

DNP SELECT INCOME FUND INC  
Form DEF 14A  
February 26, 2009

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**DNP Select Income Fund Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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SEC 1913 (01-07)

# DNP SELECT INCOME FUND INC.

200 S. WACKER DRIVE, SUITE 500, CHICAGO, ILLINOIS 60606 (312) 368-5510

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS MAY 7, 2009

The annual meeting of shareholders of DNP Select Income Fund Inc. will be held at 200 S. Wacker Drive, Chicago, Illinois, in the Orange and Blue Room, on Thursday, May 7, 2009 at 1:00 p.m., Central Daylight Time, to:

1. Elect Francis E. Jeffries, Eileen A. Moran and David J. Vitale as directors by the holders of the Fund's common stock and Nancy Lampton as director by the holders of the Fund's preferred stock.
2. Transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

Shareholders of record at the close of business on February 27, 2009 are entitled to vote at the meeting.

For the Board of Directors,

T. Brooks Beittel

*Secretary*

February 27, 2009

**SHAREHOLDERS, WE NEED YOUR PROXY VOTE IMMEDIATELY.**

**YOUR VOTE IS VITAL. THE MEETING OF SHAREHOLDERS WILL HAVE TO BE ADJOURNED WITHOUT CONDUCTING ANY BUSINESS IF FEWER THAN A MAJORITY OF THE SHARES ELIGIBLE TO VOTE ARE REPRESENTED. IN THAT EVENT, THE FUND WOULD ADJOURN THE MEETING AND CONTINUE TO SOLICIT VOTES IN AN ATTEMPT TO OBTAIN A QUORUM. TO AVOID THE EXPENSE OF AND THE POSSIBLE DELAY CREATED BY SUCH A SOLICITATION, PLEASE**

**RETURN YOUR PROXY CARD *IMMEDIATELY*. YOU AND ALL OTHER SHAREHOLDERS WILL BENEFIT FROM YOUR COOPERATION.**

## PROXY STATEMENT

The board of directors of DNP Select Income Fund Inc. (the Fund) is soliciting proxies from the shareholders for use at the annual meeting of shareholders to be held on May 7, 2009 and at any adjournment or postponement of that meeting. A proxy may be revoked at any time before it is voted, either by voting in person at the meeting or by written notice to the Fund or delivery of a later-dated proxy.

Shareholders of the Fund of record at the close of business on February 27, 2009 are entitled to notice of and to participate in the meeting. The Fund had 232,194,948 shares of common stock, 5,000 shares of remarketed preferred stock and 20,000 shares of auction preferred stock outstanding on the record date. Each share of common stock outstanding on the record date entitles the holder thereof to one vote for each director being elected by the common stock (with no cumulative voting permitted) and to one vote on each other matter. Each share of remarketed preferred stock outstanding on the record date entitles the holder thereof to one vote for each director being elected by the preferred stock (with no cumulative voting permitted) and to one vote on each other matter submitted for a vote of holders of preferred stock. Each share of auction preferred stock outstanding on the record date entitles the holder thereof to one quarter ( $\frac{1}{4}$ ) of one vote for each director being elected by the preferred stock (with no cumulative voting permitted) and to one quarter ( $\frac{1}{4}$ ) of one vote on each other matter submitted for a vote of holders of preferred stock.

This proxy statement is first being mailed on or about February 27, 2009. The Fund will bear the cost of the annual meeting and this proxy solicitation.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on Thursday May 7, 2009:** The proxy statement for the 2009 annual meeting, the form of proxy card and the Fund's annual report for the year ended December 31, 2008 are available at <http://www.dnpselectincome.com/proxy>. You can obtain directions to the annual meeting by contacting the Fund's administrator at 888-878-7845 (toll-free) or at [trijordan@hilliard.com](mailto:trijordan@hilliard.com).

### 1. ELECTION OF DIRECTORS

The board of directors of the Fund is responsible for the overall management and operations of the Fund. Directors are divided into three classes and are elected to serve staggered three-year terms. At the meeting, holders of common stock are entitled to elect two directors for a term ending in 2012 and one director for a term ending in 2010 and the holders of preferred stock are entitled to elect one director for a term ending in 2012, in each case to serve until the annual meeting of shareholders in that year or until their respective successors are elected and qualified. A plurality of votes cast at the meeting by the common stock as to the directors representing the common stock is necessary to elect such directors. A plurality of votes cast at the meeting by the preferred stock as to the director representing the preferred stock is necessary to elect such director. Each share of remarketed preferred stock will receive one vote per share and each share of auction preferred stock will receive one quarter ( $\frac{1}{4}$ ) of one vote per share in the election of the director by the preferred stock. Abstentions and broker non-votes are counted for purposes of determining whether a quorum is present at the meeting, but will not affect the determination of whether a director candidate has received a plurality of votes cast.

