

ABERDEEN ASIA-PACIFIC INCOME FUND INC
Form N-CSR
January 06, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number:	811-04611
Exact name of registrant as specified in charter:	Aberdeen Asia-Pacific Income Fund, Inc.
Address of principal executive offices:	800 Scudders Mill Road, Plainsboro, New Jersey 08536
Name and address of agent for service:	Mr. Christian Pittard Aberdeen Asset Management Inc. 1735 Market Street 37 th Floor Philadelphia, PA 19103
Registrant's telephone number, including area code:	800-522-5465
Date of fiscal year end:	10/31/05
Date of reporting period:	10/31/05

Item 1 Reports to Stockholders

Invests primarily in Australian and Asian debt securities.

Annual Report

October 31, 2005

Letter to Shareholders

December 19, 2005

Dear Shareholder,

We present this Annual Report which covers the activities of Aberdeen Asia-Pacific Income Fund, Inc. (the Fund) for the year ended October 31, 2005. The Fund's investment objective is to seek current income. The Fund may also achieve incidental capital appreciation.

As used in this report, the term total investments does not include securities purchased with cash collateral received as a result of securities on loan.

Net Asset Value Performance

The Fund's total return based on Net Asset Value (NAV) was 5.2% over the year ended October 31, 2005 and 9.3% per annum since inception, assuming the reinvestment of distributions.

Share Price Performance

The Fund's share price decreased by 9.1% over the year, from \$6.34 on October 31, 2004 to \$5.76 on October 31, 2005. The Fund's share price on October 31, 2005 represented a discount of 8.9% to the NAV per share of \$6.32 on that date, compared with a discount of 1.2% to the NAV per share of \$6.42 on October 31, 2004. At the date of this letter, the share price was \$5.97, representing a discount of 6.4% to the NAV per share of \$6.38.

Asia: 41.5% of Total Investments Invested in Asian Debt Securities

As of October 31, 2005, the Fund held 41.5% of its total investments in Asian debt securities (including New Zealand). Of the Fund's total investments, 27.4% were held in U.S. dollar denominated bonds issued by foreign issuers, bringing the Fund's total U.S. dollar exposure to 37.3%.

Credit Quality: 80.3% of Total Investments Rated or Deemed Equivalent to A or Better

The credit quality of the Fund's total investments has been maintained. As of October 31, 2005, 80.3% of the portfolio was invested in securities where either the issue or the issuer was rated A or better, or judged by Aberdeen Asset Management Asia Limited (the Investment Manager) to be of equivalent quality.

Distributions

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Distributions to common shareholders for the 12 months ended October 31, 2005 totaled 42 cents per share. Based on the share price of \$5.76 on October 31, 2005, the distribution rate over the 12 months then ended was 7.3%. Since all distributions are paid after deducting applicable withholding taxes, the effective distribution rate may be higher for those U.S. investors who are able to claim a tax credit. On December 13, 2005, the Board of Directors authorized a monthly distribution of 3.5 cents per share, payable on January 13, 2006 to all shareholders of record as of December 30, 2005.

Aberdeen Asia-Pacific Income Fund, Inc.

Letter to Shareholders (continued)

The Board's policy is to provide investors with a stable monthly distribution out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital. It is the Board's intention that the monthly distribution of 3.5 cents per share be maintained for 12 months, beginning with the July 2005 distribution payment. This policy is subject to regular review at the Board's quarterly meetings, unless market conditions require an earlier evaluation. The next review is scheduled to take place in March 2006.

Amendments to Bylaws

In December 2005, the Fund's Board of Directors adopted amendments to the Fund's bylaws pertaining to corporate governance matters. Certain of these bylaw amendments were adopted in connection with changes proposed by the Securities and Exchange Commission to regulations governing the structure of the boards of directors of funds. The amended bylaws include requirements that the Chairman of the Board and at least 75% of the Board as a whole be composed of persons who are not classified as "interested persons" of the Fund or its Investment Manager or Investment Adviser, as the term "interested person" is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended. Any stockholder who would like a copy of the Fund's bylaws may obtain a copy by calling Investor Relations toll-free at 1-800-522-5465.

Currency Hedging Through Forward Contracts

In June 2005, the Board of Directors approved the modification of the Fund's investment policies to authorize the use of forward foreign exchange contracts for the purpose of hedging the Fund's exposure to the Australian dollar. These instruments would increase the Fund's exposure to either the U.S. dollar or individual Asian currencies. However, the Fund's exposure to the Australian dollar will not be reduced, with respect to such hedging strategies, to less than 35% of the Fund's total net assets.

As of October 31, 2005, the Fund had open forward currency contracts which have the effect of lowering the Fund's exposure to the Australian dollar and increasing the Fund's exposure to the U.S. dollar by a notional amount of U.S.\$180 million.

These instruments may involve market risk and credit risk. These risks arise from unanticipated movements in the value of the foreign currency relative to the Australian dollar and from the potential inability of counterparties to meet the terms of their contracts.

Portfolio Holdings Disclosure

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information about the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund's schedule of portfolio holdings is part of the Fund's quarterly reports to shareholders, which are available on the Fund's website or upon request and without charge by calling Investor Relations toll-free at 1-800-522-5465.

Aberdeen Asia-Pacific Income Fund, Inc.

Letter to Shareholders (continued)

Proxy Voting

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the Fund voted proxies relating to portfolio securities during the twelve months ended June 30, 2005, is available: (i) upon request and without charge by calling Investor Relations toll-free at 1-800-522-5465; and (ii) on the SEC's website at <http://www.sec.gov>.

Investor Relations Information

For information about the Fund, including daily updates of share price, NAV and details of distributions, please contact Aberdeen Asset Management Inc. by:

calling toll free on 1-800-522-5465 or 1-954-767-9900 in the United States,

emailing InvestorRelations@aberdeen-asset.com, or

visiting the website at www.aberdeenfax.com.

For information about the Aberdeen Group, visit the Aberdeen website at www.aberdeen-asset.com.

Yours sincerely,

Martin Gilbert

President

All amounts are U.S. dollars unless otherwise stated.

Aberdeen Asia-Pacific Income Fund, Inc.

Your Board's policy is to provide investors with a stable monthly distribution out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

The Fund is subject to U.S. corporate, tax and securities laws. Under U.S. tax accounting rules, the amount of distributable income for each fiscal period depends on the actual exchange rates during the entire year between the U.S. dollar and the currencies in which Fund assets are denominated and on the aggregate gains and losses realized by the Fund during the entire year.

Therefore, the exact amount of distributable income for each fiscal year can only be determined as of the end of the Fund's fiscal year, October 31. However, under the U.S. Investment Company Act of 1940, the Fund may be required to indicate the sources of certain distributions to shareholders. This estimated distribution composition may vary from month to month because it may be materially impacted by future realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

The distributions for the fiscal year ended October 31, 2005 were comprised of 85% net investment income and 15% return of paid-in-capital.

In January 2006, a Form 1099 DIV will be sent to shareholders, which will state the amount and composition of distributions and provide information with respect to their appropriate tax treatment for the 2005 calendar year.

Aberdeen Asia-Pacific Income Fund, Inc.

Dividend Reinvestment and Cash Purchase Plan

We invite you to participate in the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan") which allows you to automatically reinvest your distributions in shares of the Fund's common stock at favorable commission rates. Distributions made under the Plan are taxable to the same extent as are cash distributions. The Plan also enables you to make additional cash investments in shares of at least \$100 per transaction, with a maximum of \$10,000 per month, and an aggregate annual limit of \$120,000. Under this arrangement, The Bank of New York (the "Plan Agent") will purchase shares for you on the American Stock Exchange or otherwise on the open market on or before the investment date. The investment date is the 15th day of each month, but if such date is not a business day, the preceding business day.

As a participant in the Plan, you will have:

Automatic reinvestment - the Plan Agent will automatically reinvest your distributions, allowing you to gradually grow your holdings in the Fund;

Lower costs - shares are purchased on your behalf under the Plan at low brokerage rates. Brokerage on share purchases is currently 2 cents per share;

Convenience - the Plan Agent will hold your shares in non-certificated form and will provide a detailed plan account statement of your holdings at the end of each month.

To request a brochure containing information on the Plan, together with an enrollment form, please contact the Plan Agent, The Bank of New York, Shareholder Relations Department, P.O. Box 11258, Church Street Station, New York, NY 10286 or call toll free on 1-800-432-8224.

Aberdeen Asia-Pacific Income Fund, Inc.

Report of the Investment Manager

Share Price Performance

On October 31, 2005, the Fund's share price was \$5.76, which represented a discount of 8.9% to the NAV per share of \$6.32. As of December 19, 2005, the share price was \$5.97, representing a discount of 6.4% to the NAV per share of \$6.38.

Auction Market Preferred Stock (AMPS)

The Fund's \$600 million of AMPS continued to be well bid at the weekly auctions. The average interest rate paid was 2.99% over the year ended October 31, 2005, compared with an interest rate of 2.94% for 30-day U.S. commercial paper over the same period. These rates were significantly higher than for the preceding year. The key driver of the increase in the AMPS interest rates was a general rise in market interest rates following the U.S. Federal Reserve's tightening of monetary policy throughout the 12 months to October 31, 2005 by a cumulative 2.0%.

Over the 12 months to October 31, 2005, the impact of the AMPS on the NAV attributable to common shareholders has been positive, as the Fund's key Asian currencies appreciated against the U.S. dollar. The outperformance of the Asian currencies against the U.S. dollar was due to the combination of increased Asian economic activity and U.S. dollar weakness on concerns over the U.S. current account and federal budget deficits.

Despite the fact that U.S. short term interest rates rose by 2.0% over the 12 months to October 31, 2005, the Fund's ability to lock in fixed rates for 80% of the outstanding AMPS pursuant to the interest swap agreement referred to on the following page, has helped maintain a positive differential between the AMPS funding rates and the yields at which the Fund invests.

This produced a gain due to AMPS of 2.0% over the 12 months to October 31, 2005.

Aberdeen Asia-Pacific Income Fund, Inc.

Report of the Investment Manager (continued)

As previously reported to shareholders, in 2003 the Fund entered into an interest rate swap agreement, based on an aggregate notional amount of \$480,000,000, which represents 80% of the total AMPS outstanding. A portion of the interest rate swap, with a nominal value of \$96 million, expired on October 31, 2005, and the Fund entered into a new interest rate swap transaction for this amount, for a five-year term with an effective date of November 1, 2005, at the fixed rate of 4.055% per year. Under the terms of the agreement as currently in effect, the Fund receives a floating rate of interest (one month USD-LIBOR BBA rate) and pays fixed rates of interest for the terms and based upon the notional amounts set forth below:

Remaining Term as of October 31, 2005	Amount (in \$ Million)	Fixed Rate Payable (%)
60 months	96	4.055
36 months	144	3.540
24 months	144	3.160
12 months	96	2.690

A significant risk associated with interest rate swaps is the risk that the counterparty may default or file for bankruptcy, in which case the Fund would bear the risk of loss of the amount expected to be received under the swap agreement. There can be no assurance that the Fund will have an interest rate swap in place at any given time nor can there be any assurance that, if an interest rate swap is in place, it will be successful in hedging the Fund's interest rate risk with respect to the AMPS. The implementation of this strategy is at the discretion of the AMPS Hedging Committee of the Board of Directors.

Aberdeen Asia-Pacific Income Fund, Inc.

Report of the Investment Manager (continued)

PORTFOLIO COMPOSITION

Quality of Investments

As of October 31, 2005, 80.3% of the Fund's total investments were invested in securities where either the issue or the issuer was rated at least A by Standard & Poor's Corporation or Moody's Investors Service, Inc. or, if unrated, judged to be of equivalent quality by the Investment Manager. The table below shows the asset quality of the Fund's portfolio as of October 31, 2005, compared with the previous quarter and twelve months:

Date	AAA/Aaa %	AA/Aa %	A %	BBB/Baa %	BB/Ba* %	B* %
October 31, 2005	56.0	2.2	22.1	7.0	10.7	2.0
July 31, 2005	56.5	2.4	21.7	5.8	11.8	1.8
October 31, 2004	56.7	1.9	20.5	6.0	13.3	1.6

* Below investment grade

Geographic Composition

The table below shows the geographical composition (i.e., with U.S. dollar denominated bonds issued by foreign issuers allocated into country of issuance) of the Fund's total investments as of October 31, 2005, compared with the previous quarter and twelve months:

	October 31, 2005 %	July 31, 2005 %	October 31, 2004 %
Australia	46.8	47.8	55.8
Asia (including NZ)	41.5	40.6	40.5
United States	6.4	6.4	3.7
Canada*	0.4	0.4	
Western Europe*	4.9	4.8	
Total Portfolio	100.0	100.0	100.0

* Denominated in A\$ and NZ\$

Aberdeen Asia-Pacific Income Fund, Inc.

Report of the Investment Manager (concluded)

Currency Composition

The table below shows the currency composition of the Fund's total investments as of October 31, 2005, compared with the previous quarter and twelve months:

Date	Australian Dollar %	Asian Currencies	
		(including NZ dollar) %	US Dollar* %
October 31, 2005	45.3	17.4	37.3
July 31, 2005	46.4	20.9	32.7
October 31, 2004	55.7	13.7	30.6

* Includes U.S. dollar denominated bonds issued by foreign issuers: 27.4% on October 31, 2005, 26.6% on July 31, 2005, 26.8% on October 31, 2004.

