

PROSPECTUS

23,600,000 Shares of Common Stock
THE ZWEIG TOTAL RETURN FUND, INC.
Issuable Upon Exercise of Non-Transferable
Rights to Subscribe for Such Shares of Common Stock

The Zweig Total Return Fund, Inc. (the "Fund") is issuing non-transferable rights ("Rights") to its shareholders of record as of the close of business on November 29, 2010 (the "Record Date") entitling the holders of these Rights to subscribe (the "Offer") for up to an aggregate of 23,600,000 shares of common stock, par value \$0.001 per share (the "Common Stock"). Shareholders of record will receive one Right for each outstanding Fund share owned on the Record Date. The Rights entitle the holders to purchase one share of Common Stock for every five Rights held, and shareholders of record who fully exercise their Rights will be entitled to subscribe for additional shares of Common Stock pursuant to an over-subscription privilege described in this Prospectus. Pursuant to the over-subscription privilege, the Fund may increase the number of shares of Common Stock subject to subscription by up to 25% of the shares, or up to an additional 5,900,000 shares of Common Stock, for an aggregate total of 29,500,000 shares. Fractional shares will not be issued upon the exercise of Rights. The Rights are non-transferable and, therefore, may not be purchased or sold. The Rights will not be admitted for trading on the New York Stock Exchange ("NYSE") or any other exchange. See "The Offer." THE SUBSCRIPTION PRICE PER SHARE (THE "SUBSCRIPTION PRICE") WILL BE EQUAL TO 95% OF THE LOWER OF THE NET ASSET VALUE PER SHARE OF THE FUND'S COMMON STOCK ("NAV") AT THE CLOSE OF BUSINESS ON JANUARY 7, 2011 (THE "PRICING DATE") OR THE AVERAGE OF THE LAST REPORTED SALES PRICE OF A SHARE OF THE FUND'S COMMON STOCK ON THE NYSE ON THE PRICING DATE AND THE FOUR PRECEDING BUSINESS DAYS.

The Offer will expire at 5:00 p.m., New York City time, on January 7, 2011, unless extended as described herein (the "Expiration Date").

The Fund announced the Offer on September 16, 2010. The Fund's Common Stock trades on the NYSE under the symbol "ZTR." Shares issued upon the exercise of Rights and the over-subscription privilege will be listed for trading on the NYSE, subject to notice of issuance. The net asset value per share of the Fund's Common Stock at the close of business on September 16, 2010 and November 26, 2010 was \$3.85 and \$3.94, respectively, and the last reported sales price of a share of the Fund's Common Stock on the NYSE on those dates was \$3.72 and \$3.65, respectively.

The Fund is a diversified, closed-end management investment company. Its investment objective is to seek the highest total return, consisting of capital appreciation and current income, consistent with the preservation of capital. The Fund will invest up to 65% of its total assets in U.S. government securities, non-convertible debt securities of domestic issuers rated among the two highest rating categories of either Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") (or, if unrated, of comparable quality as determined by the investment adviser, Zweig Advisers LLC (the "Investment Adviser")), and certain foreign government securities (collectively, the "Bond Investments"), and up to 50% of its total assets in equity securities comprised of common, preferred and convertible preferred stock. The equity investments will be in primarily large-capitalization companies but may also be in investments in small- or medium-capitalization companies. The Fund may, however, under certain circumstances, invest up to 75% of its total assets in equity securities as determined by the Investment Adviser. The Fund also, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody's or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser).

(Continued on the following page)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

INVESTING IN THE FUND'S COMMON SHARES INVOLVES RISKS. SEE "RISK FACTORS AND SPECIAL CONSIDERATIONS" FOR FACTORS THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE COMMON SHARES OF THE FUND.

	Estimated Price to Public(1)	Sales Load	Estimated Proceeds to Registrant or Other Persons(2)(3)
Per Share	\$3.51	N/A	\$3.51
Total Maximum (4)	\$82,836,000	N/A	\$82,836,000

(Footnotes on the following page)

The date of this Prospectus is November 29, 2010.

All of the Investment Adviser's outstanding equity interests are directly owned by Virtus Investment Partners, Inc. ("Virtus"), a NASDAQ listed company. The Investment Adviser (and its predecessor) has provided investment advisory services to the Fund since its inception. The Investment Adviser engages Zweig Consulting LLC (the "Sub-Adviser") to perform asset allocation research and analysis and provide advice thereon to the Investment Adviser. Dr. Martin E. Zweig, President of the Sub-Adviser, has been engaged in the business of providing investment advisory services for over 40 years. While the Investment Adviser seeks to reduce the risks associated with investing in debt and equity securities, such risks cannot be eliminated. See "Investment Objective and Policies." No assurance can be given that the Fund's investment objective will be realized. The Fund's administrator is VP Distributors, Inc., formerly Phoenix Equity Planning Corporation (the "Administrator"). The Fund's Investment Adviser, Sub-Adviser and Administrator will benefit from the Offer. See "Management of the Fund."

Upon the completion of the Offer, shareholders of record who do not fully exercise their Rights will own a smaller proportional interest in the Fund than they owned prior to the Offer. In addition, because the Subscription Price will be less than the net asset value per share as of the Pricing Date, the Offer will result in an immediate dilution of the net asset value per share for all shareholders. Although it is not possible to state precisely the amount of such decrease in net asset value per share because it is not known how many shares will be subscribed for, what the net asset value or market price of the Common Stock will be on the Pricing Date or what the Subscription Price will be, such dilution could be minimal or substantial. Any such dilution will disproportionately affect non-exercising shareholders. See "The Offer" and "Risk Factors and Special Considerations." Except as described in this Prospectus, shareholders of record will have no right to rescind their subscriptions after receipt of their payment for shares by the Subscription Agent.

This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing. Investors are advised to read this Prospectus and retain it for future reference. A Statement of Additional Information, dated November 29, 2010 (the "SAI"), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (the "Commission") and is incorporated by reference in its entirety into this Prospectus. The Table of Contents of the SAI appears on page 48 of this Prospectus.

Shareholders may obtain a copy, free of charge, of the SAI and the Fund's annual and semi-annual report to shareholders, or request other information about the Fund, from, and should direct all questions and inquiries relating to the Offer to, the Fund's Information Agent, Georgeson Inc. Banks and Brokers should call (212) 440-9800 collect and all other shareholders should call (800) 891-3214. The Fund makes available, free of charge, the SAI and the Fund's annual and semi-annual report to shareholders at <http://www.virtus.com/products/closed/details.aspx?type=&fundid=ZTR>. The address of the Fund is 900 Third Avenue, New York, New York 10022, and its telephone number is (212) 451-1100. The Commission maintains a website (<http://www.sec.gov>) that contains the SAI and other information regarding the Fund.

(Footnotes from the previous page)

- (1) Estimated, equal to 95% of the lower of the NAV at the close of business on November 26, 2010 or the average of the last reported sales price of a share of the Fund's Common Stock on the NYSE on November 26, 2010 and the four preceding business days.
- (2) Before deduction of offering expenses incurred by the Fund, estimated at approximately \$536,000.
- (3) The funds received by check prior to the final due date of this Offer will be deposited into a segregated interest-bearing account (which interest will be paid to the Fund) pending proration and distribution of the shares.
- (4) Assumes all 23,600,000 shares are purchased at the estimated Subscription Price. Pursuant to the over-subscription privilege, the Fund may, at the discretion of the Board of Directors, increase the number of shares subject to subscription by up to 25% of the shares offered hereby. If the Fund increases the number of shares subject to subscription by 25%, the Total Maximum Estimated Subscription Price and Estimated Proceeds to the Fund will be \$103,545,000 and \$103,545,000, respectively. The offering expenses in connection with this offering will be charged against paid-in capital of the Fund.

Certain numbers in this Prospectus have been rounded for ease of presentation and, as a result, may not total precisely. All dollar figures are rounded to the nearest dollar and all percentages are rounded to the nearest hundredth of one percent.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus assumes that the allowable increase of 25% of the shares offered hereby pursuant to the over-subscription privilege will not occur.

The Fund

The Zweig Total Return Fund, Inc. (the “Fund”) is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund commenced operations in September 1988. The Fund’s investment objective is to seek the highest total return, consisting of capital appreciation and current income, consistent with the preservation of capital. The Fund will invest up to 65% of its total assets in U.S. government securities, non-convertible debt securities of domestic issuers rated among the two highest rating categories of either Moody’s Investors Service, Inc. (“Moody’s”) or Standard & Poor’s Corporation (“S&P”) (or, if unrated, of comparable quality as determined by the investment adviser, Zweig Advisers LLC (the “Investment Adviser”), and certain foreign government securities (collectively, the “Bond Investments”), and up to 50% of its total assets in equity securities comprised of common, preferred and convertible preferred stock. The equity investments will be in primarily large-capitalization companies but may also be in investments in small- or medium-capitalization companies. The Fund may, however, under certain circumstances, invest up to 75% of its total assets in equity securities as determined by the Investment Adviser. The Fund also, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody’s or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser).

The Investment Adviser determines the level of fixed income investment exposure, and the average maturity and duration, in the Fund primarily on the basis of the Fund’s portfolio managers’ judgment and market opportunities as well as a bond model provided by Zweig Consulting LLC (the “Sub-Adviser”). The bond model suggests an appropriate level of duration (a measure of risk in a bond portfolio) for implementation by the Fund’s portfolio managers. The Fund’s portfolio managers then incorporate fundamental analysis to determine which specific bonds to own and what maturities to hold to arrive at the overall duration of the portfolio. The overall bond portfolio generally has a blend of short, medium and long-maturity bonds, which balances the overall duration risk with other yield curve risks depending on the overall duration that the portfolio managers wish to achieve. The portfolio managers will vary the maturities to arrive at the appropriate desired average. The Fund primarily invests its Bond Investments in U.S. Treasury securities and agency securities of the highest quality. The extent of the Fund’s investment in equity securities will be determined primarily on the basis of equity asset allocation techniques developed by Dr. Martin E. Zweig, President of the Sub-Adviser, and his staff. Dr. Martin E. Zweig has been engaged in the business of providing investment advisory services for over 40 years.

All of the Investment Adviser’s outstanding equity interests are directly owned by Virtus Investment Partners, Inc. (“Virtus”), a NASDAQ listed company. The Investment Adviser (and its predecessor) has provided investment advisory services to the Fund since its inception. The Investment Adviser engages the Sub-Adviser to perform asset allocation research and analysis and provide advice thereon to the Investment Adviser. While the Investment Adviser seeks to reduce the risks associated with investing in debt and equity securities, the risk of investment in debt and equity securities cannot be eliminated. See “Investment Objective and Policies.” No assurance can be given that the Fund’s investment objective will be realized.

The Fund’s outstanding common stock, par value \$0.001 per share (the “Common Stock”) is listed and traded on the NYSE. The average weekly trading volume of the Common Stock on the NYSE during the year

ended December 31, 2009 was 1,419,000 shares and as of November 26, 2010, the average weekly trading volume for 2010 was 2,122,892 shares. As of December 31, 2009, the net assets of the Fund were \$473,216,685.

VP Distributors, Inc. (the “Administrator”) serves as the Fund’s administrator and receives from the Fund an administrative fee computed at the annual rate of 0.065% of the Fund’s average daily net assets. The Fund pays the Investment Adviser a monthly investment advisory fee computed at the annual rate of 0.70% of the Fund’s average daily net assets. See “Management of the Fund.”

Terms of the Offer

The Fund is issuing to its shareholders of record (“Record Date Shareholders”) as of the close of business on November 29, 2010 (the “Record Date”) non-transferable rights (the “Rights”) to subscribe for up to an aggregate of 23,600,000 shares of Common Stock (the “Shares”) of the Fund. The Fund may increase the number of shares of Common Stock subject to subscription by up to 25% of the Shares, or up to an additional 5,900,000 Shares of Common Stock, for an aggregate total of 29,500,000 Shares. Each Record Date Shareholder is being issued one Right for each whole share of Common Stock owned on the Record Date. The Rights entitle the holders thereof to subscribe for one Share for every five Rights held (the “Offer”). Fractional Shares will not be issued upon the exercise of Rights. If a Record Date Shareholder’s total ownership is fewer than five shares, such shareholder may subscribe for one Share.

Rights may be exercised at any time during the Subscription Period, which commences on November 30, 2010 and ends at 5:00 p.m., New York City time, on January 7, 2011, unless extended by the Fund until 5:00 p.m., New York City time, to a date not later than January 14, 2011 (such date, as it may be extended, is referred to in this Prospectus as the “Expiration Date”). A Record Date Shareholder’s right to acquire during the Subscription Period at the Subscription Price (as described below) one additional Share for every five Rights held is hereinafter referred to as the “Primary Subscription.” The Rights are evidenced by subscription certificates (the “Subscription Certificates”), which will be mailed to Record Date Shareholders, except as discussed in “The Offer — Foreign Restrictions.”

The subscription price per Share (the “Subscription Price”) will be equal to 95% of the lower of the net asset value per share of the Fund’s Common Stock (“NAV”) at the close of business on January 7, 2011 (the “Pricing Date”) or the average of the last reported sales price of a share of the Fund’s Common Stock on the NYSE on the Pricing Date and the four preceding business days, unless the Offer is extended. Since the Expiration Date and the Pricing Date are each January 7, 2011, Record Date Shareholders who choose to exercise their Rights will not know at the time of exercise the Subscription Price for Shares acquired pursuant to such exercise. Record Date Shareholders will have no right to rescind a purchase after receipt of their payment for Shares by the Fund’s subscription agent, Computershare Trust Company, N.A. (“Computershare” or the “Subscription Agent”). There is no minimum number of Rights that must be exercised in order for the Offer to close.

Pursuant to the over-subscription privilege (the “Over-Subscription Privilege”), any Record Date Shareholder who fully exercises all Rights issued to such shareholder in the Primary Subscription (other than those Rights that cannot be exercised because they represent the right to acquire less than one Share) will be entitled to subscribe for additional Shares at the Subscription Price. Shares available, if any, pursuant to the Over-Subscription Privilege are subject to allotment and may be subject to increase, as is more fully discussed under “The Offer — Over-Subscription Privilege.” For purposes of determining the maximum number of Shares a Record Date Shareholder may acquire pursuant to the Offer, Record Date Shareholders whose shares of Common Stock are held of record by Cede & Co. Inc. (“Cede”) or by any other depository or nominee will be deemed to be the holders of the Rights that are issued to Cede or such other depository or nominee on their behalf.

The Rights are non-transferable. Therefore, only the underlying Shares will be listed for trading on the NYSE or any other exchange.

Purpose of the Offer

The Board of Directors of the Fund has determined that it would be in the best interests of the Fund and its shareholders to increase the assets of the Fund available for investment, thereby enabling the Fund to more fully take advantage of investment opportunities consistent with the Fund's investment objective. The Fund's Board of Directors has voted unanimously to approve the terms of the Offer as set forth in this Prospectus.

In reaching its decision, the Board of Directors considered, among other things, advice by the Investment Adviser and the Sub-Adviser that new funds would allow the Fund additional flexibility to capitalize on available and potential investment opportunities without the necessity of having to sell existing portfolio securities that the Investment Adviser believes should be held. Proceeds from the Offer will allow the Investment Adviser to better take advantage of such existing and future investment opportunities.

The Board of Directors also considered that the Offer would provide shareholders with an opportunity to purchase additional shares of the Fund below its net asset value and market price. Although the Board of Directors believes that a well-subscribed rights offering may result in certain economies of scale which could reduce the Fund's expense ratio in future years, there is no assurance that by increasing the size of the Fund, the Fund's aggregate expenses, and correspondingly, its expense ratio, will be lowered. Finally, the Board of Directors considered that, because the Subscription Price per Share will be less than the net asset value per share on the Pricing Date, the Offer will result in dilution of the Fund's net asset value per share. The Board of Directors believes that the factors in favor of the Offer outweigh this dilution. See "Risk Factors and Special Considerations — Dilution — Net Asset Value and Non-Participation in the Offer."

The Investment Adviser, Sub-Adviser and Administrator will benefit from the Offer because their fees are based on the average net assets of the Fund. It is not possible to state precisely the amount of additional compensation the Investment Adviser, Sub-Adviser or Administrator will receive as a result of the Offer because it is not known how many Shares will be subscribed for and because the proceeds of the Offer will be invested in additional portfolio securities, which will fluctuate in value. See "Management of the Fund."

The information agent (the "Information Agent") for the Offer is:

Georgeson Inc.

Banks and Brokers Call Collect:

(212) 440-9800

All Others Call Toll-Free:

(800) 891-3214

Shareholders may also contact their brokers or nominees for information with respect to the Offer.