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The persons named in the enclosed proxy intend to vote in favor of the election of the persons named below (unless otherwise instructed). Each of the nominees has consented to serve as a director of the Fund, if elected. In case any of the nominees should become unavailable for election for any unforeseen reason, the persons designated in the proxy will have the right to vote for a substitute.

Set forth below are the names and certain biographical information about the directors and officers of the Fund. Directors are divided into three classes and are elected to serve staggered three-year terms. All of the directors are elected by the holders of the Fund's common stock, except for Mr. Genetski and Ms. Lampton, who are elected by the holders of the Fund's preferred stock. All of the current directors of the Fund, with the exception of Mr. Partain, are classified as independent directors because none of them are interested persons of the Fund, as defined in the Investment Company Act of 1940 (the "1940 Act"). Mr. Partain is an interested person of the Fund, as defined in Section 2(a)(19) of the 1940 Act, by reason of his position as President and Chief Executive Officer of the Fund and President, Chief Investment Officer and employee of Duff & Phelps Investment Management Co., the Fund's investment adviser (the "Adviser"). The term "Fund Complex" refers to the Fund and all other investment companies advised by affiliates of Virtus Investment Partners, Inc. ("Virtus").

Name, Address and Age	Positions Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund  Complex Overseen by Director	Other Directorships Held by the Director
<b>Nominees Independent Directors</b>					
Francis E. Jeffries (1)(4) c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive Suite 500 Chicago, IL 60606 Age: 78	Director and Chairman of the Board	Nominee for a term expiring in 2010; Director since January 1987	Retired Chairman of the Board of PXP since May 1997; Chairman of the Board of the Fund since May 2005 (Vice Chairman April 2004 - May 2005); Chairman of the Board of DTF Tax-Free Income Inc. ( "DTF" ) since Sept. 1991 and Duff & Phelps Utility and Corporate Bond Trust Inc. ( "DUC" ) since Nov. 1992 (President of DTF and DUC, Jan. 2000 - Feb. 2004); Chairman of the Board of PXP, Nov. 1995 - May 1997; Chairman and Chief Executive Officer, Duff & Phelps Corporation, June 1993 - Nov. 1995 (President and Chief Executive Officer, Jan. 1992 - June 1993); Chairman of the Board of the Adviser, 1988 - 1993	3	

Name, Address and Age	Positions Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund  Complex Overseen by Director	Other Directorships Held by the Director
<p>Nancy Lampton (3)(6)  c/o Duff &amp; Phelps Investment Management Co. 200 South Wacker Drive  Suite 500  Chicago, IL 60606  Age: 66</p>	<p>Director and Vice Chairman of the Board</p>	<p>Nominee for a term expiring in 2012; Director since October 1994</p>	<p>Chairman and Chief Executive Officer, Hardscuffle Inc. (insurance holding company) since January 2000; Chairman and Chief Executive Officer, American Life and Accident Insurance Company of Kentucky since 1971</p>	<p>3</p>	<p>Director, Constellation Energy Group, Inc. (public utility holding company); Advisory Board Member, Thorium Power, Inc. (designer of non-proliferative fuel for nuclear energy needs)</p>
<p>Eileen A. Moran (2)(4)  c/o Duff &amp; Phelps Investment Management Co. 200 South Wacker Drive  Suite 500 Chicago, IL 60606  Age: 54</p>	<p>Director</p>	<p>Nominee for a term expiring in 2012; Director since May 2008</p>	<p>Senior Vice President for Strategic Services, PSEG Services Corporation since January 2008; President and Chief Executive Officer, PSEG Resources L.L.C. (investment company) since 1990</p>	<p>3</p>	

