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NUVEEN FLOATING RATE INCOME FUND  
Form N-2  
April 22, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 22, 2004

1933 ACT FILE NO. 333-

1940 ACT FILE NO. 811-21494

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-2  
(CHECK APPROPRIATE BOX OR BOXES)

- REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
 PRE-EFFECTIVE AMENDMENT NO. \_\_\_\_\_  
 POST-EFFECTIVE AMENDMENT NO. \_\_\_\_\_  
AND  
 REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF  
1940  
 AMENDMENT NO. 6

NUVEEN FLOATING RATE INCOME FUND  
Exact Name of Registrant as Specified in Declaration of Trust  
333 WEST WACKER DRIVE, CHICAGO, ILLINOIS 60606  
Address of Principal Executive Offices (Number, Street, City, State, Zip Code)  
(800) 257-8787  
Registrant's Telephone Number, including Area Code

JESSICA R. DROEGER  
VICE PRESIDENT AND SECRETARY  
333 WEST WACKER DRIVE  
CHICAGO, ILLINOIS 60606  
Name and Address (Number, Street, City, State, Zip Code) of Agent for Service

COPIES OF COMMUNICATIONS TO:

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111 W. MONROE  
CHICAGO, IL 60603

SARAH E.  
SIMPSON THACHER  
425 LEXING  
NEW YORK,

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING: As soon as practicable after  
the effective date of this Registration Statement  
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If any of the securities being registered on this form are offered on a  
delayed or continuous basis in reliance on Rule 415 under the Securities Act of  
1933, other than securities offered in connection with a dividend reinvestment

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plan, check the following box. [ ]

It is proposed that this filing will become effective (check appropriate box)

[ ] when declared effective pursuant to section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

TITLE OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)
FundPreferred Shares, \$0.01 par value.....	40 Shares	\$25,000	\$1,000,000

- (1) Estimated solely for the purpose of calculating the registration fee.
- (2) Transmitted prior to filing.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATES AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

This information in this Prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2004

PROSPECTUS

(NUVEEN INVESTMENTS LOGO)

\$ SHARES

NUVEEN FLOATING RATE INCOME FUND

FUNDPREFERRED (TM) SHARES  
SHARES, SERIES  
SHARES, SERIES  
SHARES, SERIES

LIQUIDATION PREFERENCE \$25,000 PER SHARE

Nuveen Floating Rate Income Fund ("the Fund") is a recently organized, diversified, closed-end management investment company. The Fund's investment

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objective is to achieve a high level of current income.

Under normal market circumstances, the Fund will invest at least 80% of its Managed Assets (as defined on page of the prospectus) in adjustable rate secured senior loans and adjustable rate unsecured senior loans, which unsecured senior loans will be, at the time of investment, investment grade quality.

The Fund will invest at least 65% of its Managed Assets in adjustable rate senior loans that are secured by specific collateral. Senior loans are made to U.S. or non-U.S. corporations, partnerships and other business entities that operate in various industries and geographical regions. Senior loans pay interest at rates that are redetermined periodically at short-term intervals on the basis of an adjustable base lending rate plus a premium. The Fund may invest a substantial portion of its Managed Assets in senior loans and other debt instruments that are, at the time of investment, rated below investment grade or unrated but judged to be of comparable quality. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as junk bonds. Because of the protective features of senior loans (being senior in a borrower's capital structure and, in certain instances, secured by specific collateral), the Fund's subadviser believes, based on its experience, that senior loans tend to have more favorable loss recovery rates compared to most other types of below investment grade obligations that are subordinated and unsecured.

Nuveen Institutional Advisory Corp., the Fund's investment adviser, is responsible for determining the Fund's overall investment strategy and its implementation, including the use of leverage and hedging. Symphony Asset Management, LLC is the Fund's subadviser responsible for managing the Fund's Managed Assets.

You should read this prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information, dated , 2004, and as it may be supplemented, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the Statement of Additional Information, the table of contents of which is on page of this prospectus, by calling (800) 257-8787 or by writing to the Fund, or you may obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission's web site (<http://www.sec.gov>).

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INVESTING IN FUNDPREFERRED SHARES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE .

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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	PER SHARE	TOTAL
	-----	-----
Public Offering Price.....	\$	
Sales Load(1).....	\$	
Proceeds to the Fund(2).....	\$	

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(1) One-half of the sales load from this offering will be paid to certain underwriters based on their participation in the Fund's offering of common shares.

(2) Does not include offering expenses payable by the Fund estimated to be \$ .

The underwriters expect to deliver the FundPreferred shares in book-entry form, through the facilities of The Depository Trust Company, to purchasers on or about , 2004.

CITIGROUP

NUVEEN INVESTMENTS, LLC

, 2004

The Fund is offering , and shares of Series , Series and Series FundPreferred, respectively. The shares are referred to in this prospectus as "FundPreferred." The FundPreferred have a liquidation preference of \$25,000 per share, plus any accumulated, unpaid dividends. The FundPreferred also have priority over the Fund's common shares as to distribution of assets as described in this prospectus. The dividend rate for the initial dividend rate period will be %, % and % for FundPreferred Series , Series and Series , respectively. The initial rate period is from the date of issuance through , 200 , , 200 and , 200 for FundPreferred Series , Series and Series , respectively. For subsequent rate periods, FundPreferred shares pay dividends based on a rate set at auction, usually held weekly. Prospective purchasers should carefully review the auction procedures described in the prospectus and should note: (1) a buy order (called a "bid order") or sell order is a commitment to buy or sell FundPreferred shares based on the results of an auction; (2) auctions will be conducted by telephone; and (3) purchases and sales will be settled on the next business day after the auction. FundPreferred shares are not listed on an exchange. You may only buy or sell FundPreferred shares through an order placed at an auction with or through a broker-dealer that has entered into an agreement with the auction agent and the Fund, or in a secondary market maintained by certain broker-dealers. These broker-dealers are not required to maintain this market, and it may not provide you with liquidity.

The FundPreferred shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. THE FUND HAS NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. THE FUND IS NOT MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS PROSPECTUS.

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PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this prospectus and in the Statement of Additional Information, including the Fund's Statement Establishing and Fixing the Rights and Preferences of FundPreferred shares (the "Statement") attached as Appendix A to the Statement of Additional Information. Capitalized terms used but not defined in this prospectus shall have the meanings given to such terms in the Statement.

The Fund..... Nuveen Floating Rate Income Fund (the "Fund") is a recently organized, diversified, closed-end management investment company. The Fund's common shares, \$.01 par value, are traded on the New York Stock Exchange (the "Exchange") under the symbol "JFR." See "Description of Common Shares." As of , 2004, the Fund had common shares outstanding and net assets applicable to common shares of \$ .

Investment Objective and Policies..... The Fund's investment objective is to achieve a high level of current income. The Fund's investment objective and certain investment policies are considered fundamental and may not be changed without shareholder approval. The Fund cannot assure you that it will attain its investment objective. See "The Fund's Investments" and "Risk Factors."

Under normal market circumstances, the Fund will invest at least 80% of its Managed Assets in adjustable rate secured senior loans and adjustable rate unsecured senior loans (collectively referred to as "Senior Loans"), which unsecured Senior Loans will be, at the time of investment, investment grade quality. The Fund will invest at least 65% of its Managed Assets in Senior Loans that are secured by specific collateral. Senior Loans pay interest at rates that are redetermined periodically at short-term intervals by reference to a base lending rate, primarily the London-Interbank Offered Rate ("LIBOR"), plus a premium. The Fund may invest a substantial portion of its Managed Assets in Senior Loans and other debt instruments that are, at the time of investment, rated below investment grade or unrated but judged to be of comparable quality. Securities (which term for purposes of this prospectus includes Senior Loans) of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as "junk bonds." Senior Loans are made to U.S. or non-U.S. corporations, partnerships and other business entities ("Borrowers") that operate in various industries and geographical regions. It is anticipated that the proceeds of the Senior Loans in which the Fund will invest will be used by Borrowers to finance leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, refinancings, internal growth and for other corporate purposes.

The Fund may invest up to 20% of its Managed Assets in (i) other debt securities such as investment and non-investment grade debt securities, convertible securities and structured notes (other than to provide Structured Notes that are designed to provide returns and risks that emulate those of Senior Loan, which may be treated as an investment in Senior Loans for purposes of the 80%

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requirement set forth above), (ii) mortgage-related and other asset-backed (including collateralized loan obligations and collateralized debt obligations), and (iii) debt securities and other instruments issued by government, government-related or supranational issuers (commonly referred to as sovereign debt securities). No more than 5% of the Fund's Managed Assets may be invested in each of convertible securities, mortgage-related and other asset-backed securities. The debt securities in which the Fund may invest may

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have short-term, intermediate-term or long-term maturities. The Fund also may receive warrants and equity securities issued by a Borrower or its affiliates in connection with the Fund's other investments in such entities.

