BOULDER TOTAL RETURN FUND INC
Form DEF 14A
April 06, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by Registrant [X]
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Check the appropriate box:

[ ] Preliminary Proxy Statement
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[X] Definitive Proxy Statement
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BOULDER TOTAL RETURN FUND, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

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4) Date Filed:

[GRAPHIC OMITTED]

BOULDER TOTAL RETURN FUND, INC.
1680 38TH STREET, SUITE 800

BOULDER, COLORADO 80301

April 5, 2004

Dear Fellow Stockholder,

You are cordially invited to attend the 2004 Annual Meeting of Stockholders of Boulder Total Return Fund, Inc., which will be held on May 18, 2004 at 9:00 a.m. Mountain Standard time (local time), at the Doubletree La Posada Resort, 4949 E. Lincoln Drive, Scottsdale, Arizona. Details of the business to be presented at the meeting can be found in the accompanying Notice of Annual Meeting and Proxy Statement.

This is a very important meeting at which a number of corporate governance initiatives are being proposed. These "Corporate Governance Proposals" are described in the accompanying Proxy Statement. Your prompt consideration and participation in voting on the various proposals is strongly encouraged.

The proposals are intended to implement a number of what might be referred to as "shareholder-friendly" practices in the corporate governance area. Generally, the proposals eliminate or modify a number of current charter provisions that are often viewed as limiting accountability and insulating management from stockholders. In particular, one of the proposals seeks to "declassify" the Board of Directors so that each Director is elected annually. The Board of Directors thinks it is important for stockholders to have an enhanced say in the direction of the Fund and believes that the Corporate Governance Proposals effectively promote this goal.

As Chairman of the Board, I encourage you to support each of the proposals. After careful review by the independent directors, the Board of Directors unanimously approved and has recommended to stockholders that they approve each of the proposals.

We hope you plan to attend the meeting. Your vote is important. Whether or not you are able to attend, it is important that your shares be represented at the Meeting. Accordingly, we ask that you please sign, date and return the enclosed Proxy Card or vote via telephone or the Internet at your earliest convenience.

On behalf of the Board of Directors and the management of Boulder Total Return Fund, I extend our appreciation for your continued support.

Sincerely,

/s/ Richard I. Barr

Richard I. Barr
Chairman of the Board

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BOULDER TOTAL RETURN FUND, INC.
1680 38TH STREET, SUITE 800
BOULDER, COLORADO 80301

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 18, 2004

To the Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders (the "Meeting") of Boulder Total Return Fund, Inc. (the "Fund"), a Maryland corporation, will be held at the Doubletree La Posada Resort, 4949 E. Lincoln Drive, Scottsdale, Arizona at 9:00 a.m. Mountain Standard Time (local time), on May 18, 2004, to consider and vote on the following matters:

1. The election of Directors of the Fund (Proposal 1).

2. An amendment to the Fund's charter (the "Charter") to declassify the Board and provide for annual election of Directors (Proposal 2).

3. An amendment to the Charter providing that Directors shall be elected by a plurality of votes cast at a meeting at which a quorum is present (Proposal 3).

4. An amendment to the Charter repealing a provision stating that Directors may be removed only by the affirmative vote of the holders of at least 80% of the class of stock entitled to elect that Director (Proposal 4).

5. An amendment to the Charter providing that the Secretary of the Fund shall call a special stockholders meeting upon the written request of the holders of 25% of outstanding shares entitled to vote at the meeting (Proposal 5).

6. An amendment to the Charter vesting in the stockholders the power to amend or adopt Bylaws by the affirmative vote of a majority of votes cast at a meeting at which a quorum is present (Proposal 6).

7. An amendment to the Charter prohibiting the Fund from opting into any provision of the Maryland Unsolicited Takeovers Act (Proposal 7).

8. An amendment to the Charter repealing Article VII (Certain Transactions) and replacing it with a new section providing that no (a) business combination (e.g., mergers, consolidation, share exchanges), (b) voluntary liquidation or dissolution, (c) stockholder proposal regarding specific investment decisions, (d) proposal to open-end the Fund, or (e) self tender for more than 25% of the Fund's shares in any twelve-month period, may be effected without the affirmative vote of the holders of at least two-thirds of outstanding shares entitled to be cast on the matter (Proposal 8).

9. An amendment to the Charter to establish the maximum number of Directors at five (5) (Proposal 9).

10. An amendment to the Charter providing that, upon redemption of all of the Fund's shares of preferred stock, including the Fund's Taxable Auction Market Preferred Stock, the term of the Directors elected by the holders of the Fund's preferred stock will automatically terminate (Proposal 10).

11. An amendment to the Charter repealing a provision that requires, under certain circumstances, certain amendments to various other provisions of the Charter to be approved by the holders of at least 80% of the shares of the Fund's Common Stock and Preferred Stock, voting together as a single class, and 80% of the shares of the Fund's Preferred Stock, voting separately (Proposal 11).

12. A proposal to amend and restate the Charter, the implementation of which is contingent on the approval of Proposals 2 through 11 (Proposal 12).

13. To transact such other business as may properly come before the Meeting or any adjournments and postponements thereof.

The Board of Directors of the Fund has fixed the close of business on April

2, 2004 as the record date for the determination of stockholders of the Fund entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors,

/s/ Stephanie Kelley

STEPHANIE KELLEY
Secretary

April 5, 2004

STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE ANNUAL MEETING ARE REQUESTED TO COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD. THE PROXY CARD SHOULD BE RETURNED IN THE ENCLOSED ENVELOPE, WHICH NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES. INSTRUCTIONS FOR THE PROPER EXECUTION OF PROXIES ARE SET FORTH ON THE INSIDE COVER.

STOCKHOLDERS WHO HAVE QUESTIONS OR NEED ASSISTANCE IN VOTING MAY CONTACT MACKENZIE PARTNERS, INC. TOLL FREE AT 1-800-322-2885 OR BY EMAIL AT PROXY@MACKENZIEPARTNERS.COM.

Instructions for Signing Proxy Cards

The following general rules for signing Proxy Cards may be of assistance to you and may avoid the time and expense to the Fund involved in validating your vote if you fail to sign your Proxy Card properly.

1. Individual Accounts: Sign your name exactly as it appears in the registration on the Proxy Card.

2. Joint Accounts: Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.

3. All Other Accounts: The capacity of the individual signing the Proxy Card should be indicated unless it is reflected in the form of registration. For example:

Registration	Valid Signature
Corporate Accounts	
(1) ABC Corp.	ABC Corp.
(2) ABC Corp.	John Doe, Treasurer
(3) ABC Corp., c/o John Doe Treasurer	John Doe
(4) ABC Corp. Profit Sharing Plan	John Doe, Trustee
Trust Accounts	
(1) ABC Trust	Jane B. Doe, Trustee
(2) Jane B. Doe, Trustee, u/t/d 12/28/78	Jane B. Doe
Custodian or Estate Accounts	
(1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA	John B. Smith

(2) John B. Smith John B. Smith, Jr., Execut

[GRAPHIC OMITTED]

BOULDER TOTAL RETURN FUND, INC.
1680 38TH STREET, SUITE 800
BOULDER, COLORADO 80301

QUESTIONS & ANSWERS REGARDING THE MEETING AND PROPOSALS

Question 1: What is the purpose of the Annual Meeting?

Answer: At the Meeting stockholders will be asked to vote on the election of directors and a number of corporate governance proposals embodied in Proposals 2 through 11 (the "Corporate Governance Proposals"), all of which involve amending the Charter. In particular, Proposal 2 recommends that stockholders approve an amendment to the Charter to declassify the Board such that the election of all Directors will be held annually. If approved, the declassification will apply to the elections held at this Meeting.

Question 2: Who is being nominated for election at the Meeting?

Answer: On the assumption that Proposal 2 (regarding declassification of the Board) will be approved at the Meeting, the Board has nominated the following five incumbent Directors, each to serve a one-year term until the annual meeting in 2005 and until their successors are duly elected and qualify: Richard I. Barr, Joel W. Looney, Alfred G. Aldridge, Jr., Susan L. Ciciora, and Stephen C. Miller. In this case, the holders of Common Stock will elect three of the five directors standing for election and the holders of Preferred Stock will elect the remaining two directors. Ms. Ciciora and Mr. Barr are being nominated to represent the interests of the holders of the Preferred Stock (i.e., Taxable Auction Market Preferred Stock or "AMPs"). If stockholders do not approve Proposal 2, the Board has nominated Joel W. Looney and Susan L. Ciciora to serve for a three-year term expiring in 2007.

Question 3: Why is the Board recommending these Corporate Governance Proposals?

Answer: The Board's recommendation to declassify and to effect the other Corporate Governance Proposals is part of an ongoing corporate governance review and initiative and in keeping with the Board's goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders. The Board believes that corporate power in America has subtly shifted from the hands of owners/stockholders to those of boards and managers. The Board believes that this power should be rightfully returned to stockholders. The Corporate Governance Proposals seek to accomplish this return-of-power by giving back to stockholders the ability to effect or have a voice in effecting certain fundamental corporate changes. The Fund would support these same corporate governance initiatives in any company in which it seeks to invest as they are simply sound policies. Notably, most of the Corporate Governance Proposals are contained in the Fund's proxy voting guidelines. Thus, if we are going to "practice what we preach", the Fund should similarly adopt the governance proposals it expects of other companies. At the end of the day, the Board believes all stockholders will benefit long-term by returning control of the Fund back to the owners and that the Fund's value and performance may be enhanced thereby.

Question 4: What is meant by "Declassify the Board" under Proposal 2?

Answer: A "classified" or "staggered" board is divided into several classes and directors of only one class are elected each year. Currently, the Board is classified into three separate classes and staggered such that each Director stands for election every 3 years rather than annually. Proposal 2 would "declassify" the Board so that each Director will stand for election every year. If Proposal 2 is approved by stockholders, the "declassifying" will become effective at this Meeting such that all of the Directors will stand for election at this Meeting and annually thereafter. By declassifying the Board, directors become removable by stockholders without cause under Maryland law.

Question 5: Why is the Board recommending declassification?

