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ARPS Update : Summary of Issuers' Response to the Liquidity Crisis

Alexander Reiss (212) 407-0527 reissa@stifel.com

We are writing this note to keep investors and their advisors informed of the effort being undertaken by the various issuers of Auction Rate Preferred Securities (ARPS).

Under normal circumstances the ARP market works to bring buyers and sellers of these securities together. When imbalances have occurred in the past, specifically a situation where more sellers than buyers enter the auction, the excess securities were typically absorbed by the broker-dealers structuring the auctions. In the past six weeks, the vast majority of these auctions failed to produce enough buyers for the number of investors wishing to liquidate their preferred share holdings. The broker-dealers that had previously acted as a backstop chose not to absorb the excess inventory, resulting in failed auctions.

When ARP auctions fail, the investors that hold the securities are given a rate specified in the prospectus of the securities. These rates are usually higher than the auction rates would otherwise have been. We believe it extremely important for investors to recognize that a failed auction is **not** a default. Because of the high collateralization rates of the ARPs, we believe that the potential risk to an investor's capital is exceptionally low.

The following information will highlight some of the information from press releases, conference calls and other commentary from ARPS issuers in the past few weeks.

Aberdeen

The Aberdeen Global Income Fund redeemed \$30 million in outstanding Auction Rate Preferred securities on March 13, 2008. Aberdeen was the first asset management company to redeem ARPS.

Aberdeen has indicated that they are working on solutions for their other funds with outstanding ARPS.

Nuveen

Nuveen announced on March 12 that they are progressing with plans to refinance their Auction Rate Preferred Securities (ARPS). Nuveen's 13 taxable funds' ARPS will likely be replaced with bank loans. They have signaled their intention to announce specific ARPS refinancing terms and timetables by the end of March.

Nuveen has proposed that its 87 municipal funds' ARPS be replaced with a new type of preferred stock. Called a Variable Rate Demand Preferred (VRDP), it would be a similar structure to the current ARPS but would contain a put feature. A put feature would offer two main benefits, in our opinion. First, it would provide a liquidity backstop should failed auctions occur. Second, it would likely make the securities money market eligible. The entry of money market funds in the market could be an important source of liquidity for closed-end funds in the future. It is important to note that the put commitments for the VRDPs are not yet in place. Even if the puts are successfully obtained, the redemption process would likely take months to be completed as we calculate there are currently billions worth of ARPS outstanding.

Eaton Vance

Eaton Vance announced on March 10 that they had secured financing sufficient to redeem the Auction Rate Preferred Securities on three of their equity closed-end funds. The Eaton Vance Tax Advantaged Dividend Income Fund, The Eaton Vance Tax Advantaged Global Dividend Income Fund, and The Eaton Vance Tax Advantaged Global Dividend Opportunities Fund will collectively redeem \$1.6 billion of ARPS.

The funds will redeem the preferred shares upon completion of the new financing arrangement. We estimate the process of substituting the preferred shares with the new leverage facility should be completed soon after the start of the second quarter.

Evergreen

Evergreen announced that they would partially redeem the Auction Rate preferred Securities issued by their funds. Although Evergreen cited possible regulatory, legal and shareholder voting issues still to be resolved, they are confident that progress is being made. Evergreen has not stated publicly what percentage of the ARPS will be redeemed, only that it will be material. The ARPS are expected to be redeemed on a pro rata basis using bank lines of credit.

ING

ING announced on March 12 that they will partially redeem their Auction Rate Preferred Securities on two of their real estate closed end funds. The redemption will be funded from existing bank credit lines.

The boards of directors of the ING Clarion Global Real Estate Income Fund and the ING Clarion Real Estate Income Fund have approved the redemption of a combined \$240 million in Auction Rate Preferred Securities. The redemptions will be done at the auction beginning April 1, 2008.

Gabelli

The board of directors of the Gabelli Convertible and Income Securities Fund has authorized the filing of a shelf registration of up to \$100 million. The board has agreed in principal to redeem the fund's Auction Rate Preferred Securities once the shelf registration is declared effective. The fund currently has approximately \$25 million in outstanding ARPS.

Calamos

On March 19th, Calamos Investments announced that they will seek to refinance all of their closed-end fund's Auction Rate Preferred Securities. Although Calamos did not specify a specific time frame that the ARPS would be refinanced, they did indicate that they are aggressively pursuing a resolution of the issue. Initial financing for the refinancing will likely come from bank credit lines.

Claymore

Claymore Securities issued a press release on March 20 to announce that they have been evaluating several potential options which may be used in the future to refinance the Auction Rate Preferred Securities.

Although no specific timeframe was discussed in the release, Claymore has said that they are actively evaluating the feasibility of using bank financing, lines of credit, commercial paper conduits, and repurchase agreements. In addition, they like many other issuers are looking to develop a structural change to the ARPS which would allow money market investors to access the market. Commonly referred to as 2a-7 compliant securities, they would include a put option to enhance liquidity. This method would be similar to the VDRP approach being pursued by Nuveen.

Allianz

On March 24, Allianz Global Investors said in a press release that they are working to address the illiquidity of ARPS issued by both their taxable and municipal closed-end funds. Similar to the efforts at Nuveen and Claymore, Allianz is exploring the feasibility of making ARPS eligible for purchase by a broader institutional audience, in particular money market funds via the addition of a put. Also being considered is debt financing or other forms of leverage to replace all or a portion of the ARPS. Allianz noted that the use of debt financing may be a viable option for taxable closed-end funds, it is not likely practical for municipal closed-end funds. Debt financing may be prohibitively expensive due to the taxable nature of the interest.

Cohen and Steers

In a press release on March 14th, Cohen and Steers said that senior management has been working closely with all industry participants to help bring liquidity back to their preferred shareholders. Cohen and Steers is in the process of arranging lines of credit for its funds and is exploring other alternative financing methods as well. These include both commercial paper and new forms of preferred stock. As with other fund companies, the timing of any refinancing is uncertain.

Van Kampen

On March 14th, Van Kampen held a conference call to discuss the steps they are taking to restore liquidity to their ARPS shareholders. Although no specific timetables were presented, Van Kampen believes strongly that the credit quality of the ARPS are not in question.

John Hancock

On March 13th, John Hancock Funds issued a press release that detailed some of the efforts they are making to resolve the liquidity crisis among their Auction Rate Preferred Securities. In addition to exploring the possible use of debt to refinance their ARPS, John Hancock Funds are also exploring the use of preferred shares with a put option. The press release suggested that the issue is a top priority although the complexity of the task makes a specific timetable difficult to predict.

BlackRock

BlackRock issued a press release on March 17 to announce that they have been evaluating several potential options which may be used in the future to refinance the Auction Rate Preferred Securities. BlackRock noted that they are actively evaluating the use of bank debt, lines of credit, margin commitment facilities, repurchase agreements and tender option bonds. In addition, they like many other issuers are looking to develop a structural change to the ARPS which would allow money market investors to access the market. Commonly referred to as 2a-7 compliant securities, they would include a put option to enhance liquidity. This method would be similar to the VDRP approach being pursued by Nuveen, Allianz and Claymore Securities.

Conclusion

While we believe that steps towards a resolution to the ARPS liquidity crisis are being taken by virtually all issuers of closed end funds, we advise investors and advisors that we are not "out of the woods" yet. We plan to continue to monitor developments and provide information as it is made available.

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