Investment grade quality securities are those securities that, at the time of investment, are (i) rated by at least one nationally recognized statistical rating organization ("NRSRO") within the four highest grades (BBB- or Baa3 or better by Standard & Poor's Corporation, a division of The McGraw-Hill Companies ("S&P"), Moody's Investors Service, Inc. ("Moody's") or Fitch Ratings ("Fitch")), or (ii) unrated but judged to be of comparable quality. The Fund may purchase Senior Loans and other debt securities that are rated below investment grade or that are unrated but judged to be of comparable quality. No more than 10% of the Fund's Managed Assets may be invested in Senior Loans and other debt securities that are, at the time of investment, rated CCC+ or Caa or below by S&P, Moody's or Fitch or that are unrated but judged to be of comparable quality. See "The Fund's Investments -- Portfolio Composition" and "Risk Factors -- Below Investment Grade Risk."

The Fund's assets, including assets attributable to any Fund Preferred shares that may be outstanding and the principal amount of any Borrowings (as defined below), are called "Managed Assets."

Nuveen Institutional Advisory Corp. ("NIAC"), the Fund's adviser, is responsible for determining the Fund's overall investment strategy and its implementation, including the use of leverage and hedging. Symphony Asset Management, LLC ("Symphony") is the Fund's subadviser responsible for managing the Fund's Managed Assets.

Under normal circumstances:

- The Fund expects to maintain an average duration of one year or less for its portfolio investments in Senior Loans and other debt instruments. See "The Fund's Investments -- Investment Objective and Policies" for a description of duration.
- The Fund will not invest in inverse floating rate securities.
- The Fund may invest up to 20% of its Managed Assets in securities of non-U.S. issuers (which term for purposes of this prospectus includes Borrowers) that are U.S. dollar or non-U.S. dollar denominated. Initially, the Fund does not intend to invest in non-U.S.

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dollar denominated securities. The Fund's Managed Assets to be invested in Senior Loans and other debt

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instruments of non-U.S. issuers may include debt securities of issuers located, or conducting their business in, emerging markets countries. Initially, the Fund does not intend to invest in securities of emerging markets issuers.

- The Fund may not invest more than 20% of its Managed Assets in securities from an industry which (for the purposes of this prospectus) generally refers to the classification of companies in the same or similar lines of business such as the automotive, textiles and apparel, hotels, media production and consumer retailing industries.
- The Fund may invest more than 20% of its Managed Assets in sectors which (for the purposes of this prospectus) generally refers to broader classifications of industries, such as the consumer discretionary sector which includes the automotive, textiles and apparel, hotels, media production and consumer retailing industries, provided the Fund's investment in a particular industry within the sector does not exceed the industry limitation.
- The Fund may invest up to 50% of its Managed Assets in securities and other instruments that, at the time of investment, are illiquid (i.e., securities that are not readily marketable).

In pursuing its objective of high current income, the Fund will invest in Senior Loans and other debt instruments that may involve significant credit risk. As part of its efforts to manage this risk and the potential impact of such risk on the overall value and returns of the Fund's portfolio, Symphony will implement its credit management strategy that includes (i) a focus on Senior Loans that are secured by specific assets, (ii) rigorous and on-going bottom-up fundamental analysis of issuers, and (iii) overall portfolio diversification. Symphony will perform its own credit and research analysis of issuers, taking into consideration, among other things, the entity's financial resources and operating history, its sensitivity to economic conditions and trends, the ability of its management, its debt maturity schedules and borrowing requirements, its anticipated cash flow, interest and asset coverage, and its earnings prospects. Even with



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these efforts, because of the greater degree of credit risk within the portfolio, the Fund's net asset value could decline over time. In an effort to help preserve the Fund's overall capital, Symphony will seek to enhance portfolio value by investing in securities it believes to be undervalued, which, if successful, can mitigate the potential loss of value due to credit events over time.

During temporary defensive periods or in order to keep the Fund's cash fully invested, the Fund may deviate from its investment objective and invest all or a portion of its assets in investment grade debt securities, including obligations issued or guaranteed by the U.S. government, its agencies and instrumentalities. In addition, upon Symphony's recommendation that a change would be in the best interests of the Fund and upon concurrence by NIAC, and subject to approval of the Board of Trustees of the Fund, Symphony may deviate from its investment guidelines noted above. For

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a more complete discussion of the Fund's portfolio composition, see "The Fund's Investments."

Investment Adviser and  
Subadviser.....

NIAC will be the Fund's investment adviser, responsible for determining the Fund's overall investment strategy and its implementation, including the use of leverage and hedging.

NIAC, a registered investment adviser, is a wholly owned subsidiary of Nuveen Investments, Inc. Founded in 1898, Nuveen Investments, Inc. and its affiliates had approximately \$95 billion of assets under management as of December 31, 2003. According to Thomson Wealth Management, Nuveen is the leading sponsor of closed-end exchange-traded funds as measured by the number of funds (106) and the amount of fund assets under management (approximately \$47.1 billion) as of December 31, 2003.

Symphony, a registered investment adviser, is an indirect wholly owned subsidiary of Nuveen Investments, Inc. Founded in 1994, Symphony had approximately \$2.9 billion in assets under management as of December 31, 2003. Symphony specializes in the management of market neutral equity and debt strategies and Senior Loan and other debt portfolios.

NIAC and Symphony will sometimes individually be referred to as an "Adviser" and collectively be referred to as the "Advisers."

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NIAC will receive an annual fee, payable monthly, in a maximum amount equal to .85% of the Fund's average daily Managed Assets (as previously defined, Managed Assets include assets attributable to any FundPreferred shares that may be outstanding and the principal amount of any Borrowings), with lower fee levels for assets that exceed \$500 million. NIAC will pay a portion of that fee to Symphony. The Advisers have contractually agreed to reimburse the Fund for fees and expenses in the amount of .32% of average daily Managed Assets of the Fund for the first five full years of the Fund's operations (through March 31, 2009), and in a declining amount for an additional three years (through March 31, 2012). For more information on fees and expenses, including fees attributable to common shares, see "Management of the Fund."

Use of Leverage.....

The Fund intends to use financial leverage, including issuing FundPreferred shares, for investment purposes. The Fund currently anticipates its use of leverage to represent approximately 38% of its total assets, including the proceeds of such leverage. In addition to the issuance of FundPreferred shares, the Fund may make further use of financial leverage through borrowing, including the issuance of commercial paper or notes. Throughout this prospectus, commercial paper, notes or other borrowings sometimes may be collectively referred to as "Borrowings." Any Borrowings will have seniority over the FundPreferred shares. Payments to holders of FundPreferred shares in liquidation or otherwise will be subject to the prior payment of all outstanding indebtedness, including Borrowings.

Because both Senior Loans and the Fund's FundPreferred shares and Borrowings generally pay interest or dividends based on

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short-term market interest rates, the Fund's investments in Senior Loans may potentially offset the leverage risks borne by the Fund relating to the fluctuations on common share income due to variations in the FundPreferred share dividend rate and/or the interest rate on Borrowings. See "Use of Leverage."

Hedging Transactions.....

The Fund may use derivatives or other transactions solely for purposes of hedging the portfolio's exposure to common stock risk, high yield credit risk, foreign currency exchange rate risk and the risk of increases in interest rates. The specific derivative instruments to be used, or other transactions to be entered

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into, each for hedging purposes may include (i) options and futures contracts, including options on common stock, stock indexes, bonds and bond indexes, stock index futures, bond index futures and related instruments, (ii) structured notes and similar instruments, (iii) credit derivative instruments, and (iv) currency exchange transactions. Some, but not all, of the derivative instruments may be traded and listed on an exchange.

The positions in derivatives will be marked-to-market daily at the closing price established on the relevant exchange or at a fair value. See "The Fund's Investments -- Portfolio Composition -- Hedging Transactions," "Risk Factors -- General Risks of Investing in the Fund -- Hedging Risk" and "Risk Factors -- General Risks of Investing in the Fund -- Counterparty Risk."

The Offering..... The Fund is offering \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ shares of FundPreferred shares Series \_\_\_\_\_, Series \_\_\_\_\_ and Series \_\_\_\_\_, respectively, at a purchase price of \$25,000 per share. FundPreferred shares are being offered by the underwriters listed under "Underwriting."

Risk Factors Summary..... Risk is inherent in all investing. Therefore, before investing in the Fund you should consider certain risks carefully. The primary risks of investing in FundPreferred shares are:

- if an auction fails you may not be able to sell some or all of your shares;
- because of the nature of the market for FundPreferred shares, you may receive less than the price you paid for your shares if you sell them outside of the auction, especially when market interest rates are rising;
- a rating agency could downgrade FundPreferred shares, which could affect liquidity;
- the Fund may be forced to redeem your shares to meet regulatory or rating agency requirements or may voluntarily redeem your shares in certain circumstances;
- in extraordinary circumstances the Fund may not earn sufficient income from its investments to pay dividends;
- any Borrowings may constitute a substantial Lien and burden on the FundPreferred shares by reason of its prior claim against the income of the Fund and against the net assets of the Fund in liquidation; and

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- if the Fund leverages through Borrowings, the Fund may not be permitted to declare dividends or other distributions with respect to the FundPreferred shares or purchase FundPreferred shares unless at the time thereof the Fund meets certain asset coverage requirements and the payment of principal and interest on any such Borrowings are not in default.