Important Dates to Remember

<u>Event</u>	<u>Date</u>
Record Date	November 29, 2010
Subscription Period	November 30, 2010 to January 7, 2011*
Expiration Date and Pricing Date	January 7, 2011*
Subscription Certificates and Payment for Shares Due+ ...	January 7, 2011*
Notice of Guaranteed Delivery Due+	January 7, 2011*
Subscription Certificates and Payment for Guarantees of Delivery Due	January 12, 2011*
Confirmation to Participants	January 14, 2011*
Final Payment for Shares	January 28, 2011*

* Unless the Offer is extended to a date not later than January 14, 2011.

+ Record Date Shareholders exercising Rights must deliver to the Subscription Agent by the Expiration Date either (i) the Subscription Certificate together with payment or (ii) a Notice of Guaranteed Delivery.

Risk Factors and Special Considerations

The following summarizes certain matters that should be considered, among others, in connection with the Offer. This Prospectus contains certain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of certain uncertainties set forth below and elsewhere in this Prospectus.

Dilution — Net Asset Value and Non-Participation in the Offer

Record Date Shareholders who do not fully exercise their Rights will, upon the completion of the Offer, own a smaller proportional interest in the Fund than they owned prior to the Offer. In addition, an immediate dilution of the net asset value per share will be experienced by all shareholders as a result of the Offer because the Subscription Price per Share will be less than the then current net asset value per share, and the number of shares outstanding after the Offer will increase in greater percentage than the increase in the size of the Fund's assets. Although it is not possible to state precisely the amount of such decrease in net asset value per share because it is not known at this time what the Subscription Price will be, what the net asset value per share will be on the Expiration Date, or what proportion of the Shares will be subscribed for, such dilution could be minimal or substantial. For example, assuming (i) all Rights are exercised, (ii) the Fund's net asset value on the Expiration Date is \$3.94 share (the net asset value per share on November 26, 2010), and (iii) the Subscription Price is \$3.51 per share (equal to 95% of the lower of the NAV per share of the Fund's Common Stock at the close of business on November 26, 2010 or the average of the last reported sale price per share of the Fund's Common Stock on the NYSE on November 26, 2010 and the four preceding business days), then the Fund's net asset value per share would be reduced by approximately \$0.08 per share or 1.95%.

Certain Investment Strategies

The Investment Adviser determines the level of fixed income investment exposure, and the average maturity and duration, in the Fund primarily on the basis of the Fund's portfolio managers' judgment and market opportunities as well as a bond model provided by the Sub-Adviser. The bond model suggests an appropriate level of duration (a measure of risk in a bond portfolio) for implementation by the Fund's portfolio managers. The Fund's portfolio managers then incorporate fundamental analysis to determine which specific bonds to own and what maturities to hold to arrive at the overall duration of the portfolio. The extent of the Fund's investment in equity securities will be determined primarily on the basis of equity asset allocation techniques developed by Dr. Martin E. Zweig, President of the Sub-Adviser, and his staff. There is no assurance that these asset allocation techniques will provide protection from the risks of equity investment, enable the Fund to be invested consistent with the major trends of the market or enable the Fund to achieve its investment objective. While the Investment Adviser seeks to reduce the risks associated with investing in debt and equity securities, the risk of investment in debt and equity securities cannot be eliminated. See "Investment

Objective and Policies — Investment Objective.” In addition, although the Investment Adviser believes that the special investment methods discussed in this Prospectus under “Investment Objectives and Policies — Special Investment Methods” (including purchasing and selling, when such use is deemed appropriate, stock index and other futures contracts and purchasing options on such futures; purchasing and writing listed put and call security options and options on stock indexes; short sales of securities; borrowing from banks to purchase securities; investing in securities of exchange-traded funds, foreign issuers and closed-end investment companies; foreign currency transactions; and lending portfolio securities to brokers, dealers, banks or other recognized institutional borrowers of securities; entering into repurchase or reverse repurchase agreements; and purchasing when-issued and delayed-delivery securities) will further the Fund’s investment objective and reduce losses that might otherwise occur during a time of general decline in stock prices, no assurance can be given that these investment methods will achieve this result. These methods may subject an investor in the Fund to greater than average risks and costs.

Credit Risk

Investments in debt securities involve credit risk. This is the risk that the borrower will not make timely payments of principal and interest. The Fund, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody’s or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser). Generally, securities rated below investment grade (high yield-high risk fixed income securities — also sometimes referred to as junk bonds) have a greater chance that the borrower will be unable to make scheduled interest or principal payments when due. Furthermore, to the extent that the Fund may invest in such high yield-high risk fixed income securities, this will entail greater price volatility and credit and interest rate risk than investment-grade securities. Analysis of the creditworthiness of high yield-high risk borrowers is more complex than for higher-rated securities, making it more difficult for the Investment Adviser to accurately predict risk. If the Fund pursues missed interest or principal payments, there is a risk that the Fund’s expenses could increase. In addition, lower-rated securities may not trade as often and may be less liquid than higher-rated securities. There can be no assurance that the credit rating of a Fund investment will remain unchanged over the period of the Fund’s ownership of that investment.

Interest Rate Risk

The Fund invests in fixed income debt securities, which gives rise to interest rate risk. Such securities may decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. To the extent that the Fund invests in fixed income debt securities, the net asset value and market price of the Fund’s shares tend to decline if market interest rates rise. Further, while longer term fixed rate securities may pay higher interest rates than shorter term securities,

longer term fixed rate securities also tend to be more sensitive to interest rate changes and, accordingly, tend to experience larger changes in value as a result of interest rate changes.

Equity Risk

Equity investing includes, among other risks, the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate and the particular circumstances and performance of particular companies whose securities the Fund holds. Depending on such fluctuations in the market value of securities, the net asset value of the Fund may at any point in time be less than at the time the shareholder invested in the Fund, even after taking into account any reinvestment of distributions.

Small- and Medium-Capitalization Stock Risk

While the Fund generally will invest primarily in large-capitalization companies, the Fund may invest in companies with small- or medium-capitalizations. Small and medium company stocks can be more volatile than, and perform differently from, larger company stocks. There may be less trading in small or medium company stocks, which means that buy and sell transactions in those stocks could have a larger impact on the stock prices than is the case with larger company stocks. Small and medium companies may have fewer business lines; therefore, changes in any line of business may have a greater impact on small and medium company stock prices than is the case for a larger company. As a result, the purchase or sale of more than a limited number of shares of a small or medium company may affect its market price. The Fund may need a considerable amount of time to purchase or sell its positions in these securities. In addition, small or medium company stocks may not be as well known to the investing public.

Unrealized Appreciation

As of December 31, 2009, there was \$30,465,559 or approximately \$0.27 per share of net unrealized appreciation in the Fund's net assets of \$473,216,685; if realized and distributed, or deemed distributed, such gains would, in general, be taxable to shareholders, including holders at that time of Shares acquired upon the exercise of Rights. See "Taxation."

Discount From Net Asset Value

The Fund's shares of Common Stock have traded in the market above, at and below net asset value since the commencement of the Fund's operations in September 1988. The Fund cannot predict whether the Fund's Common Stock will in the future trade at a premium to or discount from net asset value. The risk of the Common Stock trading at a discount is a risk separate from a decline in the Fund's net asset value. See "Market Price and Net Asset Value Information" in this Prospectus and "Net Asset Value" in the Statement of Additional Information (the "SAI").

Distributions

The Fund's policy is to make monthly distributions equal to 0.83% of its net asset value (10% distribution yield on an annualized basis), and a final distribution at year-end consisting of any remaining undistributed net investment income and any realized net capital gains in excess of the Fund's capital loss carryforward. If, for any calendar year, the total distributions exceed net investment income and realized net capital gains, the excess, distributed from the Fund's assets, will generally be treated as a tax-free return of capital (up to the amount of the shareholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a shareholder's adjusted basis in his or her shares, thereby increasing his or her potential gain or reducing his or her potential loss on the sale of his or her shares.

A return of capital represents a return of a shareholder's original investment in the Fund's shares. A return of capital should not be confused with a dividend yield reflecting solely a return on investment. Historically, the Fund's distribution yield has included taxable distributions of net income and realized gains, and distributions treated as non-taxable return of capital. See "Risk Factors and Special Considerations — Distributions." The Fund anticipates future distributions to be characterized in a similar manner. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice will accompany each monthly distribution with respect to the estimated source of the distribution made. See "Distributions; Automatic Reinvestment and Cash Purchase Plan."

Capital loss carryovers will reduce or, possibly, eliminate the Fund's taxable capital gains in the year(s) to which such losses are carried, but will not reduce the Fund's current earnings and profits in such year(s). Consequently, a greater portion of the Fund's distributions in the year(s) to which the Fund carries and applies its capital loss carryovers may be taxable to shareholders as ordinary income dividends than would be the case if the Fund did not have capital loss carryovers. The Fund's shareholders thus potentially could lose the benefit of the Fund's capital loss carryover to any year in which the Fund makes excess distributions because instead of being treated as a non-taxable return of capital, the portion of the excess distributions equal to the Fund's capital gains that are offset by the capital loss carryover will likely be taxable to the Fund's shareholders, and, if taxable, will likely be treated as ordinary income rather than as capital gain. See "Risk Factors and Special Considerations — Distributions." Moreover, excess distributions that are paid out of capital gains or other non-dividend income of the Fund will not qualify for the 15% preferential tax rate.

The Fund also might make distributions to shareholders that exceed the Fund's current earnings and profits. In that event, because the Fund does not have positive accumulated earnings and profits, the excess distributions will be a non-taxable return of

capital to a shareholder to the extent the distributions do not exceed the shareholder's tax basis in his or her Fund shares. Non-taxable distributions will reduce the shareholder's tax basis in his or her Fund shares, thereby increasing the shareholder's potential tax liability on a subsequent sale of his or her shares.

In the event the Fund distributes amounts in excess of its net investment income and net realized capital gains, such distributions will decrease the Fund's total assets and, therefore, have the likely effect of increasing the Fund's expense ratio. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. Shares purchased pursuant to the Offer will be issued after the record date for the monthly distribution declared for January 2011, and, accordingly, the Fund will not pay a monthly distribution with respect to such Shares until the distribution to be declared and paid in the next month.

Anti-takeover Provisions

The Fund has provisions in its Articles of Incorporation and By-Laws that may have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. The Board of Directors is divided into three classes. At the annual meeting of shareholders each year, the term of one class will expire and directors will be elected to serve in that class for terms of three years. This provision could delay for up to two years the replacement of a majority of the Board of Directors.

FUND EXPENSES

Shareholder Transaction Expenses

Sales Load	N/A
Automatic Reinvestment and Cash Purchase Plan Fees	N/A

Annual Expenses (as a percentage of the Fund's net assets)(1)

Management and Administration Fees	0.77%
Other Expenses	0.30%
Acquired Fund Fees and Expenses(2)	<u>0.01%</u>
Total Annual Expenses(3)(4)	1.08%

- (1) Includes fees payable under the Investment Advisory Agreement and Administration Agreement (as defined in this Prospectus). These fees are calculated on the basis of the Fund's average net assets. The Investment Adviser is responsible for the payment of sub-advisory fees to the Sub-Adviser. "Other Expenses" have been estimated for the current fiscal year. See "Management of the Fund."
- (2) The Acquired Fund Fees and Expenses in the table above includes fees and expenses of 0.01% or less that were incurred indirectly by the Fund as a result of its investment in other investment companies.
- (3) The Total Annual Expenses in the table above includes fees and expenses incurred indirectly by the Fund as a result of its investment in other investment companies. The Total Annual Expenses in the table above is different from the ratio of expenses to average net assets given in the Financial Highlights of this Prospectus, which reflects the operating expenses of the Fund and does not include acquired fund fees and expenses.
- (4) The expense ratio assumes that the Offer (including the Over-Subscription Privilege) is fully subscribed and assumes estimated net proceeds from the Offer of approximately \$103,009,000 million (assuming an estimated Subscription Price of \$3.51 per Share). For the fiscal year ended December 31, 2009, other expenses were 0.37% as a percentage of average net assets.

THE FOREGOING FEE TABLE IS INTENDED TO ASSIST FUND INVESTORS IN UNDERSTANDING THE VARIOUS COSTS AND EXPENSES THAT AN INVESTOR IN THE FUND WILL BEAR DIRECTLY OR INDIRECTLY.

EXAMPLE

An investor would directly or indirectly pay the following expenses on a \$1,000 investment in the Fund, assuming a 5% annual return throughout the periods:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$12	\$37	\$63	\$140

This hypothetical example assumes that all dividends and other distributions are reinvested at net asset value and that the 1.08% expense ratio listed under Total Annual Expenses remains the same in the years shown. The above tables and the assumption in this example of a 5% annual return are required by regulations of the Securities and Exchange Commission (the "Commission") applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's Shares. For a more complete description of certain of the Fund's costs and expenses, see "Management of the Fund — Investment Adviser and Sub-Adviser; — Investment Advisory Agreement; and — Administrator" in this Prospectus and "Expenses" and "Portfolio Transactions and Brokerage" in the SAI.

This example should not be considered a representation of future expenses. The Fund's actual expenses may be greater or less than those shown.

FINANCIAL HIGHLIGHTS

The table below sets forth certain specified information for a share of the Fund's Common Stock outstanding throughout each period presented. This information is derived from the financial and accounting records of the Fund. The financial highlights for the fiscal year ended December 31, 2009 and the prior nine years have been audited by PricewaterhouseCoopers LLP, independent accountants, whose reports thereon were unqualified. The financial statements and notes thereto, together with the report of independent accountants have been incorporated by reference in the SAI and are available without charge by calling Mutual Fund Services at (800) 272-2700 or upon written request to the Fund's Administrator, VP Distributors, Inc., 100 Pearl Street, Hartford, CT 06103.

	Years Ended December 31,									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(7)	2000
Per Share Data:										
Net asset value, beginning of period	\$ 4.00	\$ 4.97	\$ 5.11	\$ 5.28	\$ 5.62	\$ 5.70	\$ 5.81	\$ 6.63	\$ 7.48	\$ 7.89
Income From Investment Operations:										
Net investment income (loss)(1)	0.05	0.07	0.12	0.13	0.12	0.12	0.09	0.15	0.18	0.30
Net realized and unrealized gains (losses)	0.48	(0.58)	0.26	0.22	0.08	0.18	0.27	(0.35)	(0.32)	0.02
Total from investment operations	0.53	(0.51)	0.38	0.35	0.20	0.30	0.36	(0.20)	(0.14)	0.32
Anti-Dilutive effect of Share Repurchase Program	—	—	—	—	—	—	—	—	—	0.01
Dividends and Distributions:										
Dividends from net investment income	(0.06)	(0.10)	(0.14)	(0.15)	(0.15)	(0.14)	(0.12)	(0.17)	(0.22)	(0.30)
Distributions from net realized gains	(0.01)	(0.06)	(0.15)	(0.07)	(0.15)	(0.09)	—	—	—	(0.25)
Tax return of capital	(0.33)	(0.30)	(0.21)	(0.30)	(0.24)	(0.11)	(0.35)	(0.45)	(0.49)	(0.19)
Dilutive effect of common stock distributions	—	—	—	—	—	(0.04)	—	—	—	—
Total Dividends and Distributions	(0.40)	(0.46)	(0.50)	(0.52)	(0.54)	(0.38)	(0.47)	(0.62)	(0.71)	(0.74)
Dilutive effect on net asset value as a result of rights offering	—	—(3)	(0.02)(2)	—	—	—	—	—	—	—
Net asset value, end of period	\$ 4.13	\$ 4.00	\$ 4.97	\$ 5.11	\$ 5.28	\$ 5.62	\$ 5.70	\$ 5.81	\$ 6.63	\$ 7.48
Market value, end of period(4)	\$ 3.91	\$ 3.37	\$ 4.53	\$ 5.89	\$ 4.70	\$ 5.35	\$ 5.01	\$ 5.49	\$ 7.05	\$ 6.57
Total investment return(5)	29.74%	(16.90)%	(14.99)%	39.23%	(2.54)%	14.89%	(0.40)%	(14.06)%	18.73%	12.64%
Total return on Net Asset Value(6)	15.46%	(10.09)%	7.93%	7.29%	4.45%	6.1%	7.1%	(3.3)%	(1.9)%	5.7%
Ratios/Supplemental Data:										
Net assets, end of period (in thousands)	\$473,217	\$458,767	\$569,656	\$476,846	\$490,027	\$522,101	\$525,687	\$532,763	\$601,655	\$671,056
Ratio of expenses to average net assets (excluding dividends on short sales)	1.14%	1.03%	0.96%	1.00%	1.06%	1.28%	1.03%	0.99%	1.04%	1.00%
Ratio of expenses to average net assets (including dividends on short sales)	1.14%	1.03%	0.96%	1.01%	1.10%	1.31%	1.06%	0.99%	1.04%	1.00%
Ratio of net investment income to average net assets	1.38%	1.66%	2.46%	2.47%	2.18%	2.13%	1.66%	2.37%	2.51%	3.87%
Portfolio turnover rate	35%	61%	36%	22%	75%	76%	94%	91%	86%	122%

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- (1) Computed using average shares outstanding.
 - (2) Shares were sold at a 5% discount from a 5-day average market price from 5/14/07 to 5/18/07.
 - (3) Amount less than \$0.005.
 - (4) Closing Price — New York Stock Exchange.
 - (5) Total investment return is calculated assuming a purchase of a share of the Fund's Common Stock on the opening NYSE share price on the first business day and a sale at the closing NYSE share price on the last business day of each period reported. Dividends and distributions, if any, are assumed for the purpose of this calculation, to be reinvested at prices obtained under the Fund's Automatic Reinvestment and Cash Purchase Plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net assets from the beginning to the end of such years. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to end of such periods.
 - (6) NAV return is calculated using the opening Net Asset Value price of the Fund's common stock on the first business day and the closing Net Asset Value price of the Fund's common stock on the last business day of each period reported. Dividends and distributions, if any, are assumed for the purpose of the calculation, to be reinvested at prices obtained under the Fund's Automatic Reinvestment and Cash Purchase Plan.
 - (7) As required, effective January 1, 2001, the Fund adopted the provision of AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of the change for the year ended December 31, 2001 is shown below.