Answer: The election of Directors is the primary means for stockholders to exercise influence over the Fund and its policies. Your Board believes that classified boards have the effect of reducing the accountability of directors to a company's stockholders. A classified board prevents stockholders from electing all directors on an annual basis and may discourage proxy contests in which stockholders have an opportunity to vote for a competing slate of nominees. While classified boards are viewed by many companies as increasing the long-term stability and continuity of a board, the Board believes that long-term stability and continuity should result from the annual election of Directors, which provides stockholders with the opportunity to evaluate Director performance, both individually and collectively, on an annual basis.

Question 6: How do Proposal 2 and other Corporate Governance Proposals benefit or otherwise affect the Fund's current control group (i.e., the Horejsi Affiliates)?

Answer: The Horejsi Affiliates (defined below) currently own an effective controlling interest in the Fund (see "Security Ownership of Certain Beneficial Owners" in the Proxy Statement). Horejsi Affiliates also own the Advisers (defined below) and Administrator (defined below). Under Proposal 2, if a large-block stockholder is able to significantly influence elections, and all Board members are up for election annually (i.e., a declassified board), the Horejsi Affiliates would likely be able to effect a change of control with respect to the entire Board in a single election whereas under the current classified structure, such a change would take two years. Similarly, several of the Corporate Governance Proposals either grant stockholders voting power or decrease the voting requirement necessary for stockholders to take certain actions (e.g., Proposal 5 would give stockholders the power to compel a special stockholder meeting with 25% of outstanding shares and Proposal 6 would give stockholders the power to amend the Fund's Bylaws). Because the Horejsi Affiliates own a large block of the Fund's shares, if the Corporate Governance Proposals are approved, the Affiliates will have greater influence over the adoption or failure of certain corporate actions requiring stockholder vote. In particular, the Horejsi Affiliates would have the ability to compel a special meeting without the support of other non-Horejsi stockholders. Nonetheless, since most of the other actions under the Corporate Governance Proposals would require the support of either a majority or two-thirds of outstanding shares for a future change, although the Horejsi Affiliates could significantly influence adoption of future proposals, assuming the Horejsi Affiliates maintain effective control, it would remain difficult to accomplish without first soliciting Board approval and non-Horejsi support. In these instances, where an action requires a majority or two-thirds voting approval, the Horejsi Affiliates will have an actual or effective veto, again assuming that they maintain their current shareholdings. It should be noted that, even in the absence of adopting the Corporate Governance Proposals, the Horejsi Affiliates already have significant influence over the election of Board members and the adoption or failure of certain corporate actions requiring a stockholder vote.

Question 7: How do the Horejsi Affiliates intend to vote on the Corporate Governance Proposals?

Answer: The Horejsi Affiliates intend to vote in favor of each Proposal, including each Corporate Governance Proposal.

Question 8: What does it mean that Directors are elected by a plurality of votes cast (Proposal 3)?

Answer: Election by a "plurality of votes cast" simply means that in an election where there are more candidates than there are vacancies to be filled, so long as a quorum is present, the person receiving the most votes wins. Most public office elections are determined by a "plurality".

Question 9: Why is the Board recommending reducing to 25% the percentage of the Fund's outstanding shares required to compel a special meeting of stockholders to be held (Proposal 5)?

Answer: Presently, under the Fund's Bylaws, stockholders cannot compel the Fund's Secretary to call a special meeting unless a written request is submitted by the holders of a majority of outstanding shares entitled to vote at the meeting. This ownership threshold restricts a stockholder's right to call a meeting. Proposal 5 would amend the Charter to reduce the percentage ownership level from a "majority" to 25% of outstanding shares, thus making the potential for a stockholder or group of stockholders to call a special meeting more realistic and useful.

Question 10: Why is the Board recommending that the Charter be amended to permit stockholders to amend the Fund's Bylaws (Proposal 6)?

Answer: The Board believes that all stockholders benefit if they have better access and more influence in the Fund's governance. The Fund's Bylaws contain important policies affecting the day-to-day management of the Fund which the Board believes stockholders should have a voice in establishing. The stockholders do not currently have the authority to amend the Fund's Bylaws. If approved, Proposal 6 would amend the Charter to vest in the stockholders the power to make, alter, amend or repeal Bylaws and ensure that, if stockholders do make a change, that the Directors will not be able to override or modify what the stockholders have decided upon.

Question 11: What is the Maryland Unsolicited Takeovers Act and why does the Board recommend that the Fund be prohibited from becoming subject to it (Proposal 7)?

Answer: The Maryland Unsolicited Takeovers Act ("MUTA") is a Maryland statute pursuant to which the Board, among other things, could effect one or more of the following actions: classify the Board, place super-majority voting requirements on removal of Directors and require a request by holders of a majority of outstanding shares to compel a special stockholders meeting. The Board believes MUTA only serves to lessen the stockholders' influence over a board and thus has the potential to diminish a board's responsiveness and accountability. The Board believes that amending the Charter to prohibit the Fund from opting into MUTA without prior approval by stockholders enhances the responsiveness and accountability of the Board.

Question 12: Why is the Board recommending amending the Charter to alter the stockholder vote necessary to effect "business combinations" and other extraordinary corporate actions (Proposal 8)?

Answer: Proposal 8 would amend the Charter to change the stockholder vote requirement to approve extraordinary corporate actions such as business combinations (e.g., mergers, consolidations, share exchanges), open-ending the Fund, liquidation, specific investment decisions, and certain self tenders. The Board believes that most of the Fund's stockholders seek the long-term stability and certainty offered by the closed-end investment company structure. The Board believes that adopting this Proposal will assure that stockholder proposals that could dramatically change the structure, operations or investments of the Fund are not implemented except where there is widespread stockholder support. The actions of arbitrageurs, who often have short-term goals at odds with long-term stockholders, can increase Fund expenses if the Fund is forced to address proposals to permit stockholders to effect extraordinary actions. Adopting the proposed change may avoid such expenses.

Question 13: How does the Board recommend that stockholders vote on the various proposals?

Answer: If no instructions are indicated on your proxy, the representatives holding proxies will vote in accordance with the recommendations of the Board. The Board, including all of the Independent Directors, has unanimously recommended that stockholders vote FOR all of the Proposals.

Question 14: Are other technical amendments contemplated under the Corporate Governance Proposals?

Answer: Yes. The Board has recommended Proposal 12 to amend and restate the Charter. The purpose of this Proposal is to consolidate into one document all of the provisions of the Charter (including amendments approved at the Meeting) and to make technical amendments in the event that the other Corporate Governance Proposals are approved. If Proposals 2 through 12 are approved, the Fund will file with the State Department of Assessments and Taxation of Maryland ("SDAT") Articles of Amendment and Restatement attached to this Proxy Statement as Exhibit A (the "Articles of Amendment and Restatement").

Question 15: What happens if certain Corporate Governance Proposals are approved by stockholders and others are not?

Answer: If certain of the Corporate Governance Proposals are approved by stockholders and others are not, the Fund will not implement Proposal 12 and will not file the Articles of Amendment and Restatement. Instead, the Fund will file Articles of Amendment with the SDAT that will contain only the amendments of the Charter approved by stockholders at the Meeting.

Question 16: Who is entitled to vote?

Answer: Stockholders of record at the close of business on April 2, 2004 (the "Record Date") are entitled to notice of and to vote at the Meeting. Each of the shares outstanding on the Record Date is entitled to one vote on each of the Proposals. As explained more fully in the Proxy Statement, if Proposal 2 (Declassification of the Board) is approved at the Meeting, then the holders of the Common Stock will be entitled to vote for three of the five Directors standing for election and the holders of the Preferred Stock will be entitled to vote for the remaining two Directors standing for election at the Meeting. If Proposal 2 is not approved at the Meeting, only the holders of Common Stock will be entitled to vote for the two Directors standing for election.

Question 17: What is the required quorum for the Meeting?

Answer: The holders of at least a majority of the outstanding common and preferred shares must be represented at the Meeting, either in person or by proxy, in order to constitute a quorum permitting business to be conducted at the Meeting. If you have completed, executed and returned valid proxy instructions (in writing, by phone or by Internet) or attend the Meeting and vote in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting on any or all matters introduced at the Meeting.

Question 18: How do I vote?

Answer: Your vote is very important. Stockholders can vote in person at the Meeting or authorize proxies to cast their votes ("proxy voting") by proxy. Most stockholders will have a choice of proxy voting over the Internet at http://www.proxyvote.com, by using a toll-free telephone number or by completing a Proxy Card and mailing it in the postage-paid envelope provided. Please refer to your Proxy Card or the information forwarded by your bank, broker or other nominee to see which options are available to you. If you proxy vote by Internet or telephone, you do NOT need to return your Proxy Card. If you vote by proxy, the individuals named on the Proxy Card as proxy holders will vote your shares in accordance with your instructions. You may specify whether your shares should be voted for all, some or none of the nominees for director and whether your shares should be voted for or against the other proposals. If you execute an otherwise valid proxy but do not provide voting instructions, the persons named as proxies will cast your votes FOR all of the Proposals.

Question 19: Can I revoke or change my proxy?

Answer: Yes. You may change or revoke your proxy at any time before the Meeting by timely delivery of a properly executed, later-dated proxy (including an Internet or phone vote), by sending a written revocation to the Secretary of the Fund at the Fund's address listed on the accompanying Notice of Meeting, or by attending and voting in person at the Meeting. The powers of the proxy holders will be suspended with respect to your shares if you attend the meeting in person and so request, but attendance at the Meeting will not by itself revoke a previously granted proxy.

[GRAPHIC OMITTED]

BOULDER TOTAL RETURN FUND, INC.
1680 38TH STREET, SUITE 800
BOULDER, COLORADO 80301

ANNUAL MEETING OF STOCKHOLDERS
May 18, 2004

PROXY STATEMENT

This proxy statement ("Proxy Statement") for Boulder Total Return Fund, Inc., a Maryland corporation ("BTF" or the "Fund"), is furnished in connection with the solicitation of proxies by the Fund's Board of Directors (collectively, the "Board" and individually, the "Directors") for use at the Annual Meeting of Stockholders of the Fund to be held on Tuesday, May 18, 2004, at 9:00 a.m. Mountain Standard Time (local time), at the Doubletree La Posada Resort, 4949 E. Lincoln Drive, Scottsdale, Arizona, and at any adjournments or postponements thereof (the "Meeting"). A Notice of Annual Meeting of Stockholders and Proxy Card for the Fund accompany this Proxy Statement. Proxy solicitations will be made, beginning on or about April 5, 2004, primarily by mail, but proxy solicitations may also be made by telephone, by Internet on the Fund's web site, telegraph or personal interviews conducted by officers of the Fund and PFPC Inc., the transfer agent and co-administrator of the Fund, and by MacKenzie

Partners, Inc. ("MacKenzie"), the Fund's proxy solicitor. MacKenzie's fee to assist in the solicitation of proxies is estimated to be $7,500 plus expenses. The costs of proxy solicitation and expenses incurred in connection with the preparation of this Proxy Statement and its enclosures will be paid by the Fund. The Fund also will reimburse brokerage firms and others for their expenses in forwarding solicitation material to the beneficial owners of its shares. The Board has fixed the close of business on April 2, 2004 as the record date (the "Record Date") for determination of stockholders entitled to notice and to vote at the Meeting.