For additional general risks of investing in FundPreferred shares of the Fund, see "Risk Factors."

Trading Market.....

FundPreferred shares are not listed on an exchange. Instead, you may buy or sell FundPreferred shares at an auction that normally is held weekly by submitting orders to a broker-dealer that has entered into an agreement with the auction agent and the Fund (a "Broker-Dealer"), or to a broker-dealer that has entered into a separate agreement with a Broker-Dealer. In addition to the auctions, Broker-Dealers and other broker-dealers may maintain a secondary trading market in FundPreferred shares outside of auctions, but may discontinue this activity at any time. There is no assurance that a secondary market will provide shareholders with liquidity. You may transfer shares outside of auctions only to or through a Broker-Dealer, or a broker-dealer that has entered into a separate agreement with a Broker-Dealer.

The table below shows the first auction date for each series of FundPreferred shares and the day on which each subsequent auction will normally be held for each series of FundPreferred shares. The first auction date for the series of FundPreferred shares will be the business day before the dividend payment date for the initial dividend period for each series of FundPreferred shares.

The start date for subsequent rate periods normally will be the business day following the auction date unless the then-current rate period is a special rate period, or the day that normally would be the auction date or the first day of the subsequent rate period is not a business day.

SERIES -----	FIRST AUCTION DATE* -----	SUBSEQUENT AUCTION -----
.....		
.....		

.....

-----  
\* All dates are 2004.

Dividends and Rate Periods.... The table below shows the dividend rate for the initial rate period of the FundPreferred shares offered in this prospectus. For subsequent rate periods, FundPreferred shares will pay dividends based on a rate set at auctions, normally held every seven (7) days. In most instances, dividends are also paid every seven (7) days, on the day following the end of the rate period. The Applicable Rate that results from an Auction will not be lower than 70% of the applicable AA Composite Commercial Paper Rate (the "Minimum Rate") or greater than 150% (the "Maximum Rate") of the applicable AA Composite Commercial Paper Rate (for a Dividend Period of fewer than 184 days) or the applicable Treasury Index Rate (for a Dividend

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Period of 184 days or more) at the close of business on the Business Day next preceding such Auction Date. See "Description of FundPreferred Shares -- Dividends and Dividend Periods -- Determination of Dividend Rate" and "The Auction."

The table below also shows the date from which dividends on the FundPreferred shares will accumulate at the initial rate, the dividend payment date for the initial rate period and the day on which dividends will normally be paid. If dividends are payable on a Monday or Tuesday and that day is not a business day, then your dividends will generally be paid on the first business day that falls after that. If dividends are payable on a Wednesday, Thursday or Friday and that day is not a business day, then your dividends generally will be paid on the first business day prior to that day.

Finally, the table below shows the number of days of the initial dividend period for the FundPreferred shares. Subsequent rate periods generally will be seven (7) days. The dividend payment date for special rate periods of other than seven (7) days will be set out in the notice designating a special dividend period. See "Description of FundPreferred Shares -- Dividends and Dividend Periods -- Designation of Dividend Period."

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SERIES	INITIAL DIVIDEND RATE	DATE OF ACCUMULATION AT INITIAL RATE*	PAY DAT INI DIV PER
-----	-----	-----	-----
.....			
.....			
.....			

\* All dates are 2004.

Ratings..... It is a condition of the underwriters' obligation to purchase the FundPreferred shares that shares of each series of FundPreferred receive a rating of " " from and " " from .

Restrictions on Dividend  
Redemption and Other  
Payments..... If the Fund issues any Borrowings that constitute senior securities representing indebtedness (as defined in the 1940 Act), under the 1940 Act, the Fund would not be permitted to declare any dividend on FundPreferred shares unless, after giving effect to such dividend, asset coverage with respect to such Borrowings that constitute senior securities representing indebtedness, if any, is at least 200%. In addition, the Fund would not be permitted to declare any other distribution on or purchase or redeem FundPreferred shares unless, after giving effect to such distribution, purchase or redemption, asset coverage with respect to such Borrowings that constitute senior securities representing indebtedness, if any, is at least 300%. Dividends or other distributions on or redemptions or purchases of FundPreferred shares would also be prohibited at any time that an event of default under any Borrowings has occurred and is continuing. See "Description of FundPreferred Shares -- Restrictions on Dividend, Redemption and Other Payments."

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Asset Maintenance..... The Fund must maintain Eligible Assets having an aggregated Discounted Value at least equal to the FundPreferred Shares Basic Maintenance Amount as of each Valuation Date. The Fund also must maintain asset coverage for the FundPreferred shares on a non-discounted basis of at least 200% as of the last business day of each month. See "Description of FundPreferred Shares -- Asset Maintenance." The Discount

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Factors and guidelines for calculating the Discounted Value of the Fund's portfolio for purposes of determining whether the Fund Preferred Shares Basic Maintenance Amount has been satisfied have been established by \_\_\_\_\_ and \_\_\_\_\_ in connection with the Fund's receipt from \_\_\_\_\_ and \_\_\_\_\_ of the " \_\_\_\_\_ " and " \_\_\_\_\_ " Credit Ratings, respectively, with respect to the Fund Preferred shares on their Date of Original Issue.

The Fund estimates that on the Date of Original Issue, the 1940 Act Fund Preferred Shares Asset Coverage, based on the composition of its portfolio as of \_\_\_\_\_, 2004, and after giving effect to the issuance of the Fund Preferred shares offered hereby (\$ \_\_\_\_\_) and the deduction of sales loads and estimated offering expenses for such Fund Preferred shares (\$ \_\_\_\_\_), will be \_\_\_\_\_%.

In addition, there may be additional asset coverage requirements imposed in connection with any Borrowings.

- Redemption..... Although the Fund will not ordinarily redeem Fund Preferred shares, it may be required to redeem shares if, for example, the Fund does not meet an asset coverage ratio required by law or in order to correct a failure to meet rating agency guidelines in a timely manner. The Fund may voluntarily redeem Fund Preferred shares in certain circumstances. See "Description of Fund Preferred Shares -- Redemption."
- Liquidation Preference..... The liquidation preference of the shares of each series of Fund Preferred shares will be \$25,000 per share plus accumulated but unpaid dividends, if any, thereon. See "Description of Fund Preferred Shares -- Liquidation Rights."
- Voting Rights..... Except as otherwise indicated, holders of Fund Preferred shares have one vote per share and vote together with holders of common shares as a single class.

In connection with the election of the Board of Trustees, the holders of outstanding preferred shares of beneficial interest ("Preferred Shares"), including Fund Preferred shares, as a class, shall be entitled to elect two trustees of the Fund. The holders of outstanding shares of common shares and Preferred Shares, including Fund Preferred shares, voting together, shall elect the remainder. However, upon the Fund's failure to pay dividends on the Preferred Shares in an amount equal to two full years of dividends, the holders of Preferred Shares have the right to elect, as a class, the smallest number of additional Trustees as shall

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be necessary to assure that a majority of the Trustees has been elected by the holders of Preferred Shares. The terms of the additional Trustees shall end when the Fund pays or provides for all accumulated and

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unpaid dividends. See "Description FundPreferred Shares -- Voting Rights."

Federal Income Taxes..... Distributions with respect to the FundPreferred shares will generally be subject to U.S. federal income taxation. The Fund anticipates that all or substantially all of its dividends will be subject to U.S. Federal income taxation at ordinary income tax rates. Distributions designated by the Fund as net capital gains, if any, will generally be subject to rates applicable to capital gains. The Internal Revenue Service ("IRS") currently requires that a regulated investment company, which has two or more classes of stock, allocate to each such class proportionate amounts of each type of its income (such as ordinary income and net capital gain) based upon the percentage of total dividends distributed to each class for the tax year. Accordingly, the Fund intends each year to allocate ordinary income dividends, capital gain distributions, dividends qualifying for the corporate dividends received deduction, if any, and "qualified dividend income", if any, between its common shares and FundPreferred shares in proportion to the total dividends paid to each class during or with respect to such year. See "Federal Income Tax Matters."

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FINANCIAL HIGHLIGHTS

Information contained in the table below under the headings "Per Share Operating Performance" and "Ratios/Supplemental Data" shows the unaudited operating performance of the Fund's common shares from the commencement of the Fund's investment operations on , 200 until , 200 . Since the Fund commenced operations on , 200 , the table covers approximately of operations, during which a substantial portion of the Fund's assets were held in cash pending investment in municipal bonds that meet the Fund's investment objective and policies. Accordingly, the information presented may not provide a meaningful picture of the Fund's operating performance.

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(UNAUDITED)

PER SHARE OPERATING PERFORMANCE:

Net Asset Value, Beginning of Period.....  
Net Investment Income.....