Decrease net investment income	\$(0.02)
Increase net realized and unrealized gains and losses	\$ 0.02
Decrease ratio of net investment income	(0.23)%

THE OFFER

Terms of the Offer

The Fund is issuing to the Record Date Shareholders Rights to subscribe for up to an aggregate of 23,600,000 Shares. The Fund may increase the number of shares of Common Stock subject to subscription by up to 25% of the Shares, or up to an additional 5,900,000 Shares, for an aggregate total of 29,500,000 Shares. Each Record Date Shareholder is being issued one Right for each whole share of Common Stock owned on the Record Date. The Rights entitle the holders thereof to subscribe for one Share for every five Rights held (1 for 5). Fractional Shares will not be issued upon the exercise of Rights. A Record Date Shareholder whose total ownership is fewer than five shares of Common Stock and, accordingly, receives fewer than five Rights will be able to subscribe for one Share upon the exercise of all of such Rights received and, if he or she subscribes for one Share, may subscribe for additional Shares pursuant to the Over-Subscription Privilege. Record Date Shareholders who otherwise have remaining fewer than five Rights will not be able to purchase a Share upon the exercise of such Rights and will not be entitled to receive any cash in lieu thereof, although such Record Date Shareholders may subscribe for additional Shares pursuant to the Over-Subscription Privilege.

Rights may be exercised at any time during the Subscription Period, which commences on November 30, 2010 and ends at 5:00 p.m., New York City time, on January 7, 2011, unless extended by the Fund until 5:00 p.m., New York City time, to a date not later than January 14, 2011. See "Expiration of the Offer" below. The Rights are evidenced by Subscription Certificates, which will be mailed to Record Date Shareholders, except as discussed below under "Foreign Restrictions."

Any Record Date Shareholder who fully exercises all Rights issued to such shareholder in the Primary Subscription will be entitled to subscribe for additional Shares at the Subscription Price pursuant to the terms of the Over-Subscription Privilege, as described below. Shares available, if any, pursuant to the Over-Subscription Privilege are subject to allotment and may be subject to increase, as is more fully discussed below under "Over-Subscription Privilege." For purposes of determining the maximum number of Shares a shareholder may acquire pursuant to the Offer, Record Date Shareholders whose shares of Common Stock are held of record by Cede or by any other depository or nominee will be deemed to be the holders of the Rights that are issued to Cede or such other depository or nominee on their behalf.

Purpose of the Offer

The Board of Directors of the Fund has determined that it would be in the best interests of the Fund and its shareholders to increase the assets of the Fund available for investment, thereby enabling the Fund to more fully take advantage of investment opportunities consistent with the Fund's investment objective. The Fund's Board of Directors has voted unanimously to approve the terms of the Offer as set forth in this Prospectus.

In reaching its decision, the Board of Directors considered, among other things, advice by the Investment Adviser and the Sub-Adviser that new funds would allow the Fund additional flexibility to capitalize on available and potential investment opportunities without the necessity of having to sell existing portfolio securities that the Investment Adviser believes should be held. Proceeds from the Offer will allow the Investment Adviser to better take advantage of such existing and future investment opportunities.

The Board of Directors also considered that the Offer would provide shareholders with an opportunity to purchase additional shares of the Fund below its net asset value and market price. The Board of Directors also believes that a well-subscribed rights offering may result in certain economies of scale which could reduce the Fund's expense ratio in future years. However, there is no assurance that by increasing the size of the Fund, the Fund's aggregate expenses, and correspondingly, its expense ratio, will be lowered. Finally, the Board of Directors considered that, because the Subscription Price per Share will be less than the net asset value per share on the Pricing Date, the Offer will result in dilution of the Fund's net asset value per share. The Board of

Directors believes that the factors in favor of the Offer outweigh this dilution. See “Risk Factors and Special Considerations — Dilution — Net Asset Value and Non-Participation in the Offer.”

The Investment Adviser, Sub-Adviser and Administrator will benefit from the Offer because their fees are based on the average net assets of the Fund. It is not possible to state precisely the amount of additional compensation the Investment Adviser, Sub-Adviser or Administrator will receive as a result of the Offer because it is not known how many Shares will be subscribed for and because the proceeds of the Offer will be invested in additional portfolio securities, which will fluctuate in value. See “Management of the Fund.”

The Fund may, in the future and at its discretion, choose to make additional rights offerings from time to time for a number of shares and on terms that may or may not be similar to the Offer. Any such future rights offerings will be made in accordance with the then applicable requirements of the 1940 Act and the Securities Act of 1933, as amended.

Over-Subscription Privilege

To the extent Record Date Shareholders do not exercise all of the Rights issued to them, any underlying Shares represented by such Rights will be offered by means of the Over-Subscription Privilege to those Record Date Shareholders who have exercised all of the Rights issued to them and who wish to acquire more than the number of Shares to which they are entitled. Only Record Date Shareholders who exercise all the Rights issued to them may indicate on the Subscription Certificate, which they submit with respect to the exercise of the Rights issued to them, how many Shares they desire to purchase pursuant to the Over-Subscription Privilege. If sufficient Shares remain after completion of the Primary Subscription, all over-subscription requests will be honored in full. If sufficient Shares are not available to honor all over-subscription requests, the Fund may, at the discretion of the Board of Directors, issue shares of Common Stock up to an additional 25% of the Shares available pursuant to the Offer, representing 5,900,000 additional shares of Common Stock in order to cover such over-subscription requests. Regardless of whether the Fund issues additional Shares pursuant to the Offer and to the extent Shares are not available to honor all over-subscription requests, the available Shares will be allocated among those who over-subscribe based on the number of shares of Common Stock owned by them on the Record Date. This allocation process may involve a series of allocations in order to assure that the total number of Shares available for over-subscription is distributed, as nearly as practicable, on a pro rata basis. The Fund will not offer to sell in connection with the Offer any Shares that are not subscribed for pursuant to the Primary Subscription or the Over-Subscription Privilege.

To the extent Record Date Shareholders do not exercise all of the Rights issued to them, and Record Date Shareholders who have exercised their Rights do not wish to participate in the Over-Subscription Privilege, the Fund will deregister those underlying shares not sold thereunder.

Subscription Price

The Subscription Price for the Shares to be issued pursuant to the Offer will be equal to 95% of the lower of the NAV at the close of business on January 7, 2011 (the “Pricing Date”) or the average of the last reported sales price of a share of the Fund’s Common Stock on the NYSE on the Pricing Date and the four preceding business days, unless the Offer is extended. For example, if the average of the last reported sales price of a share on the NYSE on the Pricing Date and the four preceding business days of a share of the Fund’s Common Stock is \$3.69, and if the NAV is \$3.94, the Subscription Price will be \$3.51 (equal to 95% of the lower of the NAV or of \$3.69). The Subscription Price may be equal to or lower than the Fund’s then current net asset value per share.

The Fund announced the Offer on September 16, 2010. The net asset value per share of Common Stock at the close of business on September 16, 2010 and November 26, 2010, was \$3.85 and \$3.94, respectively, and the last reported sales prices of a share of the Fund’s Common Stock on the NYSE on those dates was \$3.72 and \$3.65, respectively.

Expiration of the Offer

The Offer will expire at 5:00 p.m., New York City time, on January 7, 2011, unless extended by the Fund until 5:00 p.m., New York City time, to a date not later than January 14, 2011. The Rights will expire on the Expiration Date and thereafter may not be exercised. Since the Expiration Date and the Pricing Date will be the same date, Record Date Shareholders who decide to acquire Shares in the Primary Subscription or pursuant to the Over-Subscription Privilege will not know when they make such decision the purchase price of such Shares. Any extension of the Offer will be followed as promptly as practicable by announcement thereof. Such announcement shall be issued no later than 9:00 a.m., New York City time, on the next business day following the previously scheduled Expiration Date. Without limiting the manner in which the Fund may choose to make such announcement, the Fund will not, unless otherwise required by law, have any obligation to publish, advertise or otherwise communicate any such announcement other than by making a release to the Dow Jones News Service or such other means of announcement as the Fund deems appropriate.

Method of Exercise of Rights

The Subscription Certificates, which evidence the Rights, will be mailed to Record Date Shareholders or, if a Record Date Shareholder's shares of Common Stock are held by Cede or any other depository or nominee on their behalf, to Cede or such other depository or nominee. Rights may be exercised by fully completing and signing the Subscription Certificate which accompanies this Prospectus and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Subscription Agent, together with payment in full for the Shares at the estimated payment price (the "Estimated Payment Price") as described below under "Payment for Shares." Rights may also be exercised by a Record Date Shareholder contacting his or her broker, bank or trust company, which can arrange, on his or her behalf, to guarantee delivery of payment (using a "Notice of Guaranteed Delivery") and of a properly completed and executed Subscription Certificate. The broker, bank or trust company may charge a fee for this service. Fractional Shares will not be issued. A Record Date Shareholder whose total ownership is fewer than five shares of Common Stock and, accordingly, receives fewer than five Rights will be able to subscribe for one Share upon the exercise of all of such Rights received and, if he or she subscribes for one Share, will be able to request additional Shares pursuant to the terms of the Offer applicable to the Over-Subscription Privilege. Record Date Shareholders who otherwise have remaining fewer than five Rights will not be able to purchase a Share upon the exercise of such Rights but will be able to request additional Shares pursuant to the terms of the Offer applicable to the Over-Subscription Privilege. Completed Subscription Certificates must be received by the Subscription Agent prior to 5:00 p.m., New York City time, on the Expiration Date (unless the guaranteed delivery procedures are complied with as described below under "Payment for Shares") at the offices of the Subscription Agent at the address set forth below.

Shareholders Who Are Record Owners. Shareholders who are record owners can choose between either option set forth under "Payment for Shares" below. If time is of the essence, option (2), under "Payment for Shares" below, will permit delivery of the Subscription Certificate and payment after the Expiration Date.

Shareholders Whose Shares Are Held By A Nominee. Shareholders whose shares are held by a nominee, such as a broker, bank or trust company, must contact such nominee to exercise their Rights. In that case, the nominee will complete the Subscription Certificate on behalf of the shareholder and arrange for proper payment by one of the methods set forth under "Payment for Shares" below.

Nominees. Nominees who hold shares of Common Stock for the account of others must (to the extent required by applicable law) notify the beneficial owners of such shares as soon as possible to ascertain such beneficial owners' intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the nominee should complete the Subscription Certificate and submit it to the Subscription Agent with the proper payment described under "Payment for Shares" below.

Information Agent

Any questions or requests for assistance may be directed to the Information Agent at its telephone number and address listed below:

The Information Agent for the Offer is:

Georgeson Inc.
199 Water Street, 26th Fl
New York, NY 10038

Banks and Brokers Call Collect:
(212) 440-9800
All Others Call Toll-Free:
(800) 891-3214

Shareholders may also contact their brokers or nominees for information with respect to the Offer.

The Information Agent will receive a fee estimated to be approximately \$11,000, which includes reimbursement for all out-of-pocket expenses related to the Offer.

Subscription Agent

The Subscription Agent is Computershare Trust Company, N.A., which will receive for its administrative, processing, invoicing and other services as subscription agent, a fee estimated to be approximately \$53,000, which includes reimbursement for all out-of-pocket expenses related to the Offer. Signed Subscription Certificates must be sent, together with payment at the Estimated Payment Price for all Shares subscribed in the Primary Subscription and Over-Subscription Privilege by one of the methods described below, prior to 5:00 p.m., New York City time, on the Expiration Date. Alternatively, if using a Notice of Guaranteed Delivery, the Notice of Guaranteed Delivery (see "Method of Exercise of Rights" above) may also be sent by facsimile to (617) 360-6810, with the originals to be sent promptly thereafter by one of the methods described below. Facsimiles should be confirmed by telephone to (781) 575-2332.

(1) **BY FIRST CLASS MAIL ONLY:**

Computershare Trust Company, N.A.
Attention: Zweig Funds
P.O. 43011
Providence, RI 02940-3011

(2) **BY EXPRESS MAIL OR OVERNIGHT COURIER:**

Computershare Trust Company, N.A.
Attention: Zweig Funds
250 Royall Street, Suite V
Canton, MA 02021

(3) **GUARANTEE OF DELIVERY: FOR ELIGIBLE INSTITUTIONS ONLY:**

The Notice of Guaranteed Delivery may also be sent by facsimile to (617) 360-6810, with the originals to be sent promptly thereafter by one of the methods described above. Facsimiles should be confirmed by telephone to (781) 575-2332.

DELIVERY TO AN ADDRESS OTHER THAN ONE OF THE ADDRESSES LISTED ABOVE, OR TRANSMISSION VIA A FACSIMILE NUMBER OTHER THAN AS LISTED ABOVE, WILL NOT CONSTITUTE VALID DELIVERY.

Payment for Shares

Record Date Shareholders who acquire Shares in the Primary Subscription and pursuant to the Over-Subscription Privilege may choose between the following methods of payment:

(1) A Record Date Shareholder can send the Subscription Certificate together with payment for the Shares acquired in the Primary Subscription and for additional Shares subscribed for pursuant to the Over-Subscription Privilege to the Subscription Agent. Payment should be calculated on the basis of the Estimated Payment Price of \$4.00 per Share for all Shares requested. To be accepted, such payment, together with the executed Subscription Certificate, must be received by the Subscription Agent at one of the Subscription Agent's offices at the addresses set forth above prior to 5:00 p.m., New York City time, on the Expiration Date. The Subscription Agent will deposit all monies received by it prior to the final payment date into a segregated non-interest-bearing account pending proration and distribution of the Shares. **A PAYMENT PURSUANT TO THIS METHOD MUST BE IN UNITED STATES DOLLARS BY MONEY ORDER OR CHECK DRAWN ON A BANK LOCATED IN THE UNITED STATES, MUST BE PAYABLE TO THE ZWEIG TOTAL RETURN FUND, INC. AND MUST ACCOMPANY A PROPERLY COMPLETED AND EXECUTED SUBSCRIPTION CERTIFICATE FOR SUCH SUBSCRIPTION CERTIFICATE TO BE ACCEPTED.**

(2) Alternatively, a subscription will be accepted by the Subscription Agent if, prior to 5:00 p.m., New York City time, on the Expiration Date, the Subscription Agent has received a Notice of Guaranteed Delivery by facsimile or otherwise from a bank, a trust company, or a NYSE member brokerage firm guaranteeing delivery of (i) payment of the Estimated Payment Price of \$4.00 per share for the Shares subscribed for in the Primary Subscription and for any additional Shares subscribed for pursuant to the Over-Subscription Privilege, and (ii) a properly completed and executed Subscription Certificate. The Subscription Agent will not honor a Notice of Guaranteed Delivery unless a properly completed and executed Subscription Certificate together with full payment is received by the Subscription Agent by the close of business on the third business day after the Expiration Date (January 7, 2011, unless the Offer is extended).

Within ten business days following the Expiration Date (January 7, 2011, unless the Offer is extended, the "Confirmation Date"), a confirmation will be sent by the Subscription Agent to each subscribing Record Date Shareholder (or, if the Record Date Shareholder's shares of Common Stock are held by Cede or any other depository or nominee, to Cede or such depository or nominee), showing (i) the number of Shares acquired pursuant to the Primary Subscription, (ii) the number of Shares, if any, acquired pursuant to the Over-Subscription Privilege, (iii) the per Share and total purchase price of the Shares, and (iv) any additional amount payable by such Record Date Shareholder to the Fund or any excess to be refunded by the Fund to such Record Date Shareholder, in each case based on the Subscription Price as determined on the Pricing Date. If any Record Date Shareholder exercises his or her right to acquire Shares pursuant to the Over-Subscription Privilege, any such excess payment which would otherwise be refunded to the Record Date Shareholder will be applied by the Fund toward payment for additional Shares acquired pursuant to exercise of the Over-Subscription Privilege. Any additional payment required from a Record Date Shareholder must be received by the Subscription Agent within ten business days after the Confirmation Date. Any excess payment to be refunded by the Fund to a Record Date Shareholder will be mailed by the Subscription Agent to such Record Date Shareholder as promptly as possible. All payments by a Record Date Shareholder must be in United States dollars by money order or check drawn on a bank located in the United States of America and payable to **THE ZWEIG TOTAL RETURN FUND, INC.**

Whichever of the two methods described above is used, issuance and delivery of certificates for the Shares purchased are subject to collection of checks and actual payment pursuant to any Notice of Guaranteed Delivery.

