Trust Company, held of record 43,296,817 shares of UTF, equal to approximately 99.94%, respectively, of UTF's outstanding shares of common stock.

**SERVICE PROVIDERS**

State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02110, serves as the custodian of each Fund. The Bank of New York Mellon, whose principal business address is 101 Barclay Street, Floor 11 East, New York, New York 10286, serves as each Fund's transfer and dividend disbursing agent and registrar.

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, New York 10017, has been appointed as independent registered public accounting firm to audit each Fund's financial statements and financial highlights for the current fiscal year.

Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, serves as counsel to the Funds, and Venable LLP, 750 E. Pratt Street, Suite 900, Baltimore, Maryland 21202, serves as special Maryland counsel for the Funds.

**The Board of UTF, including the Independent Directors, recommends approval of Proposals 1 and 2. Any signed and dated proxies without instructions to the contrary will be voted in approval of the Proposals.**

By order of the Board of Directors,

Francis C. Poli  
Secretary of UTF

January 6, 2010

**AGREEMENT AND PLAN OF MERGER**

AGREEMENT AND PLAN OF MERGER dated as of June 29, 2009 (the Agreement ), between Cohen & Steers REIT and Utility Income Fund, Inc., a Maryland corporation (the Fund ), and Cohen & Steers Select Utility Fund, Inc., a Maryland corporation (the Acquiring Fund ).

It is intended that, for United States federal income tax purposes, (i) the transactions contemplated by this Agreement shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code ), and (ii) the Agreement shall constitute a plan of reorganization for purposes of the Code. The reorganization will consist of the merger of the Fund with and into the Acquiring Fund pursuant to the Maryland General Corporation Law ( MGCL ) as provided herein, and upon the terms and conditions hereinafter set forth in this Agreement.

WHEREAS, the Fund is a registered, closed-end management investment company, and the Acquiring Fund is a registered, closed-end management investment company, and the Fund owns securities which are assets of the character in which the Acquiring Fund is permitted to invest;

WHEREAS, the Fund's Board of Directors has determined that the Merger (as hereinafter defined) is in the best interests of the Fund and the Fund's shareholders and that the interests of the Fund's existing shareholders will not be diluted as a result of the Merger; and

WHEREAS, the Acquiring Fund's Board of Directors has determined that the Merger is in the best interests of the Acquiring Fund and the Acquiring Fund's shareholders and that the interests of the Acquiring Fund's existing shareholders will not be diluted as a result of the Merger:

NOW THEREFORE, in consideration of the premises and of the covenants and agreements hereinafter set forth, the parties agree as follows:

**1. THE MERGER**

1.1 On and subject to the terms and conditions of this Agreement, the Fund will merge with and into the Acquiring Fund (the Merger ) at the Effective Date (as defined in paragraph 1.3 below) in accordance with the MGCL. The Acquiring Fund shall be the surviving corporation and investment company. The Fund shall cease to exist as a separate corporation and investment company following the Effective Date.

Each outstanding full (and fractional) share of Fund Common Stock (as defined in paragraph 2.2(o)), will be converted into an equivalent dollar amount (to the nearest one tenth of one cent) of full (and fractional) shares of Acquiring Fund Common Stock (as defined in paragraph 2.1(o)), based on the net asset value per share of each of the parties at 4:00 p.m. Eastern Time on the Effective Date (the Valuation Time ). The Effective Date must be a day on which the New York Stock Exchange is open for trading (a Business Day ).

From and after the Effective Date, the Acquiring Fund shall possess all of the properties, assets, rights, privileges and powers, and shall be subject to all of the restrictions, liabilities, obligations, disabilities and duties, of the Fund, all as provided under Maryland law.

1.2 At the closing of the transactions contemplated by this Agreement (the Closing ) as of the close of business on the closing date (the Closing Date ), (i) the Fund will deliver to the Acquiring Fund the various certificates and documents referred to in Article 6 below, (ii) the Acquiring Fund will deliver to the Fund the various certificates and documents referred to in Article 5 below, (iii) the Fund and the Acquiring Fund will file with the State Department of Assessments and Taxation of Maryland (the SDAT ) articles of merger pursuant to this Agreement (the Articles of Merger ), which will also amend the Acquiring Fund Charter (as defined in

paragraph 2.1(d) below) increasing the amount of authorized Acquiring Fund Common Stock, provided that such amendment has been approved by the requisite vote of the holders of the outstanding shares of Acquiring Fund Common Stock and (iv) the Fund and Acquiring Fund will make all other filings or recordings required by Maryland law in connection with the Merger.

1.3 Subject to the requisite approvals of the shareholders of the Fund and the Acquiring Fund, and to the other terms and conditions described herein, the Merger shall become effective at such time as the Articles of Merger are accepted for record by the SDAT or at such later time, not to exceed 30 days after such acceptance, as is specified in the Articles of Merger (the Effective Date ) and the separate corporate existence of the Fund shall cease. As promptly as practicable after the Merger, the Fund shall delist the Fund Common Stock from the New York Stock Exchange ( NYSE ) and its registration under the Investment Company Act of 1940, as amended (the 1940 Act ), shall be terminated. Any reporting responsibility of the Fund is, and shall remain, the responsibility of the Fund up to and including the Effective Date.

## 2. REPRESENTATIONS AND WARRANTIES

2.1 The Acquiring Fund represents and warrants to the Fund that the statements contained in this paragraph 2.1 are correct and complete in all material respects as of the execution of this Agreement on the date hereof. The Acquiring Fund represents and warrants to, and agrees with, the Fund that:

(a) The Acquiring Fund is a corporation duly organized, validly existing under the laws of the State of Maryland and is in good standing with the SDAT, and has the power to own all of its assets and to carry on its business as it is now being conducted and to carry out this Agreement.

(b) The Acquiring Fund is duly registered under the 1940 Act as a closed-end management investment company and such registration has not been revoked or rescinded and is in full force and effect. The Acquiring Fund has elected and qualified for the special tax treatment afforded regulated investment companies ( RICs ) under Sections 851-855 of the Code at all times since its inception.

(c) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by the Acquiring Fund of the transactions contemplated herein, except (i) such as have been obtained or applied for under the Securities Act of 1933, as amended (the 1933 Act ), the Securities Exchange Act of 1934, as amended (the 1934 Act ), and the 1940 Act, (ii) such as may be required by state securities laws and (iii) such as may be required under Maryland law for the acceptance for record of the Articles of Merger by the SDAT.

(d) The Acquiring Fund is not, and the execution, delivery and performance of this Agreement by the Acquiring Fund will not result, in violation of the laws of the State of Maryland or of the Articles of Incorporation, as amended and supplemented (the Acquiring Fund Charter ), or the Bylaws, as amended, of the Acquiring Fund, or of any material agreement, indenture, instrument, contract, lease or other undertaking to which the Acquiring Fund is a party or by which it is bound, and the execution, delivery and performance of this Agreement by the Acquiring Fund will not result in the acceleration of any obligation, or the imposition of any penalty, under any agreement, indenture, instrument, contract, lease, judgment or decree to which the Acquiring Fund is a party or by which it is bound.

(e) The Fund has been furnished with a statement of assets, liabilities and capital and a schedule of investments of the Acquiring Fund, each as of December 31, 2008, said financial statements having been examined by PricewaterhouseCoopers LLP ( PwC ), the independent registered public accounting firm of the Acquiring Fund. These financial statements are in accordance with generally accepted accounting principles applied on a consistent basis ( GAAP ) and present fairly, in all material respects, the financial position of the Acquiring Fund as of such date in accordance with GAAP, and there are no known contingent liabilities of the Acquiring Fund required to be reflected on a balance sheet (including the notes thereto) in accordance with GAAP as of such date not disclosed therein.

(f) The Fund has been furnished with the Acquiring Fund's Annual Report to Stockholders for the year ended December 31, 2008.

(g) The Acquiring Fund has full power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of the Acquiring Fund's Board, and, subject to stockholder approval, this Agreement constitutes a valid and binding contract enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto.

(h) No material litigation or administrative proceeding or investigation of or before any court or governmental body is presently pending (in which service of process has been received) or to its knowledge threatened against the Acquiring Fund or any properties or assets held by it. The Acquiring Fund knows of no facts that might form the basis for the institution of such proceedings which would materially and adversely affect its business and is not a party to or subject to the provisions of any order, decree or judgment of any court or governmental body which materially and adversely affects its business or its ability to consummate the transactions herein contemplated.

(i) There are no material contracts outstanding to which the Acquiring Fund is a party that have not been disclosed in the Registration Statement (as defined in paragraph 2.1(m) below) or will not be otherwise disclosed to the Fund prior to the Effective Date.

(j) Since December 31, 2008, there has not been any material adverse change in the Acquiring Fund's financial condition, assets, liabilities or business and the Acquiring Fund has no known liabilities of a material amount, contingent or otherwise, required to be disclosed in a balance sheet with GAAP other than those shown on the Acquiring Fund's statements of assets, liabilities and capital referred to above, those incurred in the ordinary course of its business as an investment company since December 31, 2008, and those incurred in connection with the Merger. Prior to the Effective Date, the Acquiring Fund will advise the Fund in writing of all known liabilities, contingent or otherwise, whether or not incurred in the ordinary course of business, existing or accrued. For purposes of this paragraph 2.1(j), a decline in net asset value per share of the Acquiring Fund due to declines in market values of securities in the Acquiring Fund's portfolio or the discharge of the Acquiring Fund liabilities will not constitute a material adverse change.

(k) All federal, state and local tax returns and information reports of the Acquiring Fund required by law to have been filed shall have been filed (or has obtained extensions to file) and are or will be correct in all material respects, and all federal and other taxes shown as due or required to be shown as due on said returns and reports shall have been paid or provision shall have been made for the payment thereof, and, to the best of the Acquiring Fund's knowledge, no such return is currently under audit and no assessment has been asserted with respect to such returns. All tax liabilities of the Acquiring Fund have been adequately provided for on its books, and no tax deficiency or liability of the Acquiring Fund has been asserted and no question with respect thereto has been raised by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid, up to and including the taxable year in which the Effective Date occurs.

(l) For each taxable year of its operation, the Acquiring Fund has met the requirements of Subchapter M of the Code for qualification as a RIC and has elected to be treated as such, has been eligible to and has computed its federal income tax under Section 852 of the Code.

(m) The registration statement to be filed with the Securities and Exchange Commission (the "SEC") by the Acquiring Fund on Form N-14 relating to the Acquiring Fund Common Stock to be issued pursuant to this Agreement, and any supplement or amendment thereto or to the documents therein (as amended or supplemented, the "Registration Statement"), on the effective date of the Registration Statement, at the time of the stockholders' meetings referred to in Article 4 of this Agreement and at the Effective Date, insofar as it

relates to the Acquiring Fund, (i) shall have complied or will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the prospectus included therein did not or will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this paragraph 2.1(m) shall not apply to statements in, or omissions from, the Registration Statement made in reliance upon and in conformity with information furnished by the Fund for use in the Registration Statement.

(n) All issued and outstanding shares of Acquiring Fund Common Stock (i) have been offered and sold in compliance in all material respects with applicable registration requirements of the 1933 Act and state securities laws, (ii) are, and on the Effective Date will be, duly and validly issued and outstanding, fully paid and non-assessable, and (iii) will be held at the time of the Closing by the persons and in the amounts set forth in the records of the Acquiring Fund's transfer agent. The Acquiring Fund does not have outstanding any options, warrants or other rights to subscribe for or purchase any shares of Acquiring Fund Common Stock, nor is there outstanding any security convertible into, or exchangeable for, any shares of Acquiring Fund Common Stock.

(o) The Acquiring Fund is authorized to issue 100,000,000 shares of capital stock, par value \$0.001 per share, of which 26,080 shares are classified as Auction Rate Preferred Stock with a liquidation preference of \$25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) (the Acquiring Fund Preferred Stock), and 43,320,750 of which shares are classified as common stock (the Acquiring Fund Common Stock), each outstanding share of which is fully paid, non-assessable and has full voting rights. The number of shares of capital stock authorized for issuance by the Acquiring Fund will be increased in the Articles of Merger to 300,000,000 shares, provided that such amendment has been approved by the requisite vote of the holders of the shares of outstanding Acquiring Fund Common Stock.

(p) At or prior to the Closing Date, the Acquiring Fund will redeem all of its outstanding Acquiring Fund Preferred Stock which, along with all Acquiring Fund Preferred Stock redeemed prior to the date of this Agreement, will be reclassified by the Acquiring Fund's Board as Acquiring Fund Common Stock. Each Acquiring Fund Director who was previously subject to election by the holders of Acquiring Fund Preferred Stock shall remain in office for the remainder of such Director's term and until a successor is elected and qualifies, and such Director will be eligible for election to additional terms of office on the Acquiring Fund's Board, as provided for Directors generally in the Acquiring Fund Charter and Bylaws.

(q) The offer and sale of the shares of Acquiring Fund Common Stock to be issued pursuant to this Agreement will be in compliance with all applicable federal and state securities laws.

(r) At or prior to the Effective Date, the Acquiring Fund will have obtained any and all regulatory, board and shareholder approvals necessary to issue the shares of Acquiring Fund Common Stock to be issued pursuant to this Agreement.

(s) The books and records of the Acquiring Fund made available to the Fund are substantially true and correct and contain no material misstatements or omissions with respect to the operations of the Acquiring Fund.

2.2 The Fund represents and warrants to the Acquiring Fund that the statements contained in this paragraph 2.2 are correct and complete in all material respects as of the execution of this Agreement on the date hereof. The Fund represents and warrants to, and agrees with, the Acquiring Fund that:

(a) The Fund is a corporation duly organized, validly existing under the laws of the State of Maryland and is in good standing with the SDAT, and has the power to own all of its assets and to carry on its business as it is now being conducted and to carry out this Agreement.

- (b) The Fund is duly registered under the 1940 Act as a closed-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect. The Fund has elected and qualified for the special tax treatment afforded RICs under Sections 851-855 of the Code at all times since its inception.
- (c) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by the Fund of the transactions contemplated herein, except (i) such as have been obtained or applied for under the 1933 Act, the 1934 Act and the 1940 Act, (ii) such as may be required by state securities laws and (iii) such as may be required under Maryland law for the acceptance for record of the Articles of Merger by the SDAT.
- (d) The Fund is not, and the execution, delivery and performance of this Agreement by the Fund will not result, in violation of the laws of the State of Maryland or of the Articles of Incorporation, as amended and supplemented (the Fund Charter ), or the Bylaws, as amended, of the Fund, or of any material agreement, indenture, instrument, contract, lease or other undertaking to which the Fund is a party or by which it is bound, and the execution, delivery and performance of this Agreement by the Fund will not result in the acceleration of any obligation, or the imposition of any penalty, under any agreement, indenture, instrument, contract, lease, judgment or decree to which the Fund is a party or by which it is bound.
- (e) The Acquiring Fund has been furnished with a statement of assets, liabilities and capital and a schedule of investments of the Fund, each as of December 31, 2008, said financial statements having been examined by PwC, the registered public accounting firm of the Fund. These financial statements are in accordance with GAAP and present fairly, in all material respects, the financial position of the Fund as of such date in accordance with GAAP, and there are no known contingent liabilities of the Fund required to be reflected on a balance sheet (including the notes thereto) in accordance with GAAP as of such date not disclosed therein.
- (f) The Acquiring Fund has been furnished with the Fund's Annual Report to Stockholders for the year ended December 31, 2008.
- (g) The Fund has full power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of the Fund's Board, and, subject to shareholder approval, this Agreement constitutes a valid and binding contract enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto.
- (h) No material litigation or administrative proceeding or investigation of or before any court or governmental body is presently pending (in which service of process has been received) or to its knowledge threatened against the Fund or any properties or assets held by it. The Fund knows of no facts that might form the basis for the institution of such proceedings which would materially and adversely affect its business and is not a party to or subject to the provisions of any order, decree or judgment of any court or governmental body which materially and adversely affects its business or its ability to consummate the transactions herein contemplated.
- (i) There are no material contracts outstanding to which the Fund is a party that have not been disclosed in the Registration Statement or will not be otherwise disclosed to the Acquiring Fund prior to the Effective Date.
- (j) Since December 31, 2008, there has not been any material adverse change in the Fund's financial condition, assets, liabilities or business and the Fund has no known liabilities of a material amount, contingent or otherwise, required to be disclosed in a balance sheet in accordance with GAAP other than those shown on the Fund's statements of assets, liabilities and capital referred to above, those incurred in the ordinary course of its business as an investment company since December 31, 2008, and those incurred in connection with the Merger. Prior to the Effective Date, the Fund will advise the Acquiring Fund in writing of all known liabilities, contingent or otherwise, whether or not incurred in the ordinary course of business, existing or accrued. For purposes of this

paragraph 2.2(j), a decline in net asset value per share of the Fund due to declines in market values of securities in the Fund's portfolio or the discharge of the Fund's liabilities will not constitute a material adverse change.

(k) All federal and other tax returns and information reports of the Fund required by law to have been filed shall have been filed (or has obtained extensions to file) and are or will be correct in all material respects, and all federal and other taxes shown as due or required to be shown as due on said returns and reports shall have been paid or provision shall have been made for the payment thereof, and, to the best of the Fund's knowledge, no such return is currently under audit and no assessment has been asserted with respect to such returns. All tax liabilities of the Fund have been adequately provided for on its books, and no tax deficiency or liability of the Fund has been asserted and no question with respect thereto has been raised by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid, up to and including the taxable year in which the Effective Date occurs.

(l) For each taxable year of its operation (including the taxable year ending on the Effective Date), the Fund has met the requirements of Subchapter M of the Code for qualification as a RIC and has elected to be treated as such, has been eligible to and has computed its federal income tax under Section 852 of the Code, and will have distributed substantially all of its investment company taxable income and net realized capital gain (as defined in the Code) (after reduction for capital loss carryforwards) that has accrued through the Effective Date.

(m) The Registration Statement, on the effective date of the Registration Statement, at the time of the stockholders' meetings referred to in Article 4 of this Agreement and at the Effective Date, insofar as it relates to the Fund, (i) shall have complied or will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the prospectus included therein did not or will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this paragraph 2.2(m) shall only apply to statements in, or omissions from, the Registration Statement made in reliance upon and in conformity with information furnished by the Acquiring Fund for use in the Registration Statement.

(n) All issued and outstanding shares of Fund Common Stock (i) have been offered and sold in compliance in all material respects with applicable registration requirements of the 1933 Act and state securities laws, (ii) are, and on the Effective Date will be, duly and validly issued and outstanding, fully paid and non-assessable, and (iii) will be held at the time of the Closing by the persons and in the amounts set forth in the records of the transfer agent as provided in paragraph 4.7. The Fund does not have outstanding any options, warrants or other rights to subscribe for or purchase any shares of Fund Common Stock, nor is there outstanding any security convertible into, or exchangeable for, any shares of Fund Common Stock.

(o) The Fund is authorized to issue 100,000,000 shares of capital stock, par value \$0.001 per share, of which 31,800 shares are classified as Auction Rate Preferred Stock with a liquidation preference of \$25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) (the Fund Preferred Stock), and 58,858,135 of which shares are classified as common stock (the Fund Common Stock), each outstanding share of which is fully paid, non-assessable and has full voting rights.

(p) At or prior to the Closing Date, the Fund will redeem all of its outstanding Fund Preferred Stock which, along with all Fund Preferred Stock redeemed prior to the date of this Agreement, will be reclassified by the Fund's Board as Fund Common Stock. Pending consummation of the Merger, any Fund Director who was previously subject to election by the holders of Fund Preferred Stock shall remain in office during such Director's term and until a successor is elected and qualifies, and, if the Merger does not occur, will be eligible for election to additional terms of office on the Fund's Board, as provided generally in the Fund Charter and Bylaws.



(q) The books and records of the Fund made available to the Acquiring Fund are substantially true and correct and contain no material misstatements or omissions with respect to the operations of the Fund.

### 3. CONVERSION TO THE ACQUIRING FUND COMMON STOCK

3.1 Subject to the requisite approval of the shareholders of the Fund and the Acquiring Fund, and the other terms and conditions contained herein, at the Effective Date, each full (and fractional) share of Fund Common Stock will be converted into an equivalent dollar amount (to the nearest one tenth of one cent) of full (and fractional) shares of Acquiring Fund Common Stock, computed based on the net asset value per share of each of the parties at the Valuation Time, as set forth in paragraph 1.1 above.

3.2 The net asset value per share of the Fund Common Stock and the Acquiring Fund Common Stock shall be determined as of the Valuation Time, and no formula will be used to adjust the net asset value per share so determined of either of the parties' common stock to take into account differences in realized and unrealized gains and losses. The value of the assets of the Fund to be transferred to the Acquiring Fund shall be determined by the Acquiring Fund pursuant to the principles and procedures consistently utilized by the Acquiring Fund in valuing its own assets and determining its own liabilities for purposes of the Merger, which principles and procedures are substantially similar to those employed by the Fund when valuing its own assets and determining its own liabilities. Such valuation and determination shall be made by the Acquiring Fund in cooperation with the Fund and shall be confirmed in writing by the Acquiring Fund to the Fund. The net asset value per share of Acquiring Fund Common Stock shall be determined in accordance with such procedures, and the Acquiring Fund shall certify the computations involved.

3.3 In lieu of delivering certificates for Acquiring Fund Common Stock, the Acquiring Fund shall credit the Acquiring Fund Common Stock to the Fund's account on the books of the Acquiring Fund. The Fund's transfer agent shall deliver at the Closing a certificate of an authorized officer stating that its records contain the names and addresses of the holders of the Fund Common Stock and the number and percentage ownership of outstanding shares owned by each such shareholder immediately prior to the Closing. The Acquiring Fund's transfer agent shall issue and deliver to the Fund's Secretary a confirmation evidencing the Acquiring Fund Stock to be credited on the Closing Date, or provide evidence satisfactory to the Fund that such Acquiring Fund Stock has been credited to the Fund's account on the books of the Acquiring Fund.

3.4 With respect to any holder of Fund Common Stock holding certificates representing shares of Fund Common Stock as of the Effective Date, and subject to the Acquiring Fund being informed thereof in writing by the Fund, the Acquiring Fund will not permit such shareholder to receive shares of Acquiring Fund Common Stock pursuant to Section 3.3 herein (or to vote as a shareholder of the Acquiring Fund) until such shareholder has surrendered his or her outstanding certificates evidencing ownership of Fund Common Stock or, in the event of lost certificates, posted adequate bond. The Fund will request its shareholders to surrender their outstanding certificates representing shares of Fund Common Stock or post adequate bond therefor. Dividends or other distributions payable to holders of record of shares of Acquiring Fund Common Stock as of any date after the Effective Date and prior to the exchange of certificates by any holder of Fund Common Stock shall be paid to such shareholder, without interest; however, such dividends or other distributions shall not be paid unless and until such shareholder surrenders his or her certificates representing shares of Fund Common Stock for exchange.

### 4. COVENANTS

4.1 The Fund and the Acquiring Fund each covenant to operate its business in the ordinary course between the date hereof and the Effective Date, it being understood that such ordinary course of business will include (i) the declaration and payment of customary dividends and other distributions and (ii) in the case of the Fund, preparing for its deregistration, except that the distribution of dividends pursuant to paragraph 6.6 of this Agreement shall not be deemed to constitute a breach of the provisions of this paragraph 4.1.

4.2 (a) The Acquiring Fund and the Fund shall hold a joint meeting of its respective shareholders for the purpose of considering and voting upon the Merger as described herein, and additionally in the case of the Acquiring Fund the authorization for issuance of additional shares of Acquiring Fund Common Stock pursuant to this Agreement, which meeting has been called by each party for October 22, 2009, and any adjournments or postponements thereof (the Joint Meeting ).