The Annual Report of the Fund, including audited financial statements for the fiscal year ended November 30, 2003, has been mailed to stockholders. Additional copies are available upon request, without charge, by calling 1-800-331-1710. The report is also viewable online at the Fund's website at www.boulderfunds.net. The report is not to be regarded as proxy solicitation material.

Boulder Investment Advisers, L.L.C., 1680 38th Street, Suite 800, Boulder, Colorado 80301, and Stewart Investment Advisers, Bellerive, Queen Street, St. Peter, Barbados, currently serve as co-investment advisers to the Fund. PFPC Inc. acts as the transfer agent and co-administrator to the Fund and is located at 4400 Computer Drive, Westborough, Massachusetts 01581. Fund Administrative Services, L.L.C. ("FAS"), serves as co-administrator to the Fund and is located at 1680 38th Street, Suite 800, Boulder, Colorado 80301.

If the enclosed proxy is properly executed and returned by May 18, 2004 in time to be voted at the Meeting, the Shares (as defined below) represented thereby will be voted in accordance with the instructions marked thereon. Unless instructions to the contrary are marked thereon, a proxy will be voted FOR the election of the nominees for Directors, FOR each of the other Proposals and, in the discretion of the proxy holders, on any other matters that may properly come before the Meeting. Any stockholder who has given a proxy has the right to revoke it at any time prior to its exercise either by attending the Meeting and casting his or her votes in person or by submitting a letter of revocation or a later-dated proxy to the Fund's Secretary at the above address prior to the date of the Meeting.

A quorum of the Fund's stockholders is required for the conduct of business at the Meeting. Under the Bylaws of the Fund, a quorum is constituted by the presence in person or by proxy of the holders of a majority of the outstanding shares of the Fund as of the Record Date. If a proposal is to be voted upon by only one class of the Fund's shares, a quorum of that class of shares must be present at the Meeting in order for the proposal to be considered. In the event that a quorum is not present at the Meeting, or in the event that a quorum is present but sufficient votes to approve one or more proposals are not received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies with respect to any proposal that did not receive the votes necessary for its passage. With respect to those proposals for which there is represented a sufficient number of votes in favor, actions taken at the Meeting will be approved and implemented irrespective of any adjournments with respect to any other proposals. Any such adjournment will require the affirmative vote of a majority of votes cast on the matter at the Meeting. If a quorum is present, the persons named as proxies will vote those proxies which they are entitled to vote FOR any proposal in favor of such an adjournment and will vote those proxies required to be voted AGAINST any proposal against any such adjournment.

The Fund has two classes of stock: common stock, par value $0.01 per share (the "Common Stock"), and preferred stock, par value $0.01 per share (the

"Preferred Stock"), 1000 shares of which have been designated as Taxable Auction Market Preferred Stock (the "AMPs") (the Common Stock and AMPs are collectively referred to herein as the "Shares"). On the Record Date, the following number of Shares of the Fund were issued and outstanding:

Common Stock Outstanding	AMPs Outstanding
12,338,660	775

Security Ownership of Certain Beneficial Owners. The following table sets forth certain information regarding the beneficial ownership of the Shares as of the Record Date by each person who is known by the Fund to beneficially own 5% or more of the Fund's outstanding Common Stock. To the Fund's knowledge, there are no 5% or greater beneficial owners of the AMPs.

Name of Owner*	Number of Shares Directly Owned (1)	Number of Shares Beneficially Owned (2)
Badlands Trust Company (1)(3)	16,980	5,382,982
Stewart R. Horejsi Trust No. 2 (4)	0	5,382,982
Ernest Horejsi Trust No. 1B (1)	3,413,138	3,413,138
Lola Brown Trust No. 1B (1)	1,370,515	1,370,515
Evergreen Atlantic LLC (1)	343,748	343,748
Stewart West Indies Trust (1)(2)	104,627	255,876
Susan L. Ciciora Trust (1)(2)	72,176	175,300
John S. Horejsi Trust (1)(2)	36,100	87,662
Evergreen Trust (1)(2)	25,698	63,510
Aggregate Shares Owned by Horejsi Affiliates (defined below) **	5,382,982	5,382,982
Alter Asset Management, Inc.***	1,276,754	1,276,754

Information as to beneficial ownership in the above table and accompanying footnotes has been obtained from a representative of the beneficial owners; all other information as to beneficial ownership is based on reports filed with the Securities and Exchange Commission (the "SEC") by such beneficial owners.

As of the Record Date, Cede & Co., a nominee partnership of the Depository Trust Company, held of record, but not beneficially, 12,269,012 shares or 99.44% of Common Stock outstanding and 775 shares or 100% of AMPs outstanding.

As of the Record Date, the executive officers and directors of the Fund, as a group, owned 5,412,617 shares of Common Stock (this amount includes the aggregate shares of Common Stock owned by the Horejsi Affiliates set forth above) and 0 shares of AMPs of the Fund, representing 43.87% of Common Stock outstanding and 0% of AMPs.

In order that your Shares may be represented at the Meeting, you are requested to vote on the following matters:

PROPOSAL 1

ELECTION OF DIRECTORS OF THE FUND

The Charter provides that the Board is divided into three classes, each class having a term of three years. Each year the term of one class expires and the individuals elected to such class serve for a three-year term until their successors are duly elected and qualify. The terms of two of the Directors (Susan L. Ciciora and Joel W. Looney, both Class I Directors of the Fund) expire at the Meeting.

As discussed in Proposal 2 below, this Proxy Statement contains a proposal to amend the Charter to "declassify" the Board and require annual election of all Directors beginning at this Meeting. If Proposal 2 is approved, the Directors whose terms would not otherwise expire at the Meeting have agreed to resign and stand for reelection at this Meeting for one-year terms expiring at the annual meeting of stockholders in 2005.

IF PROPOSAL 2 IS APPROVED. If stockholders approve Proposal 2 regarding declassification of the Board, proxy holders will propose and vote to adjourn the Meeting for a short time in order for the amendments to the Charter to be filed with the State Department of Assessments and Taxation of Maryland ("SDAT"). Once the proper amending documents are filed, the Meeting will be reconvened and the following five incumbent Directors will stand for election, each for a one-year term and until their successors are duly elected and qualify: Richard I. Barr, Joel W. Looney, Alfred G. Aldridge, Jr., Susan L. Ciciora and Stephen C. Miller.

If Proposal 2 is approved, holders of the AMPs will be entitled to elect two of the five director positions. Under Charter provisions governing the AMPs, holders of the AMPs, voting as a single class, are entitled to elect two Directors (except in limited circumstances not present here) and holders of the Common Stock are entitled to elect the remaining Directors. If stockholders approve Proposal 2, Mr. Barr and Ms. Ciciora have been nominated to represent holders of the AMPs. If stockholders do not approve Proposal 2, then no AMPs directors will be considered for election at the Meeting. A quorum of the AMPs stockholders must be present at the Meeting in order to consider and act on the Proposal to elect Mr. Barr and Ms. Ciciora.

IF PROPOSAL 2 IS NOT APPROVED. If stockholders do not approve Proposal 2 regarding declassification of the Board, the Board has nominated Susan L. Ciciora and Joel W. Looney, both Class I Directors of the Fund, to serve for a three-year term to expire at the Fund's annual meeting in 2007 and until their successors are duly elected and qualify.

Richard I. Barr and Stephen C. Miller, Class II Directors of the Fund, were elected on April 26, 2002 for three-year terms to expire at the Fund's 2005 annual meeting of stockholders and until their successors are duly elected and qualify: Alfred G. Aldridge, Jr., Class III Director of the Fund, was elected on April 22, 2003 for a three-year term to expire at the Fund's 2006 annual meeting of stockholders and until his successor is duly elected and qualified. Currently, Messrs. Barr and Aldridge represent the AMPs stockholders and, since their terms are not scheduled to expire until 2005 and 2006 respectively, if Proposal 2 does not pass, no AMPs directors will be considered for election.

Thus, in summary, if Proposal 2 is approved, only the Common Stock holders are entitled to vote on the election of Messrs. Looney, Aldridge and Miller and only the AMPs holders are entitled to vote on the election of Mr. Barr and Ms.

Ciciora. If Proposal 2 is not approved, because no AMPs Directors are otherwise being considered for election at the Meeting, only the Common Stock holders are entitled to vote.

The above nominees have consented to serve as Directors if elected at the Meeting either for three-year or one-year terms, as the case may be. If the designated nominees decline or otherwise become unavailable for election, however, the proxy confers discretionary power on the persons named therein to vote in favor of a substitute nominee or nominees.