Maturity Composition

As of October 31, 2005, the average maturity of the Fund's total investments was 7.4 years, compared with 7.7 years at October 31, 2004. The following table shows the maturity composition of the Fund's investments as of October 31, 2005, compared with the previous quarter and twelve months:

Date	Under 3 Years	3 to 5 Years	5 to 10 Years	10 Years & Over
	%	%	%	%
October 31, 2005	31.4	19.1	36.2	13.3
July 31, 2005	30.0	21.8	33.0	15.2
October 31, 2004	32.0	22.1	32.3	13.6

Aberdeen Asia-Pacific Income Fund, Inc.

Summary of Key Rates

The following table summarizes the movements of key interest rates and currencies over the previous three and twelve month periods.

	October 31, 2005	July 31, 2005	October 31, 2004
Australia			
90 day bank bills	5.65%	5.65%	5.44%
10 year bonds	5.48%	5.13%	5.39%
Australian Dollar	\$ 0.75	\$ 0.76	\$ 0.75
Malaysia			
90 day T-bills	2.82%	2.30%	2.18%
10 year bonds	4.18%	4.19%	4.93%
Malaysian Ringgit*	RM 3.78	RM 3.75	RM 3.80
New Zealand			
90 day bank bills	7.39%	7.05%	6.79%
10 year bonds	5.95%	5.70%	6.03%
New Zealand Dollar	\$ 0.70	\$ 0.68	\$ 0.68
Philippines			
90 day T-bills	6.16%	6.01%	7.95%
10 year bonds	11.71%	11.97%	13.20%
Philippines Peso*	(Peso) 54.89	(Peso) 56.10	(Peso) 56.33
Singapore			
90 day T-bills	2.33%	1.85%	1.29%
10 year bonds	3.03%	2.62%	3.09%
Singapore Dollar*	S\$ 1.70	S\$ 1.66	S\$ 1.67
South Korea			
90 day T-bills	3.72%	3.49%	3.38%
10 year bonds	5.49%	5.02%	3.95%
South Korean Won*	(Won)1040.20	(Won)1026.70	(Won)1119.50
Thailand			
90 day deposits	1.75%	1.00%	1.00%
10 year bonds	6.51%	4.55%	4.77%
Thai Baht*	฿ 40.80	฿ 41.63	฿ 41.07
US\$ Bonds**			
Hong Kong	4.95%	4.59%	3.83%
Malaysia	4.95%	4.60%	3.87%
Philippines	5.70%	5.52%	6.03%
South Korea	4.34%	4.23%	3.33%

* These currencies are quoted Asian currency per U.S. dollar. The Australian and New Zealand dollars are quoted U.S. dollars per currency.

** Sovereign issues.

Aberdeen Asset Management Asia Limited

December 2005

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments

October 31, 2005

Principal Amount (000)	Description	Moody s Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS 122.7%				
AUSTRALIA 60.9%				
AUD2,500	Airservices Australia, 6.50%, 11/15/06	NR	AAA	\$ 1,879,941
AUD10,000	ANZ Banking Corporation, 6.75%, 3/22/07(c)	A1	A+	7,557,351
AUD6,500	6.50%, 5/21/09(c)	A1	A+	4,922,355
AUD22,000	Australia Postal Corporation, 6.00%, 3/25/09	NR	AAA	16,526,135
AUD12,000	BHP Finance Limited, 6.25%, 8/15/08	A1	A+	9,037,056
AUD3,000	CFS Gandel Retail Trust, 6.25%, 12/22/14	NR	A	2,202,627
AUD5,000	Commonwealth of Australia, 10.00%, 2/15/06	Aaa	AAA	3,780,622
AUD16,500	10.00%, 10/15/07	Aaa	AAA	13,372,148
AUD40,000	8.75%, 8/15/08	Aaa	AAA	32,467,327
AUD173,000	7.50%, 9/15/09	Aaa	AAA	138,620,641
AUD39,500	5.75%, 6/15/11	Aaa	AAA	29,975,843
AUD139,000	6.50%, 5/15/13	Aaa	AAA	110,376,231
AUD43,000	6.25%, 4/15/15	Aaa	AAA	33,929,911
AUD47,200	6.00%, 2/15/17	Aaa	NR	36,698,545
AUD20,000	Commonwealth Bank of Australia, 6.75%, 12/1/07	Aaa	AAA	15,271,409
AUD25,200	6.25%, 9/1/09	Aaa	AAA	19,215,485
AUD10,000	GE Capital Australia Funding Pty, 6.75%, 9/15/07	Aaa	AAA	7,587,476
AUD9,500	5.75%, 2/11/10	Aaa	AAA	7,029,689
AUD17,700	6.00%, 8/17/12	Aaa	AAA	13,136,737
AUD4,000	General Property Trust Management, 6.50%, 8/22/13	NR	BBB+	2,976,300
AUD4,500	ING Office Finance, 6.25%, 8/19/08	NR	NR	3,376,967
AUD10,000	Jem Bonds Limited, 9.00%, 7/15/06	NR	AAA	7,638,036
AUD1,500	Macquarie Bank Limited, 6.50%, 9/15/09(c)	A3	A-	1,133,407
AUD4,500	Melbourne Airport, 6.75%, 6/15/08	Aaa	AAA	3,423,331
NZD4,000	National Australia Bank, 7.3475%, 7/18/08	Aa3	AA-	2,799,395
AUD34,000	New South Wales Treasury Corp., 12.60%, 5/1/06	NR	AAA	26,277,131
AUD50,000	8.00%, 3/1/08	Aaa	AAA	39,306,234
AUD2,000	8.00%, 3/1/08	Aaa	AAA	1,572,204
AUD26,000	7.00%, 12/1/10	Aaa	AAA	20,576,214
AUD20,000	6.00%, 5/1/12	NR	AAA	15,171,306
AUD13,000	NRMA Insurance Ltd., 6.35%, 11/27/07(c)	NR	AA-	9,776,924

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Principal Amount (000)	Description	Moody s Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS (continued)				
	Publishing & Broadcasting Finance Limited,			
AUD6,700	6.15%, 7/4/15	NR	A-	\$ 4,892,919
	Queensland Treasury Corp.,			
AUD20,000	8.00%, 9/14/07	Aaa	AAA	15,589,352
AUD10,000	5.50%, 5/14/10	NR	AAA	7,465,011
AUD40,000	6.00%, 6/14/11	Aaa	AAA	30,422,311
AUD50,000	6.00%, 8/14/13	Aaa	AAA	38,182,984
AUD43,000	6.00%, 10/14/15	Aaa	AAA	32,896,950
AUD17,000	6.00%, 6/14/21	Aaa	AAA	12,995,445
	Rabobank Nederland,			
AUD13,000	6.00%, 3/18/10	Aaa	AAA	9,742,599
	RWH Finance Pty Limited,			
AUD4,800	6.20%, 3/26/21	Aa2	NR	3,510,496
	Snowy Hydro Ltd.,			
AUD10,000	5.75%, 2/25/10	Aaa	AAA	7,373,171
	South Australian Financing Authority,			
AUD35,000	7.50%, 10/15/07	Aaa	AAA	27,069,993
	Southern Cross Airports Corp.,			
AUD15,500	6.02%, 10/11/07	Aaa	AAA	11,593,384
	St. George Bank Limited,			
AUD5,000	6.00%, 9/25/07(c)	A3	A-	3,736,824
USD2,000	5.30%, 10/15/15(b)	A3	NR	2,001,470
	Tabcorp Investments No. 4,			
AUD12,400	6.50%, 10/13/11	NR	BBB+	9,337,096
	Telstra Corporation,			
AUD20,000	12.00%, 5/15/06	A1	A+	15,421,870
AUD21,500	7.25%, 11/15/12	A1	A+	16,853,795
AUD2,000	8.75%, 1/15/20	NR	NR	1,787,316
	Treasury Corp. of Victoria,			
AUD20,500	10.25%, 11/15/06	Aaa	AAA	16,044,395
AUD25,000	7.50%, 8/15/08	Aaa	AAA	19,614,751
	Walker Finance Property Limited,			
AUD2,600	5.916%, 12/30/11	NR	AAA	1,942,706
	Wesfarmers Limited,			
AUD6,000	6.25%, 8/27/07	NR	A-	4,503,636
AUD5,000	6.00%, 3/30/09	NR	A-	3,721,829
	Western Australia Treasury Corp.,			
AUD26,000	8.00%, 10/15/07	Aaa	AAA	20,285,272
AUD40,000	7.50%, 10/15/09	Aaa	AAA	31,872,028
AUD10,000	7.00%, 4/15/11	Aaa	AAA	7,926,734
AUD11,500	8.00%, 6/15/13	Aaa	AAA	9,770,816
AUD18,000	8.00%, 7/15/17	Aaa	AAA	16,048,944
				1,020,219,075

See Notes to Financial Statements.

Portfolio of Investments (continued)

October 31, 2005

Principal Amount (000)	Description	Moody's Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS (continued)				
CANADA 0.5%				
NZD1,500	Province of Manitoba, 6.375%, 9/1/15	Aa2	AA-	\$ 1,028,939
NZD5,500	Province of Ontario, 6.25%, 12/3/08	Aa2	AA	3,779,345
NZD4,000	6.25%, 6/16/15	Aa2	AA	2,723,646
AUD1,500	Quebec Province, 5.75%, 2/15/06	A1	A+	1,120,608
				8,652,538
CHINA 1.4%				
USD7,400	AES China Generating Co. Ltd, 8.25%, 6/26/06(c)	B1	B+	7,520,502
USD1,950	Panva Gas Holdings Ltd 8.25%, 9/23/11	Ba1	BB+	2,034,960
USD10,000	People's Republic of China, 9.00%, 1/15/96	A2	A-	12,988,100
USD700	Xinao Gas Holdings Limited, 7.375%, 8/5/12	Ba1	BB+	706,415
				23,249,977
FRANCE 0.6%				
AUD13,000	Dexia Municipal Agency, 6.00%, 10/15/07	Aaa	AAA	9,755,342
GERMANY 1.2%				
AUD15,000	DSL Bank AG, 6.25%, 11/15/06	Aaa	NR	11,261,017
NZD3,000	Helaba International Finance plc, 6.75%, 9/12/06	Aaa	AA+	2,086,830
AUD10,000	Landwirtschaftliche Rentenbank, 6.00%, 9/15/09	Aaa	AAA	7,523,558
				20,871,405
HONG KONG 4.9%				
USD4,100	CITIC Ka Wah Bank, 7.625%, 7/5/06(a)(b)	Baa3	NR	4,169,208
USD6,950	9.125%, 5/31/12(c)	Baa3	NR	8,023,136
USD5,500	Hutchison Whampoa Ltd., 5.45%, 11/24/10(b)	A3	A-	5,529,452
USD6,000	7.00%, 2/16/11(b)	A3	A-	6,434,352
USD18,700	6.50%, 2/13/13(b)	A3	A-	19,566,726
USD9,400	6.25%, 1/24/14(b)	A3	A-	9,735,336
USD6,300	7.45%, 11/24/33(b)	A3	A-	6,983,942
USD14,300	Kowloon Canton Ry Corporation, 8.00%, 3/15/10	Aa3	AA-	15,935,133

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USD5,600	PCCW-HKTC Capital Limited, 8.00%, 11/15/11(b)	Baa2	BBB	6,222,154
				82,599,439

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Principal Amount (000)	Description	Moody s Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS (continued)				
INDIA 0.5%				
USD7,250	Reliance Industries Limited, 10.25%, 1/15/97(b)	Ba2	BB+	\$ 8,680,787
INDONESIA 2.2%				
USD4,700	Bank Danamon Indonesia, 7.65%, 3/30/09(a)(b)	B2	B	4,710,011
USD5,250	Freeport-McMoran Copper & Gold, Inc., 10.125%, 2/1/10	B1	B+	5,775,000
USD2,750	Indonesian Satellite Corporation, 7.75%, 11/5/08(b)(c)	Ba3	BB-	2,825,625
USD5,825	Medco Energi Internasional, 8.75%, 5/22/10(b)	B2	B+	5,956,063
USD4,000	MGTI Finance Company Ltd., 8.375%, 9/15/10(b)	B2	B+	4,092,324
USD1,600	PT Bank Mandiri Cayman, 10.625%, 8/2/07(a)(b)	B3	B+	1,689,872
USD1,500	PT Bank Negara Indonesia, 10.00%, 11/15/07(a)	B3	B-	1,581,402
USD3,000	PT Semen Cibinong Tbk., 3.66%, 8/13/10(a)(d)	NR	NR	2,700,000
USD7,800	Republic of Indonesia, 7.25%, 4/20/15(b)(e)	B2	B+	7,656,394
				36,986,691
JAPAN 0.9%				
USD1,600	Mizuho Financial Group, 5.79%, 4/15/14(b)	A2	A-	1,640,746
USD5,400	Sumitomo Mitsui Banking, 8.15%, 8/1/08(c)	A2	NR	5,598,347
USD5,000	UFJ Finance Aruba AEC, 8.75%, 11/13/08(c)	A2	NR	5,418,000
USD3,200	6.75%, 7/15/13	A2	A-	3,462,989
				16,120,082
MALAYSIA 6.0%				
USD5,500	Bumiputra Commerce Bank Berhad, 5.125%, 10/16/08(a)	Baa1	BBB	5,439,823
USD4,700	Hong Leong Bank Berhad, 5.25%, 8/3/10(a)	Baa2	BBB	4,595,945
USD1,450	IOI Ventures, 5.25%, 3/16/15(e)	A3	BBB+	1,407,498
MYR7,000	Malaysia Government, 6.812%, 11/29/06	A3	A+	1,934,856
MYR54,000	4.305%, 2/27/09	A3	NR	14,713,570
USD7,990	7.50%, 7/15/11	A3	A-	8,941,138
MYR6,500	3.833%, 9/28/11	A3	A+	1,724,079