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Net Gains on Securities (Unrealized).....
Total from Investment Operations.....
Offering Costs.....
Net Asset Value, End of Period.....
Per Share Market Value, End of Period.....
Total Return on Net Asset Value.....
Total Investment Return on Market Value.....
RATIOS/SUPPLEMENTAL DATA:
Net Assets, End of Period (In Thousands).....
Ratio of Expenses to Average Net Assets Before
Reimbursement.....
Ratio of Net Investment Income to Average Net Assets
Before Reimbursement.....
Ratio of Expenses to Average Net Assets After
Reimbursement.....
Ratio of Net Investment Income to Average Net Assets After
Reimbursement.....
Portfolio Turnover Rate.....

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THE FUND

The Fund is a recently organized, diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Massachusetts business trust on January 15, 2004, pursuant to a Declaration governed by the laws of The Commonwealth of Massachusetts. On March 30, 2004, the Fund issued an aggregate of 41,800,000 common shares of beneficial interest, par value \$0.01 per share pursuant to the initial public offering thereof. On April 14, 2004, the Fund issued an additional 3,000,000 common shares pursuant to a partial exercise by the underwriters of their over-allotment option. The Fund's common shares are listed on the Exchange under the symbol "JFR." The Fund's principal office is located at 333 West Wacker Drive, Chicago, Illinois 60606, and its telephone number is (800) 257-8787.

The following provides information about the Fund's outstanding shares as of \_\_\_\_\_, 2004:

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY THE FUND OR FOR ITS ACCOUNT	AMOUNT OUTSTANDING
-----	-----	-----	-----
Common.....	unlimited	0	
FundPreferred Shares.....	unlimited	0	0
Series .....		0	0
Series .....		0	0
Series .....		0	0

USE OF PROCEEDS

The net proceeds of the offering of FundPreferred shares will be approximately \$ \_\_\_\_\_ after payment of the sales load estimated offering costs. The Fund will invest the net proceeds of the offering in accordance with the Fund's investment objective and policies as described under "The Fund's Investments" as soon as practicable. It is presently anticipated that the Fund

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will be able to invest substantially all of the net proceeds in Senior Loans and other securities that meet the Fund's investment objective and policies within approximately months after the completion of the offering. Pending such investment, it is anticipated that the proceeds will be invested in short-term or long-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term money market instruments.

CAPITALIZATION

The following table sets forth the capitalization of the Fund as of , 2004, and as adjusted to give effect to the issuance of the shares of FundPreferred shares offered hereby.

	ACTUAL	AS ADJUSTED
	-----	-----
	(UNAUDITED)	(UNAUDITED)
FundPreferred Shares, \$25,000 stated value per share, at liquidation value; unlimited shares authorized (no shares issued and shares issued, as adjusted), respectively*.....		
COMMON SHAREHOLDERS' EQUITY:		
Common Shares, \$.01 par value per share; unlimited shares authorized, shares outstanding*.....		
Paid-in surplus**.....		
Undistributed net investment income.....		
Accumulated net realized gain from investments:.....		
Net unrealized appreciation (depreciation) of investments.....		
Net assets applicable to common shares.....		

\* None of these outstanding shares are held by or for the account of the Fund.

\*\* As adjusted, paid-in surplus reflects the proceeds of the issuance of the common shares (\$) less \$.01 par value per common share (\$) and the offering costs of per common share (\$) as well as a reduction for the sales load and estimated offering costs of the FundPreferred shares' issuance (\$ ).

PORTFOLIO COMPOSITION

As of , 2004, % of the market value of the Fund's portfolio was invested in dividend-paying common stocks, dividend-paying preferred stocks, and senior loans and other debt instruments and % of the market value of the Fund's portfolio was invested in short-term investments.

THE FUND'S INVESTMENTS

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to achieve a high level of current

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income. There can be no assurance that the Fund's investment objective will be achieved.

In pursuing its objective of high current income, the Fund will invest in Senior Loans and other debt instruments that may involve significant credit risk. As part of its efforts to manage this risk and the potential impact of such risk on the overall value and returns of the Fund's portfolio, Symphony will implement its credit management strategy that includes (i) a focus on Senior Loans that are secured by specific assets, (ii) rigorous and on-going bottom-up fundamental analysis of issuers, and (iii) overall portfolio diversification. Symphony will perform its own credit and research analysis of issuers, taking into consideration, among other things, the entity's financial resources and operating history, its sensitivity to economic conditions and trends, the ability of its management, its debt maturity schedules and borrowing requirements, its anticipated cash flow, interest and asset coverage, and its earnings prospects. Even with these efforts, because of the greater degree of credit risk within the portfolio, the Fund's net asset value could decline over time. In an effort to help preserve the Fund's overall capital, Symphony will seek to enhance portfolio value by investing in securities it believes to be undervalued, which, if successful, can mitigate the potential loss of value due to credit events over time.

NIAC is responsible for determining the Fund's overall investment strategy and its implementation, including the use of leverage and hedging. Symphony is the Fund's subadviser responsible for managing the Fund's Managed Assets. See "Management of the Fund."

Under normal market circumstances, the Fund will invest at least 80% of its Managed Assets in secured Senior Loans and unsecured Senior Loans, which unsecured Senior Loans will be, at the time of investment, investment grade quality. The Fund will invest at least 65% of its Managed Assets in Senior Loans that are secured by specific collateral. Investment in adjustable rate instruments such as Senior Loans is expected to minimize changes in the underlying principal value of such investments, and therefore, the Fund's net asset value, resulting from changes in market interest rates. The Fund may invest up to 20% of its Managed Assets in (i) other debt securities such as investment and non-investment grade debt securities, convertible securities and structured notes (other than Structured notes that are designed to provide returns and risks that emulate those of Senior Loans, which may be treated as an investment in Senior Loans for purposes of the 80% requirement set forth above), (ii) mortgage-related and other asset-backed securities (including collateralized loan obligations and collateralized debt obligations), and (iii) debt securities and other instruments issued by government, government-related or supranational issuers. No more than 5% of the Fund's Managed Assets may be invested in each of convertible securities, mortgage-related and other asset-backed securities, and sovereign debt securities. The debt securities in which the Fund may invest may have short-term, intermediate-term or long-term maturities. The Fund also may receive warrants and equity securities issued by a Borrower or its affiliates in connection with the Fund's other investments in such entities. The Fund may invest a substantial portion of its Managed Assets in Senior Loans and other debt instruments that are, at the time of investment, rated below investment grade or unrated but judged to be of comparable quality.

Investment grade quality securities are those securities that, at the time of investment, are (i) rated by at least one NRSRO within the four highest grades (BBB- or Baa3 or better by S&P, Moody's or Fitch), or (ii) unrated but judged to be of comparable quality. No more than 10% of the Fund's Managed Assets may be invested in Senior Loans and other debt securities rated CCC+ or Caa or below by S&P, Moody's or Fitch or that are unrated but judged to be of comparable quality. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as "junk bonds." See

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Appendix B in the Statement of Additional Information for a description of security ratings.

The Fund's policy under normal circumstances of investing at least 80% of its Managed Assets in secured Senior Loans and unsecured Senior Loans, which unsecured Senior Loans will be, at the time of investment, investment grade quality, is not considered to be fundamental by the Fund and can be changed without a vote

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of the Common Shareholders. However, this policy may only be changed by the Fund's Board following the provision of 60 days prior written notice to Common Shareholders.

Under normal market circumstances, Symphony expects to maintain an average duration of one year or less for the Fund's portfolio investments in Senior Loans and other debt instruments. In comparison to maturity (which is the date on which a debt instrument ceases and the issuer is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result of changes in market rates of interest, based on the weighted average timing of the instrument's expected principal and interest payments. Duration differs from maturity in that it considers a security's yield, coupon payments, principal payments and call features in addition to the amount of time until the security finally matures. As the value of a security changes over time, so will its duration. Prices of securities with shorter durations (such as the anticipated average duration of one year or less for the Fund's portfolio investments as described above) tend to be less sensitive to interest rate changes than securities with longer durations. In general, the value of a portfolio of securities with a shorter duration can be expected to be less sensitive to interest rate changes than a portfolio with a longer duration.

The Fund may invest up to 20% of its Managed Assets in securities of non-U.S. issuers that are U.S. dollar or non-U.S. dollar denominated. Initially, the Fund does not intend to invest in non-U.S. dollar denominated securities. The Fund may not invest more than 20% of its Managed Assets in securities from an industry which (for the purposes of this prospectus) generally refers to the classification of companies in the same or similar lines of business such as the automotive, textiles and apparel, hotels, media production and consumer retailing industries. The Fund may invest more than 20% of its Managed Assets in sectors which (for the purposes of this prospectus) generally refers to broader classifications of industries, such as the consumer discretionary sector which includes the automotive, textiles and apparel, hotels, media production and consumer retailing industries, provided the Fund's investment in a particular industry within the sector does not exceed the industry limitation. In addition, the Fund may invest up to 50% of its Managed Assets in securities and other instruments that, at the time of investment, are illiquid (i.e., securities that are not readily marketable).

For a more complete discussion of the Fund's portfolio composition, see "-- Portfolio Composition and Other Information."