Name, Address and Age	Positions Held  with Fund	Term of Office and Length of Time Served	Principal Occupation(s)  During Past 5 Years	Number of Portfolios in Fund  Complex Overseen by Director	Other
					Directorships Held  by the Director
David J. Vitale (1)(5)  c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive  Suite 500  Chicago, IL 60606 Age: 62	Director	Nominee for a term expiring in 2012; Director since April 2000	Private investor; Senior Advisor to the CEO, Chicago Public Schools April 2007 December 2008; Chief Administrative Officer, Chicago Public Schools April 2003 April 2007; President and Chief Executive Officer, Board of Trade of the City of Chicago, Inc. March 2001 November 2002; Retired executive 1999 2001; Vice Chairman and Director, Bank One Corporation, 1998 1999; Vice Chairman and Director, First Chicago NBD Corporation, and President, The First National Bank of Chicago, 1995 1998; Vice Chairman, First Chicago Corporation and The First National Bank of Chicago, 1993 1998 (Director, 1992 1998; Executive  Vice President, 1986 1993)	3	Director, UAL Corporation (airline holding company), ISO New England Inc. (not for profit independent system operator of New England's electricity supply), Ariel Capital Management, LLC, Ark Investment Corp. and Wheels, Inc. (automobile fleet management)
<b><i>Continuing Directors Independent Directors</i></b>					
Stewart E. Conner (3)(5)  c/o Duff & Phelps Investment Management Co.  200 South Wacker Drive  Suite 500  Chicago, IL 60606  Age: 67	Director	Director since April 2004. Term expires 2010	Attorney, Wyatt Tarrant & Combs LLP since 1966 (Chairman, Executive Committee 2000 2004, Managing Partner 1988 2000)	1	

Name, Address and Age	Positions Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund  Complex Overseen by Director	Other
					Directorships Held by the Director
<p>Connie K. Duckworth (5)</p> <p>c/o Duff &amp; Phelps Investment Management Co. 200 South Wacker Drive</p> <p>Suite 500</p> <p>Chicago, IL 60606</p> <p>Age: 54</p>	Director	Director since April 2002. Term expires 2011	<p>Founder, Chairman and President, Arzu, Inc. (nonprofit corporation created to assist Afghan women through sale of homemade rugs) since August 2003; Member, Eight Wings Enterprises LLC (investor in early-stage businesses) 2002-2004; Advisory Director, Goldman Sachs &amp; Company, December 2000-December 2001 (Managing Director, December 1996-December 2000, Partner 1990-1996, Chief Operating Officer of Firmwide Diversity Committee 1990-1995)</p>	1	<p>Director, Smurfit-Stone Container Corporation (packaging manufacturer) and Frank Russell Company (investment services companies); Trustee, Northwestern Mutual Life Insurance Company; Director and Past Chairman, NorthShore University HealthSystem; Member, Board of Overseers, Wharton School of the University of Pennsylvania; Trustee, Global Heritage Fund (archaeological conservation organization)</p>
<p>Robert J. Genetski (2)(6)</p> <p>c/o Duff &amp; Phelps Investment Management Co. 200 South Wacker Drive</p> <p>Suite 500</p> <p>Chicago, IL 60606</p> <p>Age: 66</p>	Director	Director since April 2001. Term expires 2010	<p>President, Robert Genetski &amp; Associates, Inc. (economic and financial consulting firm) since 1991; Senior Managing Director, Chicago Capital Inc. (financial services firm) 1995-2001; former Senior Vice President and Chief Economist, Harris Trust &amp; Savings Bank, author of several books; regular contributor to the Nikkei Financial Daily</p>	1	<p>Director, Midwest Banc Holdings, Inc.</p>

Name, Address and Age	Positions Held  with Fund	Term of Office and Length of Time Served	Principal Occupation(s)  During Past 5 Years	Number of Portfolios in Fund  Complex Overseen by Director	Other
					Directorships  Held  by the  Director
Christian H. Poindexter (2)(5)  c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive  Suite 500  Chicago, IL 60606  Age: 70	Director	Director since May 2003. Term expires 2011	Retired Executive Committee Chairman, Constellation Energy Group, Inc. (public utility holding company) since March 2003 (Executive Committee Chairman, July 2002 March 2003; Chairman of the Board, April 1999 July 2002; Chief Executive Officer, April 1999 October 2001; President, April 1999 October 2000) Chairman, Baltimore Gas and Electric Company, January 1993 July 2002 (Chief Executive Officer January 1993 July 2000; President, March 1998 October 2000; Director, 1988 2003)	3	Director, The Baltimore Life Insurance Company
Carl F. Pollard (1)(2)(3)  c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive  Suite 500  Chicago, IL 60606  Age: 70	Director	Director since April 2002. Term expires 2011	Owner, Hermitage Farm L.L.C. (thoroughbred breeding) since January 1995; Chairman, Columbia Healthcare Corporation 1993 1994; Chairman and Chief Executive Officer, Galen Health Care, Inc, March August 1993, President and Chief Operating Officer, Humana Inc. 1991 1993 (previously Senior Executive Vice President, Executive Vice President and Chief Financial Officer)	3	Chairman of the Board and Director, Churchill Downs Incorporated