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Principal Amount (000)	Description	Moody s Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS (continued)				
MYR26,900	3.702%, 2/25/13	A3	A+	\$ 7,063,213
MYR12,000	5.094%, 4/30/14	A3	NR	3,426,208
MYR6,500	4.72%, 9/30/15	A3	NR	1,793,873
USD6,800	Petroliam Nasional Berhad, 7.00%, 5/22/12(b)	A1	A-	7,463,728
USD10,500	7.75%, 8/15/15(b)	A1	A-	12,410,622
USD4,000	7.875%, 5/22/22(b)	A1	A-	4,862,124
USD4,800	Public Bank Berhad, 5.00%, 6/20/12(a)	Baa1	BBB+	4,569,197
USD3,000	Telekom Malaysia, 7.875%, 8/1/25(b)	A2	A-	3,631,320
USD14,000	Tenaga Nasional Berhad, 7.50%, 1/15/96(b)	Baa1	BBB	14,656,180
MYR7,500	UMW Toyota Capital Sdn Bhd, 3.76%, 7/23/10	NR	NR	1,986,755
				100,620,129
NETHERLANDS 0.1%				
NZD2,500	Nederlands Waterschapsbank, 6.50%, 10/17/08	Aaa	AAA	1,724,309
NEW ZEALAND 0.4%				
NZD4,000	New Zealand Government, 7.00%, 7/15/09(e)	Aaa	AAA	2,878,705
NZD6,000	6.00%, 4/15/15(e)	Aaa	AAA	4,206,446
				7,085,151
PHILIPPINES 11.2%				
USD4,000	Bangko Sentral ng Pilipinas, 8.60%, 6/15/27	B1	BB-	3,875,000
USD4,750	Globe Telecom, 9.75%, 4/15/07(c)	Ba2	BB+	5,153,750
USD2,400	Metropolitan Bank & Trust Company, 8.50%, 11/20/07(a)	B1	NR	2,451,242
USD7,000	National Power Corporation, 8.40%, 12/15/16	NR	BB-	6,379,520
PHP40,000	Philippine Government, 15.25%, 8/9/06	B1	NR	762,624
PHP372,800	18.00%, 11/26/08	B1	NR	8,127,104
PHP95,000	13.00%, 4/25/12	B1	NR	1,855,893
PHP133,000	11.875%, 5/29/23	B1	NR	2,415,114
USD1,500	Philippine Long Distance Telephone Company, 9.25%, 6/30/06	Ba3	BB+	1,556,250
USD2,000	10.625%, 5/15/07	Ba3	NR	2,170,000
USD1,300	10.50%, 4/15/09	Ba3	BB+	1,477,125
USD1,000	11.375%, 5/15/12	Ba3	BB+	1,235,000
USD1,000	8.35%, 3/6/17	Ba3	BB+	1,035,000

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Principal Amount (000)	Description	Moody s Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS (continued)				
	Republic of Philippines,			
USD3,000	7.50%, 9/11/07	B1	BB-	\$ 3,090,570
USD9,100	8.875%, 4/15/08	B1	BB-	9,714,250
USD15,250	8.375%, 3/12/09	B1	BB-	16,107,812
USD22,000	9.875%, 3/16/10	B1	BB-	24,420,000
USD28,658	8.375%, 2/15/11	B1	BB-	29,840,142
USD1,000	8.25%, 1/15/14(e)	B1	BB-	1,026,250
USD2,000	8.875%, 3/17/15	B1	BB-	2,112,500
USD14,100	9.375%, 1/18/17	B1	BB-	15,439,500
USD2,000	6.50%, 1/6/06(c)	B1	BB-	1,985,476
USD16,050	9.875%, 1/15/19(e)	B1	BB-	17,855,625
USD12,879	10.625%, 3/16/25(e)	B1	BB-	14,859,146
	SM Investors Corporation,			
USD4,450	8.00%, 10/16/07	NR	NR	4,577,288
	URC Philippines Ltd.			
USD5,700	9.00%, 2/6/08(b)	B1	BB	5,909,834
USD1,750	8.25%, 1/20/12	B1	BB	1,773,631
				187,205,646
SINGAPORE 5.7%				
	DBS Bank,			
USD11,500	7.657%, 3/15/11(b)(c)	A1	NR	12,645,405
USD5,000	7.125%, 5/15/11(b)	Aa3	A	5,442,050
	Flextronics International Ltd.,			
USD9,600	6.50%, 5/15/13	Ba2	BB-	9,624,000
	Oversea-Chinese Banking Corporation,			
SGD3,200	5.00%, 9/6/11	A1	A-	2,042,916
USD7,600	7.75%, 9/6/11(b)	A1	A-	8,515,777
	Singapore Government,			
SGD10,000	4.00%, 3/1/07	Aaa	AAA	6,022,978
SGD25,700	1.50%, 4/1/08	Aaa	AAA	14,805,022
SGD13,000	4.625%, 7/1/10	Aaa	AAA	8,274,703
SGD9,500	3.625%, 7/1/14	Aaa	AAA	5,862,288
SGD16,900	4.00%, 9/1/18	Aaa	AAA	10,725,238
	Singapore Telecommunications,			
SGD3,250	3.21%, 3/15/06	Aa2	A+	1,921,482
USD2,600	6.375%, 12/1/11(b)	Aa2	A+	2,756,130
	SingTel Optus Finance Pty. Limited,			
USD5,800	8.00%, 6/22/10(b)	Aa3	A+	6,398,363
				95,036,352
SOUTH KOREA 13.3%				
	Equus Cayman Finance Ltd.,			
USD7,800	5.50%, 9/12/08(b)	Baa3	BBB-	7,816,887
	Hana Funding, Ltd.			
USD7,050	8.748%, 12/17/12(c)	NR	BBB	8,068,767
	Hyundai Motors Manufacturing,			
USD2,400	5.30%, 12/19/08(b)	Baa3	BBB-	2,393,969

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	Industrial Bank of Korea,			
USD3,900	4.375%, 12/4/07	A3	A-	3,852,510
USD2,300	3.50%, 6/11/08	A3	A-	2,210,857

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Principal Amount (000)	Description	Moody's Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS (continued)				
USD4,700	Kookmin Bank, 4.625%, 12/10/07	A3	A-	\$ 4,681,208
USD1,550	Koram Bank, 4.68%, 6/18/08(a)	NR	NR	1,530,315
USD3,000	Korea Development Bank, 5.25%, 11/16/06	A3	A	3,012,342
USD5,500	5.75%, 9/10/13	A3	A	5,653,681
USD3,300	Korea Electric Power Corporation, 7.75%, 4/1/13	A2	A	3,788,030
USD10,000	7.00%, 2/1/27	A2	A	10,230,550
USD6,000	Korea First Bank, 5.75%, 3/10/08(a)(b)	Baa1	BBB	6,026,940
USD3,950	7.267%, 3/3/14(a)(b)	NR	BBB	4,266,197
USD2,200	Korea Highway Corporation, 4.90%, 7/1/13(b)	A3	A	2,128,753
USD850	5.125%, 5/20/15(b)	A3	A	830,329
USD2,750	Korea Hydro & Nuclear Power, 4.25%, 1/29/08	A2	A	2,702,799
USD3,900	Korea South-East Power Co. Ltd., 4.75%, 6/26/13(e)	A2	NR	3,704,899
USD3,800	LG Telecom Ltd., 8.25%, 7/15/09(b)	Ba2	BB+	4,028,175
USD1,500	National Agricultural Cooperative Federation, 3.45%, 6/20/08	A3	A-	1,438,398
USD4,000	POSCO 7.125%, 11/1/06	A2	A-	4,089,056
USD7,800	Republic of South Korea, 8.875%, 4/15/08	A3	A	8,585,639
USD1,600	Shinhan Bank, 6.25%, 9/8/08(a)	Baa2	BBB	1,639,200
USD4,800	5.663%, 3/2/15(a)	Baa3	BBB	4,601,397
USD2,000	SK Corporation, 7.50%, 5/31/06	Ba1	NR	2,028,946
KRW19,170,000	South Korea National Debt, 7.15%, 4/11/06	A3	NR	18,698,343
KRW30,000,000	5.64%, 10/17/06	A3	NR	29,162,469
KRW9,800,000	6.15%, 7/10/07	A3	NR	9,626,234
KRW10,000,000	3.50%, 12/10/09	A3	NR	9,055,845
KRW10,000,000	4.00%, 6/10/10	A3	NR	9,294,204
KRW16,674,000	6.91%, 7/18/11	A3	NR	17,254,849
KRW10,000,000	4.25%, 9/10/14	A3	NR	8,794,251
USD10,000	South Korea National Debt - Embarc, 4.7963%, 10/11/07(f)	NR	NR	9,659,651
USD2,900	4.8115%, 10/11/07(f)	NR	NR	2,801,299
USD10,000	4.75%, 3/14/08(f)	NR	NR	9,473,834
				223,130,823

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Principal Amount (000)	Description	Moody s Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS (continued)				
SPAIN 0.2%				
AUD5,000	Instituto de Credito Oficial, 5.50%, 10/11/12	Aaa	AAA	\$ 3,667,907
SWEDEN 0.4%				
AUD8,287	Kingdom of Sweden, 7.875%, 4/23/07(b)	Aaa	AAA	6,388,052
SWITZERLAND 4.0%				
AUD8,170	Eurofima, 9.875%, 1/17/07	Aaa	AAA	6,398,228
AUD30,000	6.50%, 8/22/11	Aaa	AAA	23,202,268
AUD30,000	6.00%, 1/28/14	Aaa	AAA	22,611,198
AUD20,000	6.25%, 12/28/18	Aaa	AAA	15,387,771
				67,599,465
TAIWAN 0.6%				
USD3,900	Cathay United Bank Co. Ltd., 5.50%, 10/5/15(b)(c)(e)	Baa1	A-	3,784,336
USD1,550	Chinatrust Comm Bank HK 5.625%, 3/17/15(b)(c)	Baa1	BBB	1,491,306
USD4,750	Wan Hai Lines S Pte Ltd., 5.50%, 6/29/15	Baa2	BBB	4,542,404
				9,818,046
THAILAND 4.8%				
USD8,500	Bangkok Bank Public Company, 8.750%, 3/15/07(b)	Baa2	BBB	8,850,310
USD8,500	9.025%, 3/15/29(b)	Baa2	BBB	10,516,531
USD5,500	9.025%, 3/15/29(b)	Baa2	BBB	6,788,699
THB105,000	Nestle (Thai) Ltd., 2.16%, 6/19/08	NR	AAA	2,374,531
USD1,950	PTT Public Company Limited, 5.75%, 8/1/14(b)	A2	BBB+	1,982,077
USD4,700	Thai Farmers Bank, PL 8.25%, 8/21/16(b)	Baa2	BBB-	5,476,233
THB44,000	Thailand Government, 8.00%, 12/8/06	Baa1	NR	1,117,596
THB359,000	5.60%, 7/7/07	Baa1	NR	8,892,226
THB130,000	8.50%, 12/8/08	Baa1	A	3,448,124
THB77,000	5.375%, 11/30/11	Baa1	NR	1,807,829
THB247,000	4.125%, 11/1/12	Baa1	NR	5,265,801
THB160,000	5.00%, 12/3/14	Baa1	NR	3,487,082
THB207,000	5.50%, 1/18/17	Baa1	NR	4,628,646
THB50,000	3.875%, 3/7/18	Baa1	NR	940,124
THB200,000	5.50%, 8/13/19	Baa1	NR	4,370,296
THB91,000	5.125%, 11/8/22	Baa1	NR	1,841,492

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Total Access Communication Public,				
USD900	8.375%, 11/4/06(b)	Ba2	NR	933,334
USD6,400	8.375%, 11/4/06(b)	Ba2	BB+	6,637,043
THB24,000	5.80%, 10/30/09	NR	NR	569,418
				79,927,392

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Principal Amount (000)	Description	Moody s Rating (Unaudited)	S&P Rating (Unaudited)	Value (US\$)
LONG-TERM INVESTMENTS (concluded)				
UNITED STATES 2.8%				
AUD7,000	Bank of America Corp. 6.50%, 9/15/09	Aa2	AA-	\$ 5,316,134
AUD26,065	Federal National Mortgage Assoc., 6.375%, 8/15/07	Aaa	NR	19,659,560
NZD2,000	General Electric Capital Corp., 6.50%, 9/28/15	Aaa	AAA	1,346,509
USD2,700	Merrill Lynch & Co., Inc. 12.50%, 9/17/12(a)(g)	NR	NR	2,727,000
AUD15,000	6.75%, 3/12/14	Aa3	A+	11,461,559
NZD2,000	Morgan Stanley, 6.86%, 9/6/12	NR	NR	1,378,646
NZD1,500	SLM Corp., 6.50%, 6/15/10	Aa1	A	1,019,847
AUD5,000	Wells Fargo & Co., 5.75%, 7/12/10	Aa1	AA-	3,697,083
				46,606,338
VIETNAM 0.1%				
USD1,600	Socialist Republic of Vietnam, 3.75%, 3/12/07(a)	NR	BB-	1,167,861
Total long-term investments (cost \$1,836,489,160)				2,057,112,807
SHORT-TERM INVESTMENTS 10.6%				
NEW ZEALAND 0.1%				
NZD2,389	New Zealand Call Deposit, 5.50%, perpetual	NR	NR	1,671,732
SOUTH KOREA 1.5%				
KRW25,317,600	HSBC - KRW Linked CD 0.00%, 4/25/06(h)	NR	NR	23,901,985
UNITED STATES 9.0%				
USD96,267	Repurchase Agreement, State Street Bank and Trust Company, 3.50% dated 10/31/05, due 11/1/05 in the amount of \$96,267,000 (collateralized by \$18,805,000 U.S. Treasury Bond, 2.375% due 8/15/06; value \$18,613,433 and \$79,585,000 U.S. Treasury Bond, 4.375% due 8/15/12; value \$79,585,000)			96,267,000

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Shares	Description	Value (US\$)
USD54,954,045	State Street Navigator Prime Portfolio(i) (cost \$54,954,045)	\$ 54,954,045
		<u>151,221,045</u>
Total short-term investments (cost \$176,390,269)		<u>176,794,762</u>
Total Investments 133.3% (cost \$2,012,879,429)		<u>2,233,907,569</u>
Other assets in excess of liabilities 2.5%		41,742,951
Liquidation value of preferred stock (35.8%)		(600,000,000)
Net Assets Applicable to Common Shareholders 100.0%		<u>\$ 1,675,650,520</u>

NR Not rated by Moody's and/or Standard & Poor's.