(b) The Acquiring Fund and the Fund agree to mail to each of its respective shareholders of record entitled to vote at the Joint Meeting, in sufficient time to comply with requirements as to notice thereof, a combined Proxy Statement and Prospectus which 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, respectively, thereunder.

4.3 The Acquiring Fund and the Fund agree that, as soon as practicable after satisfaction of all conditions to the Merger, they will jointly file executed Articles of Merger with the SDAT and make all other filings or recordings required by Maryland law in connection with the Merger, including the filing by the Acquiring Fund and the Fund of Articles Supplementary in order to reclassify the Acquiring Fund Preferred Stock as Acquiring Fund Common Stock and the Fund Preferred Stock as Fund Common Stock, respectively.

4.4 (a) The Fund undertakes that, if the Merger is consummated, it will file, or cause its agents to file, an application pursuant to Section 8(f) of the 1940 Act for an order declaring that the Fund has ceased to be a registered investment company.

(b) The Acquiring Fund will file the Registration Statement with the SEC and will use its best efforts to ensure that the Registration Statement becomes effective as promptly as practicable. The Fund agrees to cooperate fully with the Acquiring Fund, and will furnish to the Acquiring Fund the information relating to itself to be set forth in the Registration Statement as required by the 1933 Act, the 1934 Act, the 1940 Act, and the rules and regulations thereunder and the state securities or blue sky laws.

4.5 Each of the Acquiring Fund and the Fund agree to dispose of certain assets prior to the Effective Date, but only to the extent necessary, so that at the Effective Date, when the Fund's assets are added to the Acquiring Fund's portfolio, the resulting portfolio will meet the Acquiring Fund's investment objective, policies and restrictions as set forth in the Acquiring Fund's Prospectus, a copy of which has been delivered to the Fund. Notwithstanding the foregoing, nothing herein will require the Fund to dispose of any portion of its assets if, in the reasonable judgment of the Fund's directors or investment manager, such disposition would create more than an insignificant risk that the Merger would not be treated as a reorganization described in Section 368(a) of the Code.

4.6 Each of the Acquiring Fund and the Fund agrees that by the Effective Date all of its federal and other tax returns and reports required to be filed on or before such date shall have been filed and all taxes shown as due on said returns either have been paid or adequate liability reserves have been provided for the payment of such taxes. In connection with this covenant, the parties agree to cooperate with each other in filing any tax return, amended return or claim for refund, determining a liability for taxes or a right to a refund of taxes or participating in or conducting any audit or other proceeding in respect of taxes. The Acquiring Fund agrees to retain for a period of ten (10) years following the Effective Date all returns, schedules and work papers and all material records or other documents relating to tax matters of the Fund for its final taxable year and for all prior taxable periods. Any information obtained under this paragraph 4.6 shall be kept confidential except as otherwise may be necessary in connection with the filing of returns or claims for refund or in conducting an audit or other proceeding. After the Effective Date, the Acquiring Fund shall prepare, or cause its agents to prepare, any federal, state or local tax returns, including any Forms 1099, required to be filed and provided to required persons by the Fund with respect to its final taxable year ending with the Effective Date and for any prior periods or taxable years for which the due date for such return has not passed as of the Effective Date and further shall cause such tax returns and Forms 1099 to be duly filed with the appropriate taxing authorities and provided to

required persons. Notwithstanding the aforementioned provisions of this paragraph 4.6, any expenses incurred by the Acquiring Fund (other than for payment of taxes) in excess of any accrual for such expenses by the Fund in connection with the preparation and filing of said tax returns and Forms 1099 after the Effective Date shall be borne by the Acquiring Fund.

4.7 Prior to the Effective Date, the Fund shall have made arrangements with its transfer agent to deliver to the Acquiring Fund a list of the names and addresses of all of the holders of record of Fund Common Stock on the Effective Date and the respective number of shares of Fund Common Stock owned by each such shareholder, certified by the Fund's transfer agent or President to the best of their knowledge and belief.

4.8 The Fund agrees that the (i) delisting of the Fund Common Stock with the NYSE and (ii) termination of its registration as a RIC will be effected in accordance with applicable law as soon as practicable following the Effective Date.

## 5. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE FUND

The obligations of the Fund to consummate the transactions provided for herein shall be subject, at the Fund's election, to the following conditions:

5.1 (a) The Acquiring Fund shall have furnished to the Fund a statement of assets, liabilities and capital, together with a schedule of investments with their respective dates of acquisition and tax costs, certified on its behalf by its President or any Vice President and its Treasurer, and a certificate executed by both such officers, dated the Effective Date, certifying that there has been no material adverse change in its financial position since December 31, 2008, other than changes in its portfolio securities since that date or changes in the market value of its portfolio securities.

(b) The Acquiring Fund shall have furnished to the Fund a certificate signed by its President, Treasurer or any Vice President, dated the Effective Date, certifying that as of the Effective Date, all representations and warranties made in this Agreement are true and correct in all material respects as if made at and as of such date and each has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to such dates.

5.2 There shall be no material litigation pending with respect to the matters contemplated by this Agreement.

5.3 The Acquiring Fund shall have received from any relevant state securities administrator such order or orders as are reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act, and any applicable state securities or blue sky laws in connection with the transactions contemplated hereby, and that all such orders shall be in full force and effect.

5.4 All proceedings taken by the Acquiring Fund and its counsel in connection with the Merger and all documents incidental thereto shall be satisfactory in form and substance to the Fund.

## 6. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE ACQUIRING FUND

The obligations of the Acquiring Fund to consummate the transactions provided for herein shall be subject, at the Acquiring Fund's election, to the following conditions:

6.1 (a) The Fund shall have furnished to the Acquiring Fund a statement of assets, liabilities and capital, together with a schedule of investments with their respective dates of acquisition and tax costs, certified on its behalf by its President or any Vice President and its Treasurer, and a certificate executed by both such officers, dated the Effective Date, certifying that there has been no material adverse change in its financial position since December 31, 2008, other than changes in its portfolio securities since that date or changes in the market value of its portfolio securities.

(b) The Fund shall have furnished to the Acquiring Fund a certificate signed by its President, Treasurer or any Vice President, dated the Effective Date, certifying that as of the Effective Date, all representations and warranties made in this Agreement are true and correct in all material respects as if made at and as of such date and each has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to such dates.

6.2 There shall be no material litigation pending with respect to the matters contemplated by this Agreement.

6.3 All proceedings taken by the Fund and its counsel in connection with the Merger and all documents incidental thereto shall be satisfactory in form and substance to the Acquiring Fund.

6.4 Prior to the Effective Date, the Fund shall have declared and paid a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its shareholders substantially all of its net investment income that has accrued through the Effective Date, if any, and substantially all of its net capital gain, if any, realized through the Effective Date (after reduction for capital loss carryforwards).

6.5 The Fund's custodian shall have delivered to the Acquiring Fund a certificate identifying all of the assets of the Fund held or maintained by such custodian as of the Valuation Time.

6.6 The Fund's transfer agent shall have provided to the Acquiring Fund (i) the originals or true copies of all of the records of the Fund in the possession of such transfer agent as of the Effective Date, (ii) a certificate setting forth the number of shares of Fund Common Stock outstanding as of the Valuation Time, and (iii) the name and address of each holder of record of any shares and the number of shares held of record by each such shareholder.

#### 7. FURTHER CONDITIONS PRECEDENT TO OBLIGATIONS OF ACQUIRING FUND AND FUND

If any of the conditions set forth below have not been satisfied on or before the Closing Date with respect to the Fund or the Acquiring Fund, the other party to this Agreement shall be entitled, at its option, to refuse to consummate the transactions contemplated by this Agreement:

7.1 The Merger shall have been approved by the affirmative vote of (a) the holders of a majority of the issued and outstanding shares of the Fund Common Stock entitled to vote thereon and (b) the holders of a majority of the issued and outstanding shares of the Acquiring Fund Common Stock entitled to vote thereon; the Acquiring Fund shall have delivered to the Fund a copy of the resolutions approving this Agreement and the issuance of Acquiring Fund Common Stock pursuant to this Agreement adopted by the Acquiring Fund's Board and the Acquiring Fund's shareholders, certified by its Secretary or any Assistant Secretary; the Fund shall have delivered to the Acquiring Fund a copy of the resolutions approving this Agreement adopted by the Fund's Board and the Acquiring Fund's shareholders, certified by its Secretary or any Assistant Secretary.

7.2 (a) Any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, relating to the transactions contemplated hereby shall have expired or been terminated.

(b) The SEC shall not have issued an unfavorable advisory report under Section 25(b) of the 1940 Act, nor instituted or threatened to institute any proceeding seeking to enjoin consummation of the Merger under Section 25(c) of the 1940 Act; no other legal, administrative or other proceeding shall be instituted or threatened which would materially affect the financial condition of the Fund or would prohibit the Merger.

(c) On the Closing Date, no court or governmental agency of competent jurisdiction shall have issued any order that remains in effect and that restrains or enjoins the Fund or the Acquiring Fund from completing the transactions contemplated by this Agreement.

7.3 All consents of other parties and all other consents, orders and permits of federal, state and local regulatory authorities deemed necessary by the Acquiring Fund or the Fund to permit consummation, in all material respects, of the transactions contemplated hereby shall have been obtained, except where failure to obtain any such consent, order or permit would not involve a risk of a material adverse effect on the assets or properties of the Acquiring Fund or the Fund, provided that either party hereto may for itself waive any of such conditions.

7.4 The Registration Statement shall have become effective under the 1933 Act and no stop orders suspending the effectiveness thereof shall have been issued and, to the best knowledge of the parties hereto, no investigation or proceeding for that purpose shall have been instituted or be pending.

7.5 The Fund and the Acquiring Fund shall have received the opinion of Stroock & Stroock & Lavan LLP, dated the Closing Date, substantially to the effect that, based upon certain facts, factual representations and assumptions made by the Fund, the Acquiring Fund and their respective authorized officers, for United States federal income tax purposes:

(a) the Merger as provided in this Agreement will constitute a reorganization within the meaning of Section 368(a)(1) of the Code and that the Acquiring Fund and the Fund will each be a party to a reorganization within the meaning of Section 368(b) of the Code;

(b) no gain or loss will be recognized to the Fund as a result of the Merger and the conversion of shares of Fund Common Stock to shares of Acquiring Fund Common Stock;

(c) no gain or loss will be recognized to the Acquiring Fund as a result of the Merger and the conversion of shares of Fund Common Stock to shares of Acquiring Fund Common Stock;

(d) no gain or loss will be recognized to the shareholders of the Fund upon the conversion of their shares of Fund Common Stock to shares of Acquiring Fund Common Stock;

(e) the tax basis of Fund assets in the hands of the Acquiring Fund will be the same as the tax basis of such assets in the hands of the Fund immediately prior to the consummation of the Merger;

(f) immediately after the Merger, the aggregate tax basis of the Acquiring Fund Common Stock received by each holder of Fund Common Stock in the Merger will be equal to the aggregate tax basis of the shares of Fund Common Stock owned by such shareholder immediately prior to the Merger;

(h) a shareholder's holding period for Acquiring Fund Common Stock will be determined by including the period for which he or she held shares of Fund Common Stock that are converted pursuant to the Merger, provided that such shares of Fund Common Stock were held as capital assets; and

(i) the Acquiring Fund's holding period with respect to the Fund's assets transferred will include the period for which such assets were held by the Fund.

Such opinion will not address the effect of the Merger on (i) the Fund or the Acquiring Fund with respect to any 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, and (ii) any shareholder of the Fund that is required to recognize unrealized gains and losses for federal income tax purposes under a mark-to-market system of accounting.

The delivery of such opinion is conditioned upon the receipt by Stroock & Stroock & Lavan LLP of representations it shall request of the Acquiring Fund and the Fund. Notwithstanding anything herein to the contrary, neither the Acquiring Fund nor the Fund may waive the condition set forth in this paragraph 7.5.

7.6 The assets and liabilities of the Fund to be transferred to the Acquiring Fund shall not include any assets or liabilities which the Acquiring Fund, by reason of limitations in its Registration Statement or the Acquiring Fund Charter, may not properly acquire or assume. The Acquiring Fund does not anticipate that there will be any such assets or liabilities but the Acquiring Fund will notify the Fund if any do exist and will reimburse the Fund for any reasonable transaction costs incurred by the Fund for the liquidation of such assets and liabilities.

#### 8. INDEMNIFICATION

8.1 The Acquiring Fund, out of its assets and property, agrees to indemnify and hold harmless the Fund and the members of the Fund's Board and its officers from and against any and all losses, claims, damages, liabilities or expenses (including, without limitation, the payment of reasonable legal fees and reasonable costs of investigation) to which the Fund and those board members and officers may become subject, insofar as such loss, claim, damage, liability or expense (or actions with respect thereto) arises out of or is based on (a) any breach by the Acquiring Fund of any of its representations, warranties, covenants or agreements set forth in this Agreement or (b) any act, error, omission, neglect, misstatement, materially misleading statement, breach of duty or other act wrongfully done or attempted to be committed by the Acquiring Fund or the members of the Acquiring Fund's Board or its officers prior to the Closing Date, provided that such indemnification by the Acquiring Fund is not (i) in violation of any applicable law or (ii) otherwise prohibited as a result of any applicable order or decree issued by any governing regulatory authority or court of competent jurisdiction.

8.2 The Fund, out of its assets and property, agrees to indemnify and hold harmless the Acquiring Fund and the members of the Acquiring Fund's Board and its officers from and against any and all losses, claims, damages, liabilities or expenses (including, without limitation, the payment of reasonable legal fees and reasonable costs of investigation) to which the Acquiring Fund and those board members and officers may become subject, insofar as such loss, claim, damage, liability or expense (or actions with respect thereto) arises out of or is based on (a) any breach by the Fund of any of its representations, warranties, covenants or agreements set forth in this Agreement or (b) any act, error, omission, neglect, misstatement, materially misleading statement, breach of duty or other act wrongfully done or attempted to be committed by the Fund or the members of the Fund's Board or its officers prior to the Closing Date, provided that such indemnification by the Fund is not (i) in violation of any applicable law or (ii) otherwise prohibited as a result of any applicable order or decree issued by any governing regulatory authority or court of competent jurisdiction.

#### 9. BROKER FEES AND EXPENSES

9.1 The Acquiring Fund and the Fund represent and warrant to each other that there are no brokers or finders entitled to receive any payments in connection with the transactions provided for herein.

9.2 All expenses incurred in connection with the Merger will be borne by the Acquiring Fund and the Fund in proportion to their respective net assets. Such expenses shall include, but not be limited to, all costs related to the preparation and distribution of the Registration Statement, proxy solicitation expenses, SEC registration fees, and NYSE listing fees.

#### 10. COOPERATION FOLLOWING EFFECTIVE DATE

In case at any time after the Effective Date any further action is necessary to carry out the purposes of this Agreement, each of the parties will take such further action (including the execution and delivery of such further instruments and documents) as the other party may reasonably request, all at the sole cost and expense of the requesting party (unless the requesting party is entitled to indemnification as described below). The Fund acknowledges and agrees that from and after the Effective Date, the Acquiring Fund shall be entitled to possession of all documents, books, records, agreements and financial data of any sort pertaining to the Fund.

#### 11. ENTIRE AGREEMENT; SURVIVAL OF WARRANTIES

11.1 The Acquiring Fund and the Fund agree that neither party has made any representation, warranty or covenant not set forth herein and that this Agreement constitutes the entire agreement between the parties.

11.2 The covenants to be performed after the Closing by both the Acquiring Fund and the Fund, and the obligations of the Acquiring Fund in Article 8, shall survive the Closing. All other representations, warranties and covenants contained in this Agreement or in any document delivered pursuant hereto or in connection herewith shall not survive the consummation of the transactions contemplated hereunder and shall terminate on the Closing.

## 12. TERMINATION AND WAIVERS

12.1 This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing Date by resolution of either the Acquiring Fund's Board or the Fund's Board, if circumstances should develop that, in the opinion of that Board, make proceeding with the Agreement inadvisable with respect to the Acquiring Fund or the Fund, respectively. Any such termination resolution to be effective shall be promptly communicated to the other party and, in any event, prior to the Closing Date. 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 hereunder on the part of either of the parties or their respective board members or officers, except for any such material breach or intentional misrepresentation, as to each of which all remedies at law or in equity of the party adversely affected shall survive.

12.2 At any time prior to the Effective Date, any of the terms or conditions of this Agreement may be waived by either the Acquiring Fund's Board or the Fund's Board (whichever is entitled to the benefit thereof), if, in the judgment of such Board after consultation with its counsel, such action or waiver will not have a material adverse effect on the benefits intended in this Agreement to the shareholders of their respective fund, on behalf of which such action is taken.

## 13. TRANSFER RESTRICTION

Pursuant to Rule 145 under the 1933 Act, and in connection with the issuance of any shares to any person who at the time of the Merger is, to its knowledge, an affiliate of a party to the Merger pursuant to Rule 145(c), the Acquiring Fund will cause to be affixed upon the certificate(s) issued to such person (if any) a legend as follows:

THESE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFER UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO [ACQUIRING FUND] (OR ITS STATUTORY SUCCESSOR) UNLESS (I) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT OF 1933 OR (II) IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE FUND, SUCH REGISTRATION IS NOT REQUIRED.

and, further, that stop transfer instructions will be issued to the Acquiring Fund's transfer agent with respect to such shares. The Fund will provide the Acquiring Fund on the Effective Date with the name of any holder of Fund Common Stock who is to the knowledge of the Fund an affiliate of it on such date.

## 14. MATERIAL PROVISIONS

All covenants, agreements, representations and warranties made under this Agreement and any certificates delivered pursuant to this Agreement shall be deemed to have been material and relied upon by each of the parties, notwithstanding any investigation made by them or on their behalf.

## 15. AMENDMENTS

This Agreement may be amended, modified or supplemented in such manner as may be deemed necessary or advisable by the authorized officers of the Fund and the Acquiring Fund; provided, however, that following

the Joint Meeting, no such amendment may have the effect of changing the provisions for determining the number of shares of Acquiring Fund Common Stock to be issued to the holders of Fund Common Stock under this Agreement to the detriment of such shareholders without their further approval.

16. NOTICES

Any notice, report, statement or demand required or permitted by any provisions of this Agreement shall be in writing and shall be given by facsimile, electronic delivery (i.e., e-mail), personal service or prepaid or certified mail addressed to the Acquiring Fund or the Fund, at its address set forth in the preamble to this Agreement, in each case to the attention of its President.

17. ENFORCEABILITY; HEADINGS; COUNTERPARTS; GOVERNING LAW; SEVERABILITY; ASSIGNMENT; LIMITATION OF LIABILITY

17.1 Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

17.2 The Article headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

17.3 This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

17.4 This Agreement shall be governed by and construed and interpreted in accordance with the internal laws of the State of New York.

17.5 This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, but no assignment or transfer hereof or of any rights or obligations hereunder shall be made by any party without the written consent of the other party. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person, firm or corporation, other than the parties hereto and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

IN WITNESS WHEREOF, the Fund and the Acquiring Fund have caused this Agreement and Plan of Merger to be executed and attested on its behalf by its duly authorized representatives as of the date first above written.

COHEN & STEERS REIT AND UTILITY INCOME FUND, INC.

By:

ATTEST:

COHEN & STEERS SELECT UTILITY FUND, INC.

By:

ATTEST:



**PROXY VOTING POLICY**  
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**Part I: Proxy Voting Procedures**

Cohen & Steers Capital Management, Inc. and its affiliated investment advisors (collectively, C&S ) may be granted by its clients the authority to vote the proxies of securities held in client portfolios. In such cases, C&S' objective is to vote proxies in the best interests of its clients. To further this objective, C&S has adopted these proxy voting procedures (the Procedures ).

These procedures also contain detailed guidelines for voting proxies on specific types of issues (the Guidelines ). The Guidelines, which are contained in Part II of this Proxy Voting Procedures and Guidelines, have been developed and approved by the Proxy Committee (as defined below) with the objective of encouraging corporate action that enhances shareholder value. Because proxy proposals and individual company facts and circumstances may vary, C&S may not always vote proxies in accordance with the Guidelines.

**A. Proxy Committee**

C&S' internal proxy voting committee (the Proxy Committee ) is responsible for overseeing the proxy voting process and ensuring that C&S meets its regulatory and corporate governance obligations for voting proxies.

The Proxy Committee is comprised of portfolio managers and research analysts from the various investment teams and members of the Legal and Compliance Department. A member or members of the Proxy Administration Group (as defined below) may also attend Proxy Committee meetings. In the event that any member is unable to participate in a meeting of the Proxy Committee, the member shall designate an appropriate individual to serve in his/her absence. The Proxy Committee shall meet at least semi-annually or more frequently as circumstances dictate. Any member has the right to call a meeting if he or she believes such a meeting is warranted.

The specific responsibilities of the Proxy Committee include, but are not limited to:

- (i) reviewing the Procedures to ensure consistency with internal policies and regulatory agency policies;
- (ii) reviewing the Guidelines and developing additional voting guidelines to assist in the review of proxy proposals;
- (iii) overseeing the vote on proposals according to the predetermined policies in the Guidelines; and

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(iv) directing the vote on proposals where there is a reason not to vote according to pre-determined policies in the Guidelines or where proposals require specific consideration and ensuring the reason for such a vote is properly documented.

#### **B. Proxy Administration Group**

The Proxy Administration Group in the Investment Administration Department is responsible for communicating proxies to the respective portfolio manager and/or research analyst (herein, Investment Personnel ) for consideration pursuant to the Guidelines. Investment Personnel who vote their proxies inconsistently with the Guidelines are required to document their rationale for the vote. The Proxy Administration Group is responsible for maintaining this documentation. The Proxy Administration Group is also responsible for maintaining documentation supporting any votes cast against management.

#### **C. Proxy Voting Service**

C&S has retained an independent Proxy Voting Service to assist in the voting of proxies. The Proxy Voting Service is responsible for coordinating with clients' custodians to ensure that all proxy materials received by the custodians relating to the clients' portfolio securities are processed in a timely fashion. In addition, the Proxy Voting Service is responsible for maintaining copies of all proxy statements received by issuers and to promptly provide such materials to C&S upon request.

The Proxy Administration Group works with the Proxy Voting Service and is responsible for ensuring that proxy votes are properly recorded and that the requisite information regarding each proxy voting opportunity is maintained. The General Counsel of C&S shall have overall responsibility for ensuring that C&S complies with all proxy voting requirements and procedures.

#### **D. Conflicts of Interest**

The U.S. Investment Advisers Act of 1940 requires that the proxy-voting procedures adopted and implemented by a U.S. investment advisor include procedures that address material conflicts of interest that may arise between the investment advisor's interests and those of its clients. Examples of such material conflicts of interest that could arise include circumstances in which:

- (i) management of a client, including a client or prospective client of Cohen & Steers Capital Advisors, LLC, is soliciting proxies and failure to vote in favor of management may harm C&S' relationship with the client and materially impact C&S' business; or
- (ii) a personal or familial relationship between an employee at C&S and management of an issuer could impact C&S' voting decision.

When a potential material conflict is identified, the Proxy Committee will evaluate the situation and determine whether an actual material conflict of interest exists. In the event the Proxy Committee determines that a material conflict does exist, the Proxy Committee shall make a recommendation on how C&S shall vote the proxy.

Depending on the nature of the material conflict of interest, the Proxy Committee, in the course of addressing the material conflict, may elect to take one or more of the following measures, or other appropriate action:

removing certain C&S personnel from the proxy voting process;

walling off personnel with knowledge of the material conflict to ensure that such personnel do not influence the relevant proxy vote;

voting in accordance with the applicable Guidelines, if any, if the application of the Guidelines would objectively result in the casting of a proxy vote in a predetermined manner; or

deferring the vote to the Proxy Voting Service which will vote in accordance with its own recommendation.