Name, Address and Age	Positions Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund  Complex Overseen by Director	Other Directorships Held by the Director
<b>Continuing Director Interested Director</b>					
Nathan I. Partain Duff & Phelps Investment Management Co. 200 South Wacker Drive Suite 500 Chicago, IL 60606 Age: 52	President, Chief Executive Officer and Director	Director since May 2007. Term expires 2010	President and Chief Executive Officer of the Fund since February 2001 (Chief Investment Officer since January 1998; Executive Vice President, April 1998 February 2001; Senior Vice President January 1997 April 1998); President and Chief Investment Officer of the Adviser since April 2005 (Executive Vice President 1997 2005); President and Chief Executive Officer of DTF and DUC since February 2004; Director of Utility Research, Duff & Phelps Investment Research Co. 1989 1996 (Director of Equity Research, 1993 1996 and Director of Fixed Income Research, 1993)	3	Director, Otter Tail Corporation (manages diversified operations in the electric, plastics, manufacturing, health services, food ingredient processing and other business operations sectors)

- (1) Member of the executive committee of the board of directors, which has authority, with certain exceptions, to exercise the powers of the board between board meetings.
- (2) Member of the audit committee of the board of directors, which makes recommendations regarding the selection of the Fund's independent registered public accounting firm and meets with representatives of that accounting firm to determine the scope of and review the results of each audit.
- (3) Member of the nominating and governance committee of the board of directors, which selects nominees for election as directors, recommends individuals to be appointed by the board as Fund officers and members of board committees and makes recommendations regarding other Fund governance and board administration matters.
- (4) Ms. Moran's current term expires in 2010, but she is resigning from that position and standing for election for a full three-year term at this meeting in order to succeed Mr. Jeffries. Mr. Jeffries is standing for election for a one-year term in order to fill the unexpired portion of Ms. Moran's current term.

- (5) Member of the contracts committee of the board of directors, which makes recommendations regarding the Fund's contractual arrangements for investment management and administrative services, including the terms and conditions of such contracts.
- (6) Elected by the holders of the Fund's preferred stock.

During 2008, the board of directors held seven meetings, the audit committee met twice, the nominating and governance committee met twice, the contracts committee met twice and the executive committee did not meet. Each director attended at least 75% in the aggregate of the meetings of the board and of the committees on which he or she served.

Additional information about the Fund's directors is contained in the Statement of Additional Information (SAI) constituting Part B of the Fund's Registration Statement on Form N-2 filed with the SEC. The most recent post-effective amendment to that Registration Statement is available electronically at the SEC's Internet web site, <http://www.sec.gov>. The Fund will also furnish a copy of the SAI portion of the Registration Statement, without charge, to any shareholder who so requests by calling the Administrator at (888) 878-7845 (toll-free).

### Officers of the Fund

The officers of the Fund are elected at the annual meeting of the board of directors of the Fund. The officers receive no compensation from the Fund, but are also officers of the Fund's investment adviser or the Fund's administrator and receive compensation in such capacities. Information about Nathan I. Partain, the President and Chief Executive Officer of the Fund, is provided above under the caption "Continuing Director - Interested Director."

Name, Address and Age	Position(s) Held with Fund and Length of Time Served	Principal Occupation(s) During Past 5 Years
T. Brooks Beittel Duff & Phelps Investment Management Co. 200 South Wacker Drive Suite 500 Chicago, Illinois 60606 Age: 58	Secretary and Senior Vice President since January 1995 (Treasurer January 1995 - September 2002)	Executive Vice President and Assistant Chief Investment Officer of the Adviser since 2008 (Senior Vice President 1993 - 2008, Vice President 1987 - 1993); Secretary of DUC and DTF since May 2005
Joseph C. Curry, Jr. Hilliard Lyons Investment Management 500 West Jefferson Street Louisville, Kentucky 40202	Treasurer since September 2002; Senior Vice President since May 2006 (Vice President April 1988 - May 2006)	Senior Vice President, J.J.B. Hilliard, W.L. Lyons, LLC since 1994 (Vice President 1982 - 1994); President, Hilliard-Lyons Government Fund, Inc. since 1986; Vice President and Assistant Treasurer, Senbanc Fund since 1999