AUD Australian dollar

KRW South Korean won

MYR Malaysian ringgit

NZD New Zealand dollar

PHP Philippine peso

SGD Singapore dollar

THB Thailand baht

USD United States dollar

- (a) Indicates a variable rate security. The maturity date presented for these instruments is the latter of the next date on which the security can be redeemed at par or the next date on which the rate of interest is adjusted. The interest rate shown reflects the rate in effect at October 31, 2005.
- (b) Security acquired in a transaction exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 2005, the aggregate market value of these securities amounted to \$249,748,415 or 14.9% of net assets applicable to common shareholders.
- (c) The date presented for these instruments represents the next call date.
- (d) Illiquid security.
- (e) Security, or portion thereof, on loan. With an aggregate market value of \$53,411,325; cash collateral of \$54,954,045 was received with which the Fund purchased securities.
- (f) Value of security is dependent on the value of South Korean won and Korean Government securities.
- (g) Security is linked to the Philippine Peso.
- (h) Security is linked to the movement of the South Korean won.
- (i) Represents security purchased with cash collateral received for securities on loan.

Interest Rate Swap Agreements

Counterparty	Termination Date	Notional Amount (000)	Fixed Rate	Unrealized Appreciation
UBS AG	October 31, 2006	\$ 96,000	2.6900%	\$ 1,826,688
UBS AG	October 31, 2007	144,000	3.1600%	4,268,736
UBS AG	October 31, 2008	144,000	3.5400%	4,880,592
UBS AG	October 31, 2010	96,000	4.0550%	3,255,409

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Portfolio of Investments (continued)

October 31, 2005

Futures Contracts

	<u>Expiration</u>	<u>Contracts</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Purchase contract:			
Australian Treasury Bond 6% 10 year	December 2005	105	\$ (159,689)
Sale contracts:			
United States Treasury Note 6% 5 year	December 2005	175	418,008
United States Treasury Note 6% 10 year	December 2005	150	523,828
United States Treasury Bond 6% 20 year	December 2005	25	137,109
			\$ 919,256

Foreign Forward Currency Exchange Contracts

<u>Purchase/Sale</u>	<u>Amount Purchased</u>	<u>Amount Sold</u>	<u>Purchase Value as of October 31, 2005</u>	<u>Sale Value as of October 31, 2005</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
United States Dollar/Australian Dollar					
settlement date 11/25/05	USD60,000,000	AUD79,540,785	\$ 60,000,000	\$ 59,370,473	\$ 629,527
settlement date 1/27/06	USD61,000,000	AUD81,311,650	61,000,000	60,554,320	445,680
settlement date 2/27/06	USD59,000,000	AUD78,771,696	59,000,000	58,613,701	386,299
Indonesian Rupiah/United States Dollar					
settlement date 3/20/06	INR376,992,000,000	USD35,700,000	36,095,939	35,700,000	395,938
Singapore Dollar/United States Dollar					
settlement date 1/26/06	SGD20,223,940	USD12,200,000	11,972,283	12,200,000	(227,717)
settlement date 2/27/06	SGD20,181,600	USD12,000,000	11,968,596	12,000,000	(31,404)
South Korean Won/United States Dollar					
settlement date 1/26/06	KRW18,773,970,000	USD18,300,000	18,069,442	18,300,000	(230,557)
United States Dollar/New Zealand Dollar					
settlement date 2/12/06	USD25,201,540	NZD36,400,000	25,201,540	25,250,637	(49,097)
			\$ 283,307,800	\$ 281,989,131	\$ 1,318,669

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Statement of Assets and Liabilities

October 31, 2005

Assets	
Investments, at value including securities on loan of \$53,411,325 (cost \$2,012,879,429)	\$ 2,233,907,569
Foreign currency, at value (cost \$55,518,731)	56,401,217
Cash	638,242
Cash at broker	4,030,344
Interest receivable	32,469,495
Net unrealized appreciation on interest rate swaps	14,231,425
Unrealized appreciation on forward currency exchange contracts	1,857,444
Variation margin receivable for futures contracts	919,256
Prepaid expenses	369,681
	<hr/>
Total assets	2,344,824,673
	<hr/>
Liabilities	
Collateral for securities on loan	54,954,045
Dividends payable to common shareholders	9,277,577
Payable for forward currency contracts	1,560,707
Investment management fee payable	1,019,745
Dividends payable to preferred shareholders	703,750
Unrealized depreciation on forward currency exchange contracts	538,775
Administration fee payable	177,299
Accrued expenses and other liabilities	942,255
	<hr/>
Total liabilities	69,174,153
	<hr/>
Preferred stock \$.01 par value per share and \$25,000 liquidation value per share applicable to 24,000 shares; Note 7	600,000,000
	<hr/>
Net Assets Applicable to Common Shareholders	\$ 1,675,650,520
	<hr/>
Composition of Net Assets Applicable to Common Shareholders	
Common stock (par value \$.01 per share)	\$ 2,650,737
Paid-in capital in excess of par	1,755,751,801
Distributions in excess of net investment income	(52,351,077)
Accumulated net realized loss on investment transactions	(34,188,808)
Net unrealized appreciation on investments	16,223,497
Accumulated net realized foreign exchange losses	(234,435,070)
Net unrealized foreign exchange gains	221,999,440
	<hr/>
Net Assets Applicable to Common Shareholders	\$ 1,675,650,520
	<hr/>
Net asset value per common share based on 265,073,644 shares issued and outstanding	\$6.32
	<hr/>

See Notes to Financial Statements.

Aberdeen Asia-Pacific Income Fund, Inc.

Statement of Operations

For the Year Ended October 31, 2005

Net Investment Income

Income

Interest and amortization of discount and premium (net of foreign withholding taxes of \$6,394,578)

(1)

This information has been furnished for each Director as of December 31, 2007. Beneficial Ownership is determined in accordance with Section 16a-1(a)(2) of the Securities Exchange Act of 1934, as amended.

(2)

The Fund Complex includes all the funds that are considered part of the same fund complex as the Fund because they have common or affiliated investment advisers.

The Directors serving on the Fund's Nominating Committee are Anthony J. Colavita (Chair), Arthur V. Ferrara and Salvatore J. Zizza. The Nominating Committee is responsible for recommending qualified candidates to the Board in the event that a position is

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vacated or created. The Nominating Committee would consider recommendations by shareholders if a vacancy were to exist. Such recommendations should be forwarded to the Secretary of the Fund. The Fund does not have a standing compensation committee. The Nominating Committee met once during the year ended December 31, 2007.

Anthony J. Colavita, Anthony R. Pustorino (Chair) and Salvatore J. Zizza, who are not interested persons of the Fund as defined in the 1940 Act, serve on the Fund's Audit Committee. The Audit Committee is generally responsible for reviewing and evaluating issues related to the accounting and financial reporting policies and internal controls of the Fund and, as appropriate, the internal controls of certain service providers, overseeing the quality and objectivity of the Fund's financial statements and the audit thereof and to act as a liaison between the Board and the Fund's independent registered public accounting firm. The Audit Committee met twice during the year ended December 31, 2007.

Remuneration of Directors and Officers

The Fund pays each Director who is not affiliated with the Investment Adviser or its affiliates a fee of \$12,000 per year plus \$1,500 per meeting attended in person, \$1,000 per Committee meeting attended in person, and \$500 per telephonic meeting, together with the Director's actual out-of-pocket expenses relating to his attendance at such meetings.

The following table shows the compensation that the Directors earned in their capacity as Directors during the year ended December 31, 2007. The table also shows, for the year ended December 31, 2007, the compensation Directors earned in their capacity as Directors/Trustees for other funds in the Gabelli Fund Complex.

Compensation Table for the Year Ended December 31, 2007

Name of Director	Compensation From the Fund	Aggregate Compensation From the Fund and Fund Complex Paid to Directors*
Directors		
Mario J. Gabelli	\$ 0	\$ 0
Thomas E. Bratter	\$ 20,000	\$ 39,500
Anthony J. Colavita	\$ 24,500	\$ 225,000
James P. Conn	\$ 21,500	\$ 104,750
Frank J. Fahrenkopf, Jr.	\$ 18,500	\$ 60,500
Arthur V. Ferrara	\$ 20,667	\$ 35,250
Anthony R. Pustorino	\$ 24,667	\$ 141,500
Salvatore J. Zizza	\$ 24,031	\$ 166,250
Officers		
Carter W. Austin, Vice President	\$ 120,000	

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* Represents the total compensation paid to such persons during the calendar year ended December 31, 2007 by investment companies (including the Fund) or portfolios thereof from which such person receives compensation that are considered part of the same fund complex as the Fund because they have common or affiliated investment advisers. The number in parenthesis represents the number of such investment companies and portfolios.

Limitation of Directors and Officers Liability

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

Investment Management

The Investment Adviser, located at One Corporate Center, Rye, New York 10580-1422, serves as the investment adviser to the Fund pursuant to an investment advisory agreement with the Fund (the "Advisory Agreement"). The Investment Adviser was organized in 1999 and is the successor to Gabelli Funds, Inc., which was organized in 1980. As of September 30, 2007, the Investment Adviser acted as registered investment adviser to 24 management investment companies with aggregate net assets of \$16.9 billion. The Investment Adviser, together with other

affiliated investment advisers, had assets under management totaling approximately \$31.6 billion as of September 30, 2007. GAMCO Asset Management Inc., an affiliate of the Investment Adviser, acts as investment adviser for individuals, pension trusts, profit sharing trusts and endowments, and as a sub-adviser to management investment companies having aggregate assets of \$13.8 billion under management as of September 30, 2007. Gabelli Securities, Inc., an affiliate of the Investment Adviser, acts as investment adviser for investment partnerships and entities having aggregate assets of approximately \$491 million under management as of September 30, 2007. Gabelli Fixed Income LLC, an affiliate of the Investment Adviser, acts as investment adviser for separate accounts having aggregate assets of approximately \$27 million under management as of September 30, 2007. Gabelli Advisers, Inc., an affiliate of the Investment Adviser, acts as investment manager to the Westwood Funds having aggregate assets of approximately \$443 million under management as of September 30, 2007.

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

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The Investment Adviser will provide a continuous investment program for the portfolios of the Fund and oversee the administration of all aspects of the Fund's business and affairs. The Investment Adviser has sole investment discretion for the assets of the Fund under the supervision of the Fund's Board and in accordance with the Fund's stated policies. The Investment Adviser will select investments for the Fund and will place purchase and sale orders on behalf of the Fund.

Investment Advisory Agreements

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

Under the terms of the Advisory Agreement, the Investment Adviser manages the portfolio of the Fund in accordance with its stated investment objectives and policies, makes investment decisions for the Fund, places orders to purchase and sell securities on behalf of the Fund and manages its other business and affairs, all subject to the supervision and direction of the Fund's Board. In addition, under the Advisory Agreement, the Investment Adviser oversees the administration of all aspects of the Fund's business and affairs and provides, or arranges for others to provide, at the Investment Adviser's expense, certain enumerated services, including maintaining the Fund's books and records, preparing reports to the Fund's shareholders and supervising the calculation of the net asset value of its shares. All expenses of computing the net asset value of the Fund, including any equipment or services obtained solely for the purpose of pricing shares or valuing its investment portfolio, underwriting compensation and reimbursements in connection with sales of its securities, the costs of utilizing a third party to monitor and collect class action settlements on behalf of the Fund, compensation to an administrator for certain SEC filings on behalf of the Fund, the fees and expenses of directors who are not officers or employees of the Investment Adviser of its affiliates, compensation and other expenses of employees of the Fund as approved by the directors, the pro rata costs of the

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Fund's chief compliance officer, charges of the custodian, any sub-custodian and transfer agent and dividend paying agent, expenses in connection with the Automatic Dividend Reinvestment Plan and Voluntary Cash Purchase Plan, accounting and pricing costs, membership fees in trade associations, expenses for legal and independent accountants services, costs of printing proxies, share certificates and shareholder reports, fidelity bond coverage for Fund officer's and employees, directors and officers' errors and omissions insurance coverage, and stock exchange listing fees will be an expense of the Fund unless the Investment Adviser voluntarily assumes responsibility for such expenses. During fiscal year 2007, the Fund paid or accrued \$45,000 to the Investment Adviser in connection with the cost of computing the Fund's net asset value.