### **E. Foreign Securities**

Proxies relating to foreign securities are subject to these Procedures. In certain foreign jurisdictions, however, the voting of proxies can result in additional restrictions that have an economic impact or cost to the security. For example, certain countries restrict a shareholder's ability to sell shares for a certain period of time if the shareholder votes proxies at a meeting (a practice known as "share-blocking"). In other instances, the costs of voting a proxy (i.e. being required to vote the meeting in person) may outweigh any benefit to the client if the proxy is voted.

In determining whether to vote proxies subject to such restrictions, the Investment Personnel responsible for the security shall consider a cost-benefit analysis and where the expected cost involved in voting exceeds the expected benefits of the vote, C&S will generally abstain from voting the proxy.

### **F. Shares of Registered Investment Companies**

Certain funds advised by C&S may be structured as funds of funds and invest their assets primarily in other investment companies (the "Funds of Funds"). The Fund of Funds hold shares in the underlying funds and may be solicited to vote on matters pertaining to these underlying funds. With respect to any such matter, to comply with Section 12(d)(1)(F) of the 1940 Act, the Funds of Funds will vote their shares in any underlying fund in the same proportion as the vote of all other shareholders in that underlying fund (sometimes called "echo" or "proportionate voting"); provided, however, that in situations where proportionate voting is administratively impractical (i.e. proxy contests) the Fund of Funds will cast a vote or, in certain cases, not cast a vote, so long as the action taken does not have an effect on the outcome of the matter being voted upon different than if the Funds of Funds had proportionately voted.

### **G. Cohen & Steers Funds**

The Board of Directors of the open- and closed-end funds managed by C&S ("Cohen & Steers Funds") has delegated to C&S the responsibility for voting proxies on behalf of the Cohen & Steers Funds. As such, proxies relating to portfolio securities held by any Cohen & Steers Fund shall be voted in accordance with these Procedures and Guidelines. The Chief Compliance Officer, or her designee, shall make an annual presentation to the Board regarding these Procedures and Guidelines, including whether any revisions are recommended, and shall report to the Board at each regular, quarterly meeting with respect to any conflict of interest situation that arose regarding the proxy voting process.

### **H. Securities Lending**

Certain C&S Funds may participate in securities lending programs with various counterparties. Under most securities lending arrangements, proxy voting rights during the lending period generally are transferred to the borrower, and thus proxies received in connection with the securities on loan may not be voted by the lender unless the loan is recalled.

If a Fund participates in a securities lending program, C&S will use its best efforts to recall certain securities on loan so that C&S can vote proxies relating to such securities if C&S determines that the votes involve matters that would have a material effect on the Fund's investment in such loaned securities.

### **I. Recordkeeping**

C&S is required to maintain and preserve in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of C&S, the following records:

- (i) Copies of all proxy voting policies and procedures

(ii) A copy of each proxy statement that C&S receives regarding client securities.

(iii) A record of each vote cast by the C&S on behalf of a client.

(iv) A copy of any document created by C&S that was material to making a decision on how to vote proxies on behalf of a client or that memorializes the basis for that decision.

(v) A copy of each written client request for information on how C&S voted proxies on behalf of the client, and a copy of any written response by C&S (written or oral) to any client request for information on how C&S voted proxies on behalf of the requesting client.

It shall be noted that C&S reserves the right to use the services of the Independent Proxy Voting Service to maintain certain required records in accordance with all applicable regulations.

#### **J. Pre-Solicitation Contact**

From time to time, companies will seek to contact analysts, portfolio managers and others in advance of the formal proxy solicitation to solicit support for certain contemplated proposals. Such contact can potentially result in the recipient receiving material non-public information and result in the imposition of trading restrictions. Accordingly, pre-solicitation contact should occur only under very limited circumstances and only in accordance with the terms set forth herein.

What is material non-public information? The definition of material non-public information is highly subjective. The general test, however, is whether or not such information would reasonably affect an investor's decision to buy, sell or hold securities, or whether it would be likely to have a significant market impact. Examples of such information include, but are not limited to:

a pending acquisition or sale of a substantial business;

financial results that are better or worse than recent trends would lead one to expect;

major management changes;

an increase or decrease in dividends;

calls or redemptions or other purchases of its securities by the company;

a stock split, dividend or other recapitalization; or

financial projections prepared by the company or the company's representatives.

What is pre-solicitation contact? Pre-solicitation contact is any communication, whether oral or written, formal or informal, with the company or a representative of the company regarding proxy proposals prior to publication of the official proxy solicitation materials. This contact can range from simply polling investors as to their reaction to a broad topic, e.g., "How do you feel about dual classes of stock?", to very specific inquiries, e.g., "Here's a term sheet for our restructuring. Will you vote to approve this?"

What should be done upon contact? Determining the appropriateness of the contact is a factual inquiry which must be determined on a case-by-case basis. For instance, it might be acceptable for us to provide companies with our general approach to certain issues. Promising our vote, however, is prohibited under all circumstances. In the event a C&S employee is contacted in advance of the publication of proxy solicitation materials, that employee should notify the Legal and Compliance Group immediately.

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It is also critical to keep in mind that as a fiduciary, we exercise our proxies solely in the best interests of our clients. Outside influences, including those from within C&S, should not interfere in any way in our decision making process.

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## Part II: Proxy Voting Guidelines

This statement sets forth the policies and procedures that Cohen & Steers, Inc. and its affiliated advisors ( C&S , we or us ) follow in exercising voting rights with respect to securities held in its client portfolios. All proxy-voting rights that are exercised by C&S shall be subject to this Statement of Policy and Procedures.

C&S is a global asset management organization with the capabilities to invest in securities of issuers located around the globe. Because the regulatory framework and the business cultures and practices vary from region to region, the General Guidelines contained in Part IIA are supplemented by the Europe and Asia/Pacific Guidelines contained in Parts IIB and Part IIC, which will, in addition to the General Guidelines, apply to the issuers of securities in Europe and Asia. To the extent that there may be inconsistencies between the General Guidelines contained in Part IIA and the supplemental Europe and Asia/Pacific Guidelines contained in Parts IIB and IIC, the supplemental Europe and Asia/Pacific Guidelines will control.

### Part II.A: General Proxy Voting Guidelines

#### 1. Objectives

Voting rights are an important component of corporate governance. C&S has three overall objectives in exercising voting rights:

Responsibility. C&S shall seek to ensure that there is an effective means in place to hold companies accountable for their actions. While management must be accountable to its board, the board must be accountable to a company's shareholders. Although accountability can be promoted in a variety of ways, protecting shareholder voting rights may be among our most important tools.

Rationalizing Management and Shareholder Concerns. C&S seeks to ensure that the interests of a company's management and board are aligned with those of the company's shareholders. In this respect, compensation must be structured to reward the creation of shareholder value.

Shareholder Communication. Since companies are owned by their shareholders, C&S seeks to ensure that management effectively communicates with its owners about the company's business operations and financial performance. It is only with effective communication that shareholders will be able to assess the performance of management and to make informed decisions on when to buy, sell or hold a company's securities.

#### 2. General Principles

In exercising voting rights, C&S shall conduct itself in accordance with the general principles set forth below.

The ability to exercise a voting right with respect to a security is a valuable right and, therefore, must be viewed as part of the asset itself.

In exercising voting rights, C&S shall engage in a careful evaluation of issues that may materially affect the rights of shareholders and the value of the security.

Consistent with general fiduciary principles, the exercise of voting rights shall always be conducted with reasonable care, prudence and diligence.

In exercising voting rights on behalf of clients, C&S shall conduct itself in the same manner as if C&S were the constructive owner of the securities.

To the extent reasonably possible, C&S shall participate in each shareholder voting opportunity.

Voting rights shall not automatically be exercised in favor of management-supported proposals.

C&S, and its officers and employees, shall never accept any item of value in consideration of a favorable proxy voting decision.

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### 3. General Guidelines

Set forth below are general guidelines that C&S shall follow in exercising proxy voting rights:

**Prudence.** In making a proxy voting decision, C&S shall give appropriate consideration to all relevant facts and circumstances, including the value of the securities to be voted and the likely effect any vote may have on that value. Since voting rights must be exercised on the basis of an informed judgment, investigation shall be a critical initial step.

**Third Party Views.** While C&S may consider the views of third parties, C&S shall never base a proxy voting decision solely on the opinion of a third party. Rather, decisions shall be based on a reasonable and good faith determination as to how best to maximize shareholder value.

**Shareholder Value.** Just as the decision whether to purchase or sell a security is a matter of judgment, determining whether a specific proxy resolution will increase the market value of a security is a matter of judgment as to which informed parties may differ. In determining how a proxy vote may affect the economic value of a security, C&S shall consider both short-term and long-term views about a company's business and prospects, especially in light of our projected holding period on the stock (e.g., C&S may discount long-term views on a short-term holding).

### 4. Specific Guidelines

#### Uncontested Director Elections

Votes on director nominees should be made on a case-by-case basis using a mosaic approach, where all factors are considered in director elections and where no single issue is deemed to be determinative. For example, a nominee's experience and business judgment may be critical to the long-term success of the portfolio company, notwithstanding the fact that he or she may serve on the board of more than four public companies. In evaluating nominees, we consider the following factors:

Whether the nominee attended less than 75 percent of the board and committee meetings without a valid excuse for the absences;

Whether the nominee is an inside or affiliated outside director and sits on the audit, compensation, or nominating committees;

Whether the nominee ignored a significant shareholder proposal that was approved by a (i) majority of the shares outstanding or (ii) majority of the votes cast for two consecutive years;

Whether the nominee, without shareholder approval, to our knowledge instituted a new poison pill plan, extended an existing plan, or adopted a new plan upon the expiration of an existing plan during the past year;

Whether the nominee is an inside or affiliated outside director and the full board serves as the audit, compensation, or nominating committee or the company does not have one of these committees;

Whether the nominee is an insider or affiliated outsider on boards that are not at least majority independent;

Whether the nominee is the CEO of a publicly-traded company who serves on more than two public boards;

Whether the nominee serves on more than four public company boards;

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Whether the nominee serves on the audit committee where there is evidence (such as audit reports or reports mandated under the Sarbanes Oxley Act) that there exists material weaknesses in the company's internal controls;

Whether the nominee serves on the compensation committee if that director was present at the time of the grant of backdated options or options the pricing or the timing of which we believe may have been manipulated to provide additional benefits to executives;

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Whether the nominee is believed by us to have a material conflict of interest with the portfolio company; and

Whether the nominee (or the overall board) in our view has a record of making poor corporate or strategic decisions or has demonstrated an overall lack of good business judgment, including, among other things, whether the company's total shareholder return is in the bottom 25% of its peer group over the prior five years.

We vote on a case-by-case basis for shareholder proposals requesting companies to amend their bylaws in order to create access to the proxy so as to nominate candidates for directors. We recognize the importance of shareholder access to the ballot process as a means to ensure that boards do not become self-perpetuating and self-serving. However, we are also aware that some proposals may promote certain interest groups and could be disruptive to the nomination process.

Special attention will be paid to companies that display a chronic lack of shareholder accountability.

### **Proxy Contests**

Director Nominees in a Contested Election. By definition, this type of board candidate or slate runs for the purpose of seeking a significant change in corporate policy or control. Therefore, the economic impact of the vote in favor of or in opposition to that director or slate must be analyzed using a higher standard such as is normally applied to changes in control. Criteria for evaluating director nominees as a group or individually should also include: the underlying reason why the new slate (or individual director) is being proposed; performance; compensation; corporate governance provisions and takeover activity; criminal activity; attendance at meetings; investment in the company; interlocking directorships; inside, outside and independent directors; number of other board seats; and other experience. It is impossible to have a general policy regarding director nominees in a contested election.

Reimbursement of Proxy Solicitation Expenses. Decisions to provide full reimbursement for dissidents waging a proxy contest should be made on a case-by-case basis.

### **Ratification of Auditors**

We vote for proposals to ratify auditors, unless an auditor has a financial interest in or association with the company, and is therefore not independent; or there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.

Generally, we vote against auditor ratification and withhold votes from audit committee members if non-audit fees exceed audit fees.

We vote on a case-by-case basis on auditor rotation proposals. Criteria for evaluating the rotation proposal include, but are not limited to: tenure of the audit firm; establishment and disclosure of a renewal process whereby the auditor is regularly evaluated for both audit quality and competitive price; length of the rotation period advocated in the proposal; and any significant audit related issues.

Generally, we vote against auditor indemnification and limitation of liability; however we recognize there may be situations where indemnification and limitations on liability may be appropriate.

### **Takeover Defenses**

While we recognize that a takeover attempt can be a significant distraction for the board and management to deal with, the simple fact is that the possibility of a corporate takeover keeps management focused on

maximizing shareholder value. As a result, C&S opposes measures that are designed to prevent or obstruct corporate takeovers because they can entrench current management. The following are our guidelines on change of control issues:

**Shareholder Rights Plans.** We acknowledge that there are arguments for and against shareholder rights plans, also known as poison pills. Companies should put their case for rights plans to shareholders.

We review on a case-by-case basis management proposals to ratify a poison pill. We generally look for shareholder friendly features including a two- to three-year sunset provision, a permitted bid provision and a 20 percent or higher flip-in provision.

**Greenmail.** We vote for proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

**Unequal Voting Rights.** Generally, we vote against dual-class recapitalizations as they offer an effective way for a firm to thwart hostile takeovers by concentrating voting power in the hands of management or other insiders.

**Classified Boards.** We generally vote in favor of shareholder proposals to declassify a board of directors, although we acknowledge that a classified board may be in the long-term best interests of a company in certain situations, such as continuity of a strong board and management team. In voting on shareholder proposals to declassify a board of directors, we evaluate all facts and circumstances surrounding such proposal, including whether the shareholder proposing the de-classification has an agenda in making such proposal that may be at odds with the long-term best interests of the company or whether it would be in the best interests of the company to thwart a shareholder's attempt to control the board of directors.

**Cumulative Voting.** Having the ability to cumulate our votes for the election of directors—that is, cast more than one vote for a director about whom they feel strongly—generally increases shareholders' rights to effect change in the management of a corporation. We generally support, therefore, proposals to adopt cumulative voting.

**Shareholder Ability to Call Special Meeting.** C&S votes on a case-by-case basis for shareholder proposals requesting companies to amend their governance documents (bylaws and/or charter) in order to allow shareholders to call special meetings. We recognize the importance on shareholder ability to call a special meeting, however, we are also aware that some proposals are put forth in order to promote the agenda(s) of certain special interest groups and could be disruptive to the management of the company.

**Shareholder Ability to Act by Written Consent.** We generally vote against proposals to allow or facilitate shareholder action by written consent. The requirement that all shareholders be given notice of a shareholders' meeting and matters to be discussed therein seems to provide a reasonable protection of minority shareholder rights.

**Shareholder Ability to Alter the Size of the Board.** We generally vote for proposals that seek to fix the size of the board and vote against proposals that give management the ability to alter the size of the board without shareholder approval. While we recognize the importance of such proposals, we are however also aware that these proposals are sometimes put forth in order to promote the agenda(s) of certain special interest groups and could be disruptive to the management of the company.

#### **Miscellaneous Board Provisions**

**Board Committees.** Boards should delegate key oversight functions, such as responsibility for audit, nominating and compensation issues, to independent committees. The chairman and members of any committee should be clearly identified in the annual report. Any committee should have the authority to engage independent advisors where appropriate at the company's expense.

Audit, nominating and compensation committees should consist solely of non-employee directors, who are independent of management.

Separate Chairman and CEO Positions. We will generally vote for proposals looking to separate the CEO and Chairman roles. We do acknowledge, however, that under certain circumstances, it may be reasonable for the CEO and Chairman roles to be held by a single person.

Lead Directors and Executive Sessions. In cases where the CEO and Chairman roles are combined, we will vote for the appointment of a lead (non-insider) director and for regular executive sessions (board meetings taking place without the CEO/Chairman present).

Majority of Independent Directors. We vote for proposals that call for the board to be composed of a majority of independent directors. We believe that a majority of independent directors can be an important factor in facilitating objective decision making and enhancing accountability to shareholders.

Independent Committees. We vote for shareholder proposals requesting that the board's audit, compensation, and nominating committees consist exclusively of independent directors.

Stock Ownership Requirements. We support measures requiring senior executives to hold a minimum amount of stock in a company (often expressed as a percentage of annual compensation), requiring stock acquired through option exercise to be held for a certain minimum amount of time and issuing restricted stock awards instead of options.

Term of Office. We vote against shareholder proposals to limit the tenure of outside directors. Term limits pose artificial and arbitrary impositions on the board and could harm shareholder interests by forcing experienced and knowledgeable directors off the board.

Director and Officer Indemnification and Liability Protection. Proposals concerning director and officer indemnification and liability protection should be evaluated on a case-by-case basis.

Board Size. We generally vote for proposals to limit the size of the board to 15 members or less.

Majority Vote Standard. We generally vote for proposals asking for the board to initiate the appropriate process to amend the company's governance documents (charter or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders. We would generally review on a case-by-case basis proposals that address alternative approaches to a majority vote requirement.

Confidential Voting. We vote for shareholder proposals requesting that companies adopt confidential voting, use independent tabulators, and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows: in the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.

We also vote for management proposals to adopt confidential voting.

Bundled Proposals. We review on a case-by-case basis bundled or conditioned proxy proposals. In the case of items that are conditioned upon each other, we examine the benefits and costs of the packaged items. In instances where the joint effect of the conditioned items is not in shareholders' best interests, we vote against the proposals. If the combined effect is positive, we support such proposals.

Date/Location of Meeting. We vote against shareholder proposals to change the date or location of the shareholders' meeting. No one site will meet the needs of all shareholders.

Adjourn Meeting if Votes are Insufficient. Open-end requests for adjournment of a shareholder meeting generally will not be supported. However, where management specifically states the reason for requesting an adjournment and the requested adjournment is necessary to permit a proposal that would otherwise be supported under this policy to be carried out, the adjournment request will be supported.

Disclosure of Shareholder Proponents. We vote for shareholder proposals requesting that companies disclose the names of shareholder proponents. Shareholders may wish to contact the proponents of a shareholder proposal for additional information.

### Capital Structure

Increase Additional Common Stock. We generally vote for increases in authorized shares, provided that the increase is not greater than three times the number of shares outstanding and reserved for issuance (including shares reserved for stock-related plans and securities convertible into common stock, but not shares reserved for any poison pill plan).

Votes generally are cast in favor of proposals to authorize additional shares of stock except where the proposal:

creates a blank check preferred stock; or

establishes classes of stock with superior voting rights.

Blank Check Preferred Stock. Votes generally are cast in opposition to management proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, distribution and other rights, and management proposals to increase the number of authorized blank check preferred shares. We may vote in favor of this type of proposal when we receive assurances to our reasonable satisfaction that (i) the preferred stock was authorized by the board for the use of legitimate capital formation purposes and not for anti-takeover purposes, and (ii) no preferred stock will be issued with voting power that is disproportionate to the economic interests of the preferred stock. These representations should be made either in the proxy statement or in a separate letter from the company to C&S.

Preemptive Rights. Votes regarding shareholder proposals seeking preemptive rights are determined on a case-by-case basis after evaluating:

The size of the company;

The shareholder base; and

The liquidity of the stock.

For example, it would be difficult to support a shareholder proposal that would require an S&P 500 company with over \$1 billion in equity held by thousands of shareholders (with no single shareholder owning a significant percentage of outstanding shares) to implement preemptive rights each time it conducted a new offering. Such a requirement would be impractical and extremely costly. Moreover, at companies with that large of a shareholder base and the ease with which shareholders could preserve their relative interest through purchases of shares on the open market, the cost of implementing preemptive rights does not seem justifiable in relation to the benefits.

Dual Class Capitalizations. Because classes of common stock with unequal voting rights limit the rights of certain shareholders, we vote against adoption of a dual or multiple class capitalization structure.

Restructurings/Recapitalizations. We review proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan on a case-by-case basis. In voting, we consider the following issues:

dilution how much will ownership interest of existing shareholders be reduced, and how extreme will dilution to any future earnings be?



change in control will the transaction result in a change in control of the company?

bankruptcy generally, approve proposals that facilitate debt restructurings unless there are clear signs of self-dealing or other abuses. Share Repurchase Programs. Boards may institute share repurchase or stock buy-back programs for a number of reasons. C&S will generally vote in favor of such programs where the repurchase would be in the long-term best interests of shareholders, and where the company is not thought to be able to use the cash in a more useful way.

We will vote against such programs when shareholders' interests could be better served by deployment of the cash for alternative uses, or where the repurchase is a defensive maneuver or an attempt to entrench management.

Targeted Share Placements. These shareholder proposals ask companies to seek stockholder approval before placing 10% or more of their voting stock with a single investor. The proposals are typically in reaction to the placement by various companies of a large block of their voting stock in an ESOP, parent capital fund or with a single friendly investor, with the aim of protecting themselves against a hostile tender offer. These proposals are voted on a case-by-case basis after reviewing the individual situation of the company receiving the proposal.

### **Executive and Director Compensation**

Stock-based Incentive Plans. Votes with respect to compensation plans should be determined on a case-by-case basis. The analysis of compensation plans focuses primarily on the transfer of shareholder wealth (the dollar cost of pay plans to shareholders). Other matters included in our analysis are the amount of the company's outstanding stock to be reserved for the award of stock options or restricted stock, whether the exercise price of an option is less than the stock's fair market value at the date of the grant of the options, and whether the plan provides for the exchange of outstanding options for new ones at lower exercise prices. Every award type is valued. An estimated dollar cost for the proposed plan and all continuing plans is derived. This cost, dilution to shareholders' equity, will also be expressed as a percentage figure for the transfer of shareholder wealth and will be considered along with dilution to voting power. Once the cost of the plan is estimated, it is compared to an allowable industry-specific and market cap-based dilution cap.

If the proposed plan cost is above the allowable cap, an against vote is indicated. If the proposed cost is below the allowable cap, a vote for the plan is indicated unless the plan violates the repricing guidelines. If the company has a history of repricing options or has the express ability to reprice underwater stock options without first securing shareholder approval under the proposed plan, the plan receives an against vote even in cases where the plan cost is considered acceptable based on the quantitative analysis.

We vote against equity plans that have high average three year burn rates, unless the company has publicly committed to reduce the burn rate to a rate that is comparable to its peer group (as determined by C&S).

Approval of Cash or Cash-and-Stock Bonus Plans. We vote for cash or cash-and-stock bonus plans to exempt the compensation from limits on deductibility under the provisions of Section 162(m) of the Internal Revenue Code.

Executive Compensation. Executive compensation should be tied to the performance of the executive and the company as well as relevant market conditions. We feel that the performance criteria and specific amounts and types of executive compensation are best decided by a company's board of directors and/or its compensation committee and fully disclosed to shareholders. We will, however, typically monitor the compensation practices of those companies that compensate their executives in the top 10% tier to determine whether compensation to these executives is commensurate to the company's performance (i.e., we expect companies that pay their executives in the top 10% pay range to also be performing commensurately well).



Further, we will vote for shareholder proposals that call for shareholders to vote, in a non-binding manner, on executive pay since such vote is non-binding and is merely informative for the board of directors and/or compensation committee. Further, we generally vote for shareholder proposals that seek additional disclosure of executive and director pay information.

Reload/Evergreen Features. We will generally vote against plans that enable the issuance of reload options and that provide an automatic share replenishment ( evergreen ) feature.

Golden Parachutes. We oppose the use of accelerated employment contracts that result in cash grants of greater than three times annual compensation (salary and bonus) in the event of termination of employment following a change in control of a company. In general, the guidelines call for voting against golden parachute plans because they impede potential takeovers that shareholders should be free to consider. We generally withhold our votes at the next shareholder meeting for directors who to our knowledge approved golden parachutes.

401(k) Employee Benefit Plans. We vote for proposals to implement a 401(k) savings plan for employees.