Age: 64

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Name, Address and Age	Position(s) Held with Fund and Length of Time Served	Principal Occupation(s) During Past 5 Years
Joyce B. Riegel Duff & Phelps Investment Management Co. 200 South Wacker Drive Suite 500 Chicago, Illinois 60606 Age: 54	Chief Compliance Officer since February 2004	Senior Vice President and Chief Compliance Officer of the Adviser since 2004 (Vice President and Compliance Officer of the Adviser 2002 - 2004), Chief Compliance Officer of DTF and DUC since 2003. Vice President and Chief Compliance Officer, Stein Roe Investment Counsel LLC 2001 - 2002
Dianna P. Wengler Hilliard Lyons Investment Management 500 West Jefferson Street Louisville, Kentucky 40202 Age: 48	Vice President since May 2006 (Assistant Vice President April 2004 - May 2006); Assistant Secretary since April 1988.	Vice President, J.J.B. Hilliard, W.L. Lyons, LLC since 1990; Treasurer, Hilliard-Lyons Government Fund, Inc. since 1988 (Vice President since 1985)

The following table provides certain information relating to the equity securities beneficially owned by each director or director nominee as of December 31, 2008, (i) in the Fund and (ii) on an aggregate basis, in any registered investment companies overseen or to be overseen by the director or nominee within the same family of investment companies as the Fund.

Name of Director or Nominee	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in All Funds Overseen or to be Overseen by Director or Nominee in Family of Investment Companies
<b><i>Independent Directors</i></b>		
Stewart E. Conner	\$10,001 - \$50,000	\$10,001 - \$50,000
Connie K. Duckworth	Over \$100,000	Over \$100,000
Robert J. Genetski	Over \$100,000	Over \$100,000
Francis E. Jeffries	Over \$100,000	Over \$100,000
Nancy Lampton	Over \$100,000	Over \$100,000
Eileen A. Moran	\$1 - \$10,000	Over \$100,000
Christian H. Poindexter	\$50,001 - \$100,000	Over \$100,000
Carl F. Pollard	Over \$ 100,000	Over \$100,000
David J. Vitale	\$10,001 - \$50,000	\$10,001 - \$50,000
<b><i>Interested Director</i></b>		
Nathan I. Partain	\$50,001 - \$100,000	\$50,001 - \$100,000

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As of December 31, 2008, none of the independent directors, or their immediate family members, owned any securities of the Adviser or any person (other than a registered investment company) directly or indirectly controlling, controlled by or under common control with the Adviser.

The following table shows the compensation paid to the Fund's directors during 2008 for service on the board of directors of the Fund and on the boards of directors of other investment companies in the same Fund Complex as the Fund:

**COMPENSATION TABLE (1)**

Name of Director	Aggregate Compensation from the Fund	Total Compensation From Fund and Fund Complex Paid to Directors (2)
<b><i>Independent Directors</i></b>		
Stewart E. Conner	\$ 63,000	\$ 63,000
Connie K. Duckworth	60,000	60,000
Francis E. Jeffries	120,000	191,110
Robert J. Genetski	59,000	59,000
Nancy Lampton	62,000	117,000
Eileen A. Moran	34,451	90,451
Christian H. Poindexter	65,000	98,560
Carl F. Pollard	65,890	119,000
David J. Vitale	62,000	116,687
<b><i>Interested Director</i></b>		
Nathan I. Partain	0	0

- (1) Each director not affiliated with the Adviser receives an annual fee of \$30,000 (and an additional \$6,000 if the director serves as chairman of a committee of the board of directors) plus an attendance fee of \$3,000 for each meeting of the board of directors and \$2,000 for each meeting of a committee of the board of directors attended in person or by telephone. The chairman of the board receives an additional fee of \$50,000 annually. Directors and officers affiliated with the Adviser receive no compensation from the Fund for their services as such. In addition to the amounts shown in the table above, all directors and officers who are not interested persons of the Fund, the Adviser or the Administrator (as defined below) are reimbursed for the expenses incurred by them in connection with their attendance at a meeting of the board of directors or a committee of the board of directors. The Fund does not have a pension or retirement plan applicable to directors or officers of the Fund.
- (2) The Fund Complex includes all funds that are advised by the Adviser or other affiliates of Virtus. Each of Mr. Jeffries, Ms. Lampton, Ms. Moran, Mr. Partain, Mr. Poindexter, Mr. Pollard and Mr. Vitale serves as a director of DTF and DUC, two other funds in the Fund Complex.

**The board of directors, all of whom, with the exception of Mr. Partain, are independent directors, unanimously recommends a vote FOR the election of the four nominees for director named above.**

**OTHER BUSINESS**

Management is not aware of any other matters that will come before the meeting. If any other business should come before the meeting, however, your proxy, if signed and returned, will give discretionary authority to the persons designated in it to vote according to their best judgment.