The Fund cannot change its investment objective without the approval of the holders of a "majority of the outstanding" common shares and FundPreferred shares voting together as a single class, and of the holders of a "majority of the outstanding" FundPreferred shares voting as a separate class. When used with respect to particular shares of the Fund, a "majority of the outstanding" shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy or (ii) more than 50% of the shares, whichever is less. See "Description of Shares -- FundPreferred Shares -- Voting Rights" and the Statement of Additional Information under

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"Description of Shares -- FundPreferred Shares -- Voting Rights" for additional information with respect to the voting rights of holders of FundPreferred shares.

### OVERALL FUND MANAGEMENT

NIAC is the Fund's investment adviser, responsible for the Fund's overall investment strategy and its implementation.

NIAC will oversee Symphony in its management of the Fund's portfolio. This oversight will include ongoing evaluation of Symphony's investment performance, portfolio allocations, quality of investment process and personnel, compliance with Fund and regulatory guidelines, trade allocation and execution, and other factors.

NIAC will also oversee the Fund's use of leverage, and efforts to minimize the costs and mitigate the risks to Common Shareholders associated with using financial leverage. See "Use of Leverage" and "Hedging Transactions" below. This effort may involve making adjustments to investment policies in an attempt to minimize costs and mitigate risks.

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### SYMPHONY INVESTMENT PHILOSOPHY AND PROCESS

**Investment Philosophy.** Symphony believes that managing risk, particularly for volatile assets such as Senior Loans and other forms of high yield debt, is of paramount importance. Symphony believes that a combination of fundamental credit analysis and valuation information that is available from the equity markets provide a means of identifying what it believes to be superior investment candidates. Additionally, Symphony focuses primarily on liquid securities to help ensure that exit strategies remain available under different market conditions.

**Investment Process.** In identifying Senior Loans and other securities for potential purchase, Symphony combines quantitative screening and fundamental and relative value analysis. Symphony screens the identified investment candidates for liquidity constraints and favorable capital structures. The investment team then performs rigorous bottom-up fundamental analysis to identify investments with sound industry fundamentals, cash flow sufficiency and asset quality. The final portfolio is constructed using risk management and monitoring systems to ensure proper diversification.

### PORTFOLIO COMPOSITION AND OTHER INFORMATION

The Fund's portfolio is composed principally of the following investments. A more detailed description of the Fund's investment policies and restrictions and more detailed information about the Fund's portfolio investments are contained in the Statement of Additional Information.

**Senior Loans.** The Fund may invest (i) in Senior Loans made by banks or other financial institutions to Borrowers, (ii) assignments of such interests in Senior Loans or (iii) participation interests in Senior Loans. Senior Loans hold the most senior position in the capital structure of a Borrower, are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by subordinated debt holders and stockholders of the Borrower. The capital structure of a Borrower may include Senior Loans, senior and junior subordinated debt, preferred stock and common stock issued by the Borrower, typically in descending order of seniority with respect to claims on the Borrower's assets. The proceeds of Senior Loans primarily are used by Borrowers to finance leveraged buyouts, recapitalizations,

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mergers, acquisitions, stock repurchases, refinancings, internal growth and for other corporate purposes. A Senior Loan is typically originated, negotiated and structured by a U.S. or non-U.S. commercial bank, insurance company, finance company or other financial institution ("Agent") for a lending syndicate of financial institutions which typically includes the Agent ("Lenders"). The Agent typically administers and enforces the Senior Loan on behalf of the other Lenders in the syndicate. In addition, an institution, typically but not always the Agent, holds any collateral on behalf of the Lenders. The Fund normally will rely primarily on the Agent to collect principal of and interest on a Senior Loan. Also, the Fund usually will rely on the Agent to monitor compliance by the Borrower with the restrictive covenants in a loan agreement.

Senior Loans in which the Fund will invest generally pay interest at rates that are redetermined periodically at short-term intervals by reference to a base lending rate, plus a premium. Senior Loans typically have rates of interest that are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate plus a premium or credit spread. These base lending rates are primarily LIBOR, and secondarily the prime rate offered by one or more major U.S. banks (the "Prime Rate") and the certificate of deposit ("CD") rate or other base lending rates used by commercial lenders. As adjustable rate loans, the frequency of how often a Senior Loan resets its interest rate will impact how closely such Senior Loans track current market interest rates. The Senior Loans held by the Fund will have a dollar-weighted average period until the next interest rate adjustment of approximately 90 days or less. As a result, as short-term interest rates increase, interest payable to the Fund from its investments in Senior Loans should increase, and as short-term interest rates decrease, interest payable to the Fund from its investments in Senior Loans should decrease. The Fund may utilize derivative instruments to shorten the effective interest rate redetermination period of Senior Loans in its portfolio. Senior Loans typically have a stated term of between one and eight years. In the experience of Symphony, the average life of Senior Loans in recent years has been approximately two years because of prepayments.

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The Fund expects primarily to purchase Senior Loans by assignment from a participant in the original syndicate of lenders or from subsequent assignees of such interests. The purchaser of an assignment typically succeeds to all the rights and obligations under the loan agreement with the same rights and obligations as the assigning Lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning Lender.

The Fund also may purchase participation interests in the original syndicate making Senior Loans. Loan participation interests typically represent direct participations in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. The Fund may participate in such syndications, or can buy part of a Senior Loan, becoming a part Lender. When purchasing a participation interest, the Fund assumes the credit risk associated with the corporate Borrower and may assume the credit risk associated with an interposed bank or other financial intermediary. The participation interests in which the Fund intends to invest may not be rated by any NRSRO. See "Risk Factors General Risks of Investing in the Fund -- Senior Loan Risks" and -- Participation Risk."

The Fund may purchase and retain in its portfolio Senior Loans where the Borrowers have experienced, or may be perceived to be likely to experience, credit problems, including involvement in or recent emergence from bankruptcy reorganization proceedings or other forms of debt restructuring. Such

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investments may provide opportunities for enhanced income as well as capital appreciation. At times, in connection with the restructuring of a Senior Loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, the Fund may determine or be required to accept equity securities or junior debt securities in exchange for all or a portion of a Senior Loan. See "-- Non-Senior Loan Investments -- Warrants and Equity Securities."

Non-Senior Loan Investments. The Fund may invest in debt instruments and other securities as described below:

Corporate Bonds. Corporate bonds generally are used by corporations to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain bonds are "perpetual" in that they have no maturity date. The Fund may invest in bonds and other debt securities of any quality.

Structured Notes. The Fund may utilize structured notes and similar instruments for investment purposes and also for hedging purposes. Structured notes are privately negotiated debt obligations or economically equivalent instruments where the principal and/or interest is determined by reference to the performance of a benchmark asset, market or interest rate (an "embedded index"), such as selected securities or loans, an index of securities or loans, or specified interest rates, or the differential performance of two assets or markets. The interest and/or principal payments that may be made on a structured product may vary widely, depending on a variety of factors, including the volatility of the embedded index and the effect of changes in the embedded index on principal and/or interest payments. If the Fund invests in structured notes that are designed to provide returns and risks that emulate those of Senior Loans, the Fund may treat the value of (or, if applicable, the notional amount of) such investment as an investment in Senior Loans for purposes of determining compliance with the requirement set forth above that at least 80% of the Fund's Managed Assets be invested under normal market circumstances in Senior Loans, except to the extent that the value (or notional amount) of such investments exceeds 5% of the Fund's Managed Assets. Any such investment amounts that exceed 5% of the Fund's Managed Assets will be treated as a type of "other debt instruments" which, in the aggregate, are limited to 20% of the Fund's Managed Assets.

U.S. Government Securities. U.S. Government securities include (1) U.S. Treasury obligations, which differ in their interest rates, maturities and times of issuance: U.S. Treasury bills (maturities of one year or less), U.S. Treasury notes (maturities of one year to ten years) and U.S. Treasury bonds (generally maturities of greater than ten years) and (2) obligations issued or guaranteed by U.S. Government agencies and instrumentalities that are supported by any of the following: (i) the full faith and credit of the U.S. Treasury, (ii) the right of the issuer to borrow an amount limited to a specific line of credit from the U.S. Treasury, (iii) discretionary authority of the U.S. Government to purchase certain obligations of the U.S. Government

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agency or instrumentality or (iv) the credit of the agency or instrumentality. The Fund also may invest in any other security or agreement collateralized or otherwise secured by U.S. Government securities. Agencies and instrumentalities of the U.S. Government include but are not limited to: Federal Land Banks, Federal Financing Banks, Banks for Cooperatives, Federal Intermediate Credit Banks, Farm Credit Banks, Federal Home Loan Banks, FHLMC, FNMA, GNMA, Student Loan Marketing Association, United States Postal Service, Small Business Administration, Tennessee Valley Authority and any other enterprise established or sponsored by the U.S. Government. Because the U.S. Government generally is not obligated to provide support to its instrumentalities, the Fund will invest

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in obligations issued by these instrumentalities only if Symphony determines that the credit risk with respect to such obligations is minimal.

The principal of and/or interest on certain U.S. Government securities which may be purchased by the Fund could be (i) payable in non-U.S. currencies rather than U.S. dollars or (b) increased or diminished as a result of changes in the value of the U.S. dollar relative to the value of non-U.S. currencies. The value of such portfolio securities may be affected by changes in the exchange rate between foreign currencies and the U.S. dollar.