Employee Stock Purchase Plans. We support employee stock purchase plans, although we generally believe the discounted purchase price should be at least 85% of the current market price.

Option Expensing. We vote for shareholder proposals to expense fixed-price options.

Vesting. We believe that restricted stock awards normally should vest over at least a two-year period.

Option Repricing. Stock options generally should not be re-priced, and never should be re-priced without shareholder approval. In addition, companies should not issue new options, with a lower strike price, to make up for previously issued options that are substantially underwater. C&S will vote against the election of any slate of directors that, to its knowledge, has authorized a company to re-price or replace underwater options during the most recent year without shareholder approval.

Stock Holding Periods. Generally vote against all proposals requiring executives to hold the stock received upon option exercise for a specific period of time.

Transferable Stock Options. Review on a case-by-case basis proposals to grant transferable stock options or otherwise permit the transfer of outstanding stock options, including cost of proposal and alignment with shareholder interests.

Recoup Bonuses. We vote on a case-by-case on shareholder proposals to recoup unearned incentive bonuses or other incentive payments made to senior executives if it is later determined that fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation.

## **Incorporation**

Reincorporation Outside of the United States. Generally, we will vote against companies looking to reincorporate outside of the U.S.

Voting on State Takeover Statutes. We review on a case-by-case basis proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freezeout provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, antigreenmail provisions, and disgorgement provisions). In voting on these shareholder proposals, we evaluate all facts and circumstances surrounding such proposal, including whether the shareholder proposing

such measure has an agenda in making such proposal that may be at odds with the long-term best interests of the company or whether it would be in the best interests of the company to thwart a shareholder's attempt to control the board of directors.

Voting on Reincorporation Proposals. Proposals to change a company's state of incorporation are examined on a case-by-case basis. In making our decision, we review management's rationale for the proposal, changes to the charter/bylaws, and differences in the state laws governing the companies.

### **Mergers and Corporate Restructurings**

Mergers and Acquisitions. Votes on mergers and acquisitions should be considered on a case-by-case basis, taking into account factors including the following: anticipated financial and operating benefits; offer price (cost vs. premium); prospects of the combined companies; how the deal was negotiated; and changes in corporate governance and their impact on shareholder rights.

We vote against proposals that require a super-majority of shareholders to approve a merger or other significant business combination. We support proposals that seek to lower super-majority voting requirements.

Nonfinancial Effects of a Merger or Acquisition. Some companies have proposed a charter provision which specifies that the board of directors may examine the nonfinancial effect of a merger or acquisition on the company. This provision would allow the board to evaluate the impact a proposed change in control would have on employees, host communities, suppliers and/or others. We generally vote against proposals to adopt such charter provisions. We feel it is the directors' fiduciary duty to base decisions solely on the financial interests of the shareholders.

Corporate Restructuring. Votes on corporate restructuring proposals, including minority squeezeouts, leveraged buyouts, going private proposals, spin-offs, liquidations, and asset sales, should be considered on a case-by-case basis.

Spin-offs. Votes on spin-offs should be considered on a case-by-case basis depending on the tax and regulatory advantages, planned use of sale proceeds, market focus, and managerial incentives.

Asset Sales. Votes on asset sales should be made on a case-by-case basis after considering the impact on the balance sheet/working capital, value received for the asset, and potential elimination of diseconomies.

Liquidations. Votes on liquidations should be made on a case-by-case basis after reviewing management's efforts to pursue other alternatives, appraisal value of assets, and the compensation plan for executives managing the liquidation.

Appraisal Rights. We vote for proposals to restore, or provide shareholders with, rights of appraisal. Rights of appraisal provide shareholders who are not satisfied with the terms of certain corporate transactions the right to demand a judicial review in order to determine a fair value for their shares.

Changing Corporate Name. We vote for changing the corporate name.

### **Shareholder Rights**

Our position on the rights of shareholders is as follows:

Shareholders should be given the opportunity to exercise their rights. Notification of opportunities for the exercise of voting rights should be given in good time.

Shareholders are entitled to submit questions to company management.

Minority shareholders should be protected as far as possible from the exercise of voting rights by majority shareholders.

Shareholders are entitled to hold company management as well as the legal person or legal entity accountable for any action caused by the company or company management for which the company, company management or legal entity should bear responsibility.

#### **Social Issues**

We believe that it is the responsibility of the board and management to run a company on a daily basis. With this in mind, in the absence of unusual circumstances, we do not believe that shareholders should be involved in determining how a company should address broad social and policy issues. As a result, we generally vote against these types of proposals, which are generally initiated by shareholders, unless we believe the proposal has significant economic implications.

#### **Part II.B: Supplemental Europe Proxy Voting**

##### **Reports & Accounts**

Annual Report. Reports and accounts should be both detailed and transparent, and should be submitted to shareholders for approval in a timely manner prescribed by law. They should meet accepted reporting standards, such as those prescribed by the International Accounting Standards Board (IASB) and should meet with the spirit as well as the letter of those reporting standards.

We generally approve proposals relating to the adoption of annual accounts provided that:

the report has been examined by an independent external accountant and the accuracy of material items in the report is not in doubt;

the report complies with legal and regulatory requirements and best practice provisions in local markets;

the company discloses which portion of the remuneration paid to the external accountant relates to auditing activities and which portion relates to non-auditing advisory assignments;

a report on the implementation of risk management and internal control measures is incorporated, including an in-control statement from company management;

a report should include a statement of compliance with relevant codes of best practice, in markets where they exist (for UK companies, a statement of compliance with the Combined Code of Corporate Governance should be made, together with detailed explanations regarding any area of non-compliance); and

a conclusive response is given to all queries from shareholders.

Legal disclosure varies from market to market. If, in our opinion, a company's standards of disclosure (whilst meeting minimum legal requirements) are insufficient in any particular area, we will inform company management of our concerns. Depending on the circumstances, we will either abstain or vote against the resolution concerned. Similar consideration would relate to the use of inappropriate accounting methods.

Remuneration Report. The remuneration policy as it relates to senior management should ideally be presented to shareholders as a separate voting item. We would expect the report to contain full details of all aspects of individual director's emoluments. We will endeavor to engage with the company or seek an explanation regarding any areas of remuneration which fall outside our guidelines and we will abstain or vote against the remuneration report if we feel that explanation is insufficient.

## **Dividends**

Proposals for the payment of dividends should be presented to shareholders for approval, and should be fully disclosed in advance of the meeting. We typically vote against dividend proposals if we deem the payout ratio to be too low, or if the earnings and cash cover are inadequate and payment of the proposed dividend would prejudice the solvency or future prospects of the company.

## **Board of Directors**

Board Structure. Companies should be controlled by an effective board, with an appropriate balance of executive and independent directors, such that no single stakeholder, or group of stakeholders, has a disproportionate or undue level of influence. C&S is generally in favour of unitary boards of the type found in the UK, as opposed to tiered board structures. We find that unitary boards offer flexibility while, with a tiered structure, there is a risk of upper tier directors becoming remote from the business, while lower tier directors become deprived of contact with outsiders of wider experience. No director should be excluded from the requirement to submit him/herself for re-election on a regular basis.

Director s Liability. In certain markets, this proposal asks shareholders to give blanket discharge from responsibility for all decisions made during the previous financial year. Depending on the market, this resolution may or may not be legally binding, and may not release the board from its legal responsibility.

C&S will usually vote against discharging the board from responsibility in cases of pending litigation, or if there is evidence of wrongdoing for which the board must be held accountable.

Companies may arrange Directors and Officers ( D&O ) liability insurance, to indemnify executives in certain circumstances, such as class action lawsuits and other litigation. C&S generally supports such proposals, although we do not approve of arrangements where directors are given 100% indemnification, as this could absolve them of responsibility for their actions and encourage them to act recklessly.

Multiple Directorships. Generally, we believe that no single individual should chair more than one major listed company especially where conflicts of interest may arise between or among these listed companies.

## **Compensation**

Directors Contracts. Market practice regarding the length of director s service contracts varies enormously country by country. To this end, C&S takes into account local market practice when making judgments in this area.

Executive Director s Remuneration. Executive remuneration is and will remain a contentious issue, particularly the overall quantum of remuneration. However, company policy in this area cannot be prescribed by any code or formula to cater for all circumstances and must depend on responsible and well-informed judgment on the part of remuneration committees. Any remuneration policy should be transparent and fully disclosed to shareholders in a separate Remuneration Report within the Annual Report. Compensation should contain both a short-term and long-term element, which fully aligns the executive with shareholders.

C&S will generally vote against shareholder proposals to restrict arbitrarily the compensation of executives or other employees. We feel that the specific amounts and types of employee compensation are within the ordinary business responsibilities of the board and the company management. However, the remuneration of executive directors should be determined by independent remuneration committees and fully disclosed to shareholders. Any stock option plans or long-term incentive plans should meet our guidelines for such plans set forth herein.

Transaction bonuses, or other retrospective ex-gratia payments, should not be made.

**Independent Director's Remuneration.** C&S believes that independent directors should be paid, at least in part, in shares of the company wherever possible, in order to align their interests with the interests of shareholders. Performance criteria, however, should never be attached. We believe that independent directors should not be awarded share options.

**Share Option Schemes.** Share option schemes should be clearly explained and fully disclosed to both shareholders and participants, and put to shareholders for approval. Each director's share options should be detailed, including exercise prices, expiry dates and the market price of the shares at the date of exercise. They should take into account appropriate levels of dilution, such as those set out in ABI, NAPF and similar guidelines. Options should vest in reference to challenging performance criteria, which are disclosed in advance. Share options should never be issued at a discount, and there should be no award for below-median performance.

Best practice requires that share options be fully expensed, so that shareholders can assess their true cost to the company. The assumptions and methodology behind the expensing calculation should also be explained to shareholders.

We will generally vote against the cancellation and re-issue, re-testing or re-pricing, of underwater options.

**Share Plans/Stock Based Compensation.** The dilution effect of company shares authorized under a new stock based compensation plan, or shares authorized under an existing stock based compensation plan, should not exceed 10%.

**Long-Term Incentive Plans (L-TIPs).** C&S will vote in favour of well-structured schemes with keen incentives and challenging performance criteria, which are fully disclosed to shareholders in advance, and vote against payments which are excessive or performance criteria which are undemanding, or where there is excessive discretion exercised by remuneration committees. We would expect remuneration committees to explain why criteria are considered to be challenging and how they align the interests of shareholders with the interests of the recipients.

**Pensions.** Pension arrangements should be transparent and cost-neutral to shareholders. C&S believes it is inappropriate for executives to participate in pension arrangements which are materially different to those of employees (such as continuing to participate in a final salary arrangement, when employees have been transferred to a money purchase scheme). One-off payments into individual director's pension schemes, changes to pension entitlements and waivers concerning early retirement provisions must be fully disclosed and justified to shareholders.

#### **Issue of Capital**

**Issue of Equity.** In most countries, company law requires that shareholder approval be obtained in order to increase the authorized share capital of the company. Any new issue of equity should take into account appropriate levels of dilution.

Issuances can be carried out with or without preemptive rights. Although we recognize that preemptive rights are valuable to shareholders, we also acknowledge that in some cases, companies may need the ability to raise funds for routine business contingencies without the expense of carrying out a preemptive rights issue (such as the servicing of option plans, small acquisitions, or payment for services). Therefore, while conventions regarding this type of authority vary widely among countries, after taking into account first and foremost appropriate levels of dilution for an offering, we routinely approve issuance requests without preemptive rights for up to 20 percent of a company's outstanding capital.

**Issue of Debt.** Reasons for increased bank borrowing powers are many and varied, including allowing normal growth of the company, the financing of acquisitions, and allowing increased financial leverage. Management may also attempt to borrow as part of a takeover defense. C&S will generally vote in favour of

proposals which will enhance a company's long-term prospects. We will vote against any uncapped or poorly-defined increase in bank borrowing powers or borrowing limits, as well as issuances which would result in the company reaching an unacceptable level of financial leverage, where there is a material reduction in shareholder value, or where such borrowing is expressly intended as part of a takeover defense.

## **Part II.C: Supplemental Asia/Pacific Proxy Voting Guidelines**

### **Annual Report**

Reports and accounts should be both detailed and transparent, and should be submitted to shareholders for approval in a timely manner prescribed by law. They should meet accepted reporting standards. Reports should meet with the spirit as well as the letter of reporting standards, including the most recent recommendations of the International Accounting Standards Board (IASB).

The annual report should include a statement of compliance with relevant codes of best practice, in markets where they exist.

Legal disclosure varies from market to market. If, in our opinion, a company's standards of disclosure (whilst meeting minimum legal requirements) are insufficient in any particular area, we will inform company management of our concerns. Depending on the circumstances, we may either abstain or vote against the resolution concerned. Similar consideration would relate to the use of inappropriate accounting methods.

### **Dividends**

Proposals for the payment of dividends should be presented to shareholders for approval, and should be fully disclosed in advance of the meeting. We generally vote against dividend proposals if we feel that payment of the proposed dividend would prejudice the solvency or future prospects of the company.

### **Boards**

Board Structure. C&S is in favour of unitary boards of the type commonly found in Hong Kong, as opposed to tiered board structures.

Board Independence. C&S believes that a strong independent element to a board is essential to the effective running of a company. The calibre and number of independent directors on a board should be such that their views will carry significant weight in the board's decisions.

We believe that as a minimum, all boards should have at least three independent directors, unless the company is of such a size that sustaining such a number would be an excessive burden.

C&S will use its voting powers to encourage appropriate levels of board independence, taking into account local market practice.

Board Committees. Where appropriate, boards should delegate key oversight functions to independent committees. The chairman and members of any committee should be clearly identified in the annual report.

### **Directors**

Executive Director's Remuneration. Executive remuneration is and will remain a contentious issue, particularly the overall quantum of remuneration. C&S will generally vote against shareholder proposals to arbitrarily limit the compensation of executives or other employees.

Director's Liability. In certain markets, this proposal asks shareholders to give blanket discharge from responsibility for all decisions made during the previous financial year. Depending on the market, this resolution may or may not be legally binding, and may not release the board from its legal responsibility.

C&S will generally vote against discharging the board from responsibility in cases of pending litigation, or if there is evidence of wrongdoing for which the board must be held accountable.

### **Non Executive Directors**

Role of Independent Directors. C&S believes that a strong independent element to a board is important to the effective running of a company. In determining our vote, we will always consider independence issues on a case-by-case basis, taking into account any exceptional individual circumstances, together with local markets' differing attitudes to director independence.

In order to help assess their contribution to the company, the time spent by each independent director should be disclosed to shareholders, as well as their attendance at board and committee meetings.

Audit and Remuneration Committees should be composed exclusively of independent directors.

We recognize that independent directors in Japanese companies are still relatively rare, and therefore, a director's independence is not the determinative factor in our decision to vote for or against such director. In determining our vote on directors of Japanese companies, we will however, apply such other factors as are described in Part IIA of this policy voting for directors of Japanese companies.

Director Independence. We consider that a director will generally be deemed to be independent if he or she has no significant financial, familial or other ties with the company which might pose a conflict, and has not been employed in an executive capacity by the company for at least the previous ten years.

### **Issue of Capital**

Issue of Equity. In most countries, company law requires that shareholder approval be obtained in order to increase the authorized share capital of the company. Any new issue of equity should take into account appropriate levels of dilution and C&S will vote in favour of increases in capital which enhance a company's long-term prospects.

Proposals for equity issues will also specify whether pre-emptive rights are to be retained or suppressed or partially suppressed for the issue. Although we recognize that preemptive rights are valuable to shareholders, we also acknowledge that in some cases, companies may need the ability to raise funds for routine business contingencies without the expense of carrying out a preemptive rights issue (such as the servicing of option plans, small acquisitions, or payment for services). Therefore, while conventions regarding this type of authority vary widely among countries, after taking into account first and foremost appropriate levels of dilution for an offering, we routinely approve issuance requests without preemptive rights for up to 10 percent of a company's outstanding capital.

Issue of Debt. Reasons for increased bank borrowing powers are many and varied, including allowing normal growth of the company, the financing of acquisitions, and allowing increased financial leverage. Management may also attempt to borrow as part of a takeover defense.

C&S will vote in favour of proposals which will enhance a company's long-term prospects. We will generally vote against an increase in bank borrowing powers which would result in the company reaching an unacceptable level of financial leverage, where such borrowing is expressly intended as part of a takeover defense, or where there is a material reduction in shareholder value.

### **Share Options/Long-Term Incentive Plans (L-Tips)**

Share Options. Best practice requires that share options be fully expensed, so that shareholders can assess their true cost to the company. The assumptions and methodology behind the expensing calculation should also be explained to shareholders.

Share Plans/Stock Based Compensation. The dilution effect of company shares authorized under a new stock based compensation plan, or shares authorized under an existing stock based compensation plan, should not exceed 10%.

Long-Term Incentive Plans (L-TIPs). An L-TIP can be defined as any arrangement, other than deferred bonuses and retirement benefit plans, which require one or more conditions in respect of service and/or performance to be satisfied over more than one financial year.

C&S normally will vote in favour of schemes with keen incentives and challenging performance criteria, which are fully disclosed to shareholders in advance, and vote against payments which are excessive or performance criteria which are undemanding.

#### **Issues Dealing with Japanese Portfolio Companies**

Appointment of Internal Statutory Auditor. We generally look at the work history of each nominee. If the nominee is designated as independent but has worked the majority of his career for one of the company's major shareholders, lenders or business partners, we consider the nominee affiliated and will withhold support.

Approval of Annual Bonuses for Directors or Statutory Auditors. We generally support the payment of annual bonuses except in cases of scandals or extreme underperformance; but we recognize that few companies pay bonuses in such situations.

Shareholder Rights Plans. As set forth in the general guidelines, we evaluate all poison pill proposals on a case-by-case basis. With respect to Japanese companies, however, we note that the primary problem is not the terms of the poison pills themselves – these are often superior to those of US companies due to features such as relatively high trigger thresholds, clear sunset provisions and an absence of “dead hand” provisions. Rather, the main problem is with Japanese companies’ insider-dominated boards and insufficient disclosure. Therefore, we examine not only the features of the pill itself, but also the circumstances surrounding the company, including share price movements, shareholder composition, board composition, and the company’s announced plans to improve shareholder value.



## COMPARISON OF THE FUNDS INVESTMENT OBJECTIVES AND PRINCIPAL INVESTMENT

## POLICIES AND RESTRICTIONS

A summary comparison of the investment objectives and principal investment policies and restrictions of the Funds is set forth in the table below. After the Merger, the investment strategies, policies and restrictions of the combined Fund will be those of UTF.

|  | <b>RTU</b>   | <b>UTF</b>   |
|--|--|--|
| <b>Investment Objectives*</b>                | <u>Primary</u> : high current income   | Total return, with an emphasis on income.  |
|  | <u>Secondary</u> : capital appreciation  |  |
| <b>Principal Investment Strategies</b>       | Under normal market conditions, the Fund invests at least 80% of its managed assets in a portfolio of securities issued by REITs and utility companies.  | Under normal market conditions, the Fund invests at least 80% of its managed assets in securities issued by infrastructure companies, which consist of utilities, pipelines, toll roads, airports, railroads, ports, telecommunication companies and other infrastructure companies. |
|  | Under normal market conditions, the Fund will invest at least 65% of its managed assets in common stocks, preferred stocks and other equity securities issued by real estate companies, including REITs, and utility companies, with at least 25% of its managed assets invested in equity securities issued by real estate companies (consisting primarily of REITs) and at least 25% in equity securities issued by utility companies. |  |
| <b>Investments in Other Industries</b>       | Under normal market conditions, the Fund may invest up to 20% of its managed assets in preferred securities and other fixed income securities that are not issued by real estate or utility companies.   | Under normal market conditions, the Fund may invest up to 20% of its managed assets in preferred securities and other fixed income securities that are not issued by infrastructure companies.   |
| <b>Issuer Concentration</b>                  | The Fund will generally not invest more than 10% of its managed assets in the securities of one issuer.  | The Fund will generally not invest more than 10% of its managed assets in the securities of one issuer.  |
| <b>Fixed-Income and Preferred Securities</b> | The Fund may invest up to 25% of its managed assets in preferred securities and other fixed income securities that at the time of the investment are rated below investment grade or that are unrated but judged to be below investment grade by the Fund's Investment Manager.  | The Fund may invest up to 25% of its managed assets in preferred securities and other fixed income securities that at the time of the investment are rated below investment grade or that are unrated but judged to be below investment grade by the Fund's Investment Manager.      |

|  | RTU  | UTF  |
|--|--|--|
| <b>Foreign Securities</b>  | The Fund may invest up to 20% of its managed assets in foreign securities, with up to 10% of the Fund's managed assets in emerging market issuers.   | No limit on the amount that may be invested in foreign securities, including emerging markets issuers.   |
| <b>Derivatives</b>   | The Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, and equity, fixed-income and interest rate indices, and other financial instruments (writing call options limited to 25% of managed assets); purchase and sell financial futures contracts and options thereon; and enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions; credit default swaps; forward contracts; and structured investments. In addition, the Fund may enter into various currency transactions, such as forward currency contracts, currency futures contracts, currency swaps or options on currency or currency futures. The Fund also may purchase and sell derivative instruments that combine features of these instruments. | The Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, and equity, fixed-income and interest rate indices, and other financial instruments (writing call options limited to 25% of managed assets); purchase and sell financial futures contracts and options thereon; and enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions; credit default swaps; forward contracts; and structured investments. In addition, the Fund may enter into various currency transactions, such as forward currency contracts, currency futures contracts, currency swaps or options on currency or currency futures. The Fund also may purchase and sell derivative instruments that combine features of these instruments. |
| <b>Restricted and Illiquid Securities</b>  | The Fund may invest up to 10% of managed assets in illiquid securities.  | The Fund may invest up to 10% of its managed assets in illiquid securities.  |
| <b>Leverage</b>  | The Fund may use financial leverage for investment purposes.   | The Fund may use financial leverage for investment purposes.   |
| <b>Defensive Investing</b>   | When market or general economic conditions justify a temporary defensive position, the Fund may deviate from its investment objectives and invest all or any portion of its assets in investment grade debt securities, without regard to whether the issuer is a real estate company, REIT or utility company.  | When overall market or general economic conditions justify a temporary defensive position, the Fund may deviate from its investment objectives and invest all or any portion of its assets in short-term debt instruments, government securities or cash or cash equivalents, without regard to whether the issuer is a utility company.   |
| <b>Fundamental Investment Restrictions*</b><br><i>Concentration of Investments</i> | The Fund may not invest more than 25% of its managed assets in securities of issuers in any one industry except for the real estate industry and the utilities industry, with at least 25% of the Fund's managed assets being invested in each of the real estate and utility industries.  | The Fund may not invest more than 25% of its managed assets in securities of issuers in any one industry except for the utility industry.  |

|   | <b>RTU</b>   | <b>UTF</b>   |
|---|--|--|
| <i>Issuance of Senior Securities</i>  | The Fund may not issue senior securities (including borrowing money for other than temporary purposes) except in conformity with the limits set forth in the 1940 Act; or pledge its assets other than to secure such issuances or borrowings or in connection with permitted investment strategies; provided that, notwithstanding the foregoing, the Fund may borrow up to an additional 5% of its total assets for temporary purposes.  | The Fund may not issue senior securities (including borrowing money for other than temporary purposes) except in conformity with the limits set forth in the 1940 Act; or pledge its assets other than to secure such issuances or borrowings or in connection with permitted investment strategies; provided that, notwithstanding the foregoing, the Fund may borrow up to an additional 5% of its total assets for temporary purposes.  |
| <i>Underwriting</i>   | The Fund may not act as an underwriter of securities issued by other persons.  | The Fund may not act as an underwriter of securities issued by other persons.  |
| <i>Real Estate</i>  | The Fund may not purchase or sell real estate, mortgages on real estate or commodities, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including REITs, and securities secured by real estate or interests therein and the Fund may hold and sell real estate or mortgages on real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such securities. | The Fund may not purchase or sell real estate, mortgages on real estate or commodities, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including REITs, and securities secured by real estate or interests therein and the Fund may hold and sell real estate or mortgages on real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such securities. |
| <i>Derivatives</i>  | The Fund may not purchase or sell commodities or commodity futures contracts, except that the Fund may invest in financial futures contracts, options thereon and such similar instruments.  | The Fund may not purchase or sell commodities or commodity futures contracts, except that the Fund may invest in financial futures contracts, options thereon and such similar instruments.  |
| <i>Lending</i>  | The Fund may not make loans to other persons except through the lending of securities held by it (but not to exceed a value of 1/3 of total assets), through repurchase agreements, and by the purchase of debt securities.  | The Fund may not make loans to other persons except through the lending of securities held by it (but not to exceed a value of 1/3 of total assets), through repurchase agreements, and by the purchase of debt securities.  |
| <b>Non-Fundamental Investment Restrictions</b><br><i>Preferred Securities</i> | The Fund may not purchase preferred securities and other fixed income securities rated below investment grade and unrated securities of comparable quality, if as a result more than 25% of the Fund's managed assets would then be invested in such securities.   | The Fund may not purchase preferred securities and other fixed income securities rated below investment grade and unrated securities of comparable quality, if as a result more than 25% of the Fund's managed assets would then be invested in such securities.   |

|  | <b>RTU</b>   | <b>UTF</b>   |
|--|--|--|
| <i>Investment Companies</i>  | The Fund may not acquire or retain securities of any investment company, except that the Fund may (a) acquire securities of investment companies up to the limits permitted by Section 12(d)(1) of the 1940 Act, or any exemption granted under the 1940 Act and (b) acquire securities of any investment company as part of a merger, consolidation or similar transaction. | The Fund may not acquire or retain securities of any investment company, except that the Fund may (a) acquire securities of investment companies up to the limits permitted by Section 12(d)(1) of the 1940 Act, or any exemption granted under the 1940 Act and (b) acquire securities of any investment company as part of a merger, consolidation or similar transaction. |
| <i>Oil, Gas or Other Mineral Exploration or Development Programs</i> | The Fund may not invest in oil, gas or other mineral exploration programs, development programs or leases, except that the Fund may purchase securities of companies engaging in whole or in part in such activities.  | The Fund may not invest in oil, gas or other mineral exploration programs, development programs or leases, except that the Fund may purchase securities of companies engaging in whole or in part in such activities.  |
| <i>Pledging Assets</i>   | The Fund may not pledge, mortgage or hypothecate its assets except in connection with permitted borrowings.  | The Fund may not pledge, mortgage or hypothecate its assets except in connection with permitted borrowings.  |

\* May not be changed without the approval of the holders of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund.