## OTHER INFORMATION

**The Adviser and Virtus.** Duff & Phelps Investment Management Co. serves as the Fund's investment adviser under an investment advisory agreement dated May 1, 1998 (the "Advisory Agreement"). The Adviser is a wholly-owned subsidiary of Virtus. Virtus was formerly known as Phoenix Investment Partners, Ltd. ("PXP") and was a subsidiary of The Phoenix Companies, Inc. ("Phoenix") until December 31, 2008, when it was spun-off by Phoenix to its shareholders. The address of the Adviser is 200 S. Wacker Drive, Suite 500, Chicago, Illinois 60606.

The Adviser (together with its predecessor) has been in the investment advisory business for more than 70 years and as of December 31, 2008, had approximately \$5.8 billion in client accounts under discretionary management.

Under the terms of the Advisory Agreement, the Adviser furnishes continuing investment supervision to the Fund and is responsible for the management of the Fund's portfolio, subject to the overall control of the board of directors of the Fund. Currently, the Adviser has fourteen professionals (*i.e.*, research analysts and portfolio managers), along with support staff, assigned to the operation of the Fund. Twelve of the thirteen professionals have the CFA (Chartered Financial Analyst) designation and two are CPAs (Certified Public Accountant). The Adviser furnishes, at its own expense, office space, equipment and personnel to the Fund in connection with the performance of its investment management responsibilities, and pays all other expenses incurred by it in connection with managing the assets of the Fund not payable by the Fund's administrator pursuant to the administration agreement. The Advisory Agreement also includes the conditions under which the Fund may use any name derived from or similar to Duff & Phelps. For its services the Adviser receives from the Fund a quarterly management fee, payable out of the Fund's assets, at an annual rate of 0.60 of 1% of the average weekly net assets of the Fund up to \$1.5 billion and 0.50 of 1% of average weekly net assets in excess of \$1.5 billion. For purposes of calculating the management fee, the Fund's net assets are defined as the sum of (i) the aggregate net asset value of the Fund's common stock, (ii) the aggregate liquidation preference of the Fund's preferred stock and (iii) the aggregate proceeds of commercial paper issued by the Fund. The management fee paid by the Fund to the Adviser for 2008 was \$16,260,880.

Except for the expenses borne by the Adviser and the Administrator (as described below) pursuant to their respective agreements with the Fund, the Fund pays all expenses incurred in its operations, including, among other things, expenses for legal, accounting and auditing services, taxes, interest, costs of printing and distributing shareholder reports, proxy materials, prospectuses and stock certificates, charges of custodians, registrars, transfer agents, dividend disbursing agents, dividend reinvestment plan agents and remarketing agents, Securities and Exchange Commission fees, fees and expenses of non-interested directors, insurance, brokerage costs, litigation and other extraordinary or non-recurring expenses.

The Fund is also a party to a service agreement dated May 1, 1998 (the "Service Agreement") with the Adviser and Virtus. Under the terms of the Service Agreement, Virtus makes available to the Adviser the services of its employees and various facilities to enable the Adviser to perform certain of its obligations to the Fund. However, the obligation of performance under the Advisory Agreement is solely that of the Adviser, for which Virtus assumes no responsibility, except as described in the preceding sentence. The Adviser reimburses Virtus for any costs, direct or indirect, that are fairly attributable to the services performed and the facilities provided by Virtus under the Service Agreement. The Fund does not pay any fees pursuant to the Service Agreement.

The Advisory Agreement and the Service Agreement both provide that the Adviser shall not be liable to the Fund or its shareholders for any loss suffered as a consequence of any act or omission of the Adviser or Virtus, as the case may be, in connection with the respective agreements except by reason of its willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of reckless disregard of its obligations under the Advisory Agreement.

