

# Bancroft Convertible Fund, Inc.

797,918 Shares of Common Stock  
Issuable upon Exercise of Non-Transferable  
Rights to Subscribe for such Shares of Common Stock

Bancroft Convertible Fund, Inc. (the “Fund”) is offering to its common stockholders of record as of November 13, 2003 non-transferable rights (“Rights”). These Rights will allow you to subscribe for one share of the Fund’s Common Stock for each six Rights held (the “Offer”). You will receive one Right for each whole share of Common Stock that you hold of record as of November 13, 2003, rounded up to the nearest number of Rights evenly divisible by six. The Rights will not be listed for trading on the American Stock Exchange (“AMEX”) or any other exchange. **The subscription price (the “Subscription Price”) will be the lesser of (a) 95% of the net asset value per share of the Fund’s Common Stock on December 17, 2003 (the “Pricing Date”), or (b) 95% of the average of the volume-weighted average sales prices of a share of the Fund’s Common Stock on the AMEX on the Pricing Date and the four preceding trading days.**

**Rights may be exercised at any time prior to 5:00 p.m., Eastern time, on December 16, 2003 (the “Expiration Date”), unless extended. Since the Offer closes prior to the Pricing Date, stockholders who exercise their Rights will not know the Subscription Price at the time they exercise their Rights. Payment of the estimated Subscription Price of \$18.32 per share must be made when a stockholder exercises the Rights.**

The Fund is a closed-end, diversified management investment company, whose shares of Common Stock are listed and traded on the AMEX under the symbol “BCV.” The Fund invests primarily in convertible securities with the objectives of providing income and the potential for capital appreciation (which objectives the Fund considers to be relatively equal due to the nature of the securities in which it invests). The Fund will invest, under normal circumstances, at least 80% of the value of its assets (consisting of net assets plus the amount of any borrowings for investment purposes) in convertible securities. **Investing in the Fund involves certain risks. See “Risk Factors and Special Considerations” on page 18.** The net asset value per share of the Fund’s Common Stock at the close of business on November 13, 2003 was \$20.98, and the last reported sales price of a share of the Fund’s Common Stock on the AMEX on that date was \$18.85.

Neither the Securities and Exchange Commission (“SEC”) 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.

	Estimated <u>Subscription Price (1)</u>	<u>Sales Load</u>	Proceeds, before expenses, to <u>the Fund (2)</u>
Per Share	\$18.32	None	\$18.32
Total	\$14,617,858	None	\$14,617,858

- (1) Estimated based on an estimated Subscription Price per share of 95% of the average of the volume-weighted average sales prices of a share of the Fund’s Common Stock on the AMEX on November 13, 2003 and the four preceding trading days.
- (2) Before deduction of expenses payable by the Fund, estimated at \$175,492, which will be charged against paid-in capital of the Fund.

The date of this Prospectus is November 17, 2003.

Stockholders who do not fully exercise their Rights should expect that they will, at the completion of the Offer, own a smaller proportional interest in the Fund than if they exercised their Rights. As a result of the Offer, you may experience an immediate dilution of the aggregate net asset value of your shares, which under certain circumstances, may be substantial. This is because the Subscription Price per share and the net proceeds to the Fund for each new share sold will be less than the Fund's net asset value per share on the Expiration Date. The Fund cannot state precisely the extent of this dilution at this time because it does not know what the net asset value or market price per share will be when the Offer expires or what proportion of the Rights will be exercised. See "Prospectus Summary – Risk Factors and Special Considerations – Dilution."

This Prospectus contains information you should know before exercising your Rights, including information about risks. Please read it before you invest and keep it for future reference. A Statement of Additional Information, dated November 17, 2003, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. The table of contents of the Statement of Additional Information appears on page 31 of this Prospectus, and a copy is available at no charge by calling the Information Agent at (888) 613-9988 or at the SEC's internet website (<http://www.sec.gov>).

Shares will be ready for delivery on or about January 13, 2004.

**You should rely only on the information contained in this Prospectus and the related Statement of Additional Information. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this Prospectus and the related Statement of Additional Information is accurate only as of the date on the front covers of this Prospectus and the related Statement of Additional Information. Our business, financial condition, results of operations and prospects may have changed since that date.**

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## PROSPECTUS SUMMARY

You should consider the matters discussed in this summary before investing in the Fund through the Offer. This summary is qualified in its entirety by reference to the detailed information included in this Prospectus and the related Statement of Additional Information.

### Purpose of the Offer

The Board of Directors of the Fund has determined that it would be in the best interest of the Fund and its stockholders to increase the assets of the Fund available for investment so that it may be in a better position to take advantage of investment opportunities that may arise. The Offer seeks to reward existing stockholders in the Fund by giving them the opportunity to purchase additional shares at a price below market and/or net asset value and without incurring any brokerage commissions. See “The Offer — Purposes of the Offer.”

The Board of Directors believes that a larger asset base may increase the level of market interest in and visibility of the Fund and improve the trading liquidity of the Fund’s shares on the American Stock Exchange (“AMEX”).

### Important Terms of the Offer

Offer.....	The Fund is offering to its stockholders non-transferable rights (“Rights”) to subscribe for shares of the Fund’s Common Stock (the “Offer”).
Total number of shares available for primary subscription.....	797,918 Shares of the Fund’s Common Stock (the “Shares”).
Number of Rights you will receive for each outstanding share you own on November 13, 2003 (the “Record Date”).....	One Right for every one share, rounded up to the nearest number of Rights evenly divisible by six.
Number of Shares you may purchase with your Rights at the Subscription Price per Share.....	One Share for every six Rights.
Subscription Price (the “Subscription Price”).....	The lesser of (A) 95% of the net asset value per share of the Fund’s Common Stock on December 17, 2003 (the “Pricing Date”) or (B) 95% of the average of the volume-weighted average sales prices of a share of the Fund’s Common Stock on the AMEX on the Pricing Date and the four preceding trading days.