INFORMATION ABOUT DIRECTORS AND OFFICERS. Set forth in the following table is information about the nominees for election to the Board of Directors, all of whom are currently Directors of the Fund:

Name, Address*, Age	Position, Length of Term Served, and Term of Office	Principal Occupation(s) and Other Di held During the Past Five Years
Independent Directors		
Alfred G. Aldridge, Jr. Brig. Gen. (Retired) Cal. Air National Guard Age: 66	Director of the Fund since 1999. Current term to expire at the 2006 annual meeting, unless Proposal 2 is approved.	Retired; from 1982-2002, Sales Manage Foods Company; Director of the Fiesta AZ since 1997; Director, Boulder Gr Fund, Inc., since 2002; Director, Mari Assistance Foundation, Phoenix, AZ sin
Richard I. Barr Age: 65	Director of the Fund since 1999. Chairman of the Board since 2003. Current term to expire at the 2005 annual meeting, unless Proposal 2 is approved.	Retired; from 1963-2001, Manager Sales and Marketing, Inc; Director, B & Income Fund, Inc., since 2002; Dir Financial Fund, Inc., since 2001.
Joel W. Looney Age: 42	Director of the Fund since 2001. Current term to expire at the 2004 annual meeting.	Partner, Financial Management Group July 1999; CFO, Bethany College fro Director, Boulder Growth & Income since January 2002; Director and Ch Board, First Financial Fund, Inc. 2003.
Interested Directors**		
Susan L. Ciciora Age: 40	Director of the Fund since 2001. Current term to expire at the 2007 annual meeting, unless Proposal 2 is approved. August 2003.	Owner, Superior Interiors (interior custom homes) since 1995; Corporat Ciciora Custom Builders, LLC since 1 of the Brown Trust and the EH Trus Boulder Growth & Income Fund, Inc., s 2002; Director, First Financial Fun

Stephen C. Miller Age: 51	Director since 1999. President of the Fund. Current term to expire at the 2005 annual meeting, unless Proposal 2 is approved.	President of and General Counsel Investment Advisers, LLC ("BIA"); M Vice President of Stewart Investment A Director, Chairman of the Board and Pr Growth & Income Fund, Inc., since 2002 and President, First Financial Fund, I August 2003; President and Gener Horejsi, Inc. (liquidated in 199 Counsel, Brown Welding Supply, LLC (s officer of various other Horejsi Aff Counsel, Krassa & Miller, LLC since 19

From the late 1980's until January, 2001, Mr. Looney served, without compensation, as one of three trustees of the Mildred Horejsi Trust, an affiliate of the EH Trust.

The names of the executive officers of the Fund (other than Mr. Miller, who is described above) are listed in the table below. Each officer was elected to office by the Board at a meeting held on April 22, 2003. This table also shows certain additional information. Each officer will hold such office until a successor has been elected by the Board of Directors of the Fund.

Name, Address, Age	Position, Length of Term Served, and Term of Office	During the Past Five Years Principal Occupation(s) and Other Dir
Carl D. Johns 1680 38th Street, Suite 800 Boulder, CO 80301 Age: 41	Chief Financial Officer, Chief Accounting Officer, Vice President and Treasurer since 1999. Appointed annually.	Vice President and Treasurer of B Manager of FAS, since April, 1999; Officer and Chief Accounting Officer, and Treasurer Boulder Growth & Income 2002 and First Financial Fund, Inc. sin
Stephanie Kelley 1680 38th Street, Suite 800 Boulder, CO 80301 Age: 47	Secretary since 2000. Appointed annually.	Secretary, Boulder Growth & Income F 2002 and First Financial Fund, Assistant Secretary and Assistant Tr Horejsi Affiliates; employee of FAS sin

Set forth in the following table are the nominees for election to the Board, assuming Proposal 2 is approved (all of whom are current Directors of the Fund), together with the dollar range of the Fund's equity securities beneficially owned by each Director as of the Record Date, as well as the aggregate dollar range of equity securities in all funds overseen or to be overseen in a family of investment companies (i.e., other funds managed by BIA and SIA (collectively, the "Advisers")).

OWNERSHIP OF THE FUND BY DIRECTORS

Directors and Nominees	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range Equity Securities in All in the Family of Invest Companies
Independent Directors and Nominee		
Alfred G. Aldridge, Jr.	$10,001 to $50,000	$10,001 to $50,000
Richard I. Barr	Over $100,000	Over $100,000
Joel W. Looney	$50,001 to $100,000	$50,001 to $100,00
Interested Directors		
Susan L. Ciciora	Over $100,000+	Over $100,000
Stephen C. Miller	Over $100,000++	Over $100,000

None of the independent Directors or their family members owned beneficially or of record any securities of the Advisers or any person directly or indirectly controlling, controlled by, or under common control with the Advisers.

DIRECTOR AND OFFICER COMPENSATION. The following table sets forth certain information regarding the compensation of the Fund's Directors for the fiscal year ended November 30, 2003. No persons (other than the independent Directors, as set forth below) currently receive compensation from the Fund for acting as a Director or officer. Directors and executive officers of the Fund do not receive pension or retirement benefits from the Fund. Directors receive reimbursement for travel and other out-of-pocket expenses incurred in connection with Board meetings.

Name of Person and Position with the Fund	Aggregate Compensation from the Fund Paid to Directors	Total Compensation fr and Fund Complex Paid
Alfred G. Aldridge, Jr., Director	$23,254	$ 37,784 (2 funds)
Richard I. Barr, Director	$24,254	$ 50,713 (3 funds)
Joel W. Looney, Director	$24,254	$ 45,784 (3 funds)
Susan L. Ciciora, Director	$0	$0
Stephen C. Miller, President of the Fund and Director	$0	$0

Prior to October 15, 2003, each Director of the Fund who was not a director, officer or employee of one of the Advisers, or any of their affiliates, received a fee of $6,000 per annum plus $4,000 for each in-person meeting, and $500 for each telephone meeting. As of October 15, 2003, each Director of the Fund who was not a director, officer or employee of one of the

Advisers, or any of their affiliates, receives a fee of $8,000 per annum plus $4,000 ($5,000 for the independent Chairman) for each in person meeting, $500 for each Audit Committee meeting ($1,000 for the independent Chairman of the Audit Committee) and $500 for each telephonic meeting of the Board. Each Director of the Fund is reimbursed for travel and out-of-pocket expenses associated with attending Board and Committee meetings. The Board of Directors of the Fund held five meetings during the fiscal year ended November 30, 2003. Each Director currently serving in such capacity attended at least 75% of the meetings of Directors and any Committee of which he is a member. The aggregate remuneration paid to the Directors of the Fund for acting as such during the fiscal year ended November 30, 2003 amounted to $71,762.

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE; REPORT OF AUDIT COMMITTEE. The purposes of the Audit Committee are to assist Board oversight of the integrity of the Fund's financial statements, the Fund's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence and the performance of the Fund's independent auditors. The Audit Committee reviews the scope and results of the Fund's annual audit with the Fund's independent accountants and recommends the engagement of such accountants. Management, however, is responsible for the preparation, presentation and integrity of the Fund's financial statements, and the independent accountants are responsible for planning and carrying out proper audits and reviews. The Board of Directors adopted a written charter for the Audit Committee on January 21, 2000 and most recently amended the Audit Committee Charter on January 23, 2004. A copy of the Audit Committee Charter is attached hereto as Exhibit B. The Audit Committee is composed entirely of the Fund's independent Directors, consisting of Messrs. Barr, Looney and Aldridge. Each member of the Audit Committee is independent, as that term is defined by the NYSE Listing Standards. The Audit Committee met two times during the fiscal year ended November 30, 2003.

In connection with the audited financial statements as of and for the year ended November 30, 2003 included in the Fund's Annual Report for the year ended November 30, 2003 (the "Annual Report"), at a meeting held on January 23, 2004, the Audit Committee considered and discussed the audited financial statements with management and the independent accountants, and discussed the audit of such financial statements with the independent accountants.

The Audit Committee has received the written disclosures and letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with independent accountants their independence. The Audit Committee discussed with the independent accountants the accounting principles applied by the Fund and such other matters brought to the attention of the Audit Committee by the independent accountants required by Statement of Auditing Standards No. 61, Communications With Audit Committees, as currently modified or supplemented.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not employed by the Fund for accounting, financial management or internal control. Moreover, the Audit Committee relies on and makes no independent verification of the facts presented to it or representations made by management or the independent accountants. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles and policies, or internal controls and procedures, designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not provide assurance that the audit of the Fund's financial statements has been carried out in accordance with generally accepted accounting standards or that the financial statements are presented in accordance with generally accepted accounting principles.

Based on its consideration of the audited financial statements and the discussions referred to above with management and the independent accountants and subject to the limitation on the responsibilities and role of the Audit Committee set forth in the Charter and those discussed above, the Audit Committee of the Fund recommended to the Board of Directors of the Fund that the audited financial statements be included in the Fund's Annual Report and be mailed to stockholders and filed with the SEC.

Submitted by the Audit Committee of the Fund's Board of Directors:

Joel W. Looney
Richard I. Barr
Alfred G. Aldridge, Jr.

NOMINATING COMMITTEE. The Board of Directors has a Nominating Committee consisting of Messrs. Barr, Looney and Aldridge, which is responsible for considering candidates for election to the Board of Directors of the Fund in the event a position is vacated or created. Each member of the Nominating Committee is independent, as that term is defined by the NYSE Listing Standards. The Nominating Committee did not meet during the fiscal year ended November 30, 2003. The Board of Directors has adopted a charter for the Nominating Committee that is available on the Fund's website, www.boulderfunds.net.

The Nominating Committee does not have a formal process for identifying candidates. The Nominating Committee takes into consideration such factors as it deems appropriate when nominating candidates. These factors may include judgment, skill, diversity, experience with investment companies and other organizations of comparable purpose, complexity, size and subject to similar legal restrictions and oversight, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees thereof. The Nominating Committee will consider all qualified candidates in the same manner. The Nominating Committee may modify its policies and procedures for director nominees and recommendations in response to changes in the Fund's circumstances, and as applicable legal or listing standards change. The Nominating Committee would consider director candidates recommended by stockholders (if a vacancy were to exist) and submitted in accordance with applicable law and procedures as described in this Proxy Statement (see "Submission of Stockholder Proposals" below). Such recommendations should be forwarded to the Secretary of the Fund.

The Fund does not have a compensation committee.

OTHER BOARD-RELATED MATTERS

Stockholders who wish to send communications to the Board should send them to the address of the Fund and to the attention of the Board. All such communications will be directed to the Board's attention.

The Fund does not have a formal policy regarding Board member attendance at the Annual Meeting of Stockholders; however, all of the Directors of the Fund attended the April 22, 2003 Annual Meeting of Stockholders.

REQUIRED VOTE.

If Stockholders Approve Proposal 2. If stockholders approve Proposal 2 and thus declassify the Board, the election of Messrs. Looney, Aldridge and Miller as Directors of the Fund will require the affirmative vote of a plurality of the votes cast by holders of the Common Stock at the Meeting in person or by proxy on Proposal 1; and the election of Mr. Barr and Ms. Ciciora as Directors of the Fund will require the affirmative vote of a plurality of the votes cast by the holders of the AMPs at the Meeting in person or by proxy on Proposal 1.