The Advisory Agreement combines investment advisory and certain administrative responsibilities in one agreement. For services rendered by the Investment Adviser on behalf of the Fund's Advisory Agreement, the Fund pays the Investment Adviser a fee computed weekly and paid monthly at the annual rate of 1.00% of the average weekly net assets of the Fund. For purposes of calculating this fee, the Fund's average weekly net assets will be deemed to be the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities (such liabilities exclude the aggregate liquidation preference of outstanding preferred shares and accumulated dividends, if any, on those shares). The Investment Adviser has agreed to reduce the management fee on the incremental assets attributable to the preferred stock during the fiscal year if the total return of the net asset value of the common stock, including distributions and management fees subject to reduction, does not exceed the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. The Fund's total return on the net asset value of its common stock is monitored on a monthly basis to assess whether the total return on the net asset value of its common stock exceeds the stated dividend rate or corresponding swap rate of each particular series of outstanding preferred stock for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the additional management fee on those assets. For the year ended December 31, 2007, the Fund's total return on the net asset value of the common stock exceeded the stated dividend rate or corresponding swap rate of Series C Auction Rate Preferred, Series D Preferred, Series E Auction Rate Preferred and Series F Preferred. Thus management fees were accrued on these assets. The Fund's total return on the net asset value of the common shares did not exceed the stated dividend rate or the corresponding swap rate of Series B Preferred. Thus, management fees with respect to the liquidation value of the preferred stock assets were reduced by \$23,733.

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

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

A discussion regarding the basis of the Board's approval of the Advisory Agreement for the Fund is available in the semi-annual report to shareholders for the six months ended June 30, 2007.

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The information below lists other accounts for which each portfolio manager was primarily responsible for the day-to-day management during the year ended December 31, 2007.

Name of Portfolio Manager	Type of Accounts	Total # of Accounts Managed	Total Assets	# of Accounts Managed with Advisory Fee	Total Assets with Advisory Fee
				Based on Performance	Based on Performance
Mario J. Gabelli	Registered Investment Companies:	23	\$ 13.9 billion	6	\$ 3.6 billion
	Other Pooled Investment Vehicles:	12	\$ 269.6 million	11	\$ 188.6 million
	Other Accounts:	1,991	\$ 10.6 billion	6	\$ 1.6 billion
Caesar M.P. Bryan	Registered Investment Companies:	4	\$ 1.2 billion	0	\$ 0
	Other Pooled Investment Vehicles:	2	\$ 6.3 million	2	\$ 6.3 million
	Other Accounts:	5	\$ 57.0 million	0	\$ 0

Potential Conflicts of Interest

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

Allocation of Limited Time and Attention. Because the portfolio manager manages many accounts, he may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as if he were to devote substantially more attention to the management of only a few accounts.

Allocation of Limited Investment Opportunities. If the portfolio manager identifies an investment opportunity that may be suitable for multiple accounts, the Fund may not be able to take full advantage of that opportunity because the opportunity may need to be allocated among all or many of these accounts or other accounts primarily managed by other portfolio managers of the Investment Adviser and its affiliates.

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

Selection of Broker/Dealers. A portfolio manager may be able to select or influence the selection of the brokers and dealers that are used to execute securities transactions for the funds or accounts that he or she supervises. In

addition to providing execution of trades, some brokers and dealers provide the Investment Adviser with brokerage and research services. These services may be more beneficial to certain funds or accounts of the Investment Adviser and its affiliates than to others. Although the payment of brokerage commissions is subject to the requirement that the Investment Adviser determine in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided to the Fund, a portfolio manager's decision as to the selection of brokers and dealers could yield disproportionate costs and benefits among the funds or other accounts that the Investment Adviser and its affiliates manage. In addition, with respect to certain types of accounts (such as pooled investment vehicles and other accounts managed for organizations and individuals), the Investment Adviser may be limited by the client concerning the selection of brokers or may be instructed to direct trades to particular brokers. In these cases, the Investment Adviser or its affiliates may place separate, non-simultaneous transactions in the same security for the Fund and another account that may temporarily affect the market price of the security or the execution of the transaction, or both, to the detriment of the Fund or the other account. Because of Mr. Gabelli's position with, and his indirect majority ownership interest in, an affiliated broker dealer, Gabelli & Company, he may have an incentive to use Gabelli & Company to execute portfolio transactions for the Fund even if using Gabelli & Company is not in the best interest of the Fund.

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Variation in Compensation. A conflict of interest may arise where the financial or other benefits available to the portfolio manager differ among the accounts that he manages. If the structure of the Investment Adviser's management fee or the portfolio manager's compensation differs among accounts (such as where certain accounts pay higher management fees or performance-based management fees), the portfolio manager may be motivated to favor certain accounts over others. The portfolio manager also may be motivated to favor accounts in which he has an investment interest, or in which the Investment Adviser or its affiliates have investment interests. In Mr. Gabelli's case, the Investment Adviser's compensation (and expenses) for the Fund is marginally greater as a percentage of assets than for certain other accounts and is less than for certain other accounts managed by Mr. Gabelli, while his personal compensation structure varies with near-term performance to a greater degree in certain performance fee-based accounts than with non-performance-based accounts. In addition, he has investment interests in several of the funds managed by the Investment Adviser and its affiliates.

The Investment Adviser and the Fund have adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for the Investment Adviser and its staff members. However, there is no guarantee that such policies and procedures will be able to detect and address every situation in which an actual or potential conflict may arise. In Mr. Bryan's case, his compensation is not affected by changes in assets of the Fund while it is for other accounts that he manages.

Compensation Structure. Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by the Investment Adviser for managing the fund. Net revenues are determined by deducting from gross investment management fees the firm's expenses (other than Mr. Gabelli's compensation) allocable to the Fund. Additionally, he receives similar incentive-based variable compensation for managing other accounts within the firm. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. Five closed-end registered investment companies managed by Mr. Gabelli have arrangements whereby the Investment Adviser will only receive its investment advisory fee attributable to the liquidation value of outstanding preferred stock (and Mr. Gabelli would only receive his percentage of such advisory fee) if certain performance levels are met. Mr. Gabelli manages other accounts with performance fees. Compensation for managing these accounts has two components. One component of the fee is based on a percentage of net revenues received by the Investment Adviser for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of such performance fee is paid to Mr. Gabelli. As an executive officer of the Investment Adviser's parent company, GAMCO Investors, Inc., Mr. Gabelli also receives ten percent of the net operating profits of the parent company. Mr. Gabelli receives no base salary, no annual bonus and no stock options.

The compensation of other portfolio managers in the Gabelli organization is reviewed annually and structured to enable it to attract and retain highly qualified professionals in a competitive environment. Mr. Bryan receives a compensation package that includes a minimum draw or base salary, equity-based incentive compensation via awards of stock options, and incentive-based variable compensation based on a percentage of net revenues received by the Investment Adviser for managing certain accounts other than the funds to the extent that the amount exceeds a minimum level of compensation. Net revenues are determined by deducting

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from gross investment management fees certain of the firm's expenses (other than Mr. Bryan's compensation) allocable to such other accounts. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. Equity-based incentive compensation is based on an evaluation by the Investment Adviser's parent, GAMCO Investors, Inc., of quantitative and qualitative performance evaluation criteria.

Mr. Bryan's compensation for managing other pooled investment accounts is based on a percentage of net revenues received by the Investment Adviser for managing the account. Compensation for managing accounts that have a performance-based fee will have two components. One component is based on a percentage of net revenues received by the Investment Adviser for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of the performance fee is paid to the portfolio manager.

Portfolio Holdings Information

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

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

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

(2) To mutual fund rating and statistical agencies and to persons performing similar functions where there is a legitimate business purpose for such disclosure and

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such entity has agreed to keep such data confidential at least until it has been made public by the Investment Adviser;

(3) To service providers of the Fund, as necessary for the performance of their services to the Fund and to the Board; the Fund's anticipated service providers are its administrator, transfer agent, custodian, independent registered public accounting firm, and legal counsel;

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

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

(6) To consultants for purposes of performing analysis of the Fund, which analysis (but not the Portfolio Holdings Information) may be used by the consultant with its clients or disseminated to the public, provided that such entity shall have agreed to keep such information confidential until at least it has been made public by the Investment Adviser.

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

Ownership of Shares in the Fund

As of December 31, 2007, the portfolio managers of the Fund own the following amounts of equity securities of the Fund.

Name	Dollar Range of Equity Securities Held in Fund
Mario J. Gabelli	Over \$1,000,000
Caesar M.P. Bryan	None

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AUCTIONS FOR AUCTION RATE PREFERRED STOCK

Summary of Auction Procedures

The following is a brief summary of the auction procedures for preferred shares that are auction rate preferred stock. These auction procedures are complicated, and there are exceptions to these procedures. Many of the terms in this section have a special meaning. Accordingly, this description does not purport to be complete and is qualified, in its entirety, by reference to the Fund's Charter, including the provisions of the Articles Supplementary establishing any series of auction rate preferred stock.

The auctions determine the dividend rate for auction rate preferred shares, but each dividend rate will not be higher than the maximum rate. If you own auction rate preferred shares, you may instruct your broker-dealer to enter one of three kinds of orders in the auction with respect to your stock: sell, bid and hold.

If you enter a sell order, you indicate that you want to sell auction rate preferred shares at their liquidation preference per share, no matter what the next dividend period's rate will be.

If you enter a bid (or hold at a rate) order, which must specify a dividend rate, you indicate that you want to sell auction rate preferred shares only if the next dividend period's rate is less than the rate you specify.

If you enter a hold order you indicate that you want to continue to own auction rate preferred shares, no matter what the next dividend period's rate will be.

You may enter different types of orders for different portions of your auction rate preferred shares. You may also enter an order to buy additional auction rate preferred shares. All orders must be for whole shares of stock. All orders you submit are irrevocable. There is a fixed number of auction rate preferred shares, and the dividend rate likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders seek to buy, the rating of the auction rate preferred shares and general economic conditions including current interest rates. If you own auction rate preferred shares and submit a bid for them higher than the then-maximum rate, your bid will be treated as a sell order. If you do not enter an order, the broker-dealer will assume that you want to continue to hold auction rate preferred shares, but if you fail to submit an order and the dividend period is longer than 28 days, the broker-dealer will treat your failure to submit a bid as a sell order.

If you do not then own auction rate preferred shares, or want to buy more shares, you may instruct a broker-dealer to enter a bid order to buy shares in an auction at the liquidation preference per share at or above the dividend rate you specify. If your bid for shares you do not own specifies a rate higher than the then-maximum rate, your bid will not be considered.

Broker-dealers will submit orders from existing and potential holders of auction rate preferred shares to the auction agent. Neither the Fund nor the auction agent will be responsible for a broker-dealer's failure to submit orders from existing or potential holders of auction rate preferred shares. A broker-dealer's failure to submit orders for auction rate preferred shares held by it or its customers will be treated in the same manner as a holder's failure to submit an order to the broker-dealer. A broker-dealer may submit orders to the auction agent for its own account. The Fund may not submit an order in any auction.

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The auction agent after each auction for the auction rate preferred shares will pay to each broker-dealer, from funds provided by the Fund, a service charge equal to, in the case shares of any auction immediately preceding a dividend period of less than 365 days, the product of (i) a fraction, the numerator of which is the number of days in such dividend period and the denominator of which is 365, times (ii) $\frac{1}{4}$ of 1%, times (iii) the liquidation preference per share, times (iv) the aggregate number of auction rate preferred shares placed by such broker-dealer at such auction or, in the case of any auction immediately preceding a dividend period of one year or longer, a percentage of the purchase price of the auction rate preferred shares placed by the broker-dealer at the auction agreed to by the Fund and the broker-dealers.

If the number of auction rate preferred shares subject to bid orders by potential holders with a dividend rate equal to or lower than the then-maximum rate is at least equal to the number of auction rate preferred shares subject to sell orders, then the dividend rate for the next dividend period will be the lowest rate submitted which, taking into account that rate and all lower rates submitted in order from existing and potential holders, would result in existing and potential holders owning all the auction rate preferred shares available for purchase in the auction.

If the number of auction rate preferred shares subject to bid orders by potential holders with a dividend rate equal to or lower than the then-maximum rate is less than the number of auction rate preferred shares subject to sell orders, then the auction is considered to be a failed auction, and the dividend rate will be the maximum rate. In that event, existing holders that have submitted sell orders (or are treated as having submitted sell orders) may not be able to sell any or all of the auction rate preferred shares offered for sale than there are buyers for those shares.

If broker-dealers submit or are deemed to submit hold orders for all outstanding auction rate preferred shares, the auction is considered an all hold auction and the dividend rate for the next dividend period will be the all hold rate, which is 80% of the AA Financial Composite Commercial Paper Rate, as determined in accordance with procedures set forth in the Articles Supplementary establishing the auction rate preferred shares.

The auction procedures include a *pro rata* allocation of auction rate preferred shares for purchase and sale. This allocation process may result in an existing holder continuing to hold or selling, or a potential holder buying, fewer shares than the number of shares of auction rate preferred shares in its order. If this happens, broker-dealers will be required to make appropriate *pro rata* allocations among their respective customers.

Settlement of purchases and sales will be made on the next business day (which also is a dividend payment date) after the auction date through DTC. Purchasers will pay for their auction rate preferred shares through broker-dealers in same-day funds to DTC against delivery to the broker-dealers. DTC will make payment to the sellers broker-dealers in accordance with its normal procedures, which require broker-dealers to make payment against delivery in same-day funds. As used in this SAI, a business day is a day on which the NYSE is open for trading, and which is not a Saturday, Sunday or any other day on which banks in New York City are authorized or obligated by law to close.