Commercial Paper. Commercial paper represents short-term unsecured promissory notes issued in bearer form by corporations such as banks or bank holding companies and finance companies. The rate of return on commercial paper may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies.

Warrants and Equity Securities. The Fund may acquire equity securities and warrants issued by a Borrower or its affiliates as part of a package of investments in the Borrower or its affiliates issued in connection with a Senior Loan of the Borrower. The Fund also may convert a warrant so acquired into the underlying security. Investments in warrants and equity securities entail certain risks in addition to those associated with investments in Senior Loans. The value of these securities may be affected more rapidly, and to a greater extent, by company-specific developments and general market conditions. These risks may increase fluctuations in the Fund's net asset value. The Fund may possess material non-public information about a Borrower as a result of its ownership of a Senior Loan of such Borrower. Because of prohibitions on trading in securities of issuers while in possession of such information the Fund might be unable to enter into a transaction in a security of such a Borrower when it would otherwise be advantageous to do so.

Repurchase Agreements. The Fund may enter into repurchase agreements (the purchase of a security coupled with an agreement to resell that security at a higher price) with respect to its permitted investments. The Fund's repurchase agreements will provide that the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the agreement, and will be marked to market daily.

Other Securities. The Fund may invest in convertible securities, mortgage-related and other asset-backed securities, and sovereign debt securities, each of which are discussed in more detail in the Statement of Additional Information.

Securities Issued by Non-U.S. Issuers. The Fund may invest up to 20% of its Managed Assets in securities of non-U.S. issuers that are U.S. dollar or non-U.S. dollar denominated. Initially, the Fund does not intend to invest in non-U.S. dollar denominated securities. The Fund's Managed Assets to be invested in Senior Loans and other debt instruments of non-U.S. issuers may include debt securities of issuers located, or conducting their business in, emerging markets countries. Initially, the Fund does not intend to invest in securities of emerging market issuers. The Fund may invest in any region of the world and invest in companies operating in developed countries such as Canada, Japan, Australia, New Zealand and most Western European countries. As used in this prospectus, an "emerging market" country is any country determined to have an emerging markets economy, considering, among other things, factors such as whether the country has a low-to-middle-income economy according to the World Bank or its related organizations, the country's credit rating, its political and economic stability and the development of its financial and capital markets. These countries generally include countries located in Latin America, the Caribbean, Asia, Africa, the Middle East and Eastern and Central Europe.



Zero Coupon Bonds. The Fund's investments in debt securities may be in the form of a zero coupon bond. A zero coupon bond is a bond that does not pay interest for the entire life of the obligation. Zero coupon bonds allow an issuer to avoid or delay the need to generate cash to meet current interest payments and, as a result, may involve greater credit risk than bonds that pay interest currently. The Fund would be required to distribute the income on any of these instruments as it accrues, even though the Fund will not receive any of the income on a current basis. Thus, the Fund may have to sell other investments, including when it may not be advisable to do so, to make income distributions to its Common Shareholders.

When-Issued and Delayed Delivery Transactions. The Fund may buy and sell securities on a when-issued or delayed delivery basis, making payment or taking delivery at a later date, normally within 15 to 45 days of the trade date. This type of transaction may involve an element of risk because no interest accrues on the securities prior to settlement and, because securities are subject to market fluctuations, the value of the securities at time of delivery may be less (or more) than their cost. A separate account of the Fund will be established with its custodian consisting of cash equivalents or liquid securities having a market value at all times at least equal to the amount of any delayed payment commitment.

No Inverse Floating Rate Securities. The Fund will not invest in inverse floating rate securities, which are securities that pay interest at rates that vary inversely with changes in prevailing interest rates and which represent a leveraged investment in an underlying security.

Hedging Transactions. The Fund may use derivatives or other transactions for the purpose of hedging the portfolio's exposure to high yield credit risk, foreign currency exchange rate risk and the risk of increases in interest rates. The specific derivative instruments to be used, or other transactions to be entered into, each for hedging purposes may include the purchase or sale of futures contracts on securities, credit-linked notes, securities indices, other indices or other financial instruments; options on futures contracts; exchange-traded and over-the-counter options on securities or indices; index-linked securities; swaps; and currency exchange transactions. Some, but not all, of the derivative instruments may be traded and listed on an exchange. The positions in derivatives will be marked-to-market daily at the closing price established on the exchange or at a fair value. See "Risk Factors General Risks of Investing in the Fund -- Hedging Risk," "Hedging Transactions," "Risk Factors General Risks of Investing in the Fund -- Counterparty Risk" and "Other Investment Policies and Techniques" in the Fund's Statement of Additional Information for further information on hedging transactions.

Illiquid Securities. The Fund may invest up to 50% of its Managed Assets in securities and other instruments that, at the time of investment, are illiquid (i.e., securities that are not readily marketable). For this purpose, illiquid securities may include, but are not limited to, restricted securities (securities the disposition of which is restricted under the federal securities laws), securities that may only be resold pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), that are deemed to be illiquid, and certain repurchase agreements. The Board of Trustees or its delegate has the ultimate authority to determine which securities are liquid or illiquid for purposes of this 50% limitation. The Board of Trustees has delegated to the Advisers the day-to-day determination of the illiquidity of any security held by the Fund, although it has retained oversight and ultimate responsibility for such determinations. No definitive liquidity criteria are used. The Board of Trustees has directed the Advisers when making liquidity determinations to look for such factors as (i) the nature of the market for a

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security (including the institutional private resale market; the frequency of trades and quotes for the security; the number of dealers willing to purchase or sell the security; the amount of time normally needed to dispose of the security; and the method of soliciting offers and the mechanics of transfer), (ii) the terms of certain securities or other instruments allowing for the disposition to a third party or the issuer thereof (e.g., certain repurchase obligations and demand instruments), and (iii) other relevant factors.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund

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might obtain a less favorable price than that which prevailed when it decided to sell. Illiquid securities will be priced at fair value as determined in good faith by the Board of Trustees or its delegate. If, through the appreciation of illiquid securities or the depreciation of liquid securities, the Fund should be in a position where more than 50% of the value of its Managed Assets is invested in illiquid securities, including restricted securities that are not readily marketable, the Fund will take such steps as are deemed advisable, if any, to protect liquidity.

Short-Term/Long-Term Debt Securities; Defensive Position; Invest-Up Period. During temporary defensive periods or in order to keep the Fund's cash fully invested, including the period during which the net proceeds of the offering of common shares or FundPreferred shares are being invested, the Fund may deviate from its investment objective and invest all or any portion of its assets in investment grade debt securities, including obligations issued or guaranteed by the U.S. government, its agencies and instrumentalities. In such a case, the Fund may not pursue or achieve its investment objective. In addition, upon Symphony's recommendation that a change would be in the best interests of the Fund and upon concurrence by NIAC, and subject to approval by the Board of Trustees of the Fund, Symphony may deviate from its investment guidelines discussed herein.

Other Investment Companies. The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies that invest primarily in securities of the types in which the Fund may invest directly. In addition, the Fund may invest a portion of its Managed Assets in pooled investment vehicles (other than investment companies) that invest primarily in securities of the types in which the Fund may invest directly. The Fund generally expects that it may invest in other investment companies and/or pooled investment vehicles either during periods when it has large amounts of uninvested cash, such as the period shortly after the Fund receives the proceeds of the offering of its common shares or FundPreferred shares and/or Borrowings, or during periods when there is a shortage of attractive securities of the types in which the Fund may invest in directly available in the market. As an investor in an investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's advisory and administrative fees with respect to assets so invested. Common shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. Symphony will take expenses into account when evaluating the investment merits of an investment in the investment company relative to available securities of the types in which the Fund may invest directly. In addition, the securities of other investment companies also may be leveraged and therefore will be subject to the same leverage risks

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described herein. As described in the section entitled "Risk Factors -- General Risks of Investing in the Fund -- Leverage Risk," the net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares.

The Fund will treat its investments in such investment companies as investments in Senior Loans for all purposes, such as for purposes of determining compliance with the requirement set forth above that at least 80% of the Fund's Managed Assets be invested under normal market circumstances in Senior Loans.

**Lending of Portfolio Securities.** The Fund may lend its portfolio securities to broker-dealers and banks. Any such loan must be continuously secured by collateral in cash or cash equivalents maintained on a current basis in an amount at least equal to the market value of the securities loaned by the Fund. The Fund would continue to receive the equivalent of the interest or dividends paid by the issuer on the securities loaned through payments from the borrower, although such amounts received from the borrower would not be eligible to be treated as tax-advantaged dividends. The Fund would also receive an additional return that may be in the form of a fixed fee or a percentage of the collateral. The Fund may pay reasonable fees to persons unaffiliated with the Fund for services in arranging these loans. The Fund would have the right to call the loan and obtain the securities loaned at any time on notice of not more than five business days. The Fund would not have the right to vote the securities during the existence of the loan but would call the loan to permit voting of the securities, if, in an Adviser's judgment, a material event requiring a shareholder vote would otherwise occur before the loan was repaid. In the event of bankruptcy or other default of the borrower, the Fund could experience both delays in liquidating the loan collateral or recovering the loaned securities and losses, including (a) possible decline in the value of the collateral or in the value of the securities loaned during the

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period while the Fund seeks to enforce its rights thereto, (b) possible subnormal levels of income and lack of access to income during this period, and (c) expenses of enforcing its rights.