RECORD DATE SHAREHOLDERS WILL HAVE NO RIGHT TO RESCIND THEIR SUBSCRIPTION AFTER RECEIPT OF THEIR PAYMENT FOR SHARES BY THE SUBSCRIPTION AGENT, EXCEPT AS PROVIDED BELOW UNDER “POSSIBLE SUSPENSION OR WITHDRAWAL OF THE OFFER.”

If a Record Date Shareholder who acquires Shares pursuant to the Primary Subscription or Over-Subscription Privilege does not make payment of any additional amounts due by the ninth business day after the Confirmation Date, the Fund reserves the right to take any or all of the following actions: (i) sell such subscribed and unpaid-for Shares to other Record Date Shareholders, (ii) apply any payment actually received by it toward the purchase of the greatest whole number of Shares which could be acquired by such holder upon exercise of the Primary Subscription or Over-Subscription Privilege, or (iii) exercise any and all other rights or remedies to which it may be entitled.

THE METHOD OF DELIVERY OF SUBSCRIPTION CERTIFICATES AND PAYMENT OF THE SUBSCRIPTION PRICE TO THE FUND WILL BE AT THE ELECTION AND RISK OF THE RIGHTS HOLDERS, BUT IF SENT BY MAIL IT IS RECOMMENDED THAT SUCH CERTIFICATES AND PAYMENT BE SENT BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, AND THAT A SUFFICIENT NUMBER OF DAYS BE ALLOWED TO ENSURE DELIVERY TO THE FUND AND CLEARANCE OF PAYMENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE. BECAUSE UNCERTIFIED PERSONAL CHECKS MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR AND, AT THE DISCRETION OF THE FUND, MAY NOT BE ACCEPTED IF NOT CLEARED PRIOR TO THE EXPIRATION DATE, YOU ARE STRONGLY ENCOURAGED TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF CERTIFIED OR BANK CASHIER’S CHECK.

All questions concerning the timeliness, validity, form and eligibility of any exercise of Rights will be determined by the Fund, whose determinations will be final and binding. The Fund, in its sole discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported exercise of any Right. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as the Fund determines in its sole discretion. The Fund will not be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

Possible Suspension or Withdrawal of the Offer

As required by the Commission’s registration form, the Fund has undertaken to suspend the Offer until it amends this Prospectus if (1) subsequent to the effective date of the Fund’s Registration Statement, the Fund’s net asset value declines more than 10% from its net asset value as of such effective date, or (2) the Fund’s net asset value per share increases to an amount greater than its net proceeds as stated in the Prospectus. Accordingly, the Fund will notify Record Date Shareholders of any such decline or increase and permit them to cancel their exercise of Rights.

Non-Transferability of Rights

The Rights are non-transferable and, therefore, may not be purchased or sold. The Rights will not be listed for trading on the NYSE or any other exchange. However, the additional Shares of Common Stock to be issued upon the exercise of the Rights and the Over-Subscription Privilege will be listed for trading on the NYSE, subject to notice of issuance.

Delivery of Share Certificates

Stock certificates for all Shares acquired in the Primary Subscription will be mailed promptly after the expiration of the Offer and full payment for the subscribed Shares has been received and cleared. Certificates representing Shares acquired pursuant to the Over-Subscription Privilege will be mailed as soon as practicable after full payment has been received and cleared and all allocations have been effected. Participants in the Fund's Automatic Reinvestment and Cash Purchase Plan (the "Plan") will have any Shares acquired in the Primary Subscription and pursuant to the Over-Subscription Privilege credited to their shareholder distribution reinvestment accounts in the Plan. Participants in the Plan wishing to exercise Rights for the shares of Common Stock held in their accounts in the Plan must exercise them in accordance with the procedures set forth above. Record Date Shareholders whose shares of Common Stock are held of record by Cede or by any other depository or nominee on their behalf or their broker-dealer's behalf will have any Shares acquired in the Primary Subscription credited to the account of Cede or such other depository or nominee. Shares acquired pursuant to the Over-Subscription Privilege will be credited directly to Cede or such other depository or nominee.

Foreign Restrictions

Record Date Shareholders whose record addresses are outside the United States (for these purposes, the United States includes its territories and possessions and the District of Columbia) will receive written notice of the Offer; however, Subscription Certificates will not be mailed to such shareholders. The Rights to which those Subscription Certificates relate will be held by the Subscription Agent for such foreign Record Date Shareholders' accounts until instructions are received in writing with payment to exercise the Rights. If no such instructions are received by the Expiration Date, such Rights will expire.

Federal Income Tax Consequences

The U.S. federal income tax consequences to holders of Common Stock with respect to the Offer will be as follows:

U.S. Shareholders (as defined below) who receive Rights pursuant to the Offer should not recognize taxable income for U.S. federal income tax purposes upon their receipt of the Rights. If Rights issued to a U.S. Shareholder expire without being sold or exercised, no basis should be allocated to such Rights, and such Shareholder should not recognize any gain or loss for U.S. federal income tax purposes upon such expiration.

The tax basis of a U.S. Shareholder's Common Stock should remain unchanged and the shareholder's basis in the Rights should be zero, unless such U.S. Shareholder affirmatively and irrevocably elects (in a statement attached to such shareholder's U.S. federal income tax return for the year in which the Rights are received) to allocate the basis in the Common Stock between such Common Stock and the Rights in proportion to their respective fair market values on the date of distribution.

A U.S. Shareholder who exercises Rights should not recognize any gain or loss for U.S. federal income tax purposes upon the exercise. The tax basis of the newly acquired Common Stock should equal the Subscription Price paid for the Common Stock (plus the basis, if any, allocated to the Rights in the manner described in the immediately preceding paragraph). See "Taxation" in this Prospectus and in the SAI.

Each U.S. Shareholder is urged to consult his or her own tax advisor with respect to the specific federal, state and local tax consequences to such U.S. Shareholder of receiving Rights in this offer.

Employee Plan Considerations

Shareholders that are employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (including corporate savings and 401(k) plans), Keogh or H.R. 10 plans of self-employed individuals and Individual Retirement Accounts ("IRAs") (collectively, "Plans") should be aware of

the complexity of the rules and regulations governing Plans and the penalties for noncompliance, and Plans should consult with their counsel regarding the consequences of their exercise of Rights under ERISA and the Internal Revenue Code of 1986, as amended (the “Code”).

USE OF PROCEEDS

If all of the Rights are exercised in full and assuming a Subscription Price of \$3.51 per Share, the net proceeds to the Fund would be approximately \$82,300,000, after deducting expenses payable by the Fund in connection with the offering estimated to total \$536,000. If the Fund increases the number of shares of Common Stock subject to subscription by up to 5,900,000 Shares, in order to satisfy over-subscription requests, the additional net proceeds will be approximately \$20,709,000. However, there can be no assurance that all Rights will be exercised in full, and the Subscription Price will not be determined until the close of business on the Expiration Date. The Investment Adviser has advised the Fund that it anticipates that the net proceeds of the Offer will be invested in investments conforming to the Fund’s investment objective and policies within three months from their receipt by the Fund. Pending such investment, the proceeds will be invested in cash or cash equivalent short-term obligations including, but not limited to, U.S. government obligations, certificates of deposit, commercial paper and short-term notes. See “The Offer — Purpose of the Offer.”

THE FUND

The Fund, incorporated in Maryland on July 21, 1988, is a diversified, closed-end management investment company registered under the 1940 Act. The Fund’s investment objective is to seek the highest total return, consisting of capital appreciation and current income, consistent with the preservation of capital. The Fund will invest up to 65% of its total assets in U.S. government securities, non-convertible debt securities of domestic issuers rated among the two highest rating categories of either Moody’s or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser), and certain foreign government securities (collectively, the “Bond Investments”), and up to 50% of its total assets in equity securities comprised of common, preferred and convertible preferred stock. The equity investments will be in investments in primarily large-capitalization companies but may also be in investments in small- or medium-capitalization companies. The Fund may, however, under certain circumstances, invest up to 75% of its total assets in equity securities as determined by the Fund’s Investment Adviser. The Fund also, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody’s or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser). See also “Investment Objective and Policies.”

The Investment Adviser, Zweig Advisers LLC, is a Delaware limited liability company and a wholly-owned subsidiary of Virtus Investment Partners, Inc. (“Virtus”), a Delaware corporation and a NASDAQ listed company. Zweig Advisers LLC is an investment advisory firm registered with the Commission under the Investment Advisers Act of 1940, as amended. Such registration does not involve supervision or approval by the Commission of investment advice rendered by the Investment Adviser. See “Management of the Fund.”

The Sub-Adviser, Zweig Consulting LLC, is a New York limited liability company and an investment advisory firm registered with the Commission under the Investment Advisers Act of 1940, as amended. The President of the Sub-Adviser is Dr. Martin E. Zweig, who has been engaged in the business of providing investment advisory services for over 40 years. See “Management of the Fund.”

The Fund completed an initial public offering of 60,375,000 shares of its Common Stock in September and October 1988. The net proceeds to the Fund from such offering were approximately \$560 million. The Fund also received net proceeds of approximately \$76 million from its April 1998 rights offering and approximately \$102

million from its April 2007 rights offering. As of June 30, 2010, the net assets of the Fund were \$431 million, and since inception, the Fund has paid or declared distributions (including dividends, capital gains and return of capital distributions) aggregating \$1.2 billion.

The Fund's principal office is located at 900 Third Avenue, New York, New York 10022, and its telephone number is (212) 451-1100.

MARKET PRICE AND NET ASSET VALUE INFORMATION

Shares of the Fund's Common Stock are listed on the NYSE under the symbol "ZTR." The following table sets forth for the calendar quarters indicated: (i) the high and low closing prices per share of the Fund's Common Stock on the NYSE; (ii) the net asset value per share of the Fund's Common Stock on the day of the high or low closing price; and (iii) the percentage by which the shares of Common Stock of the Fund traded at a premium over, or discount from, the Fund's high and low net asset values per share.

<u>Quarter Ended</u>	<u>High Sales Price*</u>	<u>Net Asset Value</u>	<u>Premium (Discount)</u>	<u>Low Sales Price*</u>	<u>Net Asset Value</u>	<u>Premium (Discount)</u>
3/31/08	\$4.89	\$4.91	(0.41)%	\$4.26	\$4.72	(9.75)%
6/30/08	\$4.78	\$4.82	(0.83)%	\$4.42	\$4.66	(5.15)%
9/30/08	\$4.39	\$4.66	(5.79)%	\$3.59	\$4.26	(15.73)%
12/31/08	\$3.76	\$4.31	(12.76)%	\$2.73	\$3.88	(29.64)%
3/31/09	\$3.49	\$4.02	(13.18)%	\$2.63	\$3.51	(25.07)%
6/30/09	\$3.46	\$4.03	(14.14)%	\$3.17	\$3.81	(16.80)%
9/30/09	\$3.87	\$4.13	(6.30)%	\$3.27	\$3.85	(15.06)%
12/31/09	\$3.93	\$4.14	(5.07)%	\$3.65	\$4.06	(10.10)%
3/31/10	\$3.95	\$4.17	(5.28)%	\$3.75	\$4.03	(6.95)%
6/30/10	\$3.95	\$4.09	(3.42)%	\$3.63	\$3.86	(5.96)%
9/30/10	\$3.85	\$3.93	(2.04)%	\$3.61	\$3.83	(5.74)%

* As reported by the NYSE.

The Fund's shares of Common Stock have traded in the market above, at and below net asset value since the commencement of the Fund's operations in September 1988. The Fund's officers cannot predict whether the Subscription Price will be at or below the Fund's net asset value per Share on the Pricing Date. Since the Fund's inception in 1988, the Fund has generally maintained a policy of making monthly distributions equal to 0.83% of its net asset value (10% on an annualized basis). The Fund's officers believe that without this monthly distribution policy, there would likely be a decrease in the amount of any premium at which the Fund's shares would be trading above net asset value or an increase in the amount of any discount at which the Fund's shares would be trading from net asset value; however, the Fund's officers cannot predict whether such policy will have this effect in the future. See "Distributions; Automatic Reinvestment and Cash Purchase Plan." The Fund is authorized to repurchase its shares on the open market when the shares are trading at a discount from net asset value. The Fund has not engaged in any such repurchases. See "Description of Common Stock — Repurchase of Shares; Tender Offers." Since the Fund's inception, the Board of Directors has maintained a policy pursuant to which the Board of Directors considers the making of tender offers of the Fund each quarter during periods when the Fund's shares are trading at a discount from net asset value. The Fund has not made any such tender offers. See "Description of Common Stock — Tender Offers." The Fund's Articles of Incorporation were amended on June 2, 2010 to provide that if during any fiscal quarter ending on or after June 30, 2010, the Fund's shares trade, on the principal securities exchange on which they are traded, at an average discount from net asset value of 10% or more (determined on the basis of the discount as of the end of the last trading day in each week during such quarter), the Fund's Board of Directors, at its next regularly scheduled meeting, shall consider potential measures to seek to reduce the discount, and in its sole discretion may determine if it would be appropriate to submit to the

Fund's shareholders a proposal to convert the Fund to an open-end investment company (a "Conversion Proposal"). Approval of a Conversion Proposal would require the affirmative vote of a majority of the outstanding shares of the Fund entitled to be voted thereon. Under the Fund's prior Articles of Incorporation, the Fund submitted a mandatory Conversion Proposal to its shareholders in 2000, 2001, 2004, 2008 and 2009 because the Fund's shares had traded at an average discount from net asset value of 10% or more during the quarter ended March 31, 2000, the quarter ended December 31, 2000, the quarter ended December 31, 2003, the quarter ended December 31, 2008 and the quarter ended June 30, 2009, respectively. The Fund's shareholders did not approve a Conversion Proposal on any of those occasions. See "Description of Common Stock — Articles of Incorporation Amendment."

On November 26, 2010, the net asset value per share of Common Stock was \$3.94 and the last reported sales price was \$3.65, representing a discount from net asset value per share of 7.36%.

INVESTMENT OBJECTIVE AND POLICIES

Investment Objective

The Fund's investment objective is to seek the highest total return, consisting of capital appreciation and current income, consistent with the preservation of capital. The Fund will invest up to 65% of its total assets in U.S. government securities, non-convertible debt securities of domestic issuers rated among the two highest rating categories of either Moody's or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser), and certain foreign government securities (collectively, the "Bond Investments"), and up to 50% of its total assets in equity securities comprised of common, preferred and convertible preferred stock. The equity investments will be in investments in primarily large-capitalization companies but may also be in investments in small- or medium-capitalization companies. If, however, the Investment Adviser perceives a change in the relationship between the debt and equity markets (such as a change in the spread between the yields of debt and equity securities) then, depending on the nature of such change, the Fund may increase the percentage of its total assets invested in debt securities (including money market instruments) or equity securities. The Fund will not, under any circumstances, invest more than 75% of its total assets in equity securities. The Fund also, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody's or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser). The Fund may invest up to 30% of its total assets in securities of foreign issuers and 10% of its total assets in obligations issued or guaranteed by one or more foreign governments or any of their political subdivisions, agencies or instrumentalities ("Foreign Government Securities"). The Fund reserves the right to engage in interest rate, equity, total return and other swaps; however, the Fund has no current plans to do so.

In an effort to meet the Fund's investment objective, the Fund may use the following investment methods when such use is deemed appropriate: purchasing and selling interest rate, stock index and other futures contracts and purchasing options on such futures; purchasing and writing listed put and call security options and options on stock indexes; short sales of securities; borrowing from banks to purchase securities; investing in securities of exchange-traded funds, foreign issuers and closed-end investment companies; foreign currency transactions; lending portfolio securities to brokers, dealers, banks or other recognized institutional borrowers of securities; entering into repurchase or reverse repurchase agreements; and purchasing when-issued and delayed-delivery securities. See "Special Investment Methods." During periods when the Investment Adviser believes an overall defensive position is advisable, greater than 50% (and under certain circumstances perhaps all) of the Fund's total assets may be temporarily invested in money market instruments and cash. There is no assurance that the Fund will use any or all of such methods or, whether or not they are used, the Fund will achieve its investment objective. Except as otherwise noted, all total asset percentage limitations set forth herein apply immediately after a purchase or initial investment, and any subsequent change in any applicable percentage resulting from market fluctuations does not require elimination of any security or other investment from the portfolio. The

Fund's investment objective may not be changed without the approval of a majority of the Fund's outstanding voting securities. As used in this Prospectus, the term "majority of the Fund's outstanding voting securities" means the lesser of either (i) 67% of the shares represented at a shareholders meeting at which the holders of more than 50% of the outstanding shares are present in person or by proxy, or (ii) more than 50% of the outstanding shares.