At the annual meeting held on April 29, 1998, the Fund's shareholders approved the Advisory Agreement for a two-year term beginning on May 1, 1998 and ending on April 30, 2000. At a meeting held on October 17, 1997, the Board of Directors of the Fund, including all of the directors who were not interested persons of the Fund or Virtus in attendance at the meeting voting separately as a class, approved the Service Agreement for a two-year term beginning on May 1, 1998 and ending on April 30, 2000, contingent on the above-referenced approval of the Advisory Agreement by the shareholders of the Fund. Unless earlier terminated as described below, the Advisory Agreement and the Service Agreement may be continued from year to year, if approved annually (i) by a majority of the directors of the Fund who are not interested persons of the Fund or the Adviser, in the case of the Advisory Agreement, or Virtus, in the case of the Service Agreement, and (ii) by either the board of directors of the Fund or the holders of a majority of the outstanding shares of the Fund as defined in the 1940 Act. A majority of the outstanding shares of the Fund as defined in the 1940 Act means the following vote of the common stock and the preferred stock voting together as a single class: (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented; or (ii) more than 50% of the outstanding shares. At meetings held on January 26, 2000, February 23, 2001, February 22, 2002, February 21, 2003, February 20, 2004, February 18, 2005, February 24, 2006, February 21, 2007, February 20, 2008 and February 17, 2009, the Board of Directors of the Fund, including all of the directors of the Fund who were not interested persons of the Fund or the Adviser, in the case of the Advisory Agreement, or Virtus, in the case of the Service Agreement, in attendance at the meeting voting separately as a class, voted to continue the Advisory Agreement and the Service Agreement for an additional one-year term. Accordingly, the term of these agreements currently extends to April 30, 2010.

The Advisory Agreement may be terminated without penalty on 60 days' written notice by any party thereto or by a vote of the shareholders of the Fund and would terminate automatically if it were assigned by any party. If the Advisory Agreement were terminated, shareholder approval would be required to enter into a new agreement. The Service Agreement may be terminated without penalty on 60 days' written notice by any party thereto and would terminate automatically if it were assigned by any party unless a majority of the Fund's board of directors, including a majority of the directors who are not interested persons of the Fund or Virtus, approves continuation of the Service Agreement.

**The Administrator.** J.J.B. Hilliard, W.L. Lyons, LLC serves as the Fund's administrator (the Administrator) under an administration agreement (the Administration Agreement) dated May 1, 1998. The Administrator (together with its predecessors) has been engaged in the investment business as a securities broker-dealer and investment adviser since 1854. It also serves as administrator and investment adviser to Hilliard-Lyons Government Fund, Inc., a money market mutual fund, and as investment adviser to Senbanc Fund, an open-end equity mutual fund. The Administrator and its parent company, HL Financial Services, LLC (HL Financial), have their principal offices at 500 West Jefferson Street, Louisville, Kentucky 40202. The parent company of HL Financial is Houchens Industries, Inc. (Houchens), a large, privately held diversified company with its principal offices at 700 Church Street, Bowling Green, Kentucky 42102. Houchens acquired its ownership interest in the Administrator from The PNC Financial Services Group, Inc. on March 31, 2008.

Under the terms of the Administration Agreement, the Administrator provides all management and administrative services required in connection with the operation of the Fund not required to be provided by the Adviser pursuant to the Advisory Agreement, as well as the necessary office facilities, equipment and personnel to perform such services. For its services the Administrator receives from the Fund a quarterly fee at annual rates of 0.25 of 1% of the Fund's average weekly net assets up to \$100 million, 0.20 of 1% of the Fund's average weekly net assets from \$100 million to \$1.0 billion, 0.10 of 1% of average weekly net assets in excess of \$1.0 billion. For purposes of calculating the administrative fee, the Fund's net assets are defined as the sum of (i) the aggregate net asset value of the Fund's common stock, (ii) the aggregate liquidation preference of the Fund's preferred stock and (iii) the aggregate proceeds of commercial paper issued by the Fund. The total administrative fee paid by the Fund to the Administrator for 2008 was \$4,002,176.

The Administration Agreement provides that the Administrator shall not be liable to the Fund or its shareholders for any loss suffered as a consequence of any act or omission of the Administrator in connection with the agreement except by reason of its willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of reckless disregard of its obligations under the agreement.

At a meeting held on October 17, 1997, the board of directors of the Fund, including all of the directors who were not interested persons of the Fund or the Administrator in attendance at the meeting voting separately as a class, approved the Administration Agreement for a two-year term beginning on May 1, 1998 and ending on April 30, 2000, contingent on approval of the Advisory Agreement by the shareholders of the Fund (which approval was granted at the annual meeting held on April 29, 1998). Unless earlier terminated as described below, the Administration Agreement may be continued from year to year, if approved annually (i) by a majority of the directors of the Fund who are not interested persons of the Fund or the Administrator and (ii) by either the board of directors of the Fund or the holders of a majority of the outstanding shares of the Fund as defined in the 1940 Act. The Administration Agreement may be terminated without penalty on 60 days' written notice by any party thereto or by a vote of the shareholders of the Fund. At meetings held on January 26, 2000, February 23, 2001, February 22, 2002, February 21, 2003, February 20, 2004, February 18, 2005, February 24, 2006, February 21, 2007, February 20, 2008 and February 17, 2009, the Board of Directors of the Fund, including all of the directors of the Fund who were not interested persons of the Fund or the Administrator in attendance at the meeting voting separately as a class, voted to continue the Administration Agreement for an additional one-year term. Accordingly, the term of this agreement currently extends to April 30, 2010.