**S&P AND MOODY S RATINGS**

Description of certain ratings assigned by Standard & Poor's Ratings Services and Moody's Investors Service, Inc.:

**S&P****Long-term****AAA**

An obligation rated AAA has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

**AA**

An obligation rated AA differs from the highest rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

**A**

An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

**BBB**

An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**BB, B, CCC, CC, and C**

Obligations rated BB, B, CCC, CC, and C are regarded as having significant speculative characteristics. BB indicates the least degree of speculation and C the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**BB**

An obligation rated BB is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

**B**

An obligation rated B is more vulnerable to nonpayment than obligations rated BB, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

**CCC**

An obligation rated CCC is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

**CC**

An obligation rated CC is currently highly vulnerable to nonpayment.

**C**

A subordinated debt or preferred stock obligation rated C is currently highly vulnerable to nonpayment. The C rating may be used to cover a situation where a bankruptcy petition has been filed or similar action taken, but payments on this obligation are being continued. A C also will be assigned to a preferred stock issue in arrears on dividends or sinking fund payments, but that is currently paying.

**D**

An obligation rated D is in payment default. The D rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

**r**

The symbol r is attached to the ratings of instruments with significant noncredit risks. It highlights risks to principal or volatility of expected returns which are not addressed in the credit rating. Examples include: obligations linked or indexed to equities, currencies, or commodities; obligations exposed to severe prepayment risk such as interest-only or principal-only mortgage securities; and obligations with unusually risky interest terms, such as inverse floaters.

**N.R.**

The designation N.R. indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular obligation as a matter of policy.

Note: The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign designation to show relative standing within the major rating categories.

Short-term

**SP-1**

Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus sign (+) designation.

**SP-2**

Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

**SP-3**

Speculative capacity to pay principal and interest.

Commercial paper

**A-1**

This designation indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus sign (+) designation.

**A-2**

Capacity for timely payment on issues with this designation is satisfactory. However, the relative degree of safety is not as high as for issues designated A-1.

**A-3**

Issues carrying this designation have an adequate capacity for timely payment. They are, however, more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

**B**

Issues rated B are regarded as having only speculative capacity for timely payment.

**C**

This rating is assigned to short-term debt obligations with a doubtful capacity for payment.

**D**

Debt rated D is payment default. The D rating category is used when interest payments or principal payments are not made on the due date, even if the applicable grace period has not expired, unless S&P believes such payments will be made during such grace period.

Moody's

Long-term

**Aaa**

Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as gilt edged. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

**Aa**

Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.

**A**

Bonds rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

**Baa**

Bonds rated Baa are considered as medium-grade obligations (*i.e.*, they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

**Ba**

Bonds rated Ba are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

**B**

Bonds rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

**Caa**

Bonds rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

**Ca**

Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

**C**

Bonds rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Note: Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Prime rating system (short-term)

Issuers rated **Prime-1** (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics:

Leading market positions in well-established industries.

High rates of return on funds employed.

Conservative capitalization structure with moderate reliance on debt and ample asset protection.

Broad margins in earnings coverage of fixed financial charges and high internal cash generation.

Well-established access to a range of financial markets and assured sources of alternate liquidity.



Issuers rated **Prime-2** (or supporting institutions) have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Issuers rated **Prime-3** (or supporting institutions) have an acceptable ability for repayment of senior short-term obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and may require relatively high financial leverage. Adequate alternate liquidity is maintained.

Issuers rated **Not Prime** do not fall within any of the Prime rating categories.

#### MIG/VMIG U.S. short-term

Municipal debt issuance ratings are designated as Moody's Investment Grade (MIG) and are divided into three levels MIG 1 through MIG 3.

The short-term rating assigned to the demand feature of variable rate demand obligations (VRDOs) is designated as VMIG. When either the long- or short-term aspect of a VRDO is not rated, that piece is designated NR, *e.g.*, Aaa/NR or NR/VMIG 1.

#### **MIG 1/VMIG1**

This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

#### **MIG 2/VMIG 2**

This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

#### **MIG 3/VMIG 3**

This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

#### **SG**

This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

**COHEN & STEERS INFRASTRUCTURE FUND, INC.**

**COHEN & STEERS REIT AND UTILITY INCOME FUND, INC.**

**STATEMENT OF ADDITIONAL INFORMATION**

**January 6, 2010**

This Statement of Additional Information, which is not a prospectus, supplements and should be read in conjunction with the Proxy Statement dated January 6, 2010, relating specifically to the proposed merger of Cohen & Steers Infrastructure REIT and Utility Income Fund, Inc. ( RTU ) with and into Cohen & Steers Infrastructure Fund, Inc. ( UTF and, together with RTU, the Funds and each a Fund ), in accordance with the Maryland General Corporation Law (the Merger ). To obtain a copy of the Proxy Statement, please write to the Funds at 280 Park Avenue, New York, New York 10017 or call 800-330-7348. The Merger is to occur pursuant to an Agreement and Plan of Merger. Unless otherwise indicated, capitalized terms used herein and not otherwise defined have the same meanings as are given to them in the Proxy Statement.

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**GENERAL INFORMATION**

A Reconvened Special Meeting of Stockholders of UTF to consider the Merger will be held on February 26, 2010, at the offices of Cohen & Steers, 280 Park Avenue, New York, New York 10017 at 10:00 a.m., Eastern time. For further information about the Merger, see the Proxy Statement.

**FINANCIAL STATEMENTS**

The Statement of Additional Information related to the Proxy Statement dated January 6, 2010, and consists of this cover page, the accompanying pro forma financial statements and the following documents, each of which was filed electronically with the SEC and is incorporated by reference herein:

**The financial statements of each Fund as included in the Funds Annual Reports filed for the last-completed fiscal year for each Fund for which audited financial statements are available:**

1. Cohen & Steers REIT and Utility Income Fund, Inc., Annual Report to Stockholders for the Fiscal Year Ended December 31, 2008, filed on March 6, 2009 (accession no. 0001104659-09-014897).
2. Cohen & Steers Infrastructure Fund, Inc., Annual Report to Stockholders for the Fiscal Year Ended December 31, 2008, filed on March 6, 2009 (accession no. 0001104659-09-014901).

**The financial statements for each Fund as included in the Funds Semi-Annual Reports filed for the six-month fiscal period ended June 30, 2009:**

1. Cohen & Steers REIT and Utility Fund, Inc., Semi-Annual Report to Stockholders for the Fiscal Period Ended June 30, 2009, filed on August 28, 2009 (accession no. 0001104659-09-052247).
2. Cohen & Steers Infrastructure Fund, Inc., Semi-Annual Report to Stockholders for the Fiscal Period Ended June 30, 2009, filed on August 28, 2009 (accession no. 0001104659-09-052252).

**PRO FORMA FINANCIAL STATEMENTS**

The following presents the pro forma financial statements for the combination of Cohen & Steers REIT & Utility Income Fund, Inc. ( RTU or the Acquired Fund ) and Cohen & Steers Select Utility Fund, Inc. ( UTF or the Acquiring Fund ). The statements are presented as of June 30, 2009,

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the most recent fiscal period for which financial information is currently available.

The unaudited Pro Forma Combined Schedule of Investments and Pro Forma Combined Statements of Assets and Liabilities reflect the financial position as if the transactions occurred on June 30, 2009. The Pro Forma Combined Statement of Operations reflects the operations for the 12 months ended June 30, 2009 as if the Merger (the Merger ) of RTU into UTF had taken place on July 1, 2008. The pro forma statements give effect to the proposed exchange of shares of RTU s common stock for shares of common stock of UTF, with UTF being the surviving entity. The proposed transaction will be accounted for as tax-free reorganization in accordance with accounting principles generally accepted in the United States. The historical cost basis of the investments is carried over to the surviving entity.

It is currently anticipated that if UTF s stockholders approve the Merger the Investment Manager would begin selling RTU s real estate investments prior to the Closing Date. As a result, if UTF s stockholders approve the Merger, RTU may not be in compliance with its policy to invest at least 25% of its managed assets in real estate companies during the period between the date the Merger is approved and the Closing Date.

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited)

|  |        | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|--|--------|---|---|--|--------------|--------------|---|
| COMMON STOCK                                 | 121.7% |   |   |  |              |              |   |
| ENERGY OIL & GAS STORAGE &<br>TRANSPORTATION | 10.2%  |   |   |  |              |              |   |
| DCP Midstream Partners LP                    | a      | 46,738                                  | 65,733                                  | 112,471  | \$ 1,011,877 | \$ 1,423,119 | \$ 2,434,996                                |
| Enbridge Energy Partners LP                  | a      | 75,981                                  | 56,337                                  | 132,318  | 2,931,347    | 2,173,482    | 5,104,829                                   |
| Energy Transfer Equity LP                    | a      | 32,000                                  | 95,000                                  | 127,000  | 811,840      | 2,410,150    | 3,221,990                                   |
| Energy Transfer Partners LP                  | a      | 64,610                                  | 150,667                                 | 215,277  | 2,616,059    | 6,100,507    | 8,716,566                                   |
| Enterprise GP Holdings LP                    | a      | 30,000                                  | 87,000                                  | 117,000  | 753,900      | 2,186,310    | 2,940,210                                   |
| Enterprise Products Partners LP              | a      | 204,200                                 | 291,500                                 | 495,700  | 5,092,748    | 7,270,010    | 12,362,758                                  |
| Kinder Morgan Energy Partners LP             | a      | 86,192                                  | 224,400                                 | 310,592  | 4,406,135    | 11,471,328   | 15,877,463                                  |
| Magellan Midstream Partners LP               | a      | 106,900                                 | 110,000                                 | 216,900  | 3,715,844    | 3,823,600    | 7,539,444                                   |
| MarkWest Energy Partners LP                  | a      | 101,400                                 | 135,600                                 | 237,000  | 1,845,480    | 2,467,920    | 4,313,400                                   |
| Spectra Energy Corp.                         |        | 471,326                                 | 841,808                                 | 1,313,134  | 7,974,836    | 14,243,391   | 22,218,227                                  |
| TransCanada Corp. (Canada)                   |        | 91,000                                  | 206,000                                 | 297,000  | 2,450,346    | 5,546,937    | 7,997,283                                   |
| Williams Cos. (The)                          |        | 195,000                                 | 460,000                                 | 655,000  | 3,043,950    | 7,180,600    | 10,224,550                                  |
| Williams Partners LP                         | a      | 196,600                                 | 319,700                                 | 516,300  | 3,550,596    | 5,773,782    | 9,324,378                                   |
|  |        |   |   |  | 40,204,958   | 72,071,136   | 112,276,094                                 |
| INDUSTRIALS HIGHWAYS & RAILTRACKS            | 1.4%   |   |   |  |              |              |   |
| Anhui Expressway Co (Hong Kong)              | b      | 2,050,000                               | 4,681,000                               | 6,731,000  | 1,159,170    | 2,646,866    | 3,806,036                                   |
| Cia de Concessoes Rodoviaras (Brazil)        |        | 129,016                                 | 307,527                                 | 436,543  | 2,069,392    | 4,932,673    | 7,002,065                                   |
| Shenzhen Expressway Co. (Hong Kong)          | b      | 2,232,000                               | 6,732,000                               | 8,964,000  | 1,070,735    | 3,229,476    | 4,300,211                                   |
|  |        |   |   |  | 4,299,297    | 10,809,015   | 15,108,312                                  |
| INTEGRATED TELECOMMUNICATIONS<br>SERVICES    | 0.8%   |   |   |  |              |              |   |
| AT&T   | a      |   | 330,000                                 | 330,000  |              | 8,197,200    | 8,197,200                                   |
| REAL ESTATE                                  | 29.0%  |   |   |  |              |              |   |
| DIVERSIFIED                                  | 2.3%   |   |   |  |              |              |   |
| Brookfield Properties Corp.                  |        | 285,100                                 |   | 285,100  | 2,272,247    |              | 2,272,247                                   |
| Lexington Realty Trust                       |        | 532,600                                 |   | 532,600  | 1,810,840    |              | 1,810,840                                   |
| Vornado Realty Trust                         | c      | 471,008                                 |   | 471,008  | 21,209,490   |              | 21,209,490                                  |
|  |        |   |   |  | 25,292,577   |              | 25,292,577                                  |
| HEALTH CARE                                  | 4.1%   |   |   |  |              |              |   |
| Brookdale Senior Living                      |        | 256,400                                 |   | 256,400  | 2,497,336    |              | 2,497,336                                   |
| Cogdell Spencer                              | a      | 612,800                                 |   | 612,800  | 2,628,912    |              | 2,628,912                                   |
| HCP  |        | 743,685                                 |   | 743,685  | 15,758,685   |              | 15,758,685                                  |

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|                              |   |         |         |            |            |
|------------------------------|---|---------|---------|------------|------------|
| Health Care REIT             | a | 139,318 | 139,318 | 4,750,744  | 4,750,744  |
| LTC Properties               | a | 95,687  | 95,687  | 1,956,799  | 1,956,799  |
| Nationwide Health Properties | a | 153,806 | 153,806 | 3,958,966  | 3,958,966  |
| Omega Healthcare Investors   | a | 363,759 | 363,759 | 5,645,540  | 5,645,540  |
| Ventas                       |   | 272,587 | 272,587 | 8,139,448  | 8,139,448  |
|                              |   |         |         | 45,336,430 | 45,336,430 |

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|                                       |      | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value  | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|---------------------------------------|------|---|---|--|---------------|--------------|---|
| <b>HOTEL</b>                          | 1.3% |   |   |  |               |              |   |
| Host Hotels & Resorts                 |      | 1,691,759                               |   | 1,691,759  | \$ 14,193,858 | \$           | \$ 14,193,858                               |
| <b>INDUSTRIAL</b>                     | 1.8% |   |   |  |               |              |   |
| AMB Property Corp.                    |      | 362,610                                 |   | 362,610  | 6,820,694     |              | 6,820,694                                   |
| EastGroup Properties                  | a    | 49,717                                  |   | 49,717   | 1,641,655     |              | 1,641,655                                   |
| ProLogis                              |      | 1,416,793                               |   | 1,416,793  | 11,419,352    |              | 11,419,352                                  |
|                                       |      |   |   |  | 19,881,701    |              | 19,881,701                                  |
| <b>MORTGAGE</b>                       | 0.4% |   |   |  |               |              |   |
| Chimera Investment Corp.              | a    | 576,700                                 |   | 576,700  | 2,012,683     |              | 2,012,683                                   |
| MFA Financial                         | a    | 334,000                                 |   | 334,000  | 2,311,280     |              | 2,311,280                                   |
|                                       |      |   |   |  | 4,323,963     |              | 4,323,963                                   |
| <b>OFFICE</b>                         | 6.2% |   |   |  |               |              |   |
| BioMed Realty Trust                   |      | 450,860                                 |   | 450,860  | 4,612,298     |              | 4,612,298                                   |
| Boston Properties                     | c    | 488,349                                 |   | 488,349  | 23,294,247    |              | 23,294,247                                  |
| Brandywine Realty Trust               |      | 440,965                                 |   | 440,965  | 3,285,189     |              | 3,285,189                                   |
| Highwoods Properties                  |      | 199,410                                 |   | 199,410  | 4,460,802     |              | 4,460,802                                   |
| Kilroy Realty Corp.                   |      | 269,216                                 |   | 269,216  | 5,529,697     |              | 5,529,697                                   |
| Liberty Property Trust                |      | 405,889                                 |   | 405,889  | 9,351,682     |              | 9,351,682                                   |
| Mack-Cali Realty Corp.                |      | 610,564                                 |   | 610,564  | 13,920,859    |              | 13,920,859                                  |
| SL Green Realty Corp.                 |      | 140,156                                 |   | 140,156  | 3,215,179     |              | 3,215,179                                   |
|                                       |      |   |   |  | 67,669,953    |              | 67,669,953                                  |
| <b>RESIDENTIAL</b>                    | 4.0% |   |   |  |               |              |   |
| <b>APARTMENT</b>                      | 3.7% |   |   |  |               |              |   |
| American Campus Communities           | a    | 198,181                                 |   | 198,181  | 4,395,655     |              | 4,395,655                                   |
| Apartment Investment & Management Co. |      | 679,719                                 |   | 679,719  | 6,015,513     |              | 6,015,513                                   |
| AvalonBay Communities                 | a    | 106,074                                 |   | 106,074  | 5,933,780     |              | 5,933,780                                   |
| Camden Property Trust                 |      | 110,000                                 |   | 110,000  | 3,036,000     |              | 3,036,000                                   |
| Education Realty Trust                |      | 451,150                                 |   | 451,150  | 1,935,433     |              | 1,935,433                                   |
| Equity Residential                    |      | 445,700                                 |   | 445,700  | 9,907,911     |              | 9,907,911                                   |
| Home Properties                       | a    | 132,270                                 |   | 132,270  | 4,510,407     |              | 4,510,407                                   |
| UDR                                   |      | 509,690                                 |   | 509,690  | 5,265,098     |              | 5,265,098                                   |
|                                       |      |   |   |  | 40,999,797    |              | 40,999,797                                  |
| <b>MANUFACTURED HOME</b>              | 0.3% |   |   |  |               |              |   |

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|                             |      |         |         |                   |                   |
|-----------------------------|------|---------|---------|-------------------|-------------------|
| Equity Lifestyle Properties |      | 88,600  | 88,600  | 3,294,148         | 3,294,148         |
| <b>TOTAL RESIDENTIAL</b>    |      |         |         | <b>44,293,945</b> | <b>44,293,945</b> |
| <b>SELF STORAGE</b>         | 2.1% |         |         |                   |                   |
| Extra Space Storage         | a    | 276,000 | 276,000 | 2,304,600         | 2,304,600         |
| Public Storage              | a    | 224,289 | 224,289 | 14,686,444        | 14,686,444        |
| Sovran Self Storage         |      | 148,457 | 148,457 | 3,652,042         | 3,652,042         |
| U-Store-It Trust            |      | 477,100 | 477,100 | 2,337,790         | 2,337,790         |
|                             |      |         |         | <b>22,980,876</b> | <b>22,980,876</b> |

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|   |       | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|---|-------|---|---|--|--------------|--------------|---|
| SHOPPING CENTER   | 6.8%  |   |   |  |              |              |   |
| COMMUNITY CENTER  | 2.9%  |   |   |  |              |              |   |
| Federal Realty Investment Trust                             |       | a 103,980                               |   | 103,980  | \$ 5,357,050 | \$           | \$ 5,357,050                                |
| Inland Real Estate Corp.                                    |       | a 312,792                               |   | 312,792  | 2,189,544    |              | 2,189,544                                   |
| Kimco Realty Corp.  |       | 646,782                                 |   | 646,782  | 6,500,159    |              | 6,500,159                                   |
| Regency Centers Corp.                                       |       | 192,373                                 |   | 192,373  | 6,715,741    |              | 6,715,741                                   |
| Urstadt Biddle Properties Class A                           |       | 297,586                                 |   | 297,586  | 4,190,011    |              | 4,190,011                                   |
| Weingarten Realty Investors                                 |       | 492,469                                 |   | 492,469  | 7,145,725    |              | 7,145,725                                   |
|   |       |   |   |  | 32,098,230   |              | 32,098,230                                  |
| FREE STANDING   | 0.4%  |   |   |  |              |              |   |
| National Retail Properties                                  |       | a 259,000                               |   | 259,000  | 4,493,650    |              | 4,493,650                                   |
| REGIONAL MALL   | 3.5%  |   |   |  |              |              |   |
| CBL & Associates Properties                                 |       | 254,600                                 |   | 254,600  | 1,372,294    |              | 1,372,294                                   |
| Macerich Co.  |       | c 256,981                               |   | 256,981  | 4,525,436    |              | 4,525,436                                   |
| Simon Property Group  |       | 634,868                                 |   | 634,868  | 32,651,261   |              | 32,651,261                                  |
|   |       |   |   |  | 38,548,991   |              | 38,548,991                                  |
| TOTAL SHOPPING CENTER                                       |       |   |   |  | 75,140,871   |              | 75,140,871                                  |
| TOTAL REAL ESTATE   |       |   |   |  | 319,114,174  |              | 319,114,174                                 |
| TELECOMMUNICATION<br>SERVICES INTEGRATED                    | 0.3%  |   |   |  |              |              |   |
| TELECOMMUNICATIONS SERVICES                                 |       |   |   |  |              |              |   |
| AT&T  |       | a 146,000                               |   | 146,000  | 3,626,640    |              | 3,626,640                                   |
| UTILITIES   | 80.0% |   |   |  |              |              |   |
| ELECTRIC UTILITIES  | 54.0% |   |   |  |              |              |   |
| American Electric Power Co.                                 |       | a 421,963                               | 999,316                                 | 1,421,279  | 12,190,511   | 28,870,239   | 41,060,750                                  |
| Cia de Transmissao de Energia Eletrica Paulista<br>(Brazil) |       | 30,000                                  | 83,700                                  | 113,700  | 736,259      | 2,054,163    | 2,790,422                                   |
| DPL   |       | a 206,739                               | 430,082                                 | 636,821  | 4,790,143    | 9,965,000    | 14,755,143                                  |
| Duke Energy Corp.   |       | a,c 1,364,984                           | 3,578,784                               | 4,943,768  | 19,915,117   | 52,214,459   | 72,129,576                                  |
| E.ON AG (Germany)   |       | b 57,000                                | 128,000                                 | 185,000  | 2,023,369    | 4,543,706    | 6,567,075                                   |
| E.ON AG (ADR) (Germany)                                     |       | a 85,696                                | 185,116                                 | 270,812  | 3,035,430    | 6,556,975    | 9,592,405                                   |
| Electricite de France (France)                              |       | b 137,600                               | 294,700                                 | 432,300  | 6,718,714    | 14,389,571   | 21,108,285                                  |
| Enel S.p.A. (Italy)   |       | b 571,520                               | 1,287,440                               | 1,858,960  | 2,790,104    | 6,285,155    | 9,075,259                                   |
| Entergy Corp.   |       | a 231,420                               | 600,830                                 | 832,250  | 17,939,678   | 46,576,342   | 64,516,020                                  |