If Stockholders Do Not Approve Proposal 2. If stockholders do not approve Proposal 2, and thus the Board remains classified, the election of Ms. Ciciora and Mr. Looney as Class I Directors of the Fund will require the affirmative vote of a plurality of the votes cast by the holders of the Common Stock at the Meeting in person or by proxy on Proposal 1. There will be no AMPs election at this Meeting if Proposal 2 is not approved by stockholders and the votes received by AMPs holders will be disregarded.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION OF ALL THE NOMINEES.

PROPOSAL 2

AMENDMENT TO THE CHARTER TO DECLASSIFY THE BOARD AND PROVIDE FOR ANNUAL ELECTION OF DIRECTORS

The Charter currently provides that the Board is divided into three classes with each class to be nearly as equal in number as possible. The Charter also provides that the three classes of Directors have staggered terms, so that the term of only one class expires at each annual meeting of stockholders and each class is elected to a three-year term. The Board proposes and unanimously recommends that stockholders approve an amendment to the Charter to declassify the Board and provide for the annual election of Directors beginning at this Meeting (the "Declassification Proposal"). If the Declassification Proposal is approved by stockholders, because the Charter does not provide otherwise, Directors thereafter may be removed by stockholders "without cause".

If the stockholders approve the Declassification Proposal, the Fund will take action to implement declassification by filing the appropriate charter documents with the SDAT.

If Proposal 2 is approved, the second paragraph of Article VI, Section 2 of the Charter would be repealed in its entirety and replaced with the following language:

> The Directors shall be elected at each annual meeting of the stockholders commencing in 2004, except as necessary to fill any vacancies, and each Director elected shall hold office until his or her successor is duly elected and qualifies, or until his or her earlier resignation, death, or removal.

Corresponding amendments will also be made to Article IX of the Charter to repeal a provision that requires a supermajority vote to amend Article VI, Section (2), unless the proposed amendment is approved by the "Continuing Directors" (as defined in the current Charter). If Proposal 2 is approved by stockholders, any subsequent proposal to amend the Charter to classify the Board would require the affirmative vote of a majority of all the votes entitled to be cast on the matter. In addition, the Fund's Bylaws contain provisions that are similar to certain of those in the Charter that are proposed to be changed hereunder. If the Charter is amended, the corresponding provision in the Bylaws will be amended by the Board in a like manner. The Board also intends to consider certain additional corporate governance-related changes to the Bylaws, including modifying the provision setting forth the prior notice required for stockholders to propose matters to be considered at a regular or special meeting.

Purpose of the Amendment. The Board is submitting the Declassification Proposal to stockholders as part of its ongoing corporate governance initiatives and in keeping with its goal of ensuring that the Fund's corporate governance policies maximize management accountability to stockholders. The election of Directors is the primary means for stockholders to exercise influence over the Fund and its policies. Your Board believes that classified boards are often viewed as having the effect of reducing the accountability and responsiveness of directors to a company's stockholders. A classified board limits the power of stockholders to elect all directors on an annual basis and may discourage proxy contests in which stockholders have an opportunity to vote for a competing slate of nominees. Moreover, accumulations of large stockholder positions are sometimes followed by proxy contests. Declassifying the Board could therefore make it more likely that an acquirer may precipitate actions that would result in the Fund's stockholders receiving a premium over the Fund's then current market price for their shares. However, if the Declassification Proposal is approved, the entire Board could be removed in any single year, which could make it more difficult to discourage persons from engaging in proxy contests or otherwise seeking control of the Fund on terms that the then-incumbent Board did not believe are in the best interest of the Fund. In addition, classified boards are viewed by many companies as increasing the long-term stability and continuity of a board and the company it serves; however, the Board believes that long-term stability and continuity should result from the annual election of Directors, which provides stockholders with the opportunity to evaluate the Directors' performance, both individually and collectively, on an annual basis.

Effect of the Approval of the Amendment on Election of Directors. As more fully discussed above, if the Declassification Proposal is approved, the Meeting will be recessed briefly so that (i) the appropriate charter documents may be filed with the SDAT, (ii) all of the Directors whose terms would not otherwise expire at the Meeting may resign and (iii) all of the incumbent Directors will stand for re-election.

Board Considerations Regarding Declassification and Other Corporate Governance Proposals. The Board first considered the Declassification Proposal and other Corporate Governance Proposals at its regularly scheduled meeting in January 2004. At the January meeting, the Board held informal meetings and a separate executive session during which the significant aspects of the Corporate Governance Proposals were discussed in detail. Also at the January meeting, the Directors who are not "interested persons" of the Fund, as defined in the 1940 Act (the "Independent Directors") met separately with Fund counsel as well as counsel for the Independent Directors to generally discuss the Corporate Governance Proposals. At that time, the Board determined that it should defer any action on the Corporate Governance Proposals pending further analysis and consideration. Based on questions raised during the January meeting, the Board directed management to prepare additional materials and analysis to refine the Corporate Governance Proposals for the Board's subsequent review and consideration. At a special meeting of the Board held in February 2004, the Board again met to discuss the Corporate Governance Proposals and to consider the supplementary analysis and materials prepared by management. The Independent Directors met separately with Fund counsel, the Fund's Maryland counsel and counsel for the Independent Directors to discuss the refined proposal and supplementary materials. Again, at this meeting, the Board determined to defer any immediate action on the proposals and directed management to prepare additional materials including specific language for amending the Charter for each of the Corporate Governance Proposals. On March 17, 2004, management presented specific language and additional requested materials for each of the Corporate Governance Proposals. At this meeting, the Board, including the Independent Directors, unanimously resolved to recommend the Corporate

Governance Proposals, including the Declassification Proposal, for approval by stockholders.

In considering the Declassification Proposal, the Board recognized that the Horejsi Affiliates own an effective controlling interest in the Fund (see "Security Ownership of Certain Beneficial Owners" above) and a controlling interest in the Advisers and FAS. The Board recognized that, because a large-block stockholder is able to significantly influence elections, if all Board members were elected annually (i.e., a declassified board), the Horejsi Affiliates would be able to significantly effect a change of the entire Board in a single election. However, the Board noted that, even under the current classified structure, such a change would likely only take two years, depending on which classes were standing for election. Moreover, notwithstanding a classified structure, the Horejsi Affiliates or any other significant group of stockholders could seek to replace a majority of the Directors in a single year by soliciting the votes of enough other holders of Common Stock to remove the Directors as permitted under the Fund's current Charter (although there is, of course, no assurance that the Horejsi Affiliates or such other group of stockholders would be successful in any such effort).

The Board noted that the potential ability to replace a majority of the Board in a single year may have the effect of increasing the Horejsi Affiliates' influence over the Board, including with respect to matters on which the interests of the Horejsi Affiliates, on one hand, and the non-controlling stockholders, on the other, might diverge. For example, if the Declassification Proposal is approved, the Horejsi Affiliates may be viewed as having significantly greater influence over the Board with respect to future renewal of the Fund's investment advisory and administrative contracts, which are presently with companies owned by the Horejsi Affiliates. The Board also noted that, in the unlikely event that the Horejsi Affiliates were to make repeated changes in the composition of the Board, the continuity of experience on the Board could be diminished, the Fund's ability to attract qualified director candidates to serve on the Board could be lessened, and the Board might find it more difficult to engage in strategic, long-term planning. Although one of the effects of the Declassification Proposal would be that the Horejsi Affiliates would likely be able to unseat the entire Board in a single year, or could make repeated changes in the Board's composition, representatives of the Horejsi Affiliates have advised the Fund that they have no current plan or intention to take any such steps.

In its consideration of the Declassification Proposal, the Board noted that one perceived benefit of a classified Board is that it lengthens the time required for a substantial stockholder to gain control of the Board. Thus, a classified Board may discourage attempts to remove Directors and could serve to prevent a sudden change of control. Under a classified structure, the Board would have more time to review any proposed business transaction and consider all relevant factors, in an open and orderly process, and the Board would have more negotiating leverage and flexibility to make decisions that are in the best interests of the Fund. In the case of the Fund, however, the Board concluded that the Horejsi Affiliates' current ownership of approximately 44% of the voting power of the outstanding Common Stock may dissuade any acquisition of control of the Fund by another party, and therefore, for so long as the Horejsi Affiliates retain an influential ownership in the Fund and act together, eliminating the classified Board is not likely to increase the Fund's vulnerability to attempts to remove Directors in any material respect. If ownership by the Horejsi Affiliates is significantly reduced, the Board believes that it nonetheless would be able to fulfill its duties to the Fund in the circumstances described in this paragraph.

Because the Declassification Proposal may give the Horejsi Affiliates greater influence over the Board, and therefore the interests of the non-Horejsi stockholders and the Horejsi Affiliates may diverge with respect to certain aspects of the decision whether to declassify the Board, the Independent Directors, who comprise a majority of the Board, met separately (without representatives of management or the interested Directors) at all of the meetings discussed above, and consulted with Fund counsel, counsel for the Independent Directors and the Fund's Maryland counsel, as to the advisability of all of the Corporate Governance Proposals, including the Declassification Proposal. The Independent Directors observed that the Horejsi Affiliates' ownership of the Fund has historically provided, and, based on representations made by a representative of the Horejsi Affiliates, would likely continue to provide, significant stability and continuity in the governance of the Fund. The Independent Directors further observed that the Horejsi Affiliates have stated that they value the contributions made to the Board by the Independent Directors and noted that the Horejsi Affiliates, by their actions during the recent history of their stock ownership, have demonstrated their awareness that any arbitrary exercise of their influence to replace Directors would likely make it more difficult for the Fund to attract qualified individuals to serve on the Board in the future.

The Independent Directors determined that, in their judgment, the elimination of the classified Board would not significantly increase the influence of the Horejsi Affiliates, because the declassification only shortens the period for replacement of a majority of directors, and does not change the relative voting power of the Horejsi Affiliates compared to that of the non-Horejsi stockholders. In addition, it does not diminish or change in any way the Directors' fiduciary duties to the Fund and its stockholders, including minority stockholders. The Independent Directors also concluded that having annual elections of all directors would give all stockholders a more direct and effective means to express their evaluation of the Directors' performance than exists currently with the classified Board system in which directors, although always subject to removal by the stockholders, are as a practical matter subject to stockholder evaluation only once every three years with the three-year election cycle. The Independent Directors believe that the annual election cycle thus would provide significant benefits to the Fund's non-Horejsi stockholders that would outweigh any disadvantage resulting from the potential increased influence of the Horejsi Affiliates.