The first auction for a series of auction rate preferred shares will be held on the date specified in the Prospectus Supplement for such series, which will be the business day preceding the dividend payment date for the initial dividend period. Thereafter, except during special dividend periods, auctions for such series auction rate preferred shares normally will be held within the frequency specified in the Prospectus Supplement for such series, and each subsequent

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dividend period for such series auction rate preferred shares normally will begin on the following day.

If an auction is not held because an unforeseen event or unforeseen events cause a day that otherwise would have been an auction date not to be a business day, then the length of the then-current dividend period will be extended by seven days (or a multiple thereof if necessary because of such unforeseen event or events), the applicable rate for such period will be the applicable rate for the then-current dividend period so extended and the dividend payment date for such dividend period will be the first business day immediately succeeding the end of such period.

The following is a simplified example of how a typical auction works. Assume that the Fund has 1,000 outstanding shares of auction rate preferred stock and three current holders. The three current holders and three potential holders submit orders through broker-dealers at the auction.

Current Holder A	Owns 500 shares, wants to sell all 500 shares if auction rate is less than 4.6%	Bid order at 4.6% rate for all 500 shares
Current Holder B	Owns 300 shares, wants to hold	Hold order will take the auction rate
Current Holder C	Owns 200 shares, wants to sell all 200 shares if auction rate is less than 4.4%	Bid order at 4.4% rate for all 200 shares
Potential Holder D	Wants to buy 200 shares	Places order to buy at or above 4.5%
Potential Holder E	Wants to buy 300 shares	Places order to buy at or above 4.4%
Potential Holder F	Wants to buy 200 shares	Places order to buy at or above 4.6%

The lowest dividend rate that will result in all 1,000 shares of auction rate preferred stock continuing to be held is 4.5% (the offer by D). Therefore, the dividend rate will be 4.5%. Current holders B and C will continue to own their shares. Current holder A will sell its shares because A's dividend rate bid was higher than the dividend rate. Potential holder D will buy 200 shares and potential holder E will buy 300 shares because their bid rates were at or below the dividend rate. Potential holder F will not buy any shares because its bid rate was above the dividend rate.

Secondary Market Trading and Transfer of Auction Rate Preferred Stock

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The underwriters shall not be required to make a market in the auction rate preferred stock. The broker-dealers (including the underwriters) may maintain a secondary trading market for outside of auctions, but they are not required to do so. There can be no assurance that a secondary trading market for the auction rate preferred stock will develop or, if it does develop, that it will provide owners with liquidity of investment. The auction rate preferred stock will not be registered on any stock exchange. Investors who purchase auction rate preferred shares in an auction for a special dividend period should note that because the dividend rate on such shares will be fixed for the length of that dividend period, the value of such shares may fluctuate in response to the changes in interest rates and may be more or less than their original cost if sold on the open market in advance of the next auction thereof, depending on market conditions.

You may sell, transfer, or otherwise dispose of the auction rate preferred stock only in whole shares and only pursuant to a bid or sell order placed with the auction agent in accordance with the auction procedures, to the Fund or its affiliates or to or through a broker-dealer that has been selected by the Fund or to such other persons as may be permitted by the Fund. However, if you hold your auction rate preferred shares in the name of a broker-dealer, a sale or transfer of your auction rate preferred shares to that broker dealer, or to another customer of that broker-dealer, will not be considered a sale or transfer or purposes of the foregoing if the shares remain in the name of the broker-dealer immediately after your transaction. In addition, in the case of all transfers other than through an auction, the broker-dealer (or other person, if the Fund permits) receiving the transfer must advise the auction agent of the transfer.

PORTFOLIO TRANSACTIONS

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

Subject to obtaining the best price and execution, brokers who provide supplemental research, market and statistical information, or other services (e.g., wire services) to the

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

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

For the fiscal years ended December 31, 2005, December 31, 2006 and December 31, 2007, the Fund paid a total of \$814,155, \$829,093 and \$643,869 respectively, in brokerage commissions, of which Gabelli & Company and its affiliates received \$469,081, \$483,095 and \$387,398, respectively. The amount received by Gabelli & Company and its affiliates from the Fund in respect of brokerage commissions for the fiscal year ended December 31, 2007 represented approximately 60.17% of the aggregate dollar amount of brokerage commissions paid by the Fund for such period and approximately 63.51% of the aggregate dollar amount of transactions by the Fund for such period.

PORTFOLIO TURNOVER

The Fund does not engage in the trading of securities for the purpose of realizing short-term profits, but adjusts its portfolio as it deems advisable in view of prevailing or anticipated market conditions to accomplish its investment objective. A high rate of portfolio turnover involves correspondingly greater brokerage commission expenses than a lower rate, which expenses must be borne by the Fund and its shareholders. High portfolio turnover may also result in the realization of substantial net short-term capital gains and any distributions resulting from such gains will be taxable at ordinary income rates for U.S. federal income tax purposes. The Fund's portfolio turnover rates for the years ended December 31, 2006 and December 31, 2007 were 29.5% and 17.2%, respectively. The portfolio turnover rate is calculated by dividing the lesser of sales or purchases of portfolio securities by the average monthly value of the Fund's portfolio securities. For purposes of this calculation, portfolio securities exclude purchases and sales of debt securities having a maturity at the date of purchase of one year or less.

TAXATION

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and its shareholders. This discussion reflects applicable tax

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laws of the United States as of the date of this SAI, which tax laws may be changed or subject to new interpretations by the courts or the Internal Revenue Service (the IRS) retroactively or prospectively. No attempt is made to present a detailed explanation of all U.S. federal, state, local and foreign tax concerns affecting the Fund and its shareholders (including shareholders owning a large position in the Fund), and the discussions set forth herein do not constitute tax advice. Investors are urged to consult their own tax advisers to determine the tax consequences to them of investing in the Fund.

Taxation of the Fund

The Fund has qualified and intends to continue to qualify, as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code) (a RIC). Accordingly, the Fund will, among other things, (i) derive in each taxable year at least 90% of its gross income from (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gain from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or 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 its total assets is represented by cash and cash items, U.S. government securities, the securities of other regulated investment companies and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the value of the Fund's total assets is invested in the securities of (I) any one issuer (other than U.S. government securities and the securities of other RICs), (II) any two or more issuers in which the Fund owns 20% or more of the voting stock and that are determined to be engaged in the same business or similar or related trades or businesses or (III) any one or more Qualified Publicly Traded Partnerships.

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

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

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax at the Fund level. To avoid the tax, the Fund must distribute during each calendar year an amount at least equal to the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year, (ii)

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98% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made to use the fund's fiscal year), and (iii) certain undistributed amounts from previous years on which a fund paid no federal income tax. While the Fund intends to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's taxable income and capital gain will be distributed to avoid entirely the imposition of the tax. In that event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirement.

A distribution will be treated as paid during the calendar year if it is paid during the calendar year or declared by the Fund in October, November or December of the year, payable to shareholders of record on a date during such a month and paid by the Fund during January of the following year. Any such distributions paid during January of the following year will be deemed to be received no later than December 31 of the year the distributions are declared, rather than when the distributions are received.

If the Fund were unable to satisfy the 90% distribution requirement or otherwise were to fail to qualify as a RIC in any year, it would be taxed in the same manner as an ordinary corporation and distributions to the Fund's shareholders would not be deductible by the Fund in computing its taxable income. To qualify again to be taxed as a RIC in a subsequent year, the Fund would be required to distribute to its shareholders its earnings and profits attributable to non-RIC years. In addition, if the Fund failed to qualify as a RIC for a period greater than two taxable years, then the Fund would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if the Fund had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years, in order to qualify as a RIC in a subsequent year.

Gain or loss on the sales of securities by the Fund will generally be long-term capital gain or loss if the securities have been held by the Fund for more than one year. Gain or loss on the sale of securities held for one year or less will be short-term capital gain or loss.

Foreign currency gain or loss on non-U.S. dollar-denominated securities and on any non-U.S. dollar-denominated futures contracts, options and forward contracts that are not section 1256 contracts (as defined below) generally will be treated as ordinary income and loss.

Investments by the Fund in certain passive foreign investment companies (PFICs) could subject such fund to federal income tax (including interest charges) on certain distributions or dispositions with respect to those investments which cannot be eliminated by making distributions to shareholders. Elections may be available to the Fund to mitigate the effect of this tax provided that the PFIC complies with certain reporting requirements, but such elections generally accelerate the recognition of income without the receipt of cash. Dividends paid by PFICs will not qualify for the reduced tax rates discussed below under Taxation of Shareholders.

The Fund may invest in debt obligations purchased at a discount with the result that the Fund may be required to accrue income for U.S. federal income tax purposes before amounts due under the obligations are paid. The Fund may also invest in securities rated in the medium to lower rating categories of nationally recognized rating organizations, and in unrated securities

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(high yield securities). A portion of the interest payments on such high yield securities may be treated as dividends for certain U.S. federal income tax purposes.

As a result of investing in stock of PFICs or securities purchased at a discount or any other investment that produces income that is not matched by a corresponding cash distribution to the Fund, the Fund could be required to include in current income, income it has not yet received. Any such income would be treated as income earned by the Fund and therefore would be subject to the distribution requirements of the Code. This might prevent the Fund from distributing 90% of its investment company taxable income as is required in order to avoid Fund-level federal income taxation on all of its income, or might prevent the Fund from distributing enough ordinary income and capital gain net income to avoid completely the imposition of the excise tax. To avoid this result, the Fund may be required to borrow money or dispose of securities to be able to make distributions to its shareholders.

If the Fund does not meet the asset coverage requirements of the 1940 Act and the Articles Supplementary, the Fund will be required to suspend distributions to the holders of common stock until the asset coverage is restored. Such a suspension of distributions might prevent the Fund from distributing 90% of its investment company taxable income as is required in order to avoid fund-level federal income taxation on all of its income, or might prevent the fund from distributing enough income and capital gain net income to avoid completely imposition of the excise tax.

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

Foreign Taxes

Since the Fund may invest in foreign securities, income from such securities may be subject to non-U.S. taxes. The Fund expects to invest less than 35% of its total assets in foreign securities. As long as the Fund continues to invest less than 35% of its assets in foreign securities it will not be eligible to elect to pass-through to shareholders of a fund the ability to use the foreign tax deduction or foreign tax credit for foreign taxes paid with respect to qualifying taxes.

Taxation of Shareholders

The Fund will determine either to distribute or to retain for reinvestment all or part of its net capital gain. If any such gain is retained, the Fund will be subject to a tax of 35% of such amount. In that event, the Fund expects to designate the retained amount as undistributed capital gain in a notice to its shareholders, each of whom (i) will be required to include in income for tax purposes as long-term capital gain its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Fund against its federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its

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basis in its shares of the Fund by an amount equal to 65% of the amount of undistributed capital gain included in such shareholder's gross income.

Distributions paid by the Fund from its investment company taxable income, which includes net short-term capital gain, generally are taxable as ordinary income to the extent of the Fund's earnings and profits. Such distributions, if designated by the Fund, may, however, qualify (provided holding period and other requirements are met by the Fund and its shareholders) (i) for the dividends received deduction available to corporations, but only to the extent that the Fund's income consists of dividend income from U.S. corporations and (ii) for taxable years beginning on or before December 31, 2010, as qualified dividend income eligible for the reduced maximum federal tax rate to individuals of generally 15% (currently 0% for individuals in lower tax brackets) to the extent that the Fund receives qualified dividend income. Qualified dividend income is, in general, dividend income from taxable domestic corporations and certain qualified foreign corporations (e.g., generally, foreign corporations incorporated in a possession of the United States or in certain countries with a qualifying comprehensive tax treaty with the United States, or whose shares with respect to which such dividend is paid is readily tradable on an established securities market in the United States). A qualified foreign corporation does not include a foreign corporation which for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a PFIC. If the Fund engages in certain securities lending transactions, the amount received by the Fund that is the equivalent of the dividends paid by the issuer on the securities loaned will not be eligible for qualified dividend income treatment. Distributions of net capital gain designated as capital gain distributions, if any, are taxable to shareholders at rates applicable to long-term capital gain, whether paid in cash or in shares, and regardless of how long the shareholder has held the Fund's shares. Capital gain distributions are not eligible for the dividends received deduction. The maximum federal tax rate on net long-term capital gain of individuals is currently 15% (0% for individuals in lower brackets). The maximum rate on long-term capital gain is scheduled to rise to 20% for gains realized in taxable years after December 31, 2010. Unrecaptured Section 1250 gain distributions, if any, will be subject to a 25% tax. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gain to such holder (assuming the shares are held as a capital asset). Investment company taxable income (other than qualified dividend income) will currently be taxed at a maximum rate of 35%. For corporate taxpayers, both investment company taxable income and net capital gain are taxed at a maximum rate of 35%.

If an individual receives a dividend that is eligible for qualified dividend income treatment, and such dividend constitutes an extraordinary dividend, any loss on the sale or exchange of shares in respect of which the extraordinary dividend was paid, then the loss will be long-term capital loss to the extent of such extraordinary dividend. An extraordinary dividend for this purpose is generally a dividend (i) in an amount greater than or equal to 5% of the taxpayer's tax basis (or trading value) in a share of stock, aggregating dividends with ex-dividend dates within an 85-day period or (ii) in an amount greater than 20% of the taxpayer's tax basis (or trading value) in a share of stock, aggregating dividends with ex-dividend dates within a 365-day period.