Investment Policies

The Investment Adviser determines the level of fixed income investment exposure, and the average maturity and duration, in the Fund primarily on the basis of the Fund's portfolio managers' judgment and market opportunities as well as a bond model provided by the Sub-Adviser. The bond model suggests an appropriate level of duration for implementation by the Fund's portfolio managers. The Fund's portfolio managers then incorporate fundamental analysis to determine which specific bonds to own and what maturities to hold to arrive at the overall duration of the portfolio. The overall bond portfolio generally has a blend of short, medium and long-maturity bonds, which balances the overall duration risk with other yield curve risks depending on the overall duration that the portfolio managers wish to achieve. The portfolio managers will vary the maturities to arrive at the appropriate desired average. The Fund primarily invests its Bond Investments in U.S. Treasury securities and agency securities of the highest quality.

The duration and maturities of the debt securities in the Fund's portfolio will vary based in large part on the Investment Adviser's expectations of future changes in interest rates using the Investment Adviser's own internal research as well as the Investment Adviser's consideration of debt allocation techniques provided by the Sub-Adviser, in the form of a bond model. The primary consideration in choosing among bonds is managing risk related to changes in interest rate levels. A bond's duration measures its sensitivity to changes in interest rates (interest rate risk). Duration is the approximate percentage change in the price of a bond or bond portfolio in response to a 100 basis point (one percent) change in the general level of interest rates in the market. For example, if a bond portfolio has an average duration of five years, the value of such bond portfolio would increase by 5% if interest rates declined by 1% and conversely would decrease by 5% if interest rates rose by 1%. The longer the duration, the greater the bond's price movement will be as interest rates change.

The bond model provided by the Sub-Adviser incorporates various indicators, including the momentum of bond prices, short-term interest rate trends, inflation indicators and general economic and liquidity indicators, as well as other market indicators and statistics which the Sub-Adviser believes tend to point to significant trends in the overall performance and the risk of the debt markets. The debt allocation techniques represented by the bond model are not an all-in or all-out approach that attempts to predict market tops and bottoms. Instead, they are intended to be a gradual and disciplined approach that reacts to changes in risk levels as determined by the indicators. The goal is to be invested consistent with the major trends of the markets. There is no assurance that these debt asset allocation techniques will provide protection from the risks of debt investment, enable the Fund to be invested consistent with the major trends of the markets or enable the Fund to achieve its investment objective.

The U.S. government securities ("U.S. Government Securities") in which the Fund may invest are securities issued or guaranteed by the U.S. government or its agencies or instrumentalities (including repurchase agreements secured by such instruments). Certain of these securities, including U.S. Treasury bills, notes and bonds, mortgage participation certificates guaranteed by GNMA, and Federal Housing Administration debentures, are supported by the full faith and credit of the United States. Other U.S. Government Securities issued or guaranteed by federal agencies or government-sponsored enterprises are not supported by the full faith and credit of the United States. These securities include obligations supported by the right of the issuer to borrow from the U.S. Treasury, such as obligations of Federal Home Loan Banks, and obligations supported only by the credit of the instrumentality, such as Federal National Mortgage Association bonds. Debt securities of domestic issuers, other than U.S. Government Securities, will be generally limited to those that are rated, as of the date of purchase, among the two highest rating categories (Aaa and Aa) of Moody's or the two highest rating categories

(AAA and AA) of S&P. The Fund also, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody's or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser).

The money market instruments in which the Fund may invest include U.S. Government Securities or obligations issued or guaranteed by Foreign Government Securities having a maturity of less than one year, commercial paper rated A-1 or higher by S&P or Prime-1 or higher by Moody's, or if such commercial paper is not rated, issued by companies which have an outstanding debt issue rated Aa or higher by Moody's or AA or higher by S&P, repurchase agreements secured by collateral at least equal to the repurchase price, and certificates of deposit, bankers' acceptances and other short-term obligations issued by domestic branches of U.S. banks that are insured by the Federal Deposit Insurance Corporation and have assets in excess of \$500 million.

The Fund may invest up to 10% of its total assets in Foreign Government Securities that, in the opinion of the Investment Adviser, do not subject the Fund to unreasonable credit risks. The percentage of the Fund's assets invested in Foreign Government Securities will vary depending on the relative yields of such securities, the economic and financial markets of the countries in which the investments are made, the interest rate climate of such countries and the relationship of such countries' currencies to the U.S. dollar. During the past year, the Fund has not owned any Foreign Government Securities.

The Fund's investments in equity securities provide the opportunity for enhanced returns through capital appreciation. The Investment Adviser expects that the stocks in the Fund's portfolio will be widely diversified by both industry and the number of issuers. The Investment Adviser expects that a majority of the stocks in the Fund's portfolio will be selected from the 1,000 of the largest, most liquid stocks. The Investment Adviser employs a Growth at a Reasonable Price (GARP) philosophy in its equity security selection process. Security selection begins with a top-down approach and econometric analysis of each sector. Each sector is then analyzed at the industry level. Fundamental and quantitative analysis is then conducted within the industries to identify securities that the portfolio managers believe offer superior return opportunity. This stock selection process may evolve or be replaced by other stock selection processes intended to achieve the Fund's investment objective.

The extent of the Fund's investment in equity securities will be determined primarily on the basis of equity asset allocation techniques developed by Dr. Martin E. Zweig, President of the Sub-Adviser, and his staff. It is expected that the Investment Adviser will make most of the decisions with respect to the extent of the Fund's investment in equity securities based on these techniques. The equity allocation techniques, which seek to identify the risks and trends in the equity markets at any given time, include general market indicators, including interest rate and monetary analysis, market sentiment indicators, price and trading volume statistics, and measures of valuation, as well as other market indicators and statistics which the Sub-Adviser believes tend to point to significant trends in the overall performance and the risk of the stock market. These equity allocation techniques are not an all-in or all-out approach that attempts to predict market tops and bottoms. Instead, they are intended to be a gradual and disciplined approach that reacts to changes in risk levels as determined by the indicators. The goal is to be invested consistent with the major trends of the markets. There is no assurance that these equity allocation techniques will provide protection from the risks of equity investment, enable the Fund to be invested consistent with the major trends of the markets or enable the Fund to achieve its investment objective.

Special Investment Methods

The Fund may use some or all of the following special investment methods where their use appears appropriate to the Investment Adviser. No assurance can be given that the Fund will use any or all of such investment methods or, if used, that their use will achieve its investment objective. The investment methods described below are subject to, and should be read in conjunction with, the discussion under "Investment Restrictions" and "Investment Objective and Policies" in the SAI. The restrictions set forth under "Investment Restrictions" are fundamental, and thus may be changed only with the approval of a majority of the Fund's outstanding voting securities.

Futures Contracts and Related Options.

The Fund may purchase and sell stock index futures contracts and futures contracts based upon interest rates and other financial instruments, and purchase options on such contracts. The Fund will not write options on any futures contracts.

There are certain risks associated with the use of futures contracts and related options, which have a high degree of price variability. Price movements may be influenced by, among other things, changing supply and demand relationships, government, trade, fiscal and economic events and changes in interest rates. The low margin normally required in trading futures contracts and related options provides a large amount of leverage. Thus, a relatively small change in the price of a contract can produce a disproportionately large profit or loss, and the Fund may gain or lose substantially more than the initial margin on a trade. Although the Fund intends to purchase or sell futures which appear to have an active market, there is no assurance that a liquid market will exist for any particular contract at any particular time. Thus, it may not be possible to close a futures position in anticipation of adverse price movements. In addition, there may be an imperfect correlation between the price movements of the futures contracts and price movements of the underlying portfolio securities.

To attempt to achieve its investment objective, particularly with respect to preservation of capital, the Fund may purchase or sell futures contracts and related options for any purpose deemed appropriate, including but not limited to, managing the risks inherent in its investment strategy generally and, in particular, in protecting against the effect that changes in general market conditions and conditions affecting particular industries may have on the values of securities held in the Fund's portfolio, or which the Fund intends to purchase.

For example, the Fund may establish short positions in (sell) futures contracts to protect against anticipated or potential declines in the market value of the Fund's portfolio of securities. For instance, the Fund may establish a short position in stock index futures contracts when it anticipates a general market or market sector decline that may adversely affect the market value of the Fund's portfolio securities.

Where the Fund anticipates a significant market or market sector advance, establishing long positions in (purchasing) stock index futures contracts affords protection against not participating in such advance at a time when the Fund is not fully invested. Such a long position would serve as a temporary substitute for the purchase of individual stocks, which may then be purchased in an orderly fashion. As purchases of stock are made, an amount of stock index futures contracts which is comparable to the amount of stock purchased may be terminated by offsetting closing sales transactions.

Security and Stock Index Options.

The Fund may purchase and write listed put and call options on securities and on stock indexes that are traded on U.S. securities exchanges at such times as the Investment Adviser deems appropriate and consistent with the Fund's investment objective. In general, to attempt to achieve its investment objective, particularly with respect to preservation of capital, the Fund may purchase or write such options to hedge against anticipated or potential declines in the market value of the Fund's portfolio of securities, or to facilitate the rapid implementation of investment strategies if the Fund anticipates a significant market or market sector advance.

The risks in trading options are different from the risks in trading the underlying securities, and trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying security. For example, if the Fund buys an option (either to sell or buy an underlying security), it will be required to pay a "premium" representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying security relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying security or any combination thereof. Unless the price

of the underlying security changes and it becomes profitable to exercise or offset the option before it expires, the Fund may lose the entire amount of the premium. Conversely, if the Fund writes or sells an option (either to sell or buy an underlying security), it will be credited with the premium but will have to deposit margin with the Fund's brokers due to its contingent liability to deliver or accept the underlying security in the event the option is exercised. Sellers of options are subject to unlimited risk of loss, as the seller will be obligated to deliver or take delivery of the security at a predetermined price which may, upon exercise of the option, be significantly different from the then-market value.

Borrowing.

The Fund may from time to time increase its ownership of securities above the amounts otherwise possible by borrowing from banks on an unsecured basis and investing the borrowed funds. In addition, the Fund may borrow to finance share repurchase or tender offer transactions when its shares are trading at a discount from their net asset value. See "Description of Common Stock — Repurchase of Shares; Tender Offers." Any such borrowing will be made only from banks, and pursuant to the requirements of the 1940 Act, will only be made to the extent that the value of the Fund's total assets, less its liabilities other than borrowings, is equal to at least 300% of all borrowings including the proposed borrowing.

Borrowing for investment and to finance share repurchase or tender offer transactions increases both investment opportunity and investment risk. Since substantially all of the Fund's assets will fluctuate in value, but the obligation resulting from the borrowing is relatively fixed, the Fund's shares will increase in value more when the Fund's assets increase in value and decrease more when the Fund's assets decrease in value than would otherwise be the case. In addition, the cost of borrowing may exceed the income or gain on any securities purchased with the funds borrowed, in which case the Fund's net asset value will decline.

Exchange-Traded Funds.

The Fund may invest in passively managed registered open-end investment companies or other baskets of securities, such as unit investment trusts, which trade on a national securities exchange or NASDAQ and are commonly called exchange-traded funds ("ETFs"). These investments represent shares of ownership in ETFs that hold portfolios of securities which are designed to generally correspond to and closely track the price and yield performance of an index of securities. Accordingly, ETFs have risks similar to those of stocks and are subject to market volatility. Investment returns may fluctuate so that invested shares, when redeemed or sold, may be worth more or less than their original cost. ETFs may include, among others, the Nasdaq-100 Index Tracking Stock (QQQQ), Standard & Poor's Depository Receipts (SPDRS), the DIAMONDS Trust, and other ETFs as determined from time to time by the Investment Adviser.

Foreign Securities.

The Fund may invest up to 30% of its total assets in securities of foreign issuers and up to 10% of its total assets in Foreign Government Securities. Investments in foreign securities offer potential benefits not available through investment solely in securities of domestic issuers. Foreign securities offer the opportunity to invest in foreign issuers that appear to have growth potential, or in foreign countries with economic policies or business cycles different from those of the United States, or to reduce fluctuations in portfolio value by taking advantage of foreign markets that do not move in a manner parallel to United States markets. The Fund typically does not make significant investments in foreign securities.

Investments in foreign securities present special additional risks and considerations not typically associated with investments in domestic securities. Foreign investments may be affected by changes in foreign currency rates and exchange control regulations. There may be less information available about a foreign company than a domestic company, and foreign companies may not be subject to accounting, auditing and reporting standards

and requirements comparable to those applicable to domestic companies. Foreign securities may be less liquid and subject to greater price volatility than domestic securities. The foreign markets also have different clearance and settlement procedures. Foreign investments may also be subject to local economic or political risks, political instability and possible nationalization of issuers or expropriation of their assets which might adversely affect the Fund's ability to realize or liquidate its investment in such securities. Furthermore, legal remedies for defaults and disputes may have to be pursued in foreign courts whose procedures differ substantially from those of U.S. courts. In the event of a default in payment on foreign securities, the Fund may incur increased costs to obtain and/or to enforce a judgment against the foreign issuer (or the other parties to the transaction) in the United States or abroad, and no assurance can be given that the Fund will be able to collect on any such judgment.

Foreign Currency Transactions.

The Fund may from time to time engage in foreign currency transactions, whether or not in connection with the Fund's investment activity in foreign securities. These transactions involve investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Investment Adviser's predictions of movements in the direction of securities prices or currency exchange rates are inaccurate, the adverse consequences to the Fund may leave the Fund in a worse position than if it had not used such strategies. Risks inherent in the use of option and foreign currency forward and futures contracts include: (1) dependence on the Investment Adviser's ability to correctly predict movements in the direction of securities prices and currency exchange rates; (2) imperfect correlation between the price of options and futures contracts and movements in the prices of the securities or currencies being hedged; (3) the fact that the skills needed to use these strategies are different from those needed to select portfolio securities; (4) the possible absence of a liquid secondary market for any particular instrument at any time; and (5) the possible need to defer closing out certain hedged positions to avoid adverse tax consequences.

The Fund may engage in currency exchange transactions to protect against uncertainty in the level of future currency exchange rates. In addition, the Fund may write covered put and call options on foreign currencies for the purpose of increasing its return. The Fund may purchase or sell a foreign currency on a spot (or cash) basis at the prevailing spot rate in connection with the settlement of transactions in portfolio securities denominated in that foreign currency. The Fund may also enter into contracts to purchase or sell foreign currencies at a future date ("forward contracts") and purchase and sell foreign currency futures contracts.

Generally, the Fund may engage in both "transaction hedging" and "position hedging." When it engages in transaction hedging, the Fund enters into foreign currency transactions with respect to specific receivables or payables, generally arising in connection with the purchase or sale of portfolio securities. The Fund will engage in transaction hedging when it desires to "lock in" the U.S. dollar price of a security it has agreed to purchase or sell, or the U.S. dollar equivalent of a dividend or interest payment in a foreign currency. By transaction hedging, the Fund will attempt to protect itself against a possible loss resulting from an adverse change in the exchange rate between the U.S. dollar and the applicable foreign currency during the period between the date on which the security is purchased or sold, or on which the dividend or interest payment is declared, and the date on which such payments are made or received.

For transaction hedging purposes, the Fund may also purchase exchange-listed and over-the-counter put and call options on foreign currency futures contracts and on foreign currencies. A put option on a futures contract gives the Fund the right to assume a short position in the futures contract until the expiration of the option. A put option on a currency gives the Fund the right to sell the currency at an exercise price until the expiration of the option. A call option on a futures contract gives the Fund the right to assume a long position in the futures contract until the expiration of the option. A call option on a currency gives the Fund the right to purchase the currency at the exercise price until the expiration of the option.

When engaging in position hedging, the Fund enters into foreign currency exchange transactions to protect against a decline in the values of the foreign currencies in which its portfolio securities are denominated (or an

increase in the values of currency for securities which the Fund expects to purchase, when the Fund holds cash or short-term investments). In connection with position hedging, the Fund may purchase put or call options on foreign currency and on foreign currency futures contracts and buy or sell forward contracts and foreign currency futures contracts. The Fund may also purchase or sell foreign currency on a spot basis.

The precise matching of the amounts of foreign currency exchange transactions and the value of the portfolio securities involved will not generally be possible since the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the dates the currency exchange transactions are entered into and the dates they mature.