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|                      |       |         |           |           |            |            |            |
|----------------------|-------|---------|-----------|-----------|------------|------------|------------|
| Exelon Corp.         | a,c,d | 350,578 | 888,972   | 1,239,550 | 17,953,099 | 45,524,256 | 63,477,355 |
| FirstEnergy Corp.    | a     | 176,182 | 518,718   | 694,900   | 6,827,053  | 20,100,323 | 26,927,376 |
| Fortum Oyj (Finland) | b     | 39,000  | 98,000    | 137,000   | 888,932    | 2,233,726  | 3,122,658  |
| FPL Group            | a     | 322,158 | 808,542   | 1,130,700 | 18,317,904 | 45,973,698 | 64,291,602 |
| Great Plains Energy  | a     |         | 129,697   | 129,697   |            | 2,016,788  | 2,016,788  |
| ITC Holdings Corp.   | a     | 78,064  | 179,826   | 257,890   | 3,540,983  | 8,156,907  | 11,697,890 |
| Northeast Utilities  | a     | 260,871 | 610,966   | 871,837   | 5,820,032  | 13,630,652 | 19,450,684 |
| NV Energy            | a     | 596,633 | 1,351,375 | 1,948,008 | 6,437,670  | 14,581,336 | 21,019,006 |

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|   |   | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|---|---|---|---|--|--------------|--------------|---|
| Pepco Holdings                                    | a | 206,464                                 | 502,652                                 | 709,116  | \$ 2,774,876 | \$ 6,755,643 | \$ 9,530,519                                |
| Pinnacle West Capital Corp.                       | a | 30,762                                  | 89,238                                  | 120,000  | 927,474      | 2,690,526    | 3,618,000                                   |
| PPL Corp.   | a | 233,000                                 | 630,300                                 | 863,300  | 7,679,680    | 20,774,688   | 28,454,368                                  |
| Progress Energy                                   | a | 220,929                                 | 510,121                                 | 731,050  | 8,357,744    | 19,297,878   | 27,655,622                                  |
| Scottish and Southern Energy PLC (United Kingdom) | b | 126,328                                 | 232,930                                 | 359,258  | 2,376,766    | 4,382,402    | 6,759,168                                   |
| Southern Co.                                      | a | 587,396                                 | 1,489,666                               | 2,077,062  | 18,303,259   | 46,417,993   | 64,721,252                                  |
|   |   |   |   |  | 170,344,797  | 423,992,426  | 594,337,223                                 |
| <b>GAS UTILITIES</b>                              |   |   |   |  |              |              |   |
|   |   |   |   |  |              | 2.9%         |   |
| EQT Corp.   | a | 148,000                                 | 350,083                                 | 498,083  | 5,166,680    | 12,221,397   | 17,388,077                                  |
| Northwest Natural Gas Co.                         |   | 7,895                                   | 17,105                                  | 25,000   | 349,907      | 758,094      | 1,108,001                                   |
| Questar Corp.                                     |   | 129,000                                 | 288,000                                 | 417,000  | 4,006,740    | 8,945,280    | 12,952,020                                  |
|   |   |   |   |  | 9,523,327    | 21,924,771   | 31,448,098                                  |
| <b>MULTI UTILITIES</b>                            |   |   |   |  |              |              |   |
|   |   |   |   |  |              | 22.3%        |   |
| CenterPoint Energy                                | a | 421,944                                 | 945,402                                 | 1,367,346  | 4,675,140    | 10,475,054   | 15,150,194                                  |
| CMS Energy Corp.                                  | a | 402,494                                 | 1,033,506                               | 1,436,000  | 4,862,127    | 12,484,753   | 17,346,880                                  |
| Consolidated Edison                               | a | 57,302                                  | 160,198                                 | 217,500  | 2,144,241    | 5,994,609    | 8,138,850                                   |
| Dominion Resources                                | a | 126,400                                 | 450,200                                 | 576,600  | 4,224,288    | 15,045,684   | 19,269,972                                  |
| GDF Suez (France)                                 | b | 94,458                                  | 204,486                                 | 298,944  | 3,535,759    | 7,654,335    | 11,190,094                                  |
| NSTAR   |   | 74                                      | 39                                      | 113  | 2,376        | 1,252        | 3,628                                       |
| PG&E Corp.  | a | 412,555                                 | 1,060,852                               | 1,473,407  | 15,858,614   | 40,779,151   | 56,637,765                                  |
| Public Service Enterprise Group                   | a | 532,400                                 | 1,170,800                               | 1,703,200  | 17,372,212   | 38,203,204   | 55,575,416                                  |
| RWE AG (Germany)                                  | b | 10,000                                  | 28,000                                  | 38,000   | 788,591      | 2,208,054    | 2,996,645                                   |
| Sempra Energy                                     |   | 184,500                                 | 413,000                                 | 597,500  | 9,156,735    | 20,497,190   | 29,653,925                                  |
| United Utilities Group PLC (United Kingdom)       | b | 71,323                                  | 649,593                                 | 720,916  | 584,854      | 5,326,716    | 5,911,570                                   |
| Wisconsin Energy Corp.                            | a | 146,469                                 | 436,931                                 | 583,400  | 5,962,753    | 17,787,461   | 23,750,214                                  |
|   |   |   |   |  | 69,167,690   | 176,457,463  | 245,625,153                                 |
| <b>WATER UTILITIES</b>                            |   |   |   |  |              |              |   |
|   |   |   |   |  |              | 0.8%         |   |
| American States Water Co.                         | a | 32,045                                  | 80,225                                  | 112,270  | 1,110,039    | 2,778,994    | 3,889,033                                   |
| American Water Works Co.                          | a | 74,000                                  | 159,000                                 | 233,000  | 1,414,140    | 3,038,490    | 4,452,630                                   |
|   |   |   |   |  | 2,524,179    | 5,817,484    | 8,341,663                                   |
| <b>TOTAL UTILITIES</b>                            |   |   |   |  | 251,559,993  | 628,192,144  | 879,752,137                                 |
|   |   |   |   |  | 618,805,062  | 719,269,495  | 1,338,074,557                               |

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TOTAL COMMON STOCK

(Identified Cost \$678,464,790, \$669,868,926 and \$1,348,333,716 respectively)

| PREFERRED SECURITIES                      | \$25 PAR VALUE | 23.8%   |         |         |           |           |           |  |
|---|----------------|---------|---------|---------|-----------|-----------|-----------|--|
| BANK                                      |                | 0.5%    |         |         |           |           |           |  |
| Bank of America Corp., 8.625%, Series MER | a              | 100,000 | 110,000 | 210,000 | 2,028,000 | 2,230,800 | 4,258,800 |  |
| BB&T Capital Trust V, 8.95%, due 9/15/63  | a              | 24,121  | 18,741  | 42,862  | 613,880   | 476,958   | 1,090,838 |  |
|   |                |         |         |         | 2,641,880 | 2,707,758 | 5,349,638 |  |

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|  |      | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|--|------|---|---|--|--------------|--------------|---|
| <b>BANK FOREIGN</b>                                | 3.2% |   |   |  |              |              |   |
| Barclays Bank PLC, 8.125%                          |      | a 207,000                               | 249,800                                 | 456,800  | \$ 4,274,550 | \$ 5,158,370 | \$ 9,432,920                                |
| Deutsche Bank Contingent Capital Trust II, 6.55%   |      |   | 82,488                                  | 82,488   |              | 1,483,134    | 1,483,134                                   |
| Deutsche Bank Contingent Capital Trust III, 7.60%  |      | a 172,000                               | 182,500                                 | 354,500  | 3,395,280    | 3,602,550    | 6,997,830                                   |
| Deutsche Bank Contingent Capital Trust V, 8.05%    |      | a 114,525                               |   | 114,525  | 2,369,522    |              | 2,369,522                                   |
| HSBC Holdings PLC, 8.125%                          |      | a                                       | 60,000                                  | 60,000   |              | 1,427,400    | 1,427,400                                   |
| Santander Finance Preferred, 6.50%                 |      | a 95,700                                | 80,000                                  | 175,700  | 1,722,600    | 1,440,000    | 3,162,600                                   |
| Santander Finance Preferred, 6.80%                 |      |   | 253,485                                 | 253,485  | 4,904,935    |              | 4,904,935                                   |
| Santander Finance Preferred, 4.00%, Series 6 (FRN) |      | a 309,700                               | 200,000                                 | 509,700  | 3,484,125    | 2,250,000    | 5,734,125                                   |
|  |      |   |   |  | 20,151,012   | 15,361,454   | 35,512,466                                  |
| <b>ELECTRIC INTEGRATED</b>                         | 2.0% |   |   |  |              |              |   |
| Dominion Resources, 8.375%, Series A               |      | 235,000                                 | 441,400                                 | 676,400  | 5,964,300    | 11,202,732   | 17,167,032                                  |
| Entergy Texas, 7.875%                              |      | a 60,000                                | 116,000                                 | 176,000  | 1,511,400    | 2,922,040    | 4,433,440                                   |
|  |      |   |   |  | 7,475,700    | 14,124,772   | 21,600,472                                  |
| <b>ENERGY-INTEGRATED OIL &amp; GAS</b>             | 0.0% |   |   |  |              |              |   |
| Nexen, 7.35%, due 11/1/43, Series B                |      | 2,413                                   |   | 2,413  | 49,491       |              | 49,491                                      |
| <b>FINANCE</b>                                     | 0.5% |   |   |  |              |              |   |
| <b>INVESTMENT ADVISORY SERVICES</b>                | 0.1% |   |   |  |              |              |   |
| Ameriprise Financial, 7.75%, due 6/15/39           |      | 50,000                                  |   | 50,000   | 1,080,625    |              | 1,080,625                                   |
| <b>INVESTMENT BANKER/BROKER</b>                    | 0.2% |   |   |  |              |              |   |
| Bear Stearns Capital Trust III, 7.80%, 5/15/31     |      | a 90,000                                |   | 90,000   | 2,128,500    |              | 2,128,500                                   |
| <b>INVESTMENT BANKER/BROKER FOREIGN</b>            | 0.2% |   |   |  |              |              |   |
| Credit Suisse Guernsey, 7.90%                      |      | a                                       | 70,000                                  | 70,000   |              | 1,570,800    | 1,570,800                                   |
| <b>TOTAL FINANCE</b>                               |      |   |   |  | 3,209,125    | 1,570,800    | 4,779,925                                   |
| <b>INSURANCE</b>                                   | 3.0% |   |   |  |              |              |   |
| <b>MULTI-LINE</b>                                  | 0.2% |   |   |  |              |              |   |
| MetLife, 6.50%, Series B                           |      | a 100,000                               |   | 100,000  | 2,055,000    |              | 2,055,000                                   |
| <b>MULTI-LINE FOREIGN</b>                          | 1.5% |   |   |  |              |              |   |
| Allianz SE, 8.375%                                 |      | a 220,000                               | 164,500                                 | 384,500  | 4,939,000    | 3,693,025    | 8,632,025                                   |
| ING Groep N.V., 7.375%                             |      | a 142,000                               | 325,000                                 | 467,000  | 2,513,400    | 5,752,500    | 8,265,900                                   |

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|  |      |         |        |           |           |            |
|--|------|---------|--------|-----------|-----------|------------|
|  |      |         |        | 7,452,400 | 9,445,525 | 16,897,925 |
| PROPERTY CASUALTY                                | 0.1% |         |        |           |           |            |
| Berkley W R Capital Trust II, 6.75%, due 7/26/45 | a    | 27,406  |        | 27,406    | 613,894   | 613,894    |
| PROPERTY CASUALTY FOREIGN                        | 0.4% |         |        |           |           |            |
| Arch Capital Group Ltd., 8.00% <sup>a</sup>      | a    | 129,000 | 64,000 | 193,000   | 2,832,840 | 1,405,440  |
|  |      |         |        |           |           | 4,238,280  |

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|   |              | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|---|--------------|---|---|--|--------------|--------------|---|
| <b>REINSURANCE FOREIGN</b>                                    | <b>0.8%</b>  |   |   |  |              |              |   |
| Aspen Insurance Holdings Ltd., 7.401%, Series A               |              | a 150,000                               | 100,000                                 | 250,000  | \$ 2,401,500 | \$ 1,601,000 | \$ 4,002,500                                |
| Axis Capital Holdings Ltd., 7.25%, Series A                   |              |   | 97,785                                  | 97,785   |              | 1,960,589    | 1,960,589                                   |
| Axis Capital Holdings Ltd., 7.50%, Series B (\$100 par value) |              |   | 40,000                                  | 40,000   |              | 3,035,000    | 3,035,000                                   |
|   |              |   |   |  | 2,401,500    | 6,596,589    | 8,998,089                                   |
| <b>TOTAL INSURANCE</b>  |              |   |   |  | 15,355,634   | 17,447,554   | 32,803,188                                  |
| <b>INTEGRATED TELECOMMUNICATIONS SERVICES</b>                 | <b>0.9%</b>  |   |   |  |              |              |   |
| Telephone & Data Systems, 7.60%, due 12/1/41, Series A        |              | a 263,375                               | 143,850                                 | 407,225  | 5,412,356    | 2,956,118    | 8,368,474                                   |
| United States Cellular Corp., 7.50%, due 6/15/34              |              | a                                       | 91,177                                  | 91,177   |              | 1,858,187    | 1,858,187                                   |
|   |              |   |   |  | 5,412,356    | 4,814,305    | 10,226,661                                  |
| <b>MEDIA DIVERSIFIED SERVICES</b>                             | <b>1.3%</b>  |   |   |  |              |              |   |
| Comcast Corp., 7.00%, due 9/15/55, Series B                   |              | a 300,000                               | 325,856                                 | 625,856  | 6,855,000    | 7,445,810    | 14,300,810                                  |
| <b>REAL ESTATE DIVERSIFIED</b>                                | <b>10.9%</b> |   |   |  |              |              |   |
| <b>DIVERSIFIED</b>  | <b>0.8%</b>  |   |   |  |              |              |   |
| Duke Realty Corp., 8.375%, Series O                           |              | a 77,300                                | 43,138                                  | 120,438  | 1,357,388    | 757,503      | 2,114,891                                   |
| Forest City Enterprises, 7.375%, Class A                      |              | a 299,875                               | 52,700                                  | 352,575  | 4,342,190    | 763,096      | 5,105,286                                   |
| Lexington Corporate Properties Trust, 8.05%, Series B         |              |   | 69,100                                  | 69,100   |              | 870,660      | 870,660                                     |
|   |              |   |   |  | 5,699,578    | 2,391,259    | 8,090,837                                   |
| <b>HEALTH CARE</b>  | <b>4.0%</b>  |   |   |  |              |              |   |
| Health Care REIT, 7.875%, Series D                            |              | a 150,336                               |   | 150,336  | 3,385,567    |              | 3,385,567                                   |
| Health Care REIT, 7.625%, Series F                            |              | a 305,600                               | 218,800                                 | 524,400  | 6,585,680    | 4,715,140    | 11,300,820                                  |
| LTC Properties, 8.00%, Series F                               |              | a 438,000                               | 393,499                                 | 831,499  | 9,942,600    | 8,932,428    | 18,875,028                                  |
| Omega Healthcare Investors, 8.375%, Series D                  |              | a 496,100                               |   | 496,100  | 10,666,150   |              | 10,666,150                                  |
|   |              |   |   |  | 30,579,997   | 13,647,568   | 44,227,565                                  |
| <b>HOTEL</b>  | <b>0.4%</b>  |   |   |  |              |              |   |
| Host Hotels & Resorts, 8.875%, Series E                       |              |   | 80,000                                  | 80,000   | 1,650,000    |              | 1,650,000                                   |
| LaSalle Hotel Properties, 8.00%, Series E                     |              | a 170,000                               |   | 170,000  | 3,133,100    |              | 3,133,100                                   |

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|   |      |         |         |         |            |            |            |
|---|------|---------|---------|---------|------------|------------|------------|
|   |      |         |         |         | 4,783,100  |            | 4,783,100  |
| OFFICE  | 2.7% |         |         |         |            |            |            |
| Alexandria Real Estate Equities, 8.375%, Series C | a    | 268,525 | 325,400 | 593,925 | 5,518,189  | 6,686,970  | 12,205,159 |
| Brandywine Realty Trust, 7.50%, Series C          | a    | 160,010 |         | 160,010 | 2,588,962  |            | 2,588,962  |
| SL Green Realty Corp., 7.625%, Series C           |      | 367,400 | 219,818 | 587,218 | 6,062,100  | 3,626,997  | 9,689,097  |
| SL Green Realty Corp., 7.875%, Series D           |      | 108,150 | 197,333 | 305,483 | 1,835,305  | 3,348,741  | 5,184,046  |
|   |      |         |         |         | 16,004,556 | 13,662,708 | 29,667,264 |

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|  |      | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|--|------|---|---|--|--------------|--------------|---|
| OFFICE/INDUSTRIAL  | 0.8% |   |   |  |              |              |   |
| PS Business Parks, 6.875%, Series I                        |      | a 245,000                               |   | 245,000  | \$ 4,410,000 | \$           | \$ 4,410,000                                |
| PS Business Parks, 7.95%, Series K                         |      | a                                       | 230,000                                 | 230,000  |              | 4,738,000    | 4,738,000                                   |
|  |      |   |   |  | 4,410,000    | 4,738,000    | 9,148,000                                   |
| RESIDENTIAL APARTMENT                                      | 0.5% |   |   |  |              |              |   |
| Apartment Investment & Management Co.,<br>8.00%, Series T  |      | a 138,400                               |   | 138,400  | 2,422,000    |              | 2,422,000                                   |
| Apartment Investment & Management Co.,<br>8.00%, Series V  |      |   | 87,000                                  | 87,000   |              | 1,522,500    | 1,522,500                                   |
| Apartment Investment & Management Co.,<br>7.875%, Series Y |      |   | 93,000                                  | 93,000   |              | 1,581,930    | 1,581,930                                   |
|  |      |   |   |  | 2,422,000    | 3,104,430    | 5,526,430                                   |
| SELF STORAGE   | 0.3% |   |   |  |              |              |   |
| Public Storage, 6.45%, Series X                            |      | a                                       | 150,000                                 | 150,000  |              | 2,908,500    | 2,908,500                                   |
| SHOPPING CENTER  | 1.4% |   |   |  |              |              |   |
| COMMUNITY CENTER   | 1.1% |   |   |  |              |              |   |
| Developers Diversified Realty Corp., 7.50%,<br>Series I    |      | a 295,555                               | 287,884                                 | 583,439  | 3,316,127    | 3,230,058    | 6,546,185                                   |
| Kimco Realty Corp., 7.75%, Series G                        |      | a 88,700                                | 100,000                                 | 188,700  | 1,831,655    | 2,065,000    | 3,896,655                                   |
| Saul Centers, 8.00%, Series A                              |      |   | 96,300                                  | 96,300   | 1,935,630    |              | 1,935,630                                   |
|  |      |   |   |  | 7,083,412    | 5,295,058    | 12,378,470                                  |
| REGIONAL MALL  | 0.3% |   |   |  |              |              |   |
| CBL & Associates Properties, 7.75%, Series C               |      | a 114,710                               | 121,931                                 | 236,641  | 1,634,617    | 1,737,517    | 3,372,134                                   |
| TOTAL SHOPPING CENTER                                      |      |   |   |  | 8,718,029    | 7,032,575    | 15,750,604                                  |
| TOTAL REAL ESTATE  |      |   |   |  | 72,617,260   | 47,485,040   | 120,102,300                                 |
| UTILITIES  | 1.5% |   |   |  |              |              |   |
| ELECTRIC UTILITIES   | 0.7% |   |   |  |              |              |   |
| American Electric Power Co., 8.75%                         |      | a                                       | 49,983                                  | 49,983   |              | 1,335,046    | 1,335,046                                   |
| FPL Group Capital, 8.75%, due 3/1/69                       |      |   | 40,000                                  | 40,000   |              | 1,072,800    | 1,072,800                                   |
| FPL Group, 8.375%, (\$50 par value)                        |      |   | 100,000                                 | 100,000  |              | 5,187,500    | 5,187,500                                   |



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|   |      |         |         |         |             |             |             |
|---|------|---------|---------|---------|-------------|-------------|-------------|
|   |      |         |         |         |             | 7,595,346   | 7,595,346   |
| MULTI UTILITIES   | 0.8% |         |         |         |             |             |             |
| PPL Electric Utilities Corp., 6.25%   |      |         | 100,000 | 100,000 |             | 2,159,380   | 2,159,380   |
| Xcel Energy, 7.60%  | a    | 100,000 | 167,500 | 267,500 | 2,533,000   | 4,242,775   | 6,775,775   |
|   |      |         |         |         | 2,533,000   | 6,402,155   | 8,935,155   |
| TOTAL UTILITIES   |      |         |         |         | 2,533,000   | 13,997,501  | 16,530,501  |
| TOTAL PREFERRED SECURITIES \$25 PAR<br>VALUE (Identified Cost \$172,764,557,<br>\$151,272,372 and \$324,036,929 respectively) |      |         |         |         | 136,300,458 | 124,954,994 | 261,255,452 |