**Portfolio Turnover.** The Fund may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving the Fund's investment objective. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is not expected to exceed 50% under normal circumstances. However, there are no limits on the rate of portfolio turnover, and investments may be sold without regard to length of time held when, in the opinion of Symphony, investment considerations warrant such action. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. High portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to shareholders, will be taxable as ordinary income. See "Federal Income Tax Matters."

### USE OF LEVERAGE

The Fund intends to use leverage by using Borrowings and/or issuing FundPreferred shares in an aggregate amount of approximately 38% of the Fund's Managed Assets. The amount of outstanding Borrowings and/or FundPreferred shares may vary with prevailing market or economic conditions. The Fund currently expects to borrow money at rates generally available to institutional investors as soon as possible after the completion of the common share offering and issue commercial paper or notes within approximately two to three months of the completion of the common share offering, in an aggregate amount currently

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anticipated to represent approximately 24% of the Fund's Managed Assets; and, in addition to issuing the FundPreferred shares offered by this prospectus in an amount currently anticipated to represent approximately 8% of the Fund's Managed Assets. The timing and terms of any leverage transactions will be determined by the Fund's Board of Trustees. Leverage entails special risks. See "Risk Factors -- Risks of Investing in FundPreferred Shares -- Leverage Risk." The management fee paid to the Advisers will be calculated on the basis of the Fund's Managed Assets (which includes the proceeds of any financial leverage), so the fee will be higher when leverage is used.

### HEDGING TRANSACTIONS

The Fund may use derivatives or other transactions solely for the purpose of hedging a portion of its portfolio holdings or in connection with the Fund's anticipated use of leverage through its sale of FundPreferred shares or Borrowings.

**Portfolio Hedging Transactions.** The Fund may use derivatives or other transactions solely for purposes of hedging the portfolio's exposure to high yield credit risk, foreign currency exchange rate risk and the risk of increases in interest rates. The specific derivative instruments to be used, or other transactions to be entered into, each for hedging purposes, may include the purchase or sale of futures contracts on securities, credit-linked notes, securities indices, other indices or other financial instruments; options on futures contracts; exchange-traded and over-the-counter options on securities or indices; index-linked securities; swaps; and currency exchange transactions. Some, but not all, of the derivative instruments may be traded and listed on an exchange. The positions in derivatives will be marked-to-market daily at the closing price established on the relevant exchange or at a fair value. For a complete discussion of these derivative securities, see the Statement of Additional Information.

There may be an imperfect correlation between changes in the value of the Fund's portfolio holdings and hedging positions entered into by the Fund, which may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. In addition, the Fund's success in using hedging instruments is subject to Symphony's ability to predict correctly changes in the relationships of such hedge instruments to the Fund's portfolio holdings or other factors, and there can be no assurance that Symphony's judgment in this respect will be correct. Consequently, the use of hedging transactions might result in a poorer overall performance for the Fund, whether or not adjusted for risk, than if the Fund had not hedged its portfolio holdings. In addition, there can be no assurance that the Fund will enter into hedging or other transactions at times or under

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circumstances in which it would be advisable to do so. See "Risk Factors General Risks of Investing in the Fund -- Hedging Risk."

**Futures Contracts and Options on Futures Contracts.** The Fund's use of derivative instruments may include (i) U.S. Treasury security or U.S. Government Agency security futures contracts and (ii) options on U.S. Treasury security or U.S. Government Agency security futures contracts. All such instruments must be traded and listed on an exchange. U.S. Treasury and U.S. Government Agency futures contracts are standardized contracts for the future delivery of a U.S. Treasury Bond or U.S. Treasury Note or a U.S. Government Agency security or their equivalent at a future date at a price set at the time of the contract. An option on a U.S. Treasury or U.S. Government Agency futures contract, as contrasted with the direct investment in such a contract, gives the purchaser of the option the right, in return for the premium paid, to assume a position in a

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U.S. Treasury or U.S. Government Agency futures contract at a specified exercise price at any time on or before the expiration date of the option. Upon exercise of an option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer's future margin account, which represents the amount by which the market price of the futures contract exceeds the exercise price of the option on the futures contract.

The Fund may purchase and sell various other kinds of financial futures contracts and options thereon. Futures contracts may be based on various debt securities and securities indices (such as the Municipal Bond Index traded on the Chicago Board of Trade). Such transactions involve a risk of loss or depreciation due to unanticipated adverse changes in securities prices, which may exceed the Fund's initial investment in these contracts. The Fund will only purchase or sell futures contracts or related options in compliance with the rules of the Commodity Futures Trading Commission. These transactions involve transaction costs. There can be no assurance that the Fund's use of futures will be advantageous to the Fund. Guidelines established by one or more NRSROs that rate any Fund Preferred shares issued by the Fund may limit use of these transactions.

**Credit-Linked Notes.** The Fund may invest in credit-linked notes ("CLN") for risk management purposes, including diversification. A CLN is a derivative instrument that is a synthetic obligation between two or more parties where the payment of principal and/or interest is based on the performance of some obligation (a reference obligation). In addition to credit risk of the reference obligation and interest rate risk, the buyer/seller of the CLN is subject to counterparty risk. See "Risk Factors -- Counterparty Risk."

**Swaps.** Swap contracts may be purchased or sold to hedge against fluctuations in securities prices, interest rates or market conditions, to change the duration of the overall portfolio, or to mitigate default risk. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) to be exchanged or "swapped" between the parties, which returns are calculated with respect to a "notional amount," i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate or in a "basket" of securities representing a particular index.

**Credit Default Swaps.** The Fund may enter into credit default swap contracts for risk management purposes, including diversification. When the Fund is the buyer of a credit default swap contract, the Fund is entitled to receive the par (or other agreed-upon) value of a referenced debt obligation from the counterparty to the contract in the event of a default by a third party, such as a U.S. or non-U.S. corporate issuer, on the debt obligation. In return, the Fund would pay the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would have spent the stream of payments and received no benefit from the contract. When the Fund is the seller of a credit default swap contract, it receives the stream of payments, but is obligated to pay upon default of the referenced debt obligation. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap. The Fund will segregate assets in the form of cash and cash equivalents in an amount equal to the aggregate market value of the credit default swaps of which it is the seller, marked to market on a daily basis. These transactions involve certain risks, including the risk that the seller may be unable to fulfill the transaction.

**Interest Rate Swaps.** The Fund will enter into interest rate and total return swaps only on a net basis, i.e., the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the

net amount of the two payments. Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest (e.g., an exchange of fixed rate payments for floating rate payments). The Fund will only enter into interest rate swaps on a net basis. If the other party to an interest rate swap defaults, the Fund's risk of loss consists of the net amount of payments that the Fund is contractually entitled to receive. The net amount of the excess, if any, of the Fund's obligations over its entitlements will be maintained in a segregated account by the Fund's custodian. The Fund will not enter into any interest rate swap unless the claims-paying ability of the other party thereto is considered to be investment grade by the Advisers. If there is a default by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction. These instruments are traded in the over-the-counter market.

The Fund may use interest rate swaps for risk management purposes only and not as a speculative investment and would typically use interest rate swaps to shorten the average interest rate reset time of the Fund's holdings. Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest (e.g., an exchange of fixed rate payments for floating rate payments). The use of interest rate swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If Symphony is incorrect in its forecasts of market values, interest rates and other applicable factors, the investment performance of the Fund would be unfavorably affected.

**Total Return Swaps.** As stated above, the Fund will enter into total return swaps only on a net basis. Total return swaps are contracts in which one party agrees to make payments of the total return from the underlying asset(s), which may include securities, baskets of securities, or securities indices during the specified period, in return for payments equal to a fixed or floating rate of interest or the total return from other underlying asset(s).

**Currency Exchange Transactions.** The Fund may enter into currency exchange transactions to hedge the Fund's exposure to foreign currency exchange rate risk in the event the Fund invests in non-U.S. dollar denominated securities of non-U.S. issuers as described in this prospectus. The Fund's currency transactions will be limited to portfolio hedging involving portfolio positions. Portfolio hedging is the use of a forward contract with respect to a portfolio security position denominated or quoted in a particular currency. A forward contract is an agreement to purchase or sell a specified currency at a specified future date (or within a specified time period) and price set at the time of the contract. Forward contracts are usually entered into with banks, foreign exchange dealers or broker-dealers, are not exchange-traded, and are usually for less than one year, but may be renewed.

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

**Other Hedging Transactions.** The Fund also may invest in relatively new instruments without a significant trading history for purposes of hedging the Fund's portfolio risks. See "Other Investment Policies and Techniques" in the

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Fund's Statement of Additional Information for further information on hedging transactions.

Interest Rate Transactions. The Fund expects that the Fund's portfolio investments in Senior Loans and other adjustable rate debt instruments will serve as a hedge against the risk that Common Share net income and/or returns may decrease due to rising market dividend or interest rates on FundPreferred shares or Borrowings.