The IRS currently requires that a registered investment company that has two or more classes of stock allocate to each such class proportionate amounts of each type of its income

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(such as ordinary income, capital gains, dividends qualifying for the dividends received deduction (DRD) and qualified dividend income) based upon the percentage of total dividends paid out of current or accumulated earnings and profits to each class for the tax year. Accordingly, the Fund intends each year to allocate capital gain dividends, dividends qualifying for the DRD and dividends that constitute qualified dividend income, if any, between its common stock and preferred stock in proportion to the total dividends paid out of current or accumulated earnings and profits to each class with respect to such tax year. Distributions in excess of the Fund's current and accumulated earnings and profits, if any, however, will not be allocated proportionately among the common stock and preferred stock. Since the Fund's current and accumulated earnings and profits will first be used to pay dividends on its preferred stock, distributions in excess of such earnings and profits, if any, will be made disproportionately to holders of common stock.

Shareholders may be entitled to offset their capital gain distributions (but not distributions eligible for qualified dividend income treatment) with capital loss. There are a number of statutory provisions affecting when capital loss may be offset against capital gain, and limiting the use of loss from certain investments and activities. Accordingly, shareholders with capital loss are urged to consult their tax advisers.

The price of stock purchased at any time may reflect the amount of a forthcoming distribution. Those purchasing stock just prior to a distribution will receive a distribution which will be taxable to them even though it represents in part a return of invested capital.

Certain types of income received by the Fund from real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), taxable mortgage pools or other investments may cause the Fund to designate some or all of its distributions as excess inclusion income. To Fund shareholders such excess inclusion income may (1) constitute taxable income, as unrelated business taxable income (UBTI) for those shareholders who would otherwise be tax-exempt such as individual retirement accounts, 401(k) accounts, Keogh plans, pension plans and certain charitable entities; (2) not be offset by otherwise allowable deductions for tax purposes; (3) not be eligible for reduced U.S. withholding for non-U.S. shareholders even from tax treaty countries; and (4) cause the Fund to be subject to tax if certain disqualified organizations as defined by the Code are Fund shareholders.

Upon a sale, exchange, redemption or other disposition of stock, a shareholder will generally realize a taxable gain or loss equal to the difference between the amount of cash and the fair market value of other property received and the shareholder's adjusted tax basis in the stock. Such gain or loss will be treated as long-term capital gain or loss if the shares have been held for more than one year. Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced by substantially identical shares within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

Any loss realized by a shareholder on the sale of Fund shares held by the shareholder for six months or less will be treated for tax purposes as a long-term capital loss to the extent of any capital gain distributions received by the shareholder (or amounts credited to the shareholder as an undistributed capital gain) with respect to such shares.

Ordinary income distributions and capital gain distributions also may be subject to state and local taxes. Shareholders are urged to consult their own tax advisers regarding specific

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questions about federal (including the application of the alternative minimum tax rules), state, local or foreign tax consequences to them of investing in the Fund.

Shareholders will receive, if appropriate, various written notices after the close of each of the Fund's taxable years regarding the U.S. federal income tax status of certain dividends, distributions and deemed distributions that were paid (or that are treated as having been paid) by the Fund to its shareholders during the preceding taxable year.

If a shareholder recognizes a loss with respect to the Fund's shares of \$2 million or more for an individual shareholder or \$10 million or more for a corporate shareholder, the shareholder must file with the IRS a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, shareholders of a regulated investment company are not exempted. 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. Shareholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

Dividends paid or distributions made by the Fund to shareholders who are non-resident aliens or foreign entities (foreign investors) are generally subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty to the extent derived from investment income and short-term capital gains. In order to obtain a reduced rate of withholding, a foreign investor will be required to provide an IRS Form W-8BEN certifying its entitlement to benefits under a treaty. The withholding tax does not apply to regular dividends paid or distributions made to a foreign investor who provides a Form W-8ECI, certifying that the dividends or distributions are effectively connected with the foreign investor's conduct of a trade or business within the United States. Instead, the effectively connected dividends or distributions will be subject to regular U.S. income tax as if the foreign investor were a U.S. shareholder. A non-U.S. corporation receiving effectively connected dividends or distributions may also be subject to additional branch profits tax imposed at a rate of 30% (or lower treaty rate). A foreign investor who fails to provide an IRS Form W-8BEN or other applicable form may be subject to backup withholding at the appropriate rate.

In general, United States federal withholding tax will not apply to any gain or income realized by a foreign investor in respect of any distributions of net long-term capital gains over net short-term capital losses, exempt-interest dividends, or upon the sale or other disposition of shares of the Fund.

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Backup Withholding

The Fund may be required to withhold U.S. federal income tax on all taxable distributions and redemption proceeds payable to non-corporate shareholders who fail to provide the Fund with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be refunded or credited against such shareholder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative, judicial or administrative action, either prospectively or retroactively. Persons considering an investment in shares of the Fund should consult their own tax advisers regarding the purchase, ownership and disposition of shares of the Fund.

BENEFICIAL OWNERS

As of December 31, 2007, there were no persons known to the Fund to be beneficial owners of more than 5% of the outstanding shares of the Fund's common stock.

As of December 31, 2007, the Directors and Officers of the Fund as a group beneficially owned approximately 1% of the outstanding shares of the Fund's common stock.

GENERAL INFORMATION

Book-Entry-Only Issuance

The Depository Trust Company (DTC) will act as securities depository for the securities offered pursuant to the Prospectus. The information in this section concerning DTC and DTC's book-entry system is based upon information obtained from DTC. The securities offered hereby initially will be issued only as fully-registered securities registered in the name of Cede & Co. (as nominee for DTC). One or more fully-registered global security certificates initially will be issued, representing in the aggregate the total number of securities, and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly through other entities.

Purchases of securities within the DTC system must be made by or through direct participants, which will receive a credit for the securities on DTC's records. The ownership

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interest of each actual purchaser of a security, a beneficial owner, is in turn to be recorded on the direct or indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners purchased securities. Transfers of ownership interests in securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in securities, except as provided herein.

DTC has no knowledge of the actual beneficial owners of the securities being offered pursuant to the prospectus; DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payments on the securities will be made to DTC. DTC's practice is to credit direct participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participant and not of DTC or the Fund, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Fund, disbursement of such payments to direct participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants. Furthermore each beneficial owner must rely on the procedures of DTC to exercise any rights under the securities.

DTC may discontinue providing its services as securities depository with respect to the securities at any time by giving reasonable notice to the Fund. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the securities will be printed and delivered.

Proxy Voting Procedures

The Fund has adopted the proxy voting procedures of the Investment Adviser and has directed the Investment Adviser to vote all proxies relating to the Fund's voting securities in accordance with such procedures. The proxy voting procedures are attached. They are also on file with the Securities and Exchange Commission and can be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 202-551-8090. The proxy voting procedures are also available on the EDGAR Database on the Securities and Exchange Commission's internet site (<http://www.sec.gov>) and copies of the proxy voting procedures may be obtained, after paying a duplicating fee, by electronic request at the follow E-mail address: publicinfo@sec.gov, or by

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writing the Securities and Exchange Commission's Public Reference Section, Washington, D.C. 20549-0102.

Code of Ethics

The Fund and the Investment Adviser have adopted a code of ethics (the Code of Ethics) under Rule 17j-1 under the 1940 Act. The Code of Ethics permits personnel, subject to the Code of Ethics and its restrictive provisions, to invest in securities, including securities that may be purchased or held by the Fund. The Code of Ethics can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operations of the Reference Room may be obtained by calling the SEC at 202-551-8090. The Code of Ethics is also available on the EDGAR database on the SEC's Internet web site at <http://www.sec.gov>. Copies of the Code of Ethics may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Room, Washington, D.C. 20549-0102.

Joint Code of Ethics for Chief Executive and Senior Financial Officers

The Fund and the Investment Adviser have adopted a code of conduct for the principal executive and financial officers. This code of conduct sets forth policies to guide the principal executive and financial officers in the performance of their duties. The code of conduct is on file with the SEC and can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the Commission at 202-551-8090. The code of conduct is also available on the EDGAR Database on the SEC's Internet web site at <http://www.sec.gov>, and copies of the code of conduct may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Room, Washington, D.C. 20549-0102.

Financial Statements

The audited financial statements included in the annual report to the Fund's shareholders for the year ended December 31, 2007, together with the report of PricewaterhouseCoopers LLP, are incorporated herein by reference to the Fund's annual report. All other portions of the annual report to shareholders are not incorporated herein by reference and are not part of the registration statement.

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP serves as the Independent Registered Public Accounting Firm of the Fund and audits the financial statements of the Fund. PricewaterhouseCoopers LLP is located at 300 Madison Avenue, New York, New York 10017.

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APPENDIX A

GAMCO INVESTORS, INC. and AFFILIATES

The Voting of Proxies on Behalf of Clients

Rules 204(4)-2 and 204-2 under the Investment Advisers Act of 1940 and Rule 30b1-4 under the Investment Company Act of 1940 require investment advisers to adopt written policies and procedures governing the voting of proxies on behalf of their clients.

These procedures will be used by GAMCO Asset Management Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., and Gabelli Advisers, Inc. (collectively, the Advisers) to determine how to vote proxies relating to portfolio securities held by their clients, including the procedures that the Advisers use when a vote presents a conflict between the interests of the shareholders of an investment company managed by one of the Advisers, on the one hand, and those of the Advisers the principal underwriter, or any affiliated person of the investment company, the Advisers, or the principal underwriter. These procedures will not apply where the Advisers do not have voting discretion or where the Advisers have agreed to with a client to vote the client s proxies in accordance with specific guidelines or procedures supplied by the client (to the extent permitted by ERISA).

I. Proxy Voting Committee

The Proxy Voting Committee was originally formed in April 1989 for the purpose of formulating guidelines and reviewing proxy statements within the parameters set by the substantive proxy voting guidelines originally published by GAMCO Investors, Inc. in 1988 and updated periodically, a copy of which are appended as Exhibit A. The Committee will include representatives of Research, Administration, Legal, and the Advisers. Additional or replacement members of the Committee will be nominated by the Chairman and voted upon by the entire Committee.

Meetings are held on an as needed basis to form views on the manner in which the Advisers should vote proxies on behalf of their clients.

In general, the Director of Proxy Voting Services, using the Proxy Guidelines, recommendations of Institutional Shareholder Corporate Governance Service (ISS), other third-party services, and the analysts of Gabelli & Company, Inc., will determine how to vote on each issue. For non-controversial matters, the Director of Proxy Voting Services may vote the proxy if the vote is (1) consistent with the recommendations of the issuer s Board of Directors and not contrary to the Proxy Guidelines; (2) consistent with the recommendations of the issuer s Board of Directors and is a non-controversial issue not covered by the Proxy Guidelines; or (3) the vote is contrary to the recommendations of the Board of Directors but is consistent with the Proxy Guidelines. In those instances, the Director of Proxy Voting Services or the Chairman of the Committee may sign and date the proxy statement indicating how each issue will be voted.

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All matters identified by the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department as controversial, taking into account the recommendations of ISS or other third party services and the analysts of Gabelli & Company, Inc., will be presented to the Proxy Voting Committee. If the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department has identified the matter as one that (1) is controversial; (2) would benefit from deliberation by the Proxy Voting Committee; or (3) may give rise to a conflict of interest between the Advisers and their clients, the Chairman of the Committee will initially determine what vote to recommend that the Advisers should cast and the matter will go before the Committee.

A. Conflicts of Interest.

The Advisers have implemented these proxy voting procedures in order to prevent conflicts of interest from influencing their proxy voting decisions. By following the Proxy Guidelines, as well as the recommendations of ISS, other third-party services and the analysts of Gabelli & Company, the Advisers are able to avoid, wherever possible, the influence of potential conflicts of interest. Nevertheless, circumstances may arise in which one or more of the Advisers are faced with a conflict of interest or the appearance of a conflict of interest in connection with its vote. In general, a conflict of interest may arise when an Adviser knowingly does business with an issuer, and may appear to have a material conflict between its own interests and the interests of the shareholders of an investment company managed by one of the Advisers regarding how the proxy is to be voted. A conflict also may exist when an Adviser has actual knowledge of a material business arrangement between an issuer and an affiliate of the Adviser.

In practical terms, a conflict of interest may arise, for example, when a proxy is voted for a company that is a client of one of the Advisers, such as GAMCO Asset Management Inc. A conflict also may arise when a client of one of the Advisers has made a shareholder proposal in a proxy to be voted upon by one or more of the Advisers. The Director of Proxy Voting Services, together with the Legal Department, will scrutinize all proxies for these or other situations that may give rise to a conflict of interest with respect to the voting of proxies.

B. Operation of Proxy Voting Committee

For matters submitted to the Committee, each member of the Committee will receive, prior to the meeting, a copy of the proxy statement, any relevant third party research, a summary of any views provided by the Chief Investment Officer and any recommendations by Gabelli & Company, Inc. analysts. The Chief Investment Officer or the Gabelli & Company, Inc. analysts may be invited to present their viewpoints. If the Director of Proxy Voting Services or the Legal Department believe that the matter before the committee is one with respect to which a conflict of interest may exist between the Advisers and their clients, counsel will provide an opinion to the Committee concerning the conflict. If the matter is one in which the interests of the clients of one or more of Advisers may diverge, counsel will so advise and the Committee may make different recommendations as to different clients. For any matters where the recommendation may trigger appraisal rights, counsel will provide an opinion concerning the likely risks and merits of such an appraisal action.