In approving the Declassification Proposal and the other Corporate Governance Proposals, the Board was aware of their impact given the current size of the Horejsi Affiliates' holdings in the Fund. In general, the Corporate Governance Proposals make it harder for both the Board and other stockholders to effect significant changes to the Fund that the Horejsi Affiliates might oppose. At the same time, the proposed changes, by eliminating the ability of the Continuing Directors to reduce the voting requirement on certain significant changes, eliminates the ability of the Horejsi Affiliates to effect certain changes unilaterally. The Board also noted that there is no requirement for the Horejsi Affiliates to maintain their current dominant position in the Fund, and that at lower ownership levels, the ability of the Horejsi Affiliates to effectively block certain changes is reduced. The Board also believed that, notwithstanding the effect of the Corporate Governance Proposals in light of current stockholder demographics, the Proposals are part of a consistent philosophy of Board accountability to Fund stockholders.

Accordingly, after due consideration of the various arguments in favor of and against a classified board, and after taking into account the support of the Horejsi Affiliates and the unanimous support of the Independent Directors, the full Board has concluded that it is in the best interests of the Fund to declassify the Board and to implement the Declassification Proposal as well as the other Corporate Governance Proposals.

Vote Required. Proposal 2 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 2.

PROPOSAL 3

AMENDMENT TO THE CHARTER PROVIDING THAT DIRECTORS SHALL BE ELECTED BY A PLURALITY OF VOTES CAST AT A MEETING AT WHICH A QUORUM IS PRESENT

The Board proposes and unanimously recommends that stockholders approve an amendment to the Fund's Charter to provide that the Directors shall be elected by a "plurality" of votes cast at a meeting at which a quorum is present. A "plurality of votes cast" simply means that, in an election where there are more than two nominees for a single position, the person receiving the most votes wins. Most public office elections are decided by a "plurality" of votes cast. If Proposal 3 is approved by stockholders, any subsequent proposal to amend the Charter to amend the plurality vote requirement would require the affirmative vote of the holders of a majority of all the votes entitled to be cast on the matter.

If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT adding the following provision to the Charter:

> A plurality of all the votes cast at a meeting at which a quorum is present shall be sufficient to elect a director.

Purpose of the Amendment. The Board is submitting this Proposal to the stockholders as part of its ongoing corporate governance initiatives and in keeping with its goal of ensuring that the Fund's corporate governance policies maximize management accountability to stockholders. Under the Maryland General Corporation Law ("MGCL"), a plurality vote is the vote currently required to elect directors of the Fund. However, also under the MGCL, the Board may amend the Fund's Bylaws to increase the vote requirement (e.g., the affirmative vote of the holders of a majority of the outstanding shares entitled to vote in the election of directors). Because, generally, bylaws of a Maryland corporation may not conflict with charter provisions, the effect of Proposal 3, if approved, would be to preclude the Board from changing the plurality vote through a Bylaw amendment without a stockholder vote.

Generally, higher-than-plurality requirements to elect directors are viewed as having the effect of reducing accountability of directors to a company's stockholders and violating the principle that a simple plurality of voting shares should be all that is necessary to effect change regarding a board of directors. Requiring a higher voting standard may permit management to entrench itself in contested elections. It is the Board's belief that election by a "plurality" is an essential element of good corporate democracy and is the fairest means of electing the Directors. Notably, under Maryland law, once approved, the plurality voting requirement under this Proposal may not be changed without the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Fund's Common Stock and Preferred Stock, voting as a single class.

The Board considered this Proposal as well as the other Corporate

Governance Proposals over three meetings held in early 2004 (see "Board Considerations Regarding Declassification and Other Corporate Governance Proposals" beginning on Page 9 above). The Board has determined that this Proposal furthers the goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders.

Vote Required. Approval of Proposal 3 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 3.

PROPOSAL 4

AMENDMENT TO THE CHARTER REPEALING A PROVISION STATING THAT DIRECTORS MAY BE REMOVED ONLY BY THE AFFIRMATIVE VOTE OF THE HOLDERS OF AT LEAST 80% OF THE CLASS OF STOCK ENTITLED TO ELECT THAT DIRECTOR

The Board proposes and unanimously recommends that stockholders approve an amendment to Article VI, Section 3 of the Charter that would repeal a provision providing that Directors may be removed only by the affirmative vote of the holders of at least 80% of the outstanding shares entitled to vote in the election of that Director. If Article VI, Section 3 is repealed, the vote required to remove a Director will be the vote otherwise required under Maryland law by the MGCL, that is, the affirmative vote of the holders of a majority of the outstanding shares entitled to vote generally in the election of directors. As is currently the case, Common Stock holders would have no authority to elect or remove Directors elected by the Preferred Stock holders, and vice versa. Corresponding amendments will also be made to Article IX of the Charter to repeal certain obsolete cross-references. If Proposal 4 is approved, any subsequent proposal to amend the Charter to increase the vote required to remove a Director would require the affirmative vote of the holders of a majority of all the votes entitled to be cast on the matter.

If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT.

Purpose of the Amendment. The Board is recommending this Proposal to the stockholders as part of its ongoing corporate governance initiatives and in keeping with its goal of ensuring that the Fund's corporate governance policies maximize the Board's accountability to stockholders. The current Charter restricts stockholders' power to remove a Director by imposing a super-majority voting requirement (i.e., 80% of outstanding shares). The proposed amendment would repeal the Fund's current super-majority removal requirement, thus allowing stockholders to remove a Director with or without "cause" by a simple majority of outstanding shares as provided by the MGCL.

Generally, super-majority removal standards or provisions that prohibit director removal "without cause" are viewed as having the effect of entrenching incumbent directors who might act irresponsibly and thus reduce their accountability and responsiveness to a company's stockholders. Super-majority removal provisions are contrary to the notion that a majority of voting shares should be able to effect removal of board members. It is the Board's belief that a removal standard that permits stockholders to remove a director without having to articulate a precise reason is an essential element of good corporate governance and enhances Board accountability and responsiveness.

The Board considered this Proposal as well as the other Corporate

Governance Proposals over three meetings held in early 2004 (see "Board Considerations Regarding Declassification and Other Corporate Governance Proposals" beginning on Page 9 above). The Board determined that the present standard for removing Directors (i.e., 80% of the Fund's outstanding shares) is simply too high, especially in circumstances where a director is unresponsive to stockholder concerns and given that, under Maryland law, the directors themselves are not able to remove underperforming directors, even for "cause". The Board determined that this Proposal furthers the goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders and would, if approved, allow stockholders the opportunity at any time to register their views on the performance of any Board member.

Vote Required. Approval of Proposal 4 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 4.

PROPOSAL 5

AMENDMENT TO THE CHARTER PROVIDING THAT THE SECRETARY SHALL CALL A SPECIAL MEETING OF STOCKHOLDERS UPON THE REQUEST OF HOLDERS OF 25% OF THE FUND'S OUTSTANDING SHARES

The Board proposes and unanimously recommends that stockholders approve an amendment to the Charter to provide that the Secretary of the Fund shall call a special meeting of stockholders at the request of stockholders entitled to cast at least 25% of all votes entitled to be cast at the meeting. If Proposal 5 is approved, any subsequent proposal to amend the Charter to increase this threshold would require the affirmative vote of the holders of a majority of all votes entitled to be cast on the matter.

If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT. If approved by stockholders, the Charter would be amended to add the following provision:

> The Secretary of the Corporation shall call a special meeting of the stockholders on the written request of stockholders entitled to cast at least 25% of all the votes entitled to be cast at the meeting.

Purpose of the Amendment. The Board is submitting this Proposal to the stockholders as part of its ongoing corporate governance initiatives and in keeping with its goal of ensuring that the Fund's corporate governance policies maximize management accountability to stockholders. This Proposal would allow stockholders holding shares entitled to cast at least 25% of all of the votes entitled to be cast at a meeting to compel the Secretary to call a special meeting of stockholders. Most state corporation statutes allow stockholders to compel a special meeting when they want to take action on certain matters that arise between regularly scheduled annual meetings. Sometimes this right applies only if a stockholder, or group of stockholders, owns a minimum threshold percentage of outstanding shares. In terms of day-to-day governance, stockholders may lose an important right (e.g., the ability to remove directors or initiate a stockholder resolution without having to wait for the next scheduled meeting) if they are unable to compel a special meeting. The inability to compel a special meeting and the resulting insulation of management could result in suffering corporate performance and stockholder returns. In summary, excessive ownership requirements for calling meetings constrains the ability of stockholders to act independently and hold the Board and management accountable.

Presently the Charter is silent on the ownership threshold to compel a special meeting, although the Fund's Bylaws provide that a special meeting may be called by the Secretary upon the request of stockholders "owning a majority of the votes entitled to be cast at the meeting". If approved, Proposal 5 would reduce the ownership threshold necessary to compel a special meeting to shares entitled to cast 25% of all the votes entitled to be cast at the meeting and would supersede the corresponding Bylaw provision. Notably, the 25% requirement for compelling a special meeting is the threshold provided under the MGCL (see MGCL ss.2-502) in the absence of a contrary Bylaw or charter provision.

The Board considered this Proposal as well as the other Corporate Governance Proposals over three meetings held in early 2004 (see "Board Considerations Regarding Declassification and Other Corporate Governance Proposals" beginning on Page 9 above). The Board noted that, if approved, because the Horejsi Affiliates own approximately 44% of the Shares, Proposal 5 would allow the Horejsi Affiliates to compel a special meeting at any time; whereas under the present Bylaw provision, they would have to acquire additional Fund shares or garner the support of other stockholders to reach the majority-of-outstanding-shares threshold to compel a meeting. The Board also considered the possibility of additional expenses associated with special meetings and the potential disruption to Fund business and diversion of the attention of Fund management should special meetings be called. Notwithstanding, the Board determined that the majority-of-outstanding-shares threshold is simply too high and only serves to insulate the Board from its stockholders. The Board also considered the reduction in the number of shares needed to call a special meeting to be appropriate in light of the proposed elimination of many of the super-majority voting provisions in the Charter and Bylaws. When a supermajority vote is required, a higher threshold for calling a meeting seems reasonable to assure that the associated expenses are not incurred unless the proposal has a reasonable prospect of passage. With lower voting requirements on many matters, a lower threshold to hold a special meeting seems reasonable. The Board has determined that this Proposal furthers the goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders and would, if approved, better allow stockholders the opportunity to register their views on the performance of the Fund and the Board.