It is also impossible to forecast with precision the market value of portfolio securities at the expiration or maturity of a forward or futures contract. Accordingly, it may be necessary for the Fund to purchase additional foreign currency on the spot market (and bear the expense of such purchase) if the market value of the security or securities being hedged is less than the amount of foreign currency the Fund is obligated to deliver and a decision is made to sell the security or securities and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security or securities if the market value of such security or securities exceeds the amount of foreign currency the Fund is obligated to deliver.

Transaction and position hedging do not eliminate fluctuations in the underlying prices of the securities which the Fund owns or intends to purchase or sell. They simply establish a rate of exchange which one can achieve at some future point in time. Additionally, although these techniques tend to minimize the risk of loss due to a decline in the value of the hedged currency, they also tend to limit any potential gain which might result from the increase in value of such currency.

The Fund also may seek to increase its return or to offset some of the costs of hedging against fluctuations in currency exchange rates by writing covered put options and covered call options on foreign currencies. The Fund receives a premium from writing a put or call option, which increases the Fund's current return if the option expires unexercised or is closed out at a net profit. The Fund may terminate an option that it has written prior to its expiration by entering into a closing purchase transaction in which it purchases an option having the same terms as the option written.

Closed-end Investment Companies.

The Fund may also invest in other closed-end investment companies if the Investment Adviser believes that such investments will further the Fund's investment objective. If the Fund purchases shares of another investment company at a discount which subsequently declines, the performance of such investment generally would be better than if the Fund had purchased the underlying portfolio investments of such other investment company. Such investments in other investment companies will constitute less than 10% of the Fund's net assets.

Short Sales.

The Fund may from time to time make short sales of securities. A short sale is a transaction in which the Fund sells a security it does not own in anticipation of a decline in market price. To attempt to achieve its investment objective, particularly with respect to preservation of capital, the Fund may make short sales to offset a potential decline in a long position or a group of long positions, or if the Investment Adviser believes that a decline in the price of a particular security or group of securities is likely. The Fund may also make short sales in an attempt to maintain portfolio flexibility and facilitate the rapid implementation of investment strategies if the Investment Adviser believes that the price of a particular security or group of securities is likely to decline. A short sale involves the theoretically unlimited risk of an increase in the market price of the securities sold short.

When the Fund determines to make a short sale of a security, it must borrow the security. The Fund's obligation to replace the security borrowed in connection with the short sale will be fully secured by the proceeds from the short sale retained by the broker and by cash or liquid securities deposited in a segregated account with the Fund's custodian.

The Fund may make a short sale only if, at the time the short sale is made and after giving effect thereto, the market value of all securities sold short is 25% or less of the value of its net assets and the market value of securities sold short which are not listed on a national securities exchange does not exceed 10% of the Fund's net assets.

In addition to the short sales described above, the Fund may make short sales "against the box." A short sale "against the box" is a short sale where, at the time of the short sale, the Fund owns or has the immediate and unconditional right, at no added cost, to obtain the identical security. Short sales against the box are not subject to the collateral requirements described above or the percentage limitations on short sales described above.

Lending Portfolio Securities.

The Fund may lend portfolio securities, generally on a short-term basis, to brokers or dealers in corporate or governmental securities, banks or other institutional borrowers of securities, and financial institutions as a means of earning income. A borrower of securities from the Fund must maintain with the Fund cash or U.S. Government Securities equal to at least 100% of the market value of the securities borrowed. The Fund may not lend portfolio securities if such loan would cause the aggregate amount of all outstanding securities loans to exceed 20% of the current market value of the Fund's net assets. If a borrower becomes bankrupt or defaults on its obligation to return the loaned security, delays or losses could result.

Repurchase Agreements.

The Fund may from time to time acquire U.S. Government Securities and concurrently enter into so-called "repurchase agreements" with the seller, a member bank of the Federal Reserve System or primary dealers in U.S. Government Securities, whereby the seller agrees to repurchase such securities at the Fund's cost plus interest within a specified time (usually on the next business day). Repurchase agreements offer a means of generating income from excess cash that the Fund might otherwise hold. Delays in payment or losses may result if the other party to the agreement defaults or becomes bankrupt. The Fund's repurchase agreements must be fully backed by collateral that is marked-to-market, or priced, each day.

Reverse Repurchase Agreements.

The Fund may enter from time to time into reverse repurchase agreements whereby the Fund sells an underlying debt instrument and simultaneously obtains the commitment of the purchaser, a commercial bank or a broker or dealer, to sell the security back to the Fund at an agreed upon price on an agreed upon date. The value of the underlying securities will be required to be maintained at a level at least equal at all times to the total amount of the resale obligation, including the interest factor. The Fund receives payment for such securities only upon physical delivery or evidence of book entry transfer by its custodian. The Fund will establish a segregated account with the Fund's custodian in which the Fund will maintain cash and U.S. Government Securities or other high grade debt obligations at least equal in value to the total amount of the repurchase obligation, including accrued interest. The value of the segregated securities will be marked-to-market on a daily basis to ensure that such value is maintained. Reverse repurchase agreements could involve certain risks in the event of default or insolvency of the other party, including possible delays or restrictions upon the Fund's ability to dispose of the underlying securities. An additional risk is that the market value of securities sold by the Fund under a reverse repurchase agreement could decline below the price at which the Fund is obligated to repurchase them. Reverse repurchase agreements will be considered borrowings by the Fund and as such will be subject to the restrictions on borrowing described in the SAI under "Investment Restrictions." The value of all the Fund's reverse repurchase agreements will not exceed 5% of the Fund's total assets.

Below Investment Grade Fixed Income Securities.

The Fund, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody's or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser). Generally, securities rated below investment grade (high yield-high risk fixed income securities – also sometimes referred to as junk bonds) have a greater chance that the issuer will be unable to make scheduled interest or principal payments when due. Furthermore, to the extent that the Fund may invest in such high yield-high risk fixed income securities, this will entail greater price volatility and credit and interest rate risk than investment-grade securities. Analysis of the creditworthiness of high yield-high risk issuers is more complex than for higher-rated securities, making it more difficult for the Investment Adviser to accurately predict risk. If the Fund pursues missed interest or principal payments, there is a risk that the Fund's expenses could increase. In addition, lower-rated securities may not trade as often and may be less liquid than higher-rated securities.

When-Issued and Delayed-Delivery Securities.

The Fund may from time to time purchase securities on a "when-issued" or "delayed-delivery" basis whereby the Fund purchases a bond or stock with delivery of the security and payment deferred to a future date. The money to purchase such securities will be invested in other securities until the Fund receives delivery. This could increase the possibility that the Fund's net asset value would increase or decrease faster than would otherwise be the case. There is no restriction on the percentage of the Fund's assets that may be invested in when-issued or delay-delivery securities, and such securities are not considered to be short sales for purposes of the Fund's investment restrictions on short sales.

Securities purchased on a when-issued or delayed-delivery basis may expose the Fund to risk, since such securities may experience fluctuations in value (based upon, in the case of bonds, the public's perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates) prior to their time of delivery. In addition, the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself.

RISK FACTORS AND SPECIAL CONSIDERATIONS

The following discusses certain matters that should be considered, among others, in connection with the Offer.

Dilution – Net Asset Value and Non-Participation in the Offer

Record Date Shareholders who do not fully exercise their Rights will, upon the completion of the Offer, own a smaller proportional interest in the Fund than they owned prior to the Offer. In addition, an immediate dilution of the net asset value per share will be experienced by all shareholders as a result of the Offer because the Subscription Price will be less than the then current net asset value per share, and the number of shares outstanding after the Offer will increase in greater percentage than the increase in the size of the Fund's assets. Although it is not possible to state precisely the amount of such decrease in net asset value per share because it is not known at this time what the Subscription Price will be, what the net asset value per share will be on the Pricing Date, or what proportion of the Shares will be subscribed for, such dilution could be minimal or substantial. For example, assuming (i) all Rights are exercised, (ii) the Fund's net asset value on the Pricing Date is \$3.94 per share (the net asset value per share on November 26, 2010), and (iii) the Subscription Price is \$3.51 per share (equal to 95% the lower of the NAV at the close of business on November 26, 2010 or the average of the last reported sale price of a share of the Fund's Common Stock on the NYSE on November 26, 2010, and the four preceding business days), then the Fund's net asset value per share would be reduced by approximately \$0.08 per share or 1.95%.

Leverage and Borrowing

As discussed above under “Investment Objectives and Policies — Special Investment Methods,” the Fund is authorized to borrow. The Fund currently does not have any intention to borrow money. Borrowings create an opportunity for greater capital appreciation with respect to the Fund’s investment portfolio, but at the same time such borrowing is speculative in that it will increase the Fund’s exposure to capital risk. In addition, borrowed funds are subject to interest costs that may offset or exceed the return earned on the borrowed funds.

Certain Investment Strategies

The extent of the Fund’s investment in equity securities will be determined primarily on the basis of equity asset allocation techniques developed by Dr. Martin E. Zweig, President of the Sub-Adviser, and his staff. While the Investment Adviser seeks to reduce the risks associated with investing in equity securities by using these techniques, such risks cannot be eliminated. There is no assurance that these asset allocation techniques will provide protection from the risks of equity investment, enable the Fund to be invested consistent with the major trends of the market or enable the Fund to achieve its investment objective.

In addition, although the Investment Adviser may use one or more of the special investment methods discussed above under “Investment Objectives and Policies — Special Investment Methods” to further the Fund’s investment objective and/or reduce losses that might otherwise occur during a time of general decline in stock prices, no assurance can be given that these investment methods will be used or, if used, will achieve either or both of these results. These methods may subject an investor in the Fund to greater than average risks and costs.

Credit Risk

Investments in debt securities involve credit risk. This is the risk that the borrower will not make timely payments of principal and interest. The Fund, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody’s or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser). Generally, securities rated below investment grade (high yield-high risk fixed income securities – also sometimes referred to as junk bonds) have a greater chance that the borrower will be unable to make scheduled interest or principal payments when due. Furthermore, to the extent that the Fund may invest in such high yield-high risk fixed income securities, this will entail greater price volatility and credit and interest rate risk than investment-grade securities. Analysis of the creditworthiness of high yield-high risk borrowers is more complex than for higher-rated securities, making it more difficult for the Investment Adviser to accurately predict risk. If the Fund pursues missed interest or principal payments, there is a risk that the Fund’s expenses could increase. In addition, lower-rated securities may not trade as often and may be less liquid than higher-rated securities. There can be no assurance that the credit rating of a Fund investment will remain unchanged over the period of the Fund’s ownership of that investment.

Interest Rate Risk

The Fund invests in fixed income debt securities, which gives rise to interest rate risk. Such securities may decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. To the extent that the Fund invests in fixed income debt securities, the net asset value and market price of the Fund’s shares tend to decline if market interest rates rise. Further, while longer term fixed rate securities may pay higher interest rates than shorter term securities, longer term fixed rate securities also tend to be more sensitive to interest rate changes and, accordingly, tend to experience larger changes in value as a result of interest rate changes.

During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or

prepayment risk. Preferred and debt securities frequently have call features that allow the issuer to redeem the securities prior to their stated maturities. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk.

Equity Risk

Equity investing includes, among other risks, the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate and the particular circumstances and performance of particular companies whose securities the Fund holds. An investment in the Fund represents an indirect economic stake in the securities owned by the Fund, which are for the most part traded on securities exchanges or in the over-the-counter markets. The market value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably, and the prices of most securities in a market can drop substantially at any time. The net asset value of the Fund may at any point in time be less than at the time the shareholder invested in the Fund, even after taking into account any reinvestment of distributions.

Small- and Medium-Capitalization Stock Risk

While the Fund generally will invest primarily in large-capitalization companies, the Fund may invest in companies with small- or medium-capitalizations. Small and medium company stocks can be more volatile than, and perform differently from, larger company stocks. There may be less trading in small or medium company stocks, which means that buy and sell transactions in those stocks could have a larger impact on the stock prices than is the case with larger company stocks. Small and medium companies may have fewer business lines; therefore, changes in any line of business may have a greater impact on small and medium company stock prices than is the case for a larger company. As a result, the purchase or sale of more than a limited number of shares of a small or medium company may affect its market price. The Fund may need a considerable amount of time to purchase or sell its positions in these securities. In addition, small or medium company stocks may not be as well known to the investing public.

Unrealized Appreciation

As of December 31, 2009, there was \$30,465,559 or approximately \$0.27 per share of net unrealized appreciation in the Fund's net assets of \$473,216,685; if realized and distributed, or deemed distributed, such gains would, in general, be taxable to shareholders, including holders at that time of Shares acquired upon the exercise of Rights. See "Taxation."

Discount from Net Asset Value

The Fund's shares of Common Stock have traded in the market above, at and below net asset value since the commencement of the Fund's operations in September 1988. The Fund cannot predict whether the Fund's Common Stock will in the future trade at a premium to or discount from net asset value. The risk of the Common Stock trading at a discount is a risk separate from a decline in the Fund's net asset value. See "Market Price and Net Asset Value Information" in this Prospectus and "Net Asset Value" in the SAI.

Distributions

The Fund's policy is to make monthly distributions equal to 0.83% of its net asset value (10% distribution yield on an annualized basis), and a final distribution at year-end consisting of any remaining undistributed net investment income and any realized net capital gains in excess of the Fund's capital loss carryforward. If, for any

calendar year, the total distributions exceed net investment income and realized net capital gains, the excess will generally be treated as a tax-free return of capital (up to the amount of the shareholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a shareholder's adjusted basis in his or her shares, thereby increasing his or her potential gain or reducing his or her potential loss on the sale of his or her shares.

Historically, the Fund's distribution yield has included distributions of net investment income and realized gains that were taxable to the Fund's shareholders as ordinary income, and distributions that were treated as a non-taxable return of capital. In 2009, the Fund had a 10% distribution yield, which consisted of 1.4% as net investment income, 0% as gains taxable as ordinary income and 8.6% as return of capital. In 2008, the Fund had a 10% distribution yield, which consisted of 2.2% as net investment income, 0.9% as gains taxable as ordinary income, 0.1% as realized long term capital gains and 6.8% as return of capital. In the future, the Fund anticipates its distribution yield to be characterized in a similar manner and be consistent with its policy of monthly distributions equal to 0.83% of its net asset value (10% distribution yield on an annualized basis). Pursuant to the requirements of the 1940 Act and other applicable laws, a notice will accompany each monthly distribution with respect to the estimated source of the distribution made.

The Fund had capital loss carryovers in the amount of \$9,584,000 as of December 31, 2009. Under current tax law, foreign currency and capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal year ended December 31, 2009, the Fund deferred \$1,421,000 and recognized \$108,000 of post-October losses. Capital loss carryovers will reduce or, possibly, eliminate the Fund's taxable capital gains in the year(s) to which such losses are carried, but will not reduce the Fund's current earnings and profits in such year(s). Consequently, a greater portion of the Fund's distributions in the year(s) to which the Fund carries and applies its capital loss carryovers may be taxable to shareholders as ordinary income dividends than would be the case if the Fund did not have capital loss carryovers. The Fund's shareholders thus potentially could lose the benefit of the Fund's capital loss carryover to any year in which the Fund makes excess distributions, because instead of being treated as a non-taxable return of capital, the portion of the excess distributions equal to the Fund's capital gains that are offset by the capital loss carryover will likely be taxable to the Fund's shareholders, and if taxable, will likely be treated as ordinary income rather than as capital gain. Moreover, excess distributions that are paid out of capital gains or other non-dividend income of the Fund will not qualify for the 15% preferential tax rate.

**Illustration of Loss of Tax Benefit of Capital Loss Carryforwards
Related to Distributions in Excess of Taxable Gain**

Shareholders pay additional taxes on distributions when a set of 3 conditions exist:

- | | |
|---|----------------|
| 1. Fund has current year gains (current earnings and profits) | (line b below) |
| 2. Fund has accumulated losses from prior years (capital loss carryovers) | (line c below) |
| 3. Fund pays out distributions that exceed "required distributions" | (line e below) |

Assume the following facts:

Net Income	(a)	\$ 10
Current year gain (loss)	(b)	\$ 5
Capital loss carryover (CLCO)	(c)	\$(10)
Distributions to shareholders	(d)	\$ 50
Excess Distributions (normally Return Of Capital)	(e)	\$ 40
Amount of distributions taxable to shareholders	(f)	\$ 15
Amount of capital loss carryover benefit lost	(g)	\$ 5

Explanation: Fund has current year gains (b) so shareholders pay taxes on distributions of current year gains (b). The benefit of the capital loss carryover (CLCO) (g) is thereby lost on the portion of the excess distribution equal to the current year gain (b).