**Portfolio Transactions.** The Adviser has discretion to select brokers and dealers to execute portfolio transactions initiated by the Adviser and to select the markets in which such transactions are to be executed. In executing portfolio transactions and selecting brokers or dealers, the primary responsibility of the Adviser is to seek the best combination of net price and execution for the Fund. The Fund ordinarily purchases securities in the primary markets, and in assessing the best net price and execution available to the Fund, the Adviser considers all factors it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and the reasonableness of the commission, if any (for the specific transaction and on a continuing basis).

In selecting brokers or dealers to execute particular transactions and in evaluating the best net price and execution available, the Adviser is authorized to consider brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934 (the 1934 Act)), statistical quotations, specifically the quotations necessary to determine the Fund's net asset value, and other information provided to

the Fund and/or the Adviser (or their affiliates). The Adviser is also authorized to cause the Fund to pay to a broker or dealer who provides such brokerage and research services a commission for executing a portfolio transaction which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction. The Adviser must determine in good faith, however, that such commission was reasonable in relation to the value of the brokerage and research services provided, viewed in terms of that particular transaction or in terms of all the accounts over which the Adviser exercises investment discretion. The Adviser does not engage brokers whose commissions it believes to be unreasonable in relation to services provided. In addition, the Adviser does not enter into third-party commission-based arrangements that provide research that the Adviser can purchase directly from a vendor. It is possible that certain of the services received by the Adviser attributable to a particular transaction will benefit one or more other accounts for which investment discretion is exercised by the Adviser.

The Advisory Agreement requires the Adviser to provide fair and equitable treatment to the Fund in the selection of portfolio investments and the allocation of investment opportunities between the Fund and the Adviser's other investment management clients, but does not obligate the Adviser to give the Fund exclusive or preferential treatment. It is likely that from time to time the Adviser may make similar investment decisions for the Fund and its other clients. In some cases, the simultaneous purchase or sale of the same security by the Fund and another client of the Adviser could have a detrimental effect on the price or volume of the security to be purchased or sold, as far as the Fund is concerned. In other cases, coordination with transactions for other clients and the ability to participate in volume transactions could benefit the Fund.

Although the Fund purchases securities for investment income or capital appreciation, or both, and not for short-term trading profits, it may dispose of securities without regard to the time they have been held when such action appears advisable to the Adviser.

During 2008, the Fund paid brokerage commissions aggregating \$615,229 in connection with its portfolio transactions, not including the gross underwriting spread on securities purchased in underwritten public offerings or the spread in over-the-counter transactions with firms acting as principal.

**Shareholders.** The following table shows shares of common stock of the Fund as to which each director and director nominee, and all directors and executive officers of the Fund as a group, had or shared power over voting or disposition at December 31, 2008. The directors, director nominees and executive officers of the Fund owned no shares of the Fund's remarketed preferred stock or auction preferred stock. Shares are held with sole power over voting and disposition except as noted. The shares of common stock held by each of the persons listed below and by all directors and executive officers as a group represented less than 1% of the outstanding common stock.

	<b>Shares of common stock</b>
Stewart E. Conner	2,000
Connie K. Duckworth (1)	10,000
Robert J. Genetski	50,000
Nancy Lampton (1)(2)	75,131
Francis E. Jeffries (2)	99,928
Eileen A. Moran	1,000
Nathan I. Partain (1)(2)	22,318
Christian H. Poindexter (1)	10,000
Carl F. Pollard	40,000
David J. Vitale	5,250
Directors and officers as a group (14 persons)(1)(2)	325,347

- (1) Ms. Duckworth, Ms. Lampton, Mr. Partain and Mr. Poindexter had shared power to vote and/or dispose of 10,000, 69,200, 8,789 and 10,000, respectively, of the shares listed. The directors and executive officers had shared power to vote and/or dispose of 104,709, in the aggregate, of the shares listed as owned by the directors and executive officers as a group.
- (2) Mr. Jeffries, Ms. Lampton and Mr. Partain disclaim beneficial ownership of 39,086, 69,200 and 8,789, respectively, of the shares listed. The directors and executive officers disclaim beneficial ownership of 123,795 in the aggregate, of the shares listed as owned by the directors and executive officers as a group.