Vote Required. Approval of Proposal 5 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 5.

PROPOSAL 6

AMENDMENT TO THE CHARTER VESTING IN THE STOCKHOLDERS THE POWER TO AMEND OR ADOPT BYLAWS

Under the Fund's Charter, the Board has exclusive power to amend the Bylaws. The Board proposes and unanimously recommends that stockholders approve an amendment to the Charter to (i) vest stockholders with the concurrent power to make, amend, adopt or repeal Bylaws by the affirmative vote of the holders of a majority of the votes cast on the matter, and (ii) prohibit the Board from making, amending, adopting or repealing any Bylaw which conflicts with or otherwise attempts to alter the effect of stockholder-approved Bylaws. If Proposal 6 is approved, any subsequent proposal to amend the Charter to alter stockholders' power to amend the Bylaws would require the affirmative vote of the holders of a majority of all votes entitled to be cast on the matter.

If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT. If approved by stockholders, the Charter will be amended to repeal Article VI, Section 4(i) and add the following provisions:

> The Bylaws of the Corporation, whether adopted by the Board of Directors or the stockholders, shall be subject to amendment, alteration or repeal, and new Bylaws may be made, by either (a) the affirmative vote of a majority of all the votes cast at a stockholders' meeting at which a quorum is present; or (b) the Board of Directors; provided, however, that the Board of Directors may not (i) amend or repeal a Bylaw that allocates solely to stockholders the power to amend or repeal such Bylaw, or (ii) amend or repeal Bylaws or make new Bylaws that conflict with or otherwise alter in any material respect the effect of Bylaws previously adopted by the stockholders.

Purpose of the Amendment. The Board is submitting this Proposal to the stockholders as part of its ongoing corporate governance initiatives and in keeping with its goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders. This Proposal would vest in the stockholders the power to amend, repeal or adopt Bylaws and prevent the Board's unilaterally changing Bylaw amendments that are approved by stockholders. Your Board believes that all stockholders benefit if they have better access and more influence in the Fund's governance. The Fund's Bylaws contain important policies affecting the day-to-day management of the Fund which the Board believes stockholders should have a voice in establishing.

Presently the Charter authorizes the Board to "make, alter or repeal the Bylaws of the Corporation, except as otherwise required by the 1940 Act" and thus, under the Charter, the authority to make, alter or repeal Bylaws resides exclusively with the Board. The Board believes that the authority to make, alter or repeal Bylaws should be a shared authority between the Board and stockholders. This permits the Board to be responsive to house-keeping as well as substantive matters regarding Fund operations, while at the same time giving stockholders the power to effect changes should they choose to do so. The Board also believes that when stockholders "speak" by adopting a Bylaw, their action should not be subject to being overturned or altered by unilateral Board action. The Board believes that this Proposal will accommodate the practicalities of managing the Fund while at the same time protecting an important right of stockholders.

The Board considered this Proposal as well as the other Corporate Governance Proposals over three meetings held in early 2004 (see "Board Considerations Regarding Declassification and Other Corporate Governance Proposals" beginning on Page 9 above). The Board has determined that this Proposal furthers the goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders and allow stockholders better and consistent access to effect change in the Fund's governing documents.

Vote Required. Approval of Proposal 6 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 6.

PROPOSAL 7

AMENDMENT TO THE CHARTER PROHIBITING THE FUND FROM OPTING INTO ANY PROVISION OF THE MARYLAND UNSOLICITED TAKEOVERS ACT

The Board proposes and unanimously recommends that stockholders approve an amendment to the Charter that would prohibit the Fund from being subject to the provisions of the Maryland Unsolicited Takeovers Act, MGCL ss.ss.3-801 through 805 ("MUTA"). Under MUTA, a Maryland corporation with three independent directors and a class of equity securities registered under the 1934 Act may elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five statutory provisions: (i) a classified board, (ii) a two-thirds vote requirement for removing a director, (iii) a requirement that the number of directors be fixed only by vote of the directors, (iv) a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred, and (v) a majority requirement for stockholders to compel the calling of a special meeting of stockholders. If approved, Proposal 7 would amend the Charter to prohibit the Board from unilaterally electing to be subject to any of MUTA's provisions without first obtaining stockholder approval. Such approval, or any subsequent amendment to the Charter to alter or repeal this prohibition, would require the affirmative vote of a majority of all the votes entitled to be cast on the matter.

If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT. If approved by stockholders, the Charter would be amended to add the following provision:

> The Corporation is prohibited from electing to be subject to any provision of Title 3, Subtitle 8 of the MGCL, as amended from time to time, or any successor to such provisions.

Purpose of the Amendment. The Board is submitting this Proposal to the stockholders as part of its ongoing corporate governance initiatives and in keeping with its goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders. Under several of the Corporate Governance Proposals, the Board is recommending that stockholders (i) declassify the Board (Proposal 2), (ii) permit Directors to be removed by holders of a majority of outstanding shares (Proposal 4), (iii) require the Secretary of the Fund to call special meetings of the stockholders on the written request of the holders of 25% of outstanding shares (Proposal 5) and (iv) limit the number of directorships to five (Proposal 9). MUTA conflicts with each of these Proposals and, if the Board has the authority to elect on behalf of the Fund to be subject to MUTA, it could circumvent each of these measures which the stockholders have duly approved.

MUTA may be perceived as having the effect of entrenching management and diminishing stockholder influence. Where, as here, a fund's stockholders have expressed an informed decision to maximize stockholder influence, even at the risk of incurring additional expense or facilitating unwanted stockholder action, it would be anomalous for the Board at a later date to overturn those decisions. The Board recognized that although adopting this Proposal would limit their options in certain circumstances, it is an appropriate step in order to protect the decision stockholders will have expressed in approving Proposals 2, 4, 5 and 9.

The Board considered this Proposal as well as the other Corporate Governance Proposals over three meetings held in early 2004 (see "Board Considerations Regarding Declassification and Other Corporate Governance

Proposals" beginning on Page 9 above and "Purpose of the Amendment" under Proposals 2, 4, 5 and 9). The Board has determined that Proposal 7 furthers the goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders.

Vote Required. Proposal 7 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 7.

PROPOSAL 8

AMENDMENT TO THE CHARTER TO ALTER THE VOTE REQUIRED TO EFFECT CERTAIN EXTRAORDINARY CORPORATE TRANSACTIONS

The Board proposes and unanimously recommends that stockholders approve an amendment to the Charter that would repeal Article VII (Certain Transactions) and replace it with a new section providing that no (a) business combination (e.g., mergers, consolidation, share exchanges), (b) voluntary liquidation or dissolution, (c) stockholder proposal regarding specific investment decisions, (d) proposal to open-end the Fund, or (e) self tender for more than 25% of a Fund's shares in any twelve-month period may be effected without the vote of two-thirds of the Fund's outstanding shares, and that such amendment cannot be amended, altered or repealed without the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter.

If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT. If approved by stockholders, the Charter would be amended to repeal Article VII in its entirety and replace it with the following provisions:

(1) In this Section, "Business Combination" means:

(i) a merger or consolidation of the Corporation with or into any person other than an investment company in a family of investment companies having the same investment adviser or administrator as the Corporation;

(ii) the sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any other person of any assets of the Corporation except (x) for the payment of dividends or other distributions, (y) for portfolio transactions of the Corporation effected in the ordinary course of the Corporation's business, including permitted borrowings, or (z) in connection with a reorganization of the Corporation with another investment company in a family of investment companies having the same investment adviser or administrator as the Corporation; or

(iii) the issuance or transfer by the Corporation (in one transaction or a series of transactions) of any shares of the Corporation to any other person in exchange for cash, securities or other property of the Corporation (or a combination thereof), but excluding (v) sales of any shares of the Corporation in connection with a public offering thereof or, for shares of preferred stock or debt securities of the Corporation, a private placement thereof, (w) issuance of any securities of the Corporation upon the exercise of any stock subscription right issued by the Corporation, (x) with respect to the Corporation's dividend reinvestment and/or cash purchase plan, (y) in connection with a dividend or distribution made pro rata to all holders of stock of the same class, or (z) a transaction within the scope permitted under (1)(i) or (ii) above.

(2) In addition to the approval by the Board of Directors required by

applicable law, the Charter or the Bylaws of the Corporation, the affirmative vote of the holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast on the matter shall be required to approve:

(i) a Business Combination;

(ii) a voluntary liquidation or dissolution of the Corporation;

(iii) a stockholder proposal as to specific investment decisions made or to be made with respect to the Corporation's assets;

(iv) an amendment to the Charter to convert the Corporation from a closed-end investment company to an open-end investment company or unit investment trust (as such terms are defined by the 1940 Act), whether by merger or otherwise;

(v) a self tender for, or acquisition by the Corporation of, more than 25% of the Corporation's outstanding shares of stock, in the aggregate, during any twelve-month period.

(3) This Section may not be amended, altered or repealed without the affirmative vote of the holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast on the matter.

Additionally, Article IX of the Charter will be amended to repeal certain obsolete cross-references.

Purpose of the Amendment. The Board is submitting this Proposal to assure stockholders that the Fund's closed-end structure and certain other features cannot be changed without substantial support of stockholders. The Board believes that a consistent legal and operating structure is essential to the Fund's long-range planning and investment horizons. The Board believes that all of the extraordinary actions described in this Proposal ("Extraordinary Actions") have the potential to be disruptive to the efficient and profitable operation of the Fund. However, there may be times when Extraordinary Actions are warranted and may receive substantial support of stockholders. In these circumstances, if the Board approves such a transaction, and there is substantial stockholder support, the Board believes that the transaction is likely to go forward.

Board Considerations. The Board considered Proposal 8 along with, and at the same meetings at which it considered, the other Corporate Governance Proposals (see "Board Considerations Regarding Declassification and Other Corporate Governance Proposals" beginning on Page 9 above). The Board recognized that the Charter already imposes an 80% super-majority voting requirement on the approval of certain Extraordinary Actions in the absence of prior approval by 80% of the Continuing Directors. Proposal 8 would change that voting standard to two-thirds, whether or not approved by the Continuing Directors. The Proposal would also eliminate the proviso allowing an Extraordinary Action to be approved by holders of a majority of outstanding shares (or, in some cases, a lower voting requirement) if first approved by 80% of "Continuing Directors". Instead, under the Proposal, any Extraordinary Action would require approval of holders of two-thirds of all outstanding shares.

The Board understands that super-majority provisions are often viewed as not being stockholder friendly. However, on balance, the Board determined that the Proposal would result in a net benefit to stockholders. The Board determined that the Proposal would protect the Fund and stockholders from certain stockholders or the Fund's own management who may seek to change the Fund's long-standing closed-end investment structure, or to effect a merger or other business combination. Because such changes would be disruptive and contrary to the expectations of many (if not most) stockholders and could result in adverse economic effects, the Board determined that the special provisions contemplated by this Proposal are reasonable and justified. The Board recognized that there may be circumstances where a proposed Extraordinary Action may be warranted and in the best interest of the Fund and that the Proposal might make such a proposal more difficult to effect. However, if such a proposal was clearly in the best interest of the Fund and stockholders, it would likely be supported by the Board and would receive substantial - and thus the necessary - stockholder support for passage. The Board noted that, because of the Horejsi Affiliates' current control position in the Fund's shares, the effect of this Proposal would be to give the Horejsi Affiliates considerable influence in the passage, or actual or de facto veto power over any of the Extraordinary Actions contemplated by the Proposal. Nonetheless, the Board determined that the net benefits to the Fund outweighed any increase in influence of the Horejsi Affiliates because this Proposal assures all stockholders of a stable and consistent operating structure and environment within which they can further their investment goals. In addition, the position of the Horejsi Affiliates, assuming approval of Proposal 8, is not significantly different from its position under existing Charter provisions, although it will be somewhat easier for them to block Board or stockholder proposals for Extraordinary Actions with which they disagree.

Vote Required. Approval of Proposal 8 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 8.

PROPOSAL 9

AMENDMENT TO THE CHARTER TO ESTABLISH THE MAXIMUM NUMBER OF DIRECTORS AT FIVE

The Board proposes and unanimously recommends that stockholders approve an amendment to the Charter providing that the maximum number of Directors shall be and not exceed five. Any subsequent amendment to this new Charter provision and the conforming changes described below would require the affirmative vote of the holders of a majority of all the votes entitled to be cast on the matter.

If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT. If approved by stockholders, Article VI, Section 2(a) will be repealed and replaced in its entirety (subject to the additions contemplated under Proposal 2) by the following provision:

> The number of Directors shall be five, which number may be decreased by the Board of the Directors pursuant to the Bylaws but never be less than the minimum required by the MGCL.

In addition, corresponding changes will be made to the Charter. The second paragraph of Article VI, Section 2 of the Charter will be repealed in its entirety and replaced with the following language:

> If the Corporation issues Preferred Stock entitling the holders to elect additional Directors in specified circumstances, and the election of such additional Directors would cause the number of Directors to exceed five, then the terms of office of a number of Directors elected by the other stockholders (excluding any Directors which the holders of the Preferred Stock are entitled to elect in all events) shall terminate at the time of the meeting of the holders of the Preferred Stock called to elect the additional Directors such that the sum of the number of remaining Directors and the number of additional Directors to be elected by the holders of the Preferred Stock does not exceed five. The Directors whose terms shall expire will be determined in reverse order of their initial election to the Board of Directors or, if two or more Directors were elected at the same

time, by lot.

In addition, if this Proposal is approved, two conforming changes will need to be made to the Articles Supplementary accepted for record by the SDAT on August 11, 2000 (the "Articles Supplementary"). Under the current Articles Supplementary, if certain events occur, the holders of the Preferred Stock become entitled to elect a majority of members of the Board. The mechanics for doing so generally involve increasing the size of the Board to accommodate additional directors elected by Preferred Stock holders. If the size of the Board is limited to five as proposed, rather than increasing the size of the Board to accommodate new Preferred Stock Directors, the terms of office of one or more Directors elected by the Common Stock holders will expire such that the Directors elected by Preferred Stock holders will constitute a majority of the Board.

The first change is to the second sentence of Section 5(d)(iii) of the Articles Supplementary, which shall be deleted and replaced in its entirety with the following language:

> If the election of additional directors by the holders of Preferred Stock, including AMPS, would otherwise cause the number of directors to exceed five, then the terms of office of a number of directors elected by the holders of Common Stock shall terminate at the time of the special meeting to elect such additional directors such that the sum of the number of remaining directors and the number of additional directors does not exceed five and the number of additional directors and the two directors elected by the holders of Preferred Stock, including AMPS, constitute a majority of the entire Board of Directors.

The second change is to the first sentence of Section 5(c) of the Articles Supplementary, which shall be deleted and replaced in its entirety with the following language:

> During any period in which any one or more of the conditions described below shall exist (such period being referred to herein as a "Voting Period"), the holders of shares of Preferred Stock, including AMPS, shall be entitled, voting as a single class to the exclusion of the holders of all other securities and classes of capital stock of the Corporation, to elect the smallest number of additional directors that, when added to the two directors that the holders of Preferred Stock, including shares of AMPS, are in any event entitled to elect, would constitute a majority of the Board of Directors.

Corresponding amendments will also be made to Article IX of the Charter to repeal a provision that requires a supermajority vote to amend Article VI, Section (2), unless the proposed amendment is approved by the "Continuing Directors".

Purpose of the Amendment. The Board is submitting this Proposal to the stockholders as part of its ongoing corporate governance initiatives and in keeping with its goal of ensuring that the Fund's corporate governance policies maximize Board and management accountability to stockholders. Company charters often contain provisions that set a high upper-limit on the number of board seats, permitting the company's board to increase or decrease the number of board seats in their discretion, though subject to this upper limit. Currently the Fund's Charter and Bylaws contemplate a Board size of between three and twelve Directors, permitting the Board to increase or decrease its size subject to the upper limit of twelve. Often boards use such provisions to quickly increase or decrease their size in an effort to dilute the voting impact of directors - such as those elected in proxy contests - with views contrary to those of management. The Board views the ability to manipulate the number of members on the Board as unnecessary and ultimately ineffective in thwarting stockholder activism. In addition, it potentially increases Fund expenses and insulates the Board from stockholders. Common sense suggests that if the Fund has more Board seats, it (and thus stockholders) will spend more on Board compensation. The Board believes that, because of the relatively narrow business focus of an investment company like the Fund, five Directors can adequately and efficiently fulfill their obligation to oversee the operations of the Fund and its management and act as "watchdogs" for stockholders. The Board believes that the best approach is to seek a few highly qualified individuals to fill directorships and pay them fairly. This way, stockholders get more "bang for the buck" in their Board and don't pay unnecessary Board expenses.

Vote Required. Approval of Proposal 9 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 9.

PROPOSAL 10

AMENDMENT TO THE CHARTER PROVIDING THAT UPON REDEMPTION OF ALL OF THE FUND'S SHARES OF PREFERRED STOCK, THE TERM OF ANY DIRECTORS ELECTED BY THE HOLDERS OF PREFERRED STOCK WILL AUTOMATICALLY TERMINATE

The Board proposes and unanimously recommends that stockholders approve an amendment to the Charter providing that, upon redemption of all of the Fund's shares of Preferred Stock and payment of all amounts due the holders of Preferred Stock, the term of the Directors elected by the Preferred Stock holders will automatically terminate. The remaining Directors would then choose Directors to fill the vacancies created by the termination, subject to compliance with applicable law. Any subsequent amendment to this new Charter provision would require the affirmative vote of a majority of all the votes entitled to be cast on the matter.

If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT. If approved by stockholders, the Charter would be amended to add the following provision:

> Upon the redemption as a whole but not in part of the Preferred Stock, the term of office of any Directors elected by the holders of the Preferred Stock shall automatically and immediately terminate and the remaining Directors shall constitute the directors of the Corporation.

Purpose of the Amendment. Under the Charter, Preferred Stock or "AMPs" stockholders are entitled to elect at least two Directors (the "AMPs Directors"). However, there are no provisions in the Charter as to what happens to AMPs or other Preferred Stock Directors if all of the Preferred Stock is redeemed. Proposal 10 provides for this event. The Board believes that the terms of office of Directors elected by the Preferred Stock holders should expire when the Preferred Stock is fully redeemed, and that this Proposal merely corrects a drafting oversight. Obviously, the special protection afforded to Preferred Stock holders by Board representation is no longer necessary when those shares are no longer outstanding.

Vote Required. Approval of Proposal 10 requires the affirmative vote of a majority of the votes entitled to be cast on the matter by the holders of the

Common Stock and Preferred Stock, voting as a single class.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" PROPOSAL 10.

PROPOSAL 11

AMENDMENT TO THE CHARTER REPEALING A PROVISION REQUIRING THAT CERTAIN AMENDMENTS TO VARIOUS PROVISIONS OF THE CHARTER BE APPROVED BY THE HOLDERS OF AT LEAST 80% OF THE SHARES OF THE FUND'S COMMON STOCK AND PREFERRED STOCK, VOTING TOGETHER AS A SINGLE CLASS, AND 80% OF THE SHARES OF THE FUND'S PREFERRED STOCK, VOTING SEPARATELY

The Board proposes and unanimously recommends that stockholders approve a Proposal to repeal Article IX, Section 2 of the Charter. If stockholders approve this Proposal, the Fund will take action to implement the Proposal by filing the appropriate charter documents with the SDAT. If approved by stockholders, the Charter would be amended to repeal Article IX, Section 2.

Purpose of the Amendment. This amendment is necessary to conform the Charter and eliminate conflicts in the Charter with respect to the other amendments contemplated under the Corporate Governance Proposals.

Under Article IX, Section 2, various provisions of the Charter (including Article IX, Section 2) cannot be amended without the affirmative vote of at least 80% of votes entitled to be cast by holders of the Common Stock and Preferred Stock voting as a single class, and 80% of votes entitled to be cast by holders of the Preferred Stock, voting separately. However, also under Article IX, Section 2, such provisions may be amended by a lesser voting requirement (i.e., the affirmative vote of a majority of votes of the Common Stock and Preferred Stock, voting as a