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|  |       | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|--|-------|---|---|--|--------------|--------------|---|
| PREFERRED SECURITIES   | 19.0% |   |   |  |              |              |   |
| BANK   | 4.2%  |   |   |  |              |              |   |
| Astoria Capital Trust I, 9.75%, due 11/1/29, Series B        |       | f 3,000,000                             |   | 3,000,000  | \$ 2,898,309 | \$           | \$ 2,898,309                                |
| Bank of America Corp., 8.00%, due 12/29/49                   |       | a 3,000,000                             | 4,000,000                               | 7,000,000  | 2,509,119    | 3,345,492    | 5,854,611                                   |
| CoBank ACB, 11.00%, Series C, 144A                           |       | e 80,000                                | 80,000                                  | 160,000  | 3,831,080    | 3,831,080    | 7,662,160                                   |
| JP Morgan Chase Capital XVIII, 6.45%, due 12/15/65, Series R |       | 2,000,000                               |   | 2,000,000  | 1,690,204    |              | 1,690,204                                   |
| JPMorgan Chase & Co., 7.90%, due 4/29/49                     |       | a 3,070,000                             | 4,500,000                               | 7,570,000  | 2,694,017    | 3,948,885    | 6,642,902                                   |
| PNC Preferred Funding Trust I, 8.70%, due 12/31/49, 144A     |       | e 7,300,000                             | 7,300,000                               | 14,600,000   | 6,000,213    | 6,000,213    | 12,000,426                                  |
| Sovereign Capital Trust VI, 7.908%, due 6/13/36              |       | 3,415,000                               |   | 3,415,000  | 2,566,031    |              | 2,566,031                                   |
| Wachovia Capital Trust III, 5.80%, due 3/29/49 (FRN)         |       | 2,250,000                               |   | 2,250,000  | 1,350,459    |              | 1,350,459                                   |
| Wells Fargo & Co, 7.98%, due 2/28/49                         |       | 2,500,000                               | 4,750,000                               | 7,250,000  | 2,078,045    | 3,948,286    | 6,026,331                                   |
|  |       |   |   |  | 25,617,477   | 21,073,956   | 46,691,433                                  |
| BANK FOREIGN   | 1.4%  |   |   |  |              |              |   |
| Barclays Bank PLC, 6.278%, due 12/31/49                      |       | 4,500,000                               |   | 4,500,000  | 2,542,500    |              | 2,542,500                                   |
| Barclays Bank PLC, 7.434%, due 9/29/49, 144A                 |       | e                                       | 2,000,000                               | 2,000,000  |              | 1,341,846    | 1,341,846                                   |
| BBVA International Preferred SA, 5.919%, due 12/18/49        |       |   | 2,000,000                               | 2,000,000  |              | 1,181,600    | 1,181,600                                   |
| HSBC Capital Funding LP, 10.176%, due 12/29/49, 144A         |       | e                                       | 1,250,000                               | 1,250,000  |              | 1,315,414    | 1,315,414                                   |
| Natixis, 10.00%, due 4/29/49, 144A                           |       | e 3,000,000                             | 3,000,000                               | 6,000,000  | 1,802,343    | 1,802,343    | 3,604,686                                   |
| Rabobank Nederland, 11.00%, due 12/29/49, 144A               |       | e 4,000,000                             |   | 4,000,000  | 4,461,276    |              | 4,461,276                                   |
| Standard Chartered PLC, 7.014%, due 12/30/49, 144A           |       | e 2,000,000                             |   | 2,000,000  | 1,423,454    |              | 1,423,454                                   |
|  |       |   |   |  | 10,229,573   | 5,641,203    | 15,870,776                                  |
| FINANCE  | 1.6%  |   |   |  |              |              |   |
| CREDIT CARD  | 0.4%  |   |   |  |              |              |   |
| Capital One Capital III, 7.686%, due 8/15/36                 |       | a 3,500,000                             | 2,500,000                               | 6,000,000  | 2,485,521    | 1,775,372    | 4,260,893                                   |
| DIVERSIFIED FINANCIAL SERVICES                               | 1.2%  |   |   |  |              |              |   |
| ZFS Finance USA Trust I, 6.15%, due 12/15/65, 144A           |       | e 4,000,000                             | 6,000,000                               | 10,000,000   | 3,120,000    | 4,680,000    | 7,800,000                                   |
| ZFS Finance USA Trust II, 6.45%, due 12/15/65, 144A          |       | e 3,080,000                             | 3,315,000                               | 6,395,000  | 2,371,600    | 2,552,550    | 4,924,150                                   |
|  |       |   |   |  | 5,491,600    | 7,232,550    | 12,724,150                                  |

|               |           |           |            |
|---------------|-----------|-----------|------------|
| TOTAL FINANCE | 7,977,121 | 9,007,922 | 16,985,043 |
|---------------|-----------|-----------|------------|

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|  |      | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|--|------|---|---|--|--------------|--------------|---|
| <b>FOOD</b>  | 1.4% |   |   |  |              |              |   |
| Dairy Farmers of America, 7.875%, 144A                 | e,f  | 42,500                                  | 52,500                                  | 95,000   | \$ 2,820,938 | \$ 3,484,688 | \$ 6,305,626                                |
| HJ Heinz Finance Co, 8.00%, due 7/15/13, 144A          | e    | 48                                      | 47                                      | 95   | 4,524,000    | 4,429,750    | 8,953,750                                   |
|  |      |   |   |  | 7,344,938    | 7,914,438    | 15,259,376                                  |
| <b>INSURANCE</b>                                       | 6.1% |   |   |  |              |              |   |
| <b>MULTI-LINE</b>                                      | 4.1% |   |   |  |              |              |   |
| AFC Capital Trust I, 8.207%, due 2/3/27, Series B      |      |   | 6,750,000                               | 6,750,000  |              | 5,104,687    | 5,104,687                                   |
| AXA SA, 8.60%, due 12/15/30                            |      | 4,800,000                               |   | 4,800,000  | 4,507,368    |              | 4,507,368                                   |
| Catlin Insurance Co., 7.249%, due 12/1/49, 144A        | e    | 5,000,000                               | 7,000,000                               | 12,000,000   | 2,803,415    | 3,924,781    | 6,728,196                                   |
| ING Capital Funding Trust III, 8.439%, due 12/30/49    | a    | 8,250,000                               | 9,750,000                               | 18,000,000   | 5,199,010    | 6,144,284    | 11,343,294                                  |
| MetLife, 10.75%, due 8/1/69                            |      | 1,500,000                               | 1,500,000                               | 3,000,000  | 1,499,715    | 1,499,715    | 2,999,430                                   |
| Metlife Capital Trust IV, 7.875%, due 12/15/67, 144A   | e    | 2,000,000                               | 1,500,000                               | 3,500,000  | 1,623,960    | 1,217,970    | 2,841,930                                   |
| MetLife Capital Trust X, 9.25%, due 4/8/38, 144A       | e    | 3,600,000                               | 3,400,000                               | 7,000,000  | 3,211,369    | 3,032,960    | 6,244,329                                   |
| Old Mutual Capital Funding, 8.00%, (Eurobond)          |      | 3,500,000                               | 4,500,000                               | 8,000,000  | 2,170,000    | 2,790,000    | 4,960,000                                   |
|  |      |   |   |  | 21,014,837   | 23,714,397   | 44,729,234                                  |
| <b>PROPERTY CASUALTY</b>                               | 2.0% |   |   |  |              |              |   |
| ACE Capital Trust II, 9.70%, due 4/1/30                | a    |   | 4,470,000                               | 4,470,000  |              | 4,079,031    | 4,079,031                                   |
| Liberty Mutual Group, 7.00%, due 3/15/37, 144A         | e    | 2,000,000                               |   | 2,000,000  | 1,149,280    |              | 1,149,280                                   |
| Liberty Mutual Group, 7.80%, due 3/15/37, 144A         | e    | 7,000,000                               | 5,000,000                               | 12,000,000   | 3,927,112    | 2,805,080    | 6,732,192                                   |
| Liberty Mutual Group, 10.75%, due 6/15/58, 144A        | e    | 4,000,000                               | 4,000,000                               | 8,000,000  | 2,884,820    | 2,884,820    | 5,769,640                                   |
| Liberty Mutual Insurance, 7.697%, due 10/15/97, 144A   | e    | 4,000,000                               | 4,000,000                               | 8,000,000  | 2,397,596    | 2,397,596    | 4,795,192                                   |
|  |      |   |   |  | 10,358,808   | 12,166,527   | 22,525,335                                  |
| <b>TOTAL INSURANCE</b>                                 |      |   |   |  | 31,373,645   | 35,880,924   | 67,254,569                                  |
| <b>OIL EXPLORATION AND PRODUCTION</b>                  | 0.2% |   |   |  |              |              |   |
| Pemex Project Funding Master Trust, 7.75%, due 9/28/49 |      |   | 2,000,000                               | 2,000,000  |              | 1,807,500    | 1,807,500                                   |
| <b>PIPELINES</b>                                       | 1.0% |   |   |  |              |              |   |
| Enbridge Energy Partners LP, 8.05%, due 10/1/37        | a    | 2,000,000                               | 3,000,000                               | 5,000,000  | 1,461,976    | 2,192,964    | 3,654,940                                   |
| Enterprise Products Operating LP, 8.375%, due 8/1/66   | a    | 3,500,000                               | 6,180,000                               | 9,680,000  | 2,820,993    | 4,981,068    | 7,802,061                                   |
|  |      |   |   |  | 4,282,969    | 7,174,032    | 11,457,001                                  |



## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|   |      | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value      | UTF<br>Value      | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|---|------|---|---|--|-------------------|-------------------|---|
| UTILITIES   | 3.1% |   |   |  |                   |                   |   |
| ELECTRIC UTILITIES  | 0.6% |   |   |  |                   |                   |   |
| DPL Capital Trust II, 8.125%, due 9/1/31  |      | 4,000,000                               | 3,000,000                               | 7,000,000  | \$ 3,656,312      | \$ 2,742,234      | \$ 6,398,546                                |
| GAS UTILITIES   | 1.1% |   |   |  |                   |                   |   |
| Southern Union Co., 7.20%, due 11/1/66  |      | 8,750,000                               | 8,100,000                               | 16,850,000   | 5,993,750         | 5,548,500         | 11,542,250                                  |
| MULTI UTILITIES   | 1.4% |   |   |  |                   |                   |   |
| Dominion Resources, 7.50%, due 6/30/66, Series A  |      |   | 6,000,000                               | 6,000,000  |                   | 4,505,610         | 4,505,610                                   |
| Dominion Resources Capital Trust I, 7.83%, due 12/1/27  |      | a 4,000,000                             | 4,500,000                               | 8,500,000  | 3,920,284         | 4,410,319         | 8,330,603                                   |
| PPL Capital Funding, 6.70%, due 3/30/67, Series A   |      |   | 4,000,000                               | 4,000,000  |                   | 2,924,024         | 2,924,024                                   |
|   |      |   |   |  | 3,920,284         | 11,839,953        | 15,760,237                                  |
| <b>TOTAL UTILITIES</b>  |      |   |   |  | <b>13,570,346</b> | <b>20,130,687</b> | <b>33,701,033</b>                           |
| TOTAL PREFERRED SECURITIES CAPITAL<br>SECURITIES (Identified Cost \$117,189,023,<br>\$127,606,418 and \$244,795,441 respectively) |      |   |   |  | 100,396,069       | 108,630,662       | 209,026,731                                 |
| CORPORATE BONDS   | 4.9% |   |   |  |                   |                   |   |
| ELECTRIC INTEGRATED   | 0.7% |   |   |  |                   |                   |   |
| CMS Energy Corp., 5.50%, due 6/15/2029  |      |   | 3,000,000                               | 3,000,000  |                   | 3,135,000         | 3,135,000                                   |
| Entergy Mississippi, 6.64%, due 7/1/19  |      |   | 2,500,000                               | 2,500,000  |                   | 2,581,645         | 2,581,645                                   |
| WPS Resources Corp., 6.11%, due 12/1/66   |      |   | 2,780,000                               | 2,780,000  |                   | 1,809,402         | 1,809,402                                   |
|   |      |   |   |  |                   | 7,526,047         | 7,526,047                                   |
| INDEPENDENT POWER PRODUCERS &<br>ENERGY TRADERS   | 0.2% |   |   |  |                   |                   |   |
| NRG Energy, 8.50%, due 6/15/19  |      |   | 2,000,000                               | 2,000,000  |                   | 1,947,500         | 1,947,500                                   |
| INSURANCE LIFE/HEALTH   | 0.4% |   |   |  |                   |                   |   |
| Pacific Life Insurance Co., 9.25%, due 6/15/39,<br>144A   |      | e 2,500,000                             | 1,500,000                               | 4,000,000  | 2,432,305         | 1,459,383         | 3,891,688                                   |
| INTEGRATED TELECOMMUNICATIONS<br>SERVICES   | 1.7% |   |   |  |                   |                   |   |
| Citizens Communications Co., 7.125%, due 3/15/19  |      | a                                       | 3,000,000                               | 3,000,000  |                   | 2,572,500         | 2,572,500                                   |
| Citizens Communications Co., 7.875%, due 1/15/27  |      | a 2,000,000                             |   | 2,000,000  | 1,610,000         |                   | 1,610,000                                   |
| Citizens Communications Co., 9.00%, due 8/15/31   |      | a 5,500,000                             | 7,550,000                               | 13,050,000   | 4,565,000         | 6,266,500         | 10,831,500                                  |
| Embarq Corp., 7.995%, due 6/1/36  |      | a                                       | 4,000,000                               | 4,000,000  |                   | 3,526,400         | 3,526,400                                   |

6,175,000 12,365,400 18,540,400

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|  |        | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value | UTF<br>Value | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|--|--------|---|---|--|--------------|--------------|---|
| <b>MEDIA</b>   | 1.6%   |   |   |  |              |              |   |
| Cablevision Systems Corp., 8.00%, due 4/15/12  | a      | 2,000,000                               | 2,000,000                               | 4,000,000  | \$ 1,990,000 | \$ 1,990,000 | \$ 3,980,000                                |
| Rogers Cable, 8.75%, due 5/1/32  |        | 5,430,000                               | 6,000,000                               | 11,430,000   | 6,576,751    | 7,267,128    | 13,843,879                                  |
|  |        |   |   |  | 8,566,751    | 9,257,128    | 17,823,879                                  |
| <b>OIL &amp; GAS EXPLORATION &amp; PRODUCTION</b>  | 0.1%   |   |   |  |              |              |   |
| EQT Corp., 8.125%, due 6/1/19  |        |   | 1,500,000                               | 1,500,000  |              | 1,608,308    | 1,608,308                                   |
| <b>REAL ESTATE-HOTEL</b>   | 0.2%   |   |   |  |              |              |   |
| Hospitality Properties Trust, 5.125%, due 2/15/15  |        | 3,000,000                               |   | 3,000,000  | 2,383,407    |              | 2,383,407                                   |
| <b>TOTAL CORPORATE BONDS (Identified Cost \$20,088,681, \$35,353,486 and \$56,235,167 respectively)</b>      |        |   |   |  | 19,557,463   | 34,163,766   | 53,721,229                                  |
| <b>RIGHTS</b>  | 0.0%   |   |   |  |              |              |   |
| <b>UTILITIES ELECTRIC UTILITIES</b>  |        |   |   |  |              |              |   |
| Cia de Transmissao de Energia Eletrica Paulista, expire 7/17/09 (Brazil)                                     | g      | 308                                     | 860                                     | 1,168  | 157          | 439          | 596   |
| <b>TOTAL RIGHTS (Identified Cost \$0, \$0 and \$0, respectively)</b>   |        |   |   |  | 157          | 439          | 596   |
| <b>SHORT-TERM INVESTMENTS</b>  | 0.9%   |   |   |  |              |              |   |
| <b>MONEY MARKET FUNDS</b>  |        |   |   |  |              |              |   |
| Dreyfus Treasury Cash Management Fund, 0.001%  | h      | 2,550,373                               | 1,350,000                               | 3,900,373  | 2,550,373    | 1,350,000    | 3,900,373                                   |
| Federated U.S. Treasury Cash Reserves Fund, 0.00%  | h      | 2,753,554                               | 3,753,997                               | 6,507,551  | 2,753,554    | 3,753,997    | 6,507,551                                   |
| Fidelity Institutional Money Market Treasury Only Fund, 0.13%  | h      |   | 61,335                                  | 61,335   |              | 61,335       | 61,335                                      |
| <b>TOTAL SHORT-TERM INVESTMENTS (Identified Cost \$5,303,927, \$5,165,332 and \$10,469,259 respectively)</b> |        |   |   |  | 5,303,927    | 5,165,332    | 10,469,259                                  |
| <b>TOTAL INVESTMENTS (Identified Cost \$993,810,978, \$989,266,534 and</b>                                   | 170.3% |   |   |  | 880,363,136  | 992,184,688  | 1,872,547,824                               |



\$1,983,077,512 respectively)

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU )

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

June 30, 2009 (Unaudited) (Continued)

|   |        | RTU<br>Shares<br>Principal<br>Contracts | UTF<br>Shares<br>Principal<br>Contracts | Proforma<br>Combined<br>Fund (UTF)<br>Shares<br>Principal<br>Contracts | RTU<br>Value   | UTF<br>Value   | Proforma<br>Combined<br>Fund (UTF)<br>Value |
|---|--------|---|---|--|----------------|----------------|---|
| WRITTEN CALL OPTIONS                      | (0.0)  |   |   |  | \$ (136,600)   | \$ (409,800)   | \$ (546,400)                                |
| LIABILITIES IN EXCESS OF<br>OTHER ASSETS  | (23.6) |   |   |  | (146,750,341)  | (112,441,813)  | (259,192,154)                               |
| LIQUIDATION VALUE OF<br>PREFERRED SHARES  | (46.7) |   |   |  | (226,150,000)  | (287,000,000)  | (513,150,000)                               |
| NET ASSETS APPLICABLE TO<br>COMMON SHARES | 100.0% |   |   |  | \$ 507,326,195 | \$ 592,333,075 | \$ 1,099,659,270 <sup>i</sup>               |

(Equivalent to \$8.62, \$13.67 and \$13.67 respectively, per share based on 58,858,135, 43,320,750 and 84,120,891 respectively, shares of common stock outstanding)

## WRITTEN CALL OPTION

Utilities Custom Basket, Strike Price 102, 7/16/09 (Premiums Received \$200,000, \$600,000 and \$800,000 respectively)

125,000 375,000 500,000 \$ (136,600) \$ (409,800) \$ (546,400)

## Glossary of Portfolio Abbreviations

ADR American Depositary Receipt

FRN Floating Rate Note

REIT Real Estate Investment Trust

Note: Percentages indicated are based on the net assets applicable to common shares of the Fund.

<sup>a</sup> A portion or all of the security is pledged in connection with the revolving credit agreement: \$349,514,408, \$331,731,886 and \$681,246,294, respectively, has been pledged as collateral.

<sup>b</sup> Fair valued security. This security has been valued at its fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors. Aggregate fair value securities represent 4.3%, 8.9% and 6.8%, respectively, of net assets applicable to common shares all of which have been fair valued pursuant to foreign security fair value pricing procedures approved by the Board of Directors.

<sup>c</sup> A portion of the security is segregated as collateral for interest rate swap transactions: \$37,080,000, \$21,095,610 and \$58,175,610, respectively, has been segregated as collateral.

<sup>d</sup> A portion of the security has been segregated for written call option contracts: \$2,590,099, \$9,677,256 and \$12,267,355 respectively has been segregated as collateral.

<sup>e</sup> Resale is restricted to qualified institutional investors. Aggregate holdings equal 10.0%, 8.0% and 8.9%, respectively, of net assets applicable to common shares of the Fund.

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- <sup>f</sup> Illiquid security. Aggregate holdings equal 1.1%, 0.6% and 0.8%, respectively, of net assets applicable to common shares of the Fund.
- <sup>g</sup> Non-income producing security.
- <sup>h</sup> Rate quoted represents the seven day yield of the fund.
- <sup>i</sup> Does not reflect \$982,000 in estimated reorganization expenses of which approximately \$475,000 and \$507,000 is attributable to RTU and UTF, respectively.

## Pro Forma Combining Schedule of Investments for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU ) and

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

As of June 30, 2009 (Unaudited) (Continued)

|  | RTU<br>Notional<br>Amount | UTF<br>Notional<br>Amount | Pro Forma<br>Combined<br>Fund (RTU<br>into UTF)<br>Notional<br>Amount | Fixed<br>Rate<br>Payable | Floating Rate<br>a (reset<br>monthly)<br>Receivable | Termination<br>Date | RTU<br>Unrealized<br>Depreciation | UTF<br>Unrealized<br>Depreciation | Pro Forma<br>Combined<br>Fund (UTF)<br>Unrealized<br>Depreciation |
|--|---------------------------|---------------------------|---|--------------------------|---|---------------------|-----------------------------------|-----------------------------------|---|
| Interest rate swaps outstanding at June 30, 2009 are as follows: |                           |                           |   |                          |   |                     |                                   |                                   |   |
| Counterparty   |                           |                           |   |                          |   |                     |                                   |                                   |   |
| Merrill<br>Lynch<br>Derivative<br>Products AG                    | 31,000,000                |                           | 31,000,000  | 3.46%                    | 0.31%   | March 29, 2010      | (679,755)                         |                                   | (679,755)   |
| Merrill<br>Lynch<br>Derivative<br>Products AG                    | 70,000,000                |                           | 70,000,000  | 3.60%                    | 0.31%   | January 29, 2014    | (2,817,883)                       |                                   | (2,817,883)   |
| Royal Bank<br>of Canada  | 40,000,000                |                           | 40,000,000  | 3.50%                    | 0.32%   | November 22, 2012   | (1,739,586)                       |                                   | (1,739,586)   |
| Royal Bank<br>of Canada  | 40,000,000                |                           | 40,000,000  | 3.63%                    | 0.31%   | March 31, 2014      | (1,624,742)                       |                                   | (1,624,742)   |
| UBS AG   | 60,000,000                |                           | 60,000,000  | 3.64%                    | 0.32%   | April 17, 2013      | (2,847,507)                       |                                   | (2,847,507)   |
| Merrill<br>Lynch<br>Derivative<br>Products AG                    |                           | 35,000,000                | 35,000,000  | 3.51%                    | 0.32%   | December 22, 2012   |                                   | (1,522,228)                       | (1,522,228)   |
| Royal Bank<br>of Canada  |                           | 35,000,000                | 35,000,000  | 3.53%                    | 0.32%   | October 17, 2012    |                                   | (1,584,290)                       | (1,584,290)   |
| Royal Bank<br>of Canada  |                           | 72,000,000                | 72,000,000  | 3.62%                    | 0.31%   | March 29, 2014      |                                   | (2,868,889)                       | (2,868,889)   |
| UBS AG   |                           | 35,000,000                | 35,000,000  | 2.91%                    | 0.31%   | May 25, 2012        |                                   | (967,996)                         | (967,996)   |
|  |                           |                           |   |                          |   |                     | (9,709,473)                       | (6,943,403)                       | (16,652,876)  |

<sup>a</sup> Based on LIBOR (London Interbank Offered Rate). Represents rates in effect at June 30, 2009.