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Each matter submitted to the Committee will be determined by the vote of a majority of the members present at the meeting. Should the vote concerning one or more recommendations be tied in a vote of the Committee, the Chairman of the Committee will cast the deciding vote. The Committee will notify the proxy department of its decisions and the proxies will be voted accordingly.

Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy Guidelines and will review each matter on its own merits. Written minutes of all Proxy Voting Committee meetings will be maintained. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues.

If the vote cast either by the analyst or as a result of the deliberations of the Proxy Voting Committee runs contrary to the recommendation of the Board of Directors of the issuer, the matter will be referred to legal counsel to determine whether an amendment to the most recently filed Schedule 13D is appropriate.

II. Social Issues and Other Client Guidelines

If a client has provided special instructions relating to the voting of proxies, they should be noted in the client's account file and forwarded to the proxy department. This is the responsibility of the investment professional or sales assistant for the client. In accordance with Department of Labor guidelines, the Advisers' policy is to vote on behalf of ERISA accounts in the best interest of the plan participants with regard to social issues that carry an economic impact. Where an account is not governed by ERISA, the Advisers will vote shares held on behalf of the client in a manner consistent with any individual investment/voting guidelines provided by the client. Otherwise the Advisers will abstain with respect to those shares.

III. Client Retention of Voting Rights

If a client chooses to retain the right to vote proxies or if there is any change in voting authority, the following should be notified by the investment professional or sales assistant for the client.

Operations

Legal Department

Proxy Department

Investment professional assigned to the account

In the event that the Board of Directors (or a Committee thereof) of one or more of the investment companies managed by one of the Advisers has retained direct voting control over any security, the Proxy Voting Department will provide each Board Member (or Committee member) with a copy of the proxy statement together with any other relevant information including recommendations of ISS or other third-party services.

IV. Voting Records

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers' staff may request proxy voting records for use in presentations to

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current or prospective clients. Requests for proxy voting records should be made at least ten days prior to client meetings.

If a client wishes to receive a proxy voting record on a quarterly, semi-annual or annual basis, please notify the Proxy Voting Department. The reports will be available for mailing approximately ten days after the quarter end of the period. First quarter reports may be delayed since the end of the quarter falls during the height of the proxy season.

A letter is sent to the custodians for all clients for which the Advisers have voting responsibility instructing them to forward all proxy materials to:

[Adviser name]

Attn: Proxy Voting Department One Corporate Center

Rye, New York 10580-1433

The sales assistant sends the letters to the custodians along with the trading/DTC instructions. Proxy voting records will be retained in compliance with Rule 204-2 under the Investment Advisers Act.

V. Voting Procedures

1. Custodian banks, outside brokerage firms and First Clearing Corporation are responsible for forwarding proxies directly to GAMCO.

Proxies are received in one of two forms:

Shareholder Vote Authorization Forms (VAFs) Issued by Broadridge. VAFs must be voted through the issuing institution causing a time lag. Broadridge is an outside service contracted by the various institutions to issue proxy materials.

Proxy cards which may be voted directly.

2. Upon receipt of the proxy, the number of shares each form represents is logged into the proxy system according to security.

3. In the case of a discrepancy such as an incorrect number of shares, an improperly signed or dated card, wrong class of security, etc., the issuing custodian is notified by phone. A corrected proxy is requested. Arrangements are made to insure that a proper proxy is received in time to be voted (overnight delivery, fax, etc.). When securities are out on loan on record date, the custodian is requested to supply written verification.

4. Upon receipt of instructions from the proxy committee (see Administrative), the votes are cast and recorded for each account on an individual basis.

Since January 1, 1992, records have been maintained on the Proxy Edge system. The system is backed up regularly. From 1990 through 1991, records were maintained on the PROXY VOTER system and in hardcopy format. Prior to 1990, records were maintained on diskette and in hardcopy format.

PROXY EDGE records include:

Security Name and Cusip Number

Date and Type of Meeting (Annual, Special, Contest) Client Name

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Adviser or Fund Account Number

Directors Recommendation

How GAMCO voted for the client on each issue The rationale for the vote when it is appropriate

Records prior to the institution of the PROXY EDGE system include:

Security name

Type of Meeting (Annual, Special, Contest)

Date of Meeting

Name of Custodian

Name of Client

Custodian Account Number

Adviser or Fund Account Number

Directors recommendation

How the Adviser voted for the client on each issue

Date the proxy statement was received and by whom Name of person posting the vote

Date and method by which the vote was cast

From these records individual client proxy voting records are compiled. It is our policy to provide institutional clients with a proxy voting record during client reviews. In addition, we will supply a proxy voting record at the request of the client on a quarterly, semi-annual or annual basis.

5. VAFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.

6. Shareholder Vote Authorization Forms issued by Broadridge are always sent directly to a specific individual at Broadridge.

7. If a proxy card or VAF is received too late to be voted in the conventional matter, every attempt is made to vote on one of the following ways:

VAFs can be faxed to Broadridge up until the time of the meeting. This is followed up by the mailing of the original form.

When a solicitor has been retained, that person is called. At the solicitor's direction, the proxy is faxed.

8. In the case of a proxy contest, records are maintained for each opposing entity.

9. Voting in Person

a) At times it may be necessary to vote the shares in person. In this case, a legal proxy is obtained in the following manner:

Banks and brokerage firms using the services at Broadridge:

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The back of the VAF is stamped indicating that we wish to vote in person. The forms are then sent overnight to Broadridge. Broadridge issues individual legal proxies and sends them back via overnight (or the Adviser can pay messenger charges). Lead time of at least two weeks prior to the meeting is needed to do this. Alternatively, the procedures detailed below for banks not using Broadridge may be implemented.

Banks and brokerage firms issuing proxies directly:

The bank is called and/or faxed and a legal proxy is requested. All legal proxies should appoint:

Representative of [Adviser name] with full power of substitution.

b) The legal proxies are given to the person attending the meeting, along with the following supplemental material:

A limited Power of Attorney appointing the attendee an Adviser representative.

A list of all shares being voted by custodian only. Client names and account numbers are not included. This list must be presented, along with the proxies, to the Inspectors of Elections and/or tabulator at least one-half hour prior to the scheduled start of the meeting. The tabulator must qualify the votes (i.e. determine if the votes have previously been cast, if the votes have been rescinded, etc.).

A sample ERISA and Individual contract.

A sample of the annual authorization to vote proxies form.

A copy of our most recent Schedule 13D filing (if applicable).

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**Appendix A
Proxy Guidelines**

PROXY VOTING GUIDELINES

GENERAL POLICY STATEMENT

It is the policy of **GAMCO Investors, Inc.** to vote in the best economic interests of our clients. As we state in our Magna Carta of Shareholders Rights, established in May 1988, we are neither *for* nor *against* management. We are for shareholders.

At our first proxy committee meeting in 1989, it was decided that each proxy statement should be evaluated on its own merits within the framework first established by our Magna Carta of Shareholders Rights. The attached guidelines serve to enhance that broad framework.

We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

BOARD OF DIRECTORS

The Advisers do not consider the election of the Board of Directors a routine issue. Each slate of directors is evaluated on a case-by-case basis.

Factors taken into consideration include:

Historical responsiveness to shareholders

This may include such areas as:

- Paying greenmail

- Failure to adopt shareholder resolutions receiving a majority of shareholder votes

Qualifications

Nominating committee in place

Number of outside directors on the board

Attendance at meetings

Overall performance

SELECTION OF AUDITORS

In general, we support the Board of Directors' recommendation for auditors.

BLANK CHECK PREFERRED STOCK

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We oppose the issuance of blank check preferred stock.

Blank check preferred stock allows the company to issue stock and establish dividends, voting rights, etc. without further shareholder approval.

CLASSIFIED BOARD

A classified board is one where the directors are divided into classes with overlapping terms. A different class is elected at each annual meeting.

While a classified board promotes continuity of directors facilitating long range planning, we feel directors should be accountable to shareholders on an annual basis. We will look at this proposal on a case-by-case basis taking into consideration the board's historical responsiveness to the rights of shareholders.

Where a classified board is in place we will generally not support attempts to change to an annually elected board. When an annually elected board is in place, we generally will not support attempts to classify the board.

INCREASE AUTHORIZED COMMON STOCK

The request to increase the amount of authorized shares is considered on a case-by-case basis.

Factors taken into consideration include:

- Future use of additional shares
- Stock split
- Stock option or other executive compensation plan
- Finance growth of company/strengthen balance sheet
- Aid in restructuring
- Improve credit rating
- Implement a poison pill or other takeover defense

Amount of stock currently authorized but not yet issued or reserved for stock option plans

Amount of additional stock to be authorized and its dilutive effect

We will support this proposal if a detailed and verifiable plan for the use of the additional shares is contained in the proxy statement.

CONFIDENTIAL BALLOT

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We support the idea that a shareholder's identity and vote should be treated with confidentiality.

However, we look at this issue on a case-by-case basis.

In order to promote confidentiality in the voting process, we endorse the use of independent Inspectors of Election.

CUMULATIVE VOTING

In general, we support cumulative voting.

Cumulative voting is a process by which a shareholder may multiply the number of directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or more candidates.

Where cumulative voting is in place, we will vote against any proposal to rescind this shareholder right.

Cumulative voting may result in a minority block of stock gaining representation on the board. When a proposal is made to institute cumulative voting, the proposal will be reviewed on a case-by-case basis. While we feel that each board member should represent all shareholders, cumulative voting provides minority shareholders an opportunity to have their views represented.

DIRECTOR LIABILITY AND INDEMNIFICATION

We support efforts to attract the best possible directors by limiting the liability and increasing the indemnification of directors, except in the case of insider dealing.

EQUAL ACCESS TO THE PROXY

The SEC's rules provide for shareholder resolutions. However, the resolutions are limited in scope and there is a 500 word limit on proponents' written arguments. Management has no such limitations. While we support equal access to the proxy, we would look at such variables as length of time required to respond, percentage of ownership, etc.

FAIR PRICE PROVISIONS

Charter provisions requiring a bidder to pay all shareholders a fair price are intended to prevent two-tier tender offers that may be abusive. Typically, these provisions do not apply to board-approved transactions.

We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits.

Reviewed on a case-by-case basis.

GOLDEN PARACHUTES

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Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover. We support any proposal that would assure management of its own welfare so that they may continue to make decisions in the best interest of the company and shareholders even if the decision results in them losing their job. We do not, however, support excessive golden parachutes. Therefore, each proposal will be decided on a case-by-case basis.

Note: Congress has imposed a tax on any parachute that is more than three times the executive's average annual compensation.

ANTI-GREENMAIL PROPOSALS

We do not support greenmail. An offer extended to one shareholder should be extended to all shareholders equally across the board.

LIMIT SHAREHOLDERS' RIGHTS TO CALL SPECIAL MEETINGS

We support the right of shareholders to call a special meeting.

CONSIDERATION OF NONFINANCIAL EFFECTS OF A MERGER

This proposal releases the directors from only looking at the financial effects of a merger and allows them the opportunity to consider the merger's effects on employees, the community, and consumers.

As a fiduciary, we are obligated to vote in the best economic interests of our clients. In general, this proposal does not allow us to do that. Therefore, we generally cannot support this proposal.

Reviewed on a case-by-case basis.

MERGERS, BUYOUTS, SPIN-OFFS, RESTRUCTURINGS

Each of the above is considered on a case-by-case basis. According to the Department of Labor, we are not required to vote for a proposal simply because the offering price is at a premium to the current market price. We may take into consideration the long term interests of the shareholders.

MILITARY ISSUES

Shareholder proposals regarding military production must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to the client's direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

NORTHERN IRELAND

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Shareholder proposals requesting the signing of the MacBride principles for the purpose of countering the discrimination of Catholics in hiring practices must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to client direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

OPT OUT OF STATE ANTI-TAKEOVER LAW

This shareholder proposal requests that a company opt out of the coverage of the state's anti-takeover statutes.

Example: Delaware law requires that a buyer must acquire at least 85% of the company's stock before the buyer can exercise control unless the board approves.

We consider this on a case-by-case basis. Our decision will be based on the following:

State of Incorporation

Management history of responsiveness to shareholders

Other mitigating factors

POISON PILL

In general, we do not endorse poison pills.

In certain cases where management has a history of being responsive to the needs of shareholders and the stock is very liquid, we will reconsider this position.

REINCORPORATION

Generally, we support reincorporation for well-defined business reasons. We oppose reincorporation if proposed solely for the purpose of reincorporating in a state with more stringent anti-takeover statutes that may negatively impact the value of the stock.

STOCK OPTION PLANS

Stock option plans are an excellent way to attract, hold and motivate directors and employees. However, each stock option plan must be evaluated on its own merits, taking into consideration the following:

Dilution of voting power or earnings per share by more than 10%

Kind of stock to be awarded, to whom, when and how much

Method of payment

Amount of stock already authorized but not yet issued under existing stock option plans

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SUPERMAJORITY VOTE REQUIREMENTS

Supermajority vote requirements in a company's charter or bylaws require a level of voting approval in excess of a simple majority of the outstanding shares. In general, we oppose supermajority-voting requirements. Supermajority requirements often exceed the average level of shareholder participation. We support proposals' approvals by a simple majority of the shares voting.

LIMIT SHAREHOLDERS RIGHT TO ACT BY WRITTEN CONSENT

Written consent allows shareholders to initiate and carry on a shareholder action without having to wait until the next annual meeting or to call a special meeting. It permits action to be taken by the written consent of the same percentage of the shares that would be required to effect proposed action at a shareholder meeting.

Reviewed on a case-by-case basis.

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