The Fund also might make distributions to shareholders that exceed the Fund’s current earnings and profits. In that event, because the Fund does not have positive accumulated earnings and profits, the excess distributions will be a non-taxable return of capital to a shareholder to the extent the distributions do not exceed the shareholder’s tax basis in his or her Fund shares. Non-taxable distributions will reduce the shareholder’s tax basis in his or her Fund shares, thereby increasing the shareholder’s potential tax liability on a subsequent sale of his or her shares.

In the event the Fund distributes amounts in excess of its net investment income and net realized capital gains, such distributions will decrease the Fund’s total assets and, therefore, have the likely effect of increasing the Fund’s expense ratio. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. Shares purchased pursuant to the Offer will be issued after the record date for the monthly distribution declared for January 2011 and, accordingly, the Fund will not pay a monthly distribution with respect to such Shares until the distribution to be declared and paid in the next month. See “Distributions; Automatic Reinvestment and Cash Purchase Plan” for a discussion of the Fund’s distribution policy.

Anti-takeover Provisions

The Fund has provisions in its Articles of Incorporation and By-Laws that may have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. The Board of Directors is divided into three classes. At the annual meeting of shareholders each year, the term of one class will expire and directors will be elected to serve in that class for terms of three years. This provision could delay for up to two years the replacement of a majority of the Board of Directors.

These provisions could have the effect of limiting shareholders’ opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. See “Description of Common Stock — Special Voting Provisions.”

MANAGEMENT OF THE FUND

Board of Directors

The management of the Fund, including general supervision of the duties performed by the Investment Adviser under the Investment Advisory Agreement (as described below), is the responsibility of the Fund’s Board of Directors. For certain information regarding the Directors and Officers of the Fund, see “Management — Directors and Officers” in the SAI.

Investment Adviser and Sub-Adviser

The Investment Adviser, Zweig Advisers LLC, is a Delaware limited liability company, with offices at 900 Third Avenue, New York, New York 10022. The Investment Adviser became the Fund's investment adviser on January 1, 2000. All of the Investment Adviser's outstanding equity interests are directly owned by Virtus Investment Partners, Inc. ("Virtus"), a Delaware corporation and a NASDAQ listed company. As of December 31, 2009, Virtus and its affiliated advisors had approximately \$25.4 billion in assets under management.

Pursuant to an investment advisory agreement dated March 1, 1999 (the "Investment Advisory Agreement"), the Investment Adviser is responsible for the actual management of the Fund's portfolio. The responsibility for making decisions to buy, sell or hold a particular investment rests with the Investment Adviser, subject to the supervision of the Board of Directors and the applicable provisions of the 1940 Act. The Investment Adviser is also obligated to provide the Fund with such executive, administrative, data processing, clerical, accounting and bookkeeping services and statistical and research data as are deemed advisable by the Board of Directors, except to the extent these services are provided by an administrator hired by the Fund. The Investment Adviser may consider analyses from various other sources, including broker-dealers with which the Fund does business and affiliates of the Investment Adviser.

Under a services agreement (the "Sub-Advisory Agreement") with the Investment Adviser, the Sub-Adviser, Zweig Consulting LLC, performs asset allocation research and analysis and provides advice thereon to the Investment Adviser. The extent of the Fund's investment in equity securities will be determined by the Investment Adviser primarily utilizing equity asset allocation techniques developed by Dr. Martin E. Zweig, President of the Sub-Adviser, and his staff.

For the services provided by the Investment Adviser under the Investment Advisory Agreement, the Fund pays the Investment Adviser a monthly fee computed at the annual rate of 0.70% of the Fund's average daily net assets during the previous month. For the fiscal years ended December 31, 2009, 2008 and 2007, the Fund incurred investment advisory fees of \$3,179,913, \$3,621,383 and \$3,711,846, respectively. The Investment Adviser will pay the Sub-Adviser an annual fee equal to 40% of the investment advisory fees received by the Investment Adviser from the Fund, payable monthly in arrears.

The Board of Directors, including a majority of the disinterested Directors, has the responsibility under the 1940 Act to approve the continuance of the Investment Advisory Agreement and the Sub-Advisory Agreement. At a meeting of the Directors held on February 10, 2009, the Board of Directors, including a majority of the disinterested Directors, approved the continuance of the Investment Advisory Agreement and the Sub-Advisory Agreement until March 1, 2010. A discussion regarding the basis for the approval of this continuance is contained in the Fund's June 30, 2009 Semi-Annual Report to Shareholders. At a meeting of the Directors held on February 9, 2010, the Board of Directors, including a majority of the disinterested Directors, approved the continuance of the Investment Advisory Agreement and the Sub-Advisory Agreement until March 1, 2011. A discussion regarding the basis for the approval of this continuance is contained in the Fund's June 30, 2010 Semi-Annual Report to Shareholders.

Dr. Martin E. Zweig

Dr. Martin E. Zweig, the President of the Sub-Adviser, has been in the business of providing investment advisory services for over 40 years. Dr. Zweig and his associates determine asset allocation strategies to assist the Investment Adviser in its management of the Fund.

Portfolio Managers

The Investment Adviser's day-to-day stock and bond selections for the Fund are jointly and primarily made by Mr. Carlton Neel and Mr. David Dickerson. Mr. Neel and Mr. Dickerson have been jointly and primarily responsible for the day-to-day management of the Fund's portfolio since April 2003.

Mr. Neel is a graduate of Brown University (B.A., 1990). Mr. Neel has been Executive Vice President of the Fund and Senior Vice President of the Investment Adviser since April 2003. Mr. Neel has also been Senior Vice President of Virtus Investment Partners, Inc. since 2008 and Executive Vice President of Euclid Advisors LLC since June 2009. From July 2002 to April 2003, Mr. Neel co-founded and managed Shelter Rock Capital Partners, L.P. Prior to that, Mr. Neel had worked in various portfolio management positions with the Investment Adviser since 1995.

Mr. Dickerson is a graduate of Harvard University (B.A., 1993), and the Stern School of Business, New York University (M.B.A., 2000). Mr. Dickerson has been Senior Vice President of the Fund and Senior Vice President of the Investment Adviser since April 2003. He has also been Senior Vice President of Virtus Investment Partners, Inc. since 2008 and a First Vice President of Euclid Advisors LLC since June 2009. From July 2002 to April 2003, Mr. Dickerson co-founded and managed Shelter Rock Capital Partners, L.P. Prior to that, Mr. Dickerson had worked in various portfolio management and analyst positions with the Investment Adviser since 1993.

The SAI provides additional information about the Portfolio Managers' compensation, other accounts managed by the Portfolio Managers, and the Portfolio Managers' ownership of securities of the Fund.

Investment Advisory Agreement

The Investment Advisory Agreement sets forth the services to be provided by and the fees to be paid to each party, as described above. The Investment Advisory Agreement provides that the Investment Adviser's liability to the Fund and its shareholders is limited to situations involving its own willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of its reckless disregard of its duties and obligations under the Investment Advisory Agreement.

The services of the Investment Adviser to the Fund are not deemed to be exclusive, and the Investment Adviser or any affiliate thereof may provide similar services to other investment companies and other clients or engage in other activities.

The Investment Advisory Agreement obligates the Investment Adviser to provide advisory services and to pay all expenses arising from the performance of its obligations under the Investment Advisory Agreement, as well as the fees of all Directors of the Fund who are employees of the Investment Adviser or any of its affiliates. The Fund pays all other expenses incurred in the operation of the Fund including, but not limited to, direct charges relating to the purchase and sale of portfolio securities, interest charges, fees and expenses of attorneys and auditors, taxes and governmental fees, cost of stock certificates and any other expenses (including clerical expenses) of issuance, sale or repurchase of shares of the Fund's Common Stock, expenses in connection with the Fund's Automatic Reinvestment and Cash Purchase Plan, membership fees in trade associations, expenses of registering and qualifying shares of the Fund's Common Stock for sale under federal and state securities laws, expenses of obtaining and maintaining any stock exchange listings of the Fund's Common Stock, expenses of printing and distributing reports, prospectuses, shareholder notices and proxy materials, expenses of corporate data processing and related services, shareholder record-keeping and shareholder account services (including salaries of shareholder relations personnel), expenses of auditors and escrow agents, expenses of printing and filing reports and other documents filed with governmental agencies, expenses of annual and special shareholders' meetings, fees and disbursements of the Fund's Administrator, transfer agents, custodians and subcustodians, expenses of disbursing dividends and distributions, fees, expenses and out-of-pocket costs of Directors of the Fund who are not interested persons of the Fund or the Investment Adviser, insurance premiums and litigation, indemnification and other expenses not expressly provided for in the Investment Advisory Agreement or the Administration Agreement.

The Investment Advisory Agreement will remain in effect from year to year if approved annually (i) by the Board of Directors of the Fund or by the holders of a majority of the Fund's outstanding voting securities, and (ii) by a majority of the Directors who are not parties to the Investment Advisory Agreement or interested persons of any such party. The Investment Advisory Agreement terminates on its assignment by either party, and may be terminated without penalty on not more than 60 days' prior written notice at the option of either party thereto, or by the affirmative vote of the holders of a majority of the Fund's outstanding voting securities.

The Investment Advisory Agreement provides that the Fund may use "Zweig" as part of its name for so long as the Investment Adviser serves as investment adviser to the Fund. The Fund has agreed that, in the event the Investment Advisory Agreement is terminated, the Fund will promptly take such actions as may be necessary to change its corporate name to one not containing the word "Zweig," and the Fund will thereafter not transact business in a corporate name using the word "Zweig" in any form or combination whatsoever. Virtus has obtained, pursuant to an agreement, an exclusive worldwide license to use the word "Zweig" with respect to its investment advisory business.

Sub-Advisory Agreement

The Sub-Advisory Agreement sets forth the services to be provided by and the fees to be paid to the Sub-Adviser. The Sub-Adviser has been engaged by the Investment Adviser to perform asset allocation techniques, research and analysis and provide advice thereon to the Investment Adviser. Pursuant to the Sub-Advisory Agreement, the services are rendered by Dr. Martin E. Zweig and his designated research associates on behalf of the Sub-Adviser.

For services provided by the Sub-Adviser to the Fund under the Sub-Advisory Agreement, the Investment Adviser will pay the Sub-Adviser an annual fee equal to 40% of the investment advisory fees received by the Investment Adviser from the Fund, payable monthly in arrears.

The Sub-Advisory Agreement will remain in effect until March 1 of each year, provided that from year to year it has been approved annually (i) by the Board of Directors of the Fund or by the holders of a majority of the Fund's outstanding voting securities, and (ii) by a majority of the Directors who are not parties to the Sub-Advisory Agreement or interested persons of any such party. The Sub-Advisory Agreement terminates on its assignment by either party, and may be terminated without penalty on not more than 60 days' prior written notice at the option of the Fund's Board of Directors, or by the affirmative vote of the holders of a majority of the Fund's outstanding voting securities. In addition, either the Investment Adviser or the Sub-Adviser has the right not to renew the Sub-Advisory Agreement by giving 60 days' prior written notice to the other party.

Administrator

VP Distributors, Inc. (the "Administrator"), serves as the Fund's administrator pursuant to an administration agreement dated March 1, 1999 (the "Administration Agreement"). The Administrator generally assists in the administration of the Fund's day to day corporate affairs, subject to the overall authority of the Fund's Board of Directors. The Administrator determines the Fund's net asset value daily, prepares such figures for publication on a weekly basis, maintains certain of the Fund's books and records that are not maintained by the Investment Adviser, custodian or transfer agent, assists in the preparation of financial information for the Fund's income tax returns, proxy statement, quarterly and annual shareholder reports, assists in the preparation of Commission Reports and responds to shareholder inquiries.

The Fund pays the Administrator a monthly fee computed at an annual rate of 0.065% of the Fund's average daily net assets during the previous month. For the fiscal years ended December 31, 2009, 2008 and 2007, the Fund incurred administrative fees of \$295,278, \$336,271, and \$344,672, respectively.

DISTRIBUTIONS; AUTOMATIC REINVESTMENT AND CASH PURCHASE PLAN

The Fund's policy is to make monthly distributions equal to 0.83% of its net asset value (10% on an annualized basis), and a final distribution at year-end consisting of any remaining undistributed net investment income and the Fund's realized net capital gains in excess of its capital loss carryforward. Shareholders should not draw any conclusions about the Fund's investment performance from the amount of the distributions or from the terms of the Fund's Automatic Reinvestment and Cash Purchase Plan. If, for any calendar year, the total distributions exceed net investment income and net realized capital gains, the excess will generally be treated as a tax-free return of capital (up to the amount of the shareholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a shareholder's adjusted basis in his or her shares, thereby increasing his or her potential gain or reducing his or her potential loss on the sale of his or her shares.

The Fund had capital loss carryovers in the amount of \$9,584,000 as of December 31, 2009. Under current tax law, foreign currency and capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal year ended December 31, 2009, the Fund deferred \$1,421,000 and recognized \$108,000 of post-October losses. The Fund had total 2009 distributions of \$45.4 million of which \$6.8 million was net investment income; no amount was current year gains taxable as ordinary income; and \$38.6 million in distributions in excess of earnings and profits. In 2009, the Fund paid out 10% in distributions of which 1.4% was income, 0% gains and 8.6% return of capital.

Capital loss carryovers will reduce or, possibly, eliminate the Fund's taxable capital gains in the year(s) to which such losses are carried, but will not reduce the Fund's current earnings and profits in such year(s). Consequently, a greater portion of the Fund's dividend distributions in the year(s) to which the Fund carries and applies its capital loss carryovers may be taxable to shareholders as ordinary income dividends than would be the case if the Fund did not have capital loss carryovers. Moreover, to the extent that such ordinary income dividends are paid out of capital gains or other non-dividend income of the Fund, they might not qualify for the 15% preferential tax rate.

The Fund also might make distributions to shareholders that exceed the Fund's current earnings and profits. In that event, because the Fund does not have positive accumulated earnings and profits, the excess distributions will be a non-taxable return of capital to a shareholder to the extent the distributions do not exceed the shareholder's tax basis in its Fund shares. Non-taxable distributions will reduce the shareholder's tax basis in his or her Fund shares, thereby increasing the shareholder's potential tax liability on a subsequent sale of his or her shares.

In calculating the amount of each monthly distribution, the Fund's net asset value will be measured as of the business day immediately preceding the declaration date of such distribution. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice will accompany each monthly distribution with respect to the estimated source of the distribution made.

In the event the Fund distributes amounts in excess of its net investment income and net realized capital gains, such distributions will decrease the Fund's total assets and, therefore, have the likely effect of increasing the Fund's expense ratio. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action.

The Fund estimates that it has distributed more than its income and net realized capital gains in the fiscal year 2010; therefore, a portion of a shareholder's distribution may be a return of capital. A return of capital may occur, for example, when some or all of the money that a shareholder invested in the Fund is paid back to a shareholder. A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income."

The amounts and sources of distributions reported in Section 19(a) notices under the 1940 Act are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The Fund will send shareholders a Form 1099-DIV for the calendar year that will tell shareholders how to report distributions for federal income tax purposes.

Shares purchased pursuant to the Offer will be issued after the record date for the monthly distribution declared for January 2011, and, accordingly, the Fund will not pay a monthly distribution with respect to such Shares until the distribution to be declared and paid in the next month.

Shareholders may elect to receive all distributions in cash paid by check mailed directly to the shareholder by Computershare, as dividend paying agent. Pursuant to the Fund's Automatic Reinvestment and Cash Purchase Plan (or the "Plan"), shareholders not making such election will have all such amounts automatically reinvested by Computershare, as the Plan agent, in whole or fractional shares of the Fund, as the case may be.

If the Directors of the Fund declare a distribution payable either in shares or in cash, as shareholders may have elected, then nonparticipants in the Plan will receive cash and participants in the Plan (each, a "Participant") will receive the equivalent in shares determined as follows: If on the record date of the distribution, the market price of the Fund's Common Stock is less than the net asset value, Computershare will buy Fund shares on behalf of the Participant in the open market, on the NYSE or elsewhere. The price per share will be equal to the weighted average price of all shares purchased, including commissions.

Commission rates are currently \$0.02 per share, although the rate is subject to change and may vary. If, following the commencement of purchases and before Computershare has completed its purchases, the trading price equals or exceeds the most recent net asset value of the common shares, Computershare may cease purchasing shares on the open market and the Fund may issue the remaining shares at a price equal to the greater of (a) the net asset value on the last day Computershare purchased shares or (b) 95% of the market price on such day. In the case where Computershare has terminated open market purchase and the Fund has issued the remaining shares, the number of shares received by the Participant in respect of the cash distribution will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issued the remaining shares. Under certain circumstances, the rules and regulations of the Securities and Exchange Commission may require limitation or temporary suspension of market purchases of shares under the Plan. Computershare will not be accountable for its inability to make a purchase during such a period. If on the record date of the distribution, the market price is equal to or exceeds the net asset value, Participants will be issued new shares by the Fund at the greater of the (a) the net asset value on the record date or (b) 95% of the market price on such date.