### Additional Terms of the Offer

The Rights will not be listed for trading on the AMEX or any other exchange. Rights may be exercised at any time from November 18, 2003 through 5:00 p.m., Eastern time, on December 16, 2003 (the “Expiration Date”), unless extended. Since the Expiration Date is prior to the Pricing Date, stockholders who exercise their Rights will not know the Subscription Price at the time they exercise their

Rights. Payment of the estimated Subscription Price of \$18.32 per Share must be made when a stockholder exercises the Rights.

### **Over-Subscription Privilege**

If you fully exercise all Rights issued to you, you will be entitled to subscribe for additional Shares that were not subscribed for by other stockholders. If sufficient Shares are available, all stockholders' over-subscription requests will be honored in full. If these requests for additional Shares exceed the Shares available, the available Shares will be allocated pro rata among stockholders who over-subscribe based on the number of Rights originally issued to them by the Fund. See "The Offer - Over-Subscription Privilege."

### **Method of Exercising Rights**

The Rights will be evidenced by subscription certificates ("Subscription Certificates"). If you are a stockholder of record, your Subscription Certificate will be sent to you. If your shares are held by a nominee, such as a bank, broker, trust company or other financial institution ("Nominee"), the Subscription Certificate will be sent to your Nominee.

Stockholders who are record owners can choose between either option below to exercise rights. Stockholders whose shares are held by a Nominee must choose option (2) below to exercise their Rights. You may exercise your Rights in the following ways:

(1) Complete and sign the Subscription Certificate. Mail it in the envelope provided or deliver it, together with payment of the Estimated Subscription Price of \$18.32 per Share, to American Stock Transfer & Trust Company (the "Subscription Agent") at the address indicated on the Subscription Certificate. Your completed and signed Subscription Certificate and payment in good funds of the Estimated Subscription Price of \$18.32 per Share must be received prior to 5:00 p.m. Eastern time on the Expiration Date. Final payment of the actual Subscription Price per Share must be received by the Subscription Agent by January 8, 2004.

(2) Contact your Nominee, which can arrange, on your behalf, to guarantee delivery of payment and delivery of a properly completed and executed Subscription Certificate pursuant to a notice of guaranteed delivery ("Notice of Guaranteed Delivery"). A stockholder who is a record owner may also contact a bank, broker, trust company, New York Stock Exchange member firm or financial institution, which can arrange for a Notice of Guaranteed Delivery. A fee may be charged for this service. The Notice of Guaranteed Delivery must be received by the Expiration Date. A properly completed and executed Subscription Certificate, together with payment of the Estimated Subscription Price of \$18.32 per Share, must be received by the Subscription Agent by the close of business on the third business day after the Expiration Date (December 19, 2003, unless the Offer is extended) or the Subscription Agent will not honor a Notice of Guaranteed Delivery. Final payment of the actual Subscription Price per share must be received by the Subscription Agent by January 8, 2004.

Since the Expiration Date is prior to the Pricing Date, stockholders who choose to exercise their Rights will not know the Subscription Price at the time they exercise such Rights. Stockholders will have no right to rescind their subscription after the Subscription Agent has received their payment for Shares. See "The Offer - Method of Exercising Rights" and "The Offer - Payment for Shares." Subscription payments will be held by the Subscription Agent, in a segregated, interest bearing account, pending completion of the processing of the subscription. No interest on subscription payments will be paid to subscribers.

The Rights are not transferable. Therefore, only the underlying Shares, and not the Rights, will be admitted for trading on the AMEX. Fractional shares will not be issued on exercise of Rights.

**Obtaining Subscription Information**

Stockholders' inquiries about the Offer should be directed to their broker, bank or trust company, or to:

Georgeson Shareholder Communications Inc.  
(888) 613-9988

You may also call the Fund collect at (973) 631-1177.

**Important Dates to Remember**

<u>Event</u>	<u>Date</u>
Record Date .....	November 13, 2003
Subscription Period.....	November 18, 2003 through December 16, 2003*
Expiration Date (Deadline for delivery of Subscription Certificate together with payment of Estimated Subscription Price, or for delivery of Notice of Guaranteed Delivery).....	December 16, 2003*
Pricing Date .....	December 17, 2003*
Nominee Subscription Certificate and Payment of Estimated Subscription Price for Shares Due Pursuant to Notice of Guaranteed Delivery .....	December 19, 2003*
Confirmation to Participants .....	December 23, 2003*
Final Payment for Shares .....	January 8, 2004*

\*Unless the Offer is extended.

**Tax Consequences**

For Federal income tax purposes, neither the receipt nor the exercise of the Rights will result in taxable income to you. You will not realize a taxable loss if your Rights expire without being exercised. See "The Offer – Federal Income Tax Consequences of the Offer."

**Information about the Fund**

The Fund is a closed-end, diversified management investment company, incorporated under the laws of the State of Delaware on September 10, 1970.

The Fund invests primarily in convertible securities, with the objectives of providing income and the potential for capital appreciation (which objectives the Fund considers to be relatively equal due to the nature of the securities in which it invests). These investment objectives may be changed in the future by the Fund's Board of Directors without the approval of a majority of the Fund's