**Pro Forma Combining Statement of Assets and Liabilities for:****Cohen & Steers REIT and Utility Income Fund, Inc. ( RTU ) and****Cohen & Steers Select Utility Fund, Inc. ( UTF )****As of June 30, 2009 (Unaudited)**

|   | RTU                   | UTF                   | Pro Forma<br>Adjustments          | Pro Forma<br>Combined   |
|---|-----------------------|-----------------------|-----------------------------------|-------------------------|
| <b>ASSETS:</b>  |                       |                       |                                   |                         |
| Investments in securities, at value<br>(Identified cost of \$993,810,978, \$989,266,534 and<br>\$1,983,077,512, respectively) | \$ 880,363,136        | \$ 992,184,688        |                                   | \$ 1,872,547,824        |
| Cash (includes \$3,680,000, \$1,570,000 and \$5,250,000<br>respectively, pledged as collateral for open swap positions)       | 3,714,227             | 1,584,714             |                                   | 5,298,941               |
| Receivable for investment securities sold   | 2,540,857             | 12,037,562            |                                   | 14,578,419              |
| Dividends and interest receivable   | 5,715,903             | 6,008,182             |                                   | 11,724,085              |
| Other assets  | 102,882               | 51,043                |                                   | 153,925                 |
| <b>Total Assets</b>   | <b>892,437,005</b>    | <b>1,011,866,189</b>  |                                   | <b>1,904,303,194</b>    |
| <b>LIABILITIES:</b>   |                       |                       |                                   |                         |
| Payable for revolving credit agreement  | 143,000,000           | 115,000,000           |                                   | 258,000,000             |
| Unrealized depreciation on interest rate swap transactions  | 9,709,473             | 6,943,403             |                                   | 16,652,876              |
| Payable for dividends declared on common shares   | 1,164,154             | 1,597,293             |                                   | 2,761,447               |
| Payable for investment securities purchased   | 3,968,700             | 7,559,500             |                                   | 11,528,200              |
| Payable for investment management fees  | 504,300               | 566,408               |                                   | 1,070,708               |
| Payable for options written (Premiums received \$200,000,<br>\$600,000, and \$800,000 respectively)                           | 136,600               | 409,800               |                                   | 546,400                 |
| Payable for dividends declared on preferred shares  | 185,518               | 174,318               |                                   | 359,836                 |
| Payable for administration fees   | 43,226                | 48,537                |                                   | 91,763                  |
| Payable for directors fees  | 2,145                 | 1,861                 |                                   | 4,006                   |
| Payable for interest expense  | 10,795                | 8,681                 |                                   | 19,476                  |
| Other liabilities   | 235,899               | 223,313               | 982,000                           | 1,441,212               |
| <b>Total Liabilities</b>  | <b>158,960,810</b>    | <b>132,533,114</b>    | <b>982,000</b>                    | <b>292,475,924</b>      |
| Liquidation Value of Preferred Shares   | 226,150,000           | 287,000,000           |                                   | 513,150,000             |
| <b>Total Net Assets Applicable to Common Shares</b>   | <b>\$ 507,326,195</b> | <b>\$ 592,333,075</b> | <b>(982,000)</b>                  | <b>\$ 1,098,677,270</b> |
| Total Net Assets Applicable to Common Shares consist of:  |                       |                       |                                   |                         |
| Paid-in-capital   | \$ 953,638,570        | \$ 703,227,211        |                                   | \$ 1,656,865,781        |
| Accumulated undistributed net investment income   | (931,880)             | 5,618,718             | (982,000)                         | 3,704,838               |
| Accumulated net realized loss   | (322,292,196)         | (112,701,347)         |                                   | (434,993,543)           |
| Net unrealized depreciation   | (123,088,299)         | (3,811,507)           |                                   | (126,899,806)           |
|   | \$ 507,326,195        | \$ 592,333,075        | (982,000) <sup>(2)</sup>          | \$ 1,098,677,270        |
| <b>SHARES OUTSTANDING</b>   | <b>58,858,135</b>     | <b>43,320,750</b>     | <b>(21,754,443)<sup>(1)</sup></b> | <b>80,424,442</b>       |
| <b>NET ASSET VALUE PER COMMON SHARE</b>   | <b>\$ 8.62</b>        | <b>\$ 13.67</b>       |                                   | <b>\$ 13.66</b>         |
| <b>MARKET PRICE PER COMMON SHARE</b>  | <b>\$ 7.13</b>        | <b>\$ 12.14</b>       |                                   |                         |

|  |         |         |
|--|---------|---------|
| MARKET PRICE DISCOUNT TO NET ASSET VALUE<br>PER COMMON SHARE | -17.29% | -11.19% |
|--|---------|---------|

- (1) Represents the difference between total additional shares to be issued (see Note 3) and current UTF shares outstanding.
- (2) Does not reflect estimated reorganization expenses of \$982,000 of which approximately \$475,000 and \$507,000 is attributable to RTU and UTF, respectively.

## Pro Forma Combining Statement of Operations for:

Cohen &amp; Steers REIT and Utility Income Fund, Inc. ( RTU ) and

Cohen &amp; Steers Select Utility Fund, Inc. ( UTF )

As of June 30, 2009 (Unaudited)

|  | RTU                  | UTF                  | Pro Forma<br>Adjustments       | Pro Forma<br>Combined |
|--|----------------------|----------------------|--------------------------------|-----------------------|
| <b>Investment Income:</b>  |                      |                      |                                |                       |
| Dividend income<br>(Net of foreign withholding tax \$294,346, \$530,117 and \$824,463,<br>respectively ) | \$ 57,605,257        | \$ 58,226,057        |                                | \$ 115,831,314        |
| Interest income  | 12,022,941           | 11,403,599           |                                | 23,426,540            |
| <b>Total Investment Income</b>   | <b>69,628,198</b>    | <b>69,629,656</b>    |                                | <b>139,257,854</b>    |
| <b>Expenses:</b>   |                      |                      |                                |                       |
| Investment management fee  | 9,528,104            | 9,578,308            |                                | 19,106,412            |
| Preferred remarketing fee  | 1,061,762            | 932,368              |                                | 1,994,130             |
| Line of credit fees  | 3,817,733            | 2,823,175            |                                | 6,640,908             |
| Administration fees  | 883,196              | 919,103              |                                | 1,802,299             |
| Reports to shareholders  | 222,228              | 230,502              | (30,000) <sup>(1)</sup>        | 422,730               |
| Professional fees  | 244,095              | 275,697              | (183,071) <sup>(1)</sup>       | 336,721               |
| Interest expense   | 816,583              | 1,266,529            |                                | 2,083,112             |
| Custodian fees and expenses  | 212,878              | 212,652              | (50,000) <sup>(1)</sup>        | 375,530               |
| Directors fees and expenses  | 51,830               | 51,830               | (43,500) <sup>(1)</sup>        | 60,160                |
| Transfer agent fees and expenses   | 22,864               | 22,810               | (20,000) <sup>(1)</sup>        | 25,674                |
| Registration and filing fees   | 24,347               | 37,822               | (20,000) <sup>(1)</sup>        | 42,169                |
| Miscellaneous  | 202,808              | 231,798              | (25,000) <sup>(1)</sup>        | 409,606               |
| <b>Total Expenses</b>  | <b>17,088,428</b>    | <b>16,582,594</b>    | <b>(371,571)<sup>(2)</sup></b> | <b>33,299,451</b>     |
| <b>Reduction of Expenses</b>   | <b>(2,085,240)</b>   | <b>(2,139,737)</b>   |                                | <b>(4,224,977)</b>    |
| <b>Net Expenses</b>  | <b>15,003,188</b>    | <b>14,442,857</b>    | <b>(371,571)</b>               | <b>29,074,474</b>     |
| <b>Net Investment Income</b>   | <b>54,625,010</b>    | <b>55,186,799</b>    | <b>371,571</b>                 | <b>110,183,380</b>    |
| <b>Net Realized and Unrealized Gain (Loss):</b>  |                      |                      |                                |                       |
| <b>Net realized gain (loss) on:</b>  |                      |                      |                                |                       |
| Investments  | (320,268,593)        | (139,114,501)        |                                | (459,383,094)         |
| Options  | 4,068,987            | 8,693,195            |                                | 12,762,182            |
| Foreign currency transactions  | (61,123)             | (177,838)            |                                | (238,961)             |
| Interest rate swap transactions  | (8,944,804)          | (9,692,502)          |                                | (18,637,306)          |
| <b>Net realized loss</b>   | <b>(325,205,533)</b> | <b>(140,291,646)</b> |                                | <b>(465,497,179)</b>  |
| <b>Net change in unrealized appreciation (depreciation) on:</b>  |                      |                      |                                |                       |
| Investments  | (269,824,589)        | (382,877,396)        |                                | (652,701,985)         |
| Options  | 63,400               | (1,666,400)          |                                | (1,603,000)           |
| Foreign currency translations  | 695                  | 16,280               |                                | 16,975                |
| Interest rate swap transactions  | (14,352,183)         | (9,587,756)          |                                | (23,939,939)          |

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|  |                  |                  |            |                    |
|--|------------------|------------------|------------|--------------------|
| Net change in unrealized appreciation (depreciation)                             | (284,112,677)    | (394,115,272)    |            | (678,227,949)      |
| Net realized and unrealized loss   | (609,318,210)    | (534,406,918)    |            | (1,143,725,128)    |
| Net Decrease in Net Assets Resulting from Operations                             | (554,693,200)    | (479,220,119)    | \$ 371,571 | \$ (1,033,541,748) |
| Less Dividends to Preferred Shareholders   | (13,859,518)     | (11,966,180)     |            | \$ (25,825,698)    |
| Net Decrease in Net Assets Resulting from Operations Applicable to Common Shares | \$ (568,552,718) | \$ (491,186,299) | \$ 371,571 | \$ (1,059,367,446) |

(1) Reflects elimination of duplicate fees or services.

(2) Does not reflect non-recurring estimated reorganization expenses of \$982,000 of which approximately \$475,000 and \$507,000 is attributable to RTU and UTF, respectively.



**Cohen & Steers REIT and Utility Income Fund, Inc.**

**Merger With and Into Cohen & Steers Select Utility Fund, Inc.**

**Notes to Pro Forma Combined Financial Statements**

**Cohen & Steers Select Utility Fund, Inc.**

**(Unaudited)**

**NOTE 1 Basis of Combination:**

The Boards of Directors of both Cohen & Steers REIT & Utility Income Fund, Inc. ( RTU or the Acquired Fund ) and Cohen & Steers Select Utility Fund, Inc. ( UTF or the Acquiring Fund and together with RTU, each, a Fund and together, the Funds ) at meetings held on June 29, 2009 and, for UTF, on December 10, 2009, each approved a proposed tax-free reorganization in which RTU will merge with and into UTF and stockholders of RTU will receive newly issued shares of common stock of UTF (the Merger ). As a result of the Merger, each full (and fractional) share of common stock of the Acquired Fund will convert into an equivalent dollar amount of full (and fractional) shares of common stock of UTF, based on the net asset value per share of each Fund calculated at 4:00 p.m. on the closing date, and each Acquired Fund stockholder will become an Acquiring Fund stockholder and will receive, on the closing date, that number of full (and fractional) shares of common stock of UTF having an aggregate net asset value equal to the aggregate net asset value of such stockholder's shares of common stock of the Acquired Fund as of the close of business on the closing date (the Exchange ). On November 24, 2009, stockholders of RTU approved merging with and into UTF. If UTF's stockholders do not approve the Merger, each Fund will continue as a separate investment company.

The Exchange will be accounted for as a tax-free reorganization of investment companies. The unaudited pro forma combined schedule of investments and combined statement of assets and liabilities reflect the financial position of the Funds as if the Merger occurred on June 30, 2009. The unaudited pro forma combined statement of operations reflects the results of operations of the Funds for the twelve months ended June 30, 2009 as if the Merger occurred on July 1, 2008. These statements have been derived from the books and records of the Funds utilized in calculating daily net asset value at the date indicated above in conformity with accounting principles generally accepted in the United States of America. It is currently anticipated that if stockholders approve the Merger the Investment Manager would begin selling RTU's real estate investments prior to the Closing Date. As a result, if stockholders approve the Merger, RTU may not be in compliance with its policy to invest at least 25% of its managed assets in real estate companies during the period between the date the merger is approved and the Closing Date. The historical cost of investment securities will be carried forward to the surviving entity. The fiscal year end for the Funds is December 31. Following the Exchange, UTF will be the accounting survivor.

The accompanying pro forma financial statements and notes to financial statements should be read in conjunction with the historical financial statements of the Funds included in this document. Such pro forma combined financial statements are presented for informational purposes only and may not necessarily be representative of what the actual combined financial statements would have been had the exchange occurred on the respective dates.

The costs associated with the Merger, including costs associated with the stockholder meeting, will be borne directly by the Funds and allocated between the Funds based upon their net assets. The estimated expenses of the Merger are \$982,000 in the aggregate of which, on a preliminary basis, approximately \$475,000 is attributable to RTU and approximately \$507,000 is attributable to UTF.

**NOTE 2 RTU & UTF Fund Valuation:**

*Portfolio Valuation:* Investments in securities that are listed on the New York Stock Exchange are valued, except as indicated below, at the last sale price reflected at the close of the New York Stock Exchange on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices for the day or, if no asked price is available, at the bid price.

Securities not listed on the New York Stock Exchange but listed on other domestic or foreign securities exchanges or admitted to trading on the National Association of Securities Dealers Automated Quotations, Inc. (Nasdaq) national market system are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined as reflected on the tape at the close of the exchange representing the principal market for such securities. If after the close of a foreign market, but prior to the close of business on the day the securities are being valued, market conditions change significantly, certain foreign securities may be fair valued pursuant to procedures established by the Board of Directors.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by Cohen & Steers Capital Management, Inc. (the investment manager) to be over-the-counter, are valued at the official closing prices as reported by sources the Board of Directors deem appropriate to reflect their fair market value. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices for the day, or if no asked price is available, at the bid price. However, certain fixed-income securities may be valued on the basis of prices provided by a pricing service when such prices are believed by the Board of Directors to reflect the fair market value of such securities.

Securities for which market prices are unavailable, or securities for which the investment manager determines that bid and/or asked price does not reflect market value, will be valued at fair value pursuant to procedures approved by the Funds' Board of Directors. Circumstances in which market prices may be unavailable include, but are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security is principally traded. In these circumstances, the Funds determine fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors it deems appropriate. These may include recent transactions in comparable securities, information relating to the specific security and developments in the markets.

The Funds' use of fair value pricing may cause the net asset value of the Funds' shares to differ from the net asset value that would be calculated using market quotations. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of that security.

Short-term debt securities, which have a maturity date of 60 days or less, are valued at amortized cost, which approximates value.

**NOTE 3 Capital Shares:**

The pro forma net asset value per share assumes the issuance of shares of UTF that would have been issued at June 30, 2009 in connection with the proposed Merger. The number of shares assumed to be issued is equal to the net asset value of shares of RTU, as of June 30, 2009, divided by the net asset value per share of the shares of UTF as of June 30, 2009. The pro forma number of shares outstanding for the combined fund consists of the following at June 30, 2009:

| <b>Total Outstanding<br/>UTF Shares<br/>Pre-Combination</b> | <b>Additional Shares<br/>Assumed Issued In<br/>RTU Merger</b> | <b>Total Outstanding<br/>UTF Shares<br/>Post-Combination</b> |
|---|---|--|
| 43,320,750  | 37,103,692  | 80,424,442   |

**NOTE 4 Pro Forma Operating Expenses:**

The pro forma combined statements of operations for the twelve-month period ending June 30, 2009, as adjusted, giving effect to the Exchange reflects changes in expenses of the pro forma combined Fund (UTF) as if the Exchange was consummated on July 1, 2008. Although it is anticipated that there will be an elimination of certain duplicative expenses because of the Exchange, the actual amount of such expenses cannot be determined because it is not possible to predict the cost of future operations.

**NOTE 5 Federal Income Taxes:**

UTF and RTU each have elected to be taxed as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code). If the Merger is consummated, UTF would seek to continue to qualify as a regulated investment company, if such qualification is in the best interests of its stockholders, by complying with the provisions available to certain investment companies, as defined in applicable sections of the Code, and to make distributions of taxable income sufficient to relieve it from all, or substantially all, U.S. federal income taxes. In addition, RTU will make any required income or capital gain distributions prior to consummation of this Merger, in accordance with provisions of the Code relating to tax-free mergers of investment companies.

UTF will inherit capital loss carryforwards (and unrealized built-in losses) of RTU which will be subject to the limitations described below. RTU has capital loss carryforwards (and unrealized built-in losses) that, in the absence of the Merger, would generally be available to offset its capital gains. If, however, the Merger occurs, then RTU will undergo an ownership change for U.S. federal income tax purposes (because RTU is smaller than UTF) and, accordingly, UTF's use of RTU's capital loss carryforwards (and certain unrealized built-in losses) will be significantly limited by the operation of the tax loss limitation rules of the Code. The Code generally limits the amount of RTU's pre-ownership-change losses that may be used to offset post-ownership change gains to a specific annual loss limitation amount (generally the product of (i) the fair market value, with certain adjustments, of the stock of RTU immediately prior to the Merger and (ii) a rate established by the IRS (for example, the rate is 4.48% for August 2009)). Subject to certain limitations, any unused portion of these losses may be available in subsequent years.

Due to the operation of these tax loss limitation rules if the Merger occurs, it is possible that stockholders of RTU and UTF will receive taxable distributions earlier than they would have in the absence of the Merger. The actual effect of the loss limitation rules on a stockholder of RTU or UTF will, however, depend upon many variables, including (a) whether, in the absence of the Merger, RTU would generate sufficient capital gains against which to utilize its capital loss carryforwards prior to their expiration (and certain realized built-in losses), and whether such capital gains are in excess of what would be the annual loss limitation amount if the Merger occurs, (b) the timing and amount of future capital gains recognized by UTF if the Merger occurs, and (c) the timing of a historic RTU or UTF stockholder's disposition of his or her shares (the tax basis of which might, depending on the facts, reflect that stockholder's share of either RTU or UTF capital losses). Stockholders of RTU and UTF are urged to consult their own tax advisors in this regard. The combination of these factors on the use of capital loss carryforwards may result in some portion of the loss carryforwards of RTU and UTF expiring unused, even in the absence of the Merger.

The identified cost of investments for RTU and UTF is substantially the same for both financial accounting and federal income tax purposes. The tax cost of investments will remain unchanged for the combined entity.

**COHEN & STEERS SELECT UTILITY FUND, INC.**

**PART C**

**OTHER INFORMATION**

**Item 15 Indemnification.**

It is the Registrant's policy to indemnify its directors, officers, employees and other agents to the maximum extent permitted by Section 2-418 of the General Corporation Law of the State of Maryland as set forth in Article NINTH of Registrant's Articles of Incorporation, and Article VIII of the Registrant's By-Laws. The liability of the Registrant's directors and officers is dealt with in Article NINTH of Registrant's Articles of Incorporation. The liability of Cohen & Steers Capital Management, Inc., the Registrant's investment manager (the Investment Manager), for any loss suffered by the Registrant or its shareholders is set forth in Section 4 of the Investment Management Agreement. The liability of Cohen & Steers Capital Management, Inc., the Registrant's administrator, for any loss suffered by the Registrant or its shareholders is set forth in Section 6 of the Administration Agreement.

Insofar as indemnification for liabilities under the Securities Act of 1933 may be permitted to the directors and officers, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in such Act and is therefore unenforceable. If a claim for indemnification against such liabilities under the Securities Act of 1933 (other than for expenses incurred in a successful defense) is asserted against the Registrant by the directors or officers in connection with the shares, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in such Act and will be governed by the final adjudication of such issue.

**Item 16 Exhibits.**

- (1) (a) Articles of Incorporation are incorporated by reference to Exhibit 2(a) of the Registrant's Registration Statement on Form N-2 (File No. 333-111820), (the Registration Statement), filed January 9, 2004.
- (1) (b)(i) Form of Articles Supplementary are incorporated by reference to Exhibit 2(d)(i) of Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 (File No. 333-113944), filed May 12, 2004.
- (b)(ii) Form of Articles Supplementary are incorporated by reference to Exhibit 2(d)(i) of Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 (File No. 333-119279), filed November 8, 2004.
- (b)(iii) Form of Articles Supplementary are incorporated by reference to Exhibit 2(d)(i) of Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form N-2 (File No. 333-128080), filed December 12, 2005.
- (b)(iv) Form of Articles Supplementary are incorporated by reference to Exhibit 2(d)(i) of Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 (File No. 333-139563), filed February 8, 2007.
- (b)(v) Articles Supplementary are incorporated by reference to Exhibit (b)(v) of the Registrant's Registration Statement on Form N-14 (File No. 333-160353), filed June 30, 2009.
- (2) Registrant's By-Laws are incorporated by reference to Exhibit (2) of the Registrant's Registration Statement on Form N-14 (File No. 333-160353), filed June 30, 2009.
- (3) Not Applicable.

- (4) Agreement and Plan of Merger.\*
- (5) (a) Reference is made to Exhibits (1) and (2) hereof.
- (5) (b) Specimen Stock Certificate is incorporated by reference to Exhibit 2(d)(i) of Pre-Effective Amendment No. 2 to the Registration Statement, filed February 24, 2004.
- (6) Form of Investment Management Agreement is incorporated by reference to Exhibit 2(g)(i) of Pre-Effective Amendment No. 3 to the Registration Statement, filed March 15, 2004.
- (7) Not Applicable.
- (8) Not Applicable.
- (9) Form of Custody Agreement is incorporated by reference to Exhibit 2(j) of Pre-Effective Amendment No. 2 to the Registration Statement, filed February 24, 2004.
- (10) Not Applicable.
- (11) (a) Opinion and Consent of Stroock & Stroock & Lavan LLP are incorporated by reference to Exhibit (11)(a) of Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-14 (File No. 333-160353), filed August 18, 2009.
- (11) (b) Opinion and Consent of Venable LLP are incorporated by reference to Exhibit (11)(b) of Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-14 (File No. 333-160353), filed August 18, 2009.
- (12) Opinion and Consent of counsel regarding tax matters.\*\*
- (13) (a) Form of Transfer Agency, Registrar and Dividend Disbursing Agency Agreement is incorporated by reference to Exhibit 2(k)(i) of Pre-Effective Amendment No. 2 to the Registration Statement, filed February 24, 2004.
- (13) (b)(i) Form of Administration Agreement between the Fund and the Investment Manager is incorporated by reference to Exhibit 2(k)(ii) of Pre-Effective Amendment No. 3 to the Registration Statement, filed March 15, 2004.
- (13) (b)(ii) Form of Administration Agreement between the Fund and State Street Bank and Trust Company is incorporated by reference to Exhibit 2(k)(iii) of Pre-Effective Amendment No. 3 to the Registration Statement, filed March 15, 2004.
- (14) Consent of Independent Registered Public Accounting Firm.\*
- (15) Not Applicable.
- (16) Power of Attorney is incorporated by reference to Exhibit (16) of Registrant's Registration Statement on Form N-14 (File No. 333-160353), filed June 30, 2009.
- (17) (a) Proxy Cards are incorporated by reference to (i) Exhibit 17(a) of Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-14 (File No. 333-160353), filed August 18, 2009 and (ii) Exhibit (17)(a) of Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-14 (File No. 333-160353), filed December 14, 2009.
- (17) (b) Dividend Reinvestment Plan is incorporated by reference to Exhibit (17)(b) of Registrant's Registration Statement on Form N-14 (File No. 333-160353), filed June 30, 2009.

\* Filed herein or herewith.

\*\* To be filed by Post-Effective Amendment.

Item 17. Undertakings.

- (1) The undersigned Registrant agrees that prior to any public reoffering of the securities registered through the use of a prospectus which is a part of this registration statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c) under the Securities Act of

1933, the reoffering prospectus will contain the information called for by the applicable registration form for reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

- (2) The undersigned Registrant agrees that every prospectus that is filed under paragraph (1) above will be filed as a part of an amendment to the registration statement and will not be used until the amendment is effective, and that, in determining any liability under the Securities Act of 1933 each post-effective amendment shall be deemed to be a new registration statement for the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering of them.
  
- (3) The undersigned Registrant agrees to file by post-effective amendment the final opinions of counsel regarding tax matters within a reasonable period of time after receiving such opinion.

**SIGNATURES**

As required by the Securities Act of 1933, this Amendment to the Registration Statement has been signed on behalf of the Registrant, in the City of New York, and State of New York on the 23rd day of February, 2010.

COHEN & STEERS INFRASTRUCTURE FUND, INC.

By: /s/ Adam M. Derechin  
Adam M. Derechin, President

Pursuant to the requirements of the Securities Act of 1933, the following persons in the capacities and on the dates indicated have signed this Amendment to the Registration Statement below.

| Signatures                                 | Title   | Date              |
|--|---|-------------------|
| /s/ Adam M. Derechin<br>(Adam M. Derechin) | President and Chief Executive Officer (Principal Executive Officer) | February 23, 2010 |
| /s/ James Giallanza<br>(James Giallanza)   | Treasurer (Principal Financial and Accounting Officer)              | February 23, 2010 |
| *<br>(Martin Cohen)                        | Co-Chairman and Director  | February 23, 2010 |
| *<br>(Robert H. Steers)                    | Co-Chairman and Director  | February 23, 2010 |
| *<br>(Bonnie Cohen)                        | Director  | February 23, 2010 |
| *<br>(George Grossman)                     | Director  | February 23, 2010 |
| *<br>(Richard E. Kroon)                    | Director  | February 23, 2010 |
| *<br>(Richard J. Norman)                   | Director  | February 23, 2010 |
| *<br>(Frank K. Ross)                       | Director  | February 23, 2010 |
| *<br>(Willard H. Smith Jr.)                | Director  | February 23, 2010 |
| *<br>(C. Edward Ward, Jr.)                 | Director  | February 23, 2010 |

\* By: /s/ Tina M. Payne  
Tina M. Payne  
Attorney-In-Fact

Exhibit Index

- (14) Consent of Independent Registered Public Accounting Firm