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### RISK FACTORS

The Fund is a diversified, closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objective. Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you invest in FundPreferred shares.

#### RISKS OF INVESTING IN FUNDPREFERRED SHARES

Interest Rate Risk. The Fund issues FundPreferred shares, which pay dividends based on short-term interest rates. If short-term interest rates rise, dividend rates on the FundPreferred shares may rise so that the amount of dividends paid to holders of FundPreferred shares exceeds the income from the Fund's portfolio securities. While the Fund intends to manage this risk through its portfolio investments in floating rate senior secured loans, there is no guarantee these strategies will be implemented or will be successful in reducing or eliminating this interest rate risk. In addition, rising market interest rates could negatively impact the value of the Fund's investment portfolio, reducing the amount of assets serving as asset coverage for the FundPreferred shares.

Auction Risk. You may not be able to sell your FundPreferred shares at an auction if the auction fails; that is, if there are more FundPreferred shares offered for sale than there are buyers for those shares. Also, if you place hold orders (orders to retain FundPreferred shares) at an auction only at a specified rate, and that bid rate exceeds the rate set at the auction, you will not retain your FundPreferred shares. Finally, if you buy shares or elect to retain shares without specifying a rate below which you would not wish to continue to hold those shares, and the auction sets a below-market rate, you may receive a lower rate of return on your shares than the market rate. See "Description of FundPreferred Shares" and "The Auction -- Auction Procedures."

Secondary Market Risk. If you try to sell your FundPreferred shares between auctions, you may not be able to sell any or all of your shares, or you may not be able to sell them for \$25,000 per share or \$25,000 per share plus accumulated dividends. If the Fund has designated a special dividend period (a rate period other than seven (7) days), changes in interest rates could affect the price you would receive if you sold your shares in the secondary market. Broker-dealers that maintain a secondary trading market for FundPreferred shares are not required to maintain this market, and the Fund is not required to redeem shares either if an auction or an attempted secondary market sale fails because of a lack of buyers. FundPreferred shares are not registered on a stock exchange or the Nasdaq stock market. If you sell your FundPreferred shares to a broker-dealer between auctions, you may receive less than the price you paid for

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them, especially when market interest rates have risen since the last auction.

Ratings and Asset Coverage Risk. While and assign ratings of " " and " ," respectively, to FundPreferred shares, the ratings do not eliminate or necessarily mitigate the risks of investing in FundPreferred shares. A rating agency could downgrade FundPreferred shares, which may make your shares less liquid at an auction or in the secondary market, though probably with higher resulting dividend rates. If a rating agency downgrades the rating assigned to FundPreferred shares, the Fund will alter its portfolio or redeem FundPreferred shares. The Fund may voluntarily redeem FundPreferred shares under certain circumstances. See "Description of FundPreferred Shares -- Asset Maintenance" for a description of the asset maintenance tests the Fund must meet.

Inflation Risk. Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted (or "real") value of your FundPreferred shares investment or the income from that investment will be worth less in the future. As inflation occurs, the real value of the FundPreferred shares and distributions declines. In an inflationary period, however, it is expected that, through the auction process, FundPreferred shares dividend rates would increase, tending to offset this risk. For additional general risks that inflation may pose to investors in the Fund see "Risk Factors -- General Risks of Investing in the Fund -- Inflation Risk."

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Decline in Net Asset Value Risk. A material decline in the Fund's net asset value may impair the Fund's ability to maintain required levels of asset coverage. For a description of risks affecting the Fund, please see "-- General Risks of Investing in the Fund" below.

Payment Restrictions. The Fund is prohibited from declaring, paying or making any dividends or distributions on FundPreferred shares unless it satisfies certain conditions. See "Description of FundPreferred Shares -- Restrictions on Dividend, Redemption and Other Payments." The Fund is also prohibited from declaring, paying or making any dividends or distributions on common shares unless it satisfies certain conditions. These prohibitions on the payment of dividends or distributions might impair the Fund's ability to maintain its qualification as a regulated investment company for federal income tax purposes. While the Fund intends to redeem shares of FundPreferred shares if necessary to comply with the asset coverage requirements, there can be no assurance that such redemptions can be effected in time to permit the Fund to distribute its income as required to maintain its qualification as a regulated investment company under the Code. See "Federal Income Tax Matters -- Federal Income Tax Treatment of the Fund."

Leverage Risk. The Fund uses financial leverage in an amount currently anticipated to represent approximately 38% of its total assets (including the proceeds from such financial leverage). In addition to issuing FundPreferred shares, the Fund will make further use of financial leverage through borrowing, including the issuance of commercial paper or notes. In addition, the Fund may also borrow funds (a) in connection with a loan made by a bank or other party that is privately arranged and not intended to be publicly distributed or (b) in an amount equal to up to 5% of its total assets for temporary purposes only.

If the Fund issues any senior securities representing indebtedness (as defined in the 1940 Act) under the requirements of the 1940 Act, the value of the Fund's total assets, less all liabilities and indebtedness of the Fund not represented by such senior securities, must be at least equal, immediately after any such senior securities representing indebtedness, to 300% of the aggregate value of such senior securities. Upon the issuance of FundPreferred shares, the



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value of the Fund's total assets, less all liabilities and indebtedness of the Fund not represented by senior securities must be at least equal, immediately after the issuance of the FundPreferred shares, to 200% of the aggregate value of any senior securities and the FundPreferred shares.

If the Fund seeks an investment grade rating from one or more nationally recognized statistical rating organizations for any commercial paper and notes (which the Fund expects to do if it issues any such commercial paper or notes), asset coverage or portfolio composition provisions in addition to and more stringent than those required by the 1940 Act may be imposed in connection with the issuance of such a rating. In addition, restrictions may be imposed on certain investment practices in which the Fund may otherwise engage. Any lender with respect to borrowings by the Fund may require additional asset coverage and portfolio composition provisions as well as restrictions on the Fund's investment practices.

The money borrowed pursuant to any Borrowings may constitute a substantial lien and burden on the FundPreferred shares by reason of their prior claim against the income of the Fund and against the net assets of the Fund in liquidation. The Fund may not be permitted to declare dividends or other distributions, including with respect to FundPreferred shares, or purchase or redeem shares, including FundPreferred shares unless (i) at the time thereof the Fund meets certain asset coverage requirements and (ii) there is no event of default under any Borrowings, that is continuing. See "Description of FundPreferred Shares -- Restrictions on Dividend, Redemption and Other Payments." In the event of a default under any Borrowings, the lenders may have the right to cause a liquidation of the collateral (i.e., sell portfolio securities) and if any such default is not cured, the lenders may be able to control the liquidation as well.

The Fund reserves the right at any time, if it believes that market conditions are appropriate, to increase its level of debt or other senior securities to maintain or increase the Fund's current level of leverage to the extent permitted by the 1940 Act and existing agreements between the Fund and third parties.

Because the fee paid to the Advisers will be calculated on the basis of Managed Assets, the fee will be higher when leverage is utilized, giving the Advisers an incentive to utilize leverage.

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### GENERAL RISKS OF INVESTING IN THE FUND

**Limited Operating History.** The Fund is a recently organized, diversified, closed-end management investment company with a limited history.

**Investment and Market Risk.** An investment in the Fund's common shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. An investment in common shares and FundPreferred shares represents an indirect investment in the securities owned by the Fund, most of which are not traded on a national securities exchange, Nasdaq or in the over-the-counter markets. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably.

Common shares and FundPreferred shares at any point in time may be worth less than the original investment, even after taking into account the reinvestment of Fund dividends and distributions. The Fund likely will use leverage, which magnifies the securities market risks described above. See "Use of Leverage."

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Below Investment Grade Risk. The Fund may purchase Senior Loans and other debt instruments that are rated below investment grade or that are unrated but judged to be of comparable quality by Symphony. No more than 10% of the Fund's Managed Assets may be invested in securities rated CCC+ or Caa or below by S&P, Moody's or Fitch or that are unrated but judged to be of comparable quality. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as "junk bonds." Issuers of lower grade securities may be highly leveraged and may not have available to them more traditional methods of financing. The prices of these lower grade securities are typically more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. The secondary market for lower grade securities, including some Senior Loans, may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund's ability to dispose of a particular security. There are fewer dealers in the market for lower grade securities than for investment grade obligations. The prices quoted by different dealers for lower grade securities may vary significantly and the spread between the bid and ask price for such securities is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for lower grade securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund's net asset value.

Non-U.S. Issuer Risk. The Fund may invest up to 20% of its Managed Assets in Senior Loans and other debt instruments of non-U.S. issuers that are U.S. dollar or non-U.S. dollar denominated. Initially, the Fund does not intend to invest in non-U.S. dollar denominated securities. The Fund's Managed Assets to be invested in debt securities of non-U.S. issuers may include debt securities of issuers located, or conducting their business in, emerging markets countries. Initially, the Fund does not intend to invest in securities of emerging markets issuers. Investments in securities of non-U.S. issuers involve special risks not presented by i