The automatic reinvestment of distributions will not relieve Participants of any income tax which may be payable on such distributions. A Participant in the Plan will be treated for federal income tax purposes, as having received on a payment date, a distribution in an amount equal to the cash the Participant could have received instead of shares. If you participate in the Plan, you will receive a Form 1099-DIV concerning the federal tax status of distributions paid during the year.

Participants in the Plan have the option of making additional cash payments for investment in shares of the Fund. Such payments can be made in any amount from \$100 per payment to \$3,000 per month. Computershare will use the funds received to purchase Fund shares in the open market on the 15th of each month or the next business day if the 15th falls on a weekend or holiday (the "Investment Date"). To avoid unnecessary cash accumulations, and also to allow ample time for receipt and processing by Computershare, it is suggested that Participants send voluntary cash payments to Computershare at least five business days' prior to the date for which a voluntary purchase is desired. The purchase price per share will be equal to the weighted average price of all shares purchased on the Investment Date, including commissions. There is no charge to shareholders for cash purchases. Computershare's fee will be paid by the Fund. However, each participating shareholder will pay

its pro rata share of brokerage commissions incurred (currently \$0.02 per share, but may vary and is subject to change) with respect to Computershare's open market purchases in connection with all cash investments. Voluntary cash payments should be sent to Computershare Trust Company, N.A., P.O. Box 43011, Providence, RI 02940-3011.

Participants have an unconditional right to obtain the return of any cash payment if Computershare receives written notice at least five business days before such payment is to be invested.

Participants in the Plan may purchase additional shares automatically by means of an automatic monthly investment of not less than \$100 nor more than \$3,000 per month by electronic funds transfer from a predesignated U.S bank account. If a Participant has already established a Plan account and wishes to initiate automatic monthly investments, the Participant must complete and sign an automatic monthly investment form and return it to Computershare together with a voided check or deposit slip for the account from which funds are to be withdrawn. Automatic monthly investment forms may be obtained from Computershare by calling (800) 272-2700.

Shareholders wishing to liquidate shares held with Computershare must do so in writing or by calling (800) 272-2700. Computershare does not charge a fee for liquidating your shares; however, a brokerage commission of \$0.02 per share will be charged. This charge may vary and is subject to change. Once terminated, you may re-enroll in the Plan (provided you still have shares registered in your name) by contacting Computershare at (800) 272-2700.

For more information regarding the Automatic Reinvestment and Cash Purchase Plan, please contact Computershare at (800) 272-2700 or visit our website at www.virtus.com. The Fund reserves the right to amend or terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of the Plan at least 90 days before the record date for such distribution. The Plan also may be amended or terminated by Computershare with at least 90 days written notice to participants in the Plan.

DESCRIPTION OF COMMON STOCK

The authorized capital stock of the Fund consists of 500,000,000 shares of Common Stock, par value \$0.001 per share, of which 114,594,744 shares were outstanding as of June 30, 2010. The Shares when issued will be fully paid and nonassessable. All shares of Common Stock are equal as to dividends, assets and voting privileges and have no conversion, preemptive or exchange rights. In the event of liquidation, each share of Common Stock is entitled to its proportion of the Fund's assets after payment of debts and expenses. Shareholders are entitled to one vote per share. All voting rights for directors are non-cumulative, which means that the holders of more than 50% of the shares of common stock can elect 100% of the directors if they choose to do so, and, in such event, the holders of the remaining shares of common stock will not be able to elect any directors. The Fund's outstanding shares of Common Stock are, and the Shares offered hereby will be, listed on the NYSE under the symbol "ZTR."

The Fund has no present intention of offering additional shares beyond this Offer, except that additional shares may be issued under the Automatic Reinvestment and Cash Purchase Plan. See "Distributions; Automatic Reinvestment and Cash Purchase Plan." Other offerings of its Common Stock, if made, will require approval of the Fund's Board of Directors. Any additional offering will be subject to the requirements of the 1940 Act that shares may not be sold at a price below the then current net asset value (exclusive of underwriting discounts and commissions) except in certain circumstances, including in connection with an offering to existing shareholders or with the consent of a majority of the Fund's outstanding shareholders.

The following table provides information about the Common Stock as of June 30, 2010:

<u>Title of Class</u>	<u>Amount Authorized</u>	<u>Amount Held by the Fund or for its Account</u>	<u>Amount Outstanding</u>
Common Stock	500,000,000 Shares	None	114,594,744 Shares

Repurchase of Shares; Tender Offers

The Fund is authorized to repurchase its shares on the open market when the shares are trading at a discount from net asset value, and the Fund may incur debt to refinance share repurchase transactions. In addition, pursuant to the 1940 Act, the Fund retains the right to repurchase its shares under other circumstances on a securities exchange or such other open market designated by the Commission (provided that the Fund has informed shareholders within the preceding six months of its intention to repurchase such shares) by a tender offer open to all the Fund’s shareholders, or as otherwise permitted by the Commission. When a repurchase of Fund shares is to be made that is not to be effected on a securities exchange or such an open market or by the making of a tender offer, the 1940 Act provides that certain conditions must be met regarding, among other things, distribution of net income, identity of the seller, price paid, brokerage commissions, prior notice to shareholders of an intention to purchase shares and purchasing in a manner on a basis which does not discriminate unfairly against the other shareholders indirectly through their interest in the Fund. The Fund may incur debt to finance share repurchase transactions (see “Investment Restrictions” in the SAI).

When the Fund repurchases its shares for a price below their net asset value, the net asset value of the shares that remain outstanding will be enhanced, but this does not necessarily mean that the market price of those outstanding shares will be affected, either positively or negatively. The Fund has not repurchased any shares of its Common Stock.

Since the Fund’s inception in 1988, the Board of Directors has maintained a policy pursuant to which the Board of Directors considers the making of tender offers of the Fund each quarter during periods when the Fund’s shares are trading at a discount from net asset value. The Board may at any time, however, decide that the Fund should not make tender offers. The net asset value at which shares may be tendered will be established at the close of business on the last day the tender offer is open. Since the Fund’s inception, however, the Fund has not made any tender offers for the shares of its Common Stock.

Any acquisition of shares by the Fund (whether through a share repurchase or a tender offer) will decrease the total assets of the Fund and therefore have the effect of increasing the Fund’s expense ratio. Furthermore, if the Fund borrows to finance share repurchases or tender offers, interest on such borrowings will reduce the Fund’s net investment income. If the Fund must liquidate a portion of its investment portfolio in connection with a share repurchase or tender offer, such liquidation might be at a time when independent investment judgment might not dictate such action and, accordingly, may increase the Fund’s portfolio turnover and make it more difficult for the Fund to achieve its investment objective.

Each person tendering shares will pay to the Fund a reasonable service charge to help defray certain costs, including the processing of tender forms, effecting payment, postage and handling. Any such service charge will be paid directly by the tendering shareholder and will not be deducted from the proceeds of the purchase. The Fund’s transfer agent will receive the fee as an offset to these costs. The Fund expects the cost to the Fund of effecting a tender offer will exceed the aggregate of all service charges received from those who tender their shares. Costs associated with the tender will be charged against capital. During the pendency of any tender offer, shareholders may ascertain the net asset value of the Fund’s shares by calling a telephone number as provided in any tender offer materials.

Articles of Incorporation Amendment

The Fund's Articles of Incorporation were amended on June 2, 2010 to provide that if during any fiscal quarter ending on or after June 30, 2010, the Fund's shares trade, on the principal securities exchange on which they are traded, at an average discount from net asset value of 10% or more (determined on the basis of the discount as of the end of the last trading day in each week during such quarter), the Fund's Board of Directors, at its next regularly scheduled meeting shall consider potential measures to seek to reduce the discount, and in its sole discretion may determine if it would be appropriate to submit to the Fund's shareholders a proposal to convert the Fund to an open-end investment company (a "Conversion Proposal"). If such Conversion Proposal was submitted, approval of such Conversion Proposal would require the affirmative vote of a majority of the outstanding shares of the Fund entitled to vote thereon. Under the Fund's prior Articles of Incorporation, the Fund submitted a mandatory Conversion Proposal to its shareholders in 2000, 2001, 2004, 2008 and 2009 because the Fund's shares had traded at an average discount from net asset value of 10% or more during the quarter ended March 31, 2000, the quarter ended December 31, 2000, the quarter ended December 31, 2003, the quarter ended December 31, 2008 and the quarter ended June 30, 2009, respectively. The Fund's shareholders did not approve a Conversion Proposal on any of those occasions.

If the Fund converted to an open-end investment company, its shareholders could require the company to redeem their shares at any time (except in certain circumstances as authorized by the 1940 Act) at the next determined net asset value of such shares, less such redemption charges, if any, as might be in effect at the time of redemption, and such redemption payment must be made within seven days. This may require changes in the Fund's portfolio management because such redemption requests could require the Fund's liquidation of a portion of its investment portfolio at a time when independent investment judgment might not dictate such action and, accordingly, may increase the Fund's portfolio turnover and make it more difficult for the Fund to achieve its investment objective. In addition, if the Fund converted to an open-end investment company, its shares would no longer be listed on any stock exchange, and certain of the Fund's expenses (including transfer agency and shareholder services expenses) would be greater than those that would be incurred by a closed-end investment company.

Special Voting Provisions

The Fund has provisions in its Articles of Incorporation and By-Laws (collectively, the "Charter Documents") that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. The Board of Directors is divided into three classes. At the annual meeting of shareholders each year, the term of one class will expire and directors will be elected to serve in that class for terms of three years. This provision could delay for up to two years the replacement of a majority of the Board of Directors.

The maximum number of Directors (twelve) may be increased, or a Director may be removed from office, only by the affirmative vote of the holders of at least 75% of the shares of the Fund entitled to be voted for the election of Directors. In addition, the affirmative vote of the holders of 75% of the outstanding shares of the Fund is required to authorize the conversion of the Fund from a closed-end to an open-end investment company (except pursuant to a Conversion Proposal described above), to amend certain of the provisions of the Articles of Incorporation or generally to authorize any of the following transactions:

- (i) merger or consolidation or statutory share exchange of the Fund with or into any other corporation;
- (ii) a sale of all or substantially all of the Fund's assets (other than in the regular course of the Fund's investment activities); or
- (iii) a liquidation or dissolution of the Fund,

unless such action has been approved, adopted or authorized by the affirmative vote of two-thirds of the total number of Directors fixed in accordance with the By-Laws, in which case the affirmative vote of a majority of

the Fund's outstanding shares is required. Such 75% voting requirements described above, which are greater than the minimum requirements under Maryland law or the 1940 Act, can only be changed by a similar 75% vote. Reference is made to the Charter Documents of the Fund, on file with the Commission, for the full text of these provisions. See "Further Information."

The provisions of the Charter Documents described above and the Fund's right to repurchase or make a tender offer for shares of its common stock could have the effect of depriving the owners of shares of opportunities to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. See "Repurchase of Shares" and "Tender Offers."

TAXATION

Federal Taxation of the Fund and its Distributions

The Fund has qualified and elected to be treated, and intends to continue to qualify and be treated, as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"). The Fund currently intends to distribute all or substantially all its investment company taxable income (all taxable income and net short-term capital gains) and its net capital gain each year, thereby avoiding the imposition on the Fund of federal income and excise taxes on such distributed income and gain. Such distributions from investment company taxable income, whether paid in cash or in shares, will be taxable as ordinary income to shareholders of the Fund who are subject to tax, and the Fund's capital gain distributions, whether paid in cash or in shares, will be taxable as capital gain to such shareholders. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a shareholder's shares and, after such adjusted tax basis is reduced to zero will constitute capital gain to such shareholder (assuming such shares are held as a capital asset). For non-corporate U.S. shareholders, the Fund's capital gains distributions and certain of its ordinary income distributions will be taxable at a maximum marginal federal income tax rate (through December 31, 2010) of 15%. Shareholders that are not subject to tax on their income generally will not be required to pay tax on amounts distributed to them. Notwithstanding the above, the Fund may decide to retain all or part of any net capital gain for reinvestment. After the end of each taxable year, the Fund will notify shareholders of the federal income tax status of any distributions, or deemed distributions, made by the Fund during such year. For a discussion of certain income tax consequences to shareholders of the Fund, see "Taxation" in the SAI.

Federal Income Tax Consequences Relating to the Offer

The following discussion describes certain United States federal income tax consequences of the Offer generally applicable to citizens or residents of the United States and U.S. trusts, estates, corporations and any other person who is generally subject to U.S. federal income tax ("U.S. Shareholders"). This summary is intended to be descriptive only and does not purport to be a complete analysis or listing of all potential tax effects relevant to the ownership of Rights or Common Stock. It assumes that each U.S. Shareholder holds Common Stock as a capital asset. Additionally, this summary does not specifically address the U.S. federal income tax consequences that might be relevant to holders of Rights or Common Stock entitled to special treatment under the U.S. federal income tax laws, such as individual retirement accounts and other tax deferred accounts, financial institutions, life insurance companies and tax-exempt organizations, and does not discuss the effect of state, local and other tax laws. Further, this summary is based on interpretations of existing law as of the date of this Prospectus as contained in the Code, applicable current and proposed Treasury Regulations, judicial decisions and published administrative positions of the Internal Revenue Service, all of which are subject to change either prospectively or retroactively.

U.S. Shareholders who receive Rights pursuant to the Offer should not recognize taxable income for U.S. federal income tax purposes upon their receipt of the Rights. If Rights issued to a U.S. Shareholder expire without being sold or exercised, no basis should be allocated to such Rights, and such Shareholder should not recognize any gain or loss for U.S. federal income tax purposes upon such expiration.

The tax basis of a U.S. Shareholder's Common Stock should remain unchanged and the shareholder's basis in the Rights should be zero, unless such U.S. Shareholder affirmatively and irrevocably elects (in a statement attached to such shareholder's U.S. federal income tax return for the year in which the Rights are received) to allocate the basis in the Common Stock between such Common Stock and the Rights in proportion to their respective fair market values on the date of distribution.

A U.S. Shareholder who exercises Rights should not recognize any gain or loss for U.S. federal income tax purposes upon the exercise. The tax basis of the newly acquired Common Stock should equal the Subscription Price paid for the Common Stock (plus the basis, if any, allocated to the Rights in the manner described in the immediately preceding paragraph). The holding period for Common Stock acquired upon the exercise of Rights should begin on the date of exercise of the Rights. See "Taxation" in the SAI.

Each U.S. Shareholder is urged to consult his or her own tax advisor with respect to the specific federal, state and local tax consequences to such U.S. Shareholder of receiving Rights in this offer.

CUSTODIAN, DIVIDEND PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon, One Wall Street, New York, NY 10286, serves as the Fund's custodian. Computershare Trust Company, N.A., P.O. Box 43011, Providence, RI 02940-3011, serves as the Fund's dividend paying agent, transfer agent and registrar.

EXPERTS

The financial statements of the Fund for the year ended December 31, 2009 and the financial highlights included in this Prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, Philadelphia, Pennsylvania, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

LEGAL MATTERS

The validity of the Shares under Maryland law will be passed on for the Fund by Venable LLP, Baltimore, Maryland. Certain other matters may be passed on for the Fund by Katten Muchin Rosenman LLP, New York, New York, which serves as counsel to the Fund.

FURTHER INFORMATION

Further information concerning these securities and the Fund may be found in the Registration Statement on file with the Commission, of which this Prospectus and the SAI incorporated by reference herein constitute a part. Financial statements of the Fund for fiscal years ended December 31, 2008 and December 31, 2009 are included in the Fund's annual reports to shareholders for such years, copies of which are on file with and may be inspected at the Commission as indicated below.

The Fund is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the 1940 Act, and in accordance therewith, is required to file periodic reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Such information is available for inspection at the public reference facilities of the Commission at Room 1024, 100 F Street, NE, Washington, DC 20549. Copies of such information are obtainable by mail, upon payment of the Commission's customary charges, by writing to the Commission's principal office at 100 F Street, NE, Washington, DC 20549 at prescribed rates. The Commission maintains a website (<http://www.sec.gov>) that contains periodic reports, proxy statements and other information regarding registrants that file documents electronically with the Commission. Such reports and other information concerning the Fund may also be inspected at the offices of the NYSE.

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No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer made by this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Fund, the Investment Adviser or the Sub-Adviser. This Prospectus does not constitute an offer to sell or a solicitation of any offer to buy any security other than the Shares of Common Stock offered by this Prospectus, nor does it constitute an offer to sell or the solicitation of any offer to buy the Shares of Common Stock by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any such person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof. However, if any material change occurs while this Prospectus is required by law to be delivered, this Prospectus will be amended or supplemented accordingly.

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23,600,000 Shares of Common Stock

**THE ZWEIG TOTAL RETURN
FUND, INC.**

**Issuable Upon Exercise of
Non-Transferable Rights to
Subscribe for Such
Shares of Common Stock**

PROSPECTUS

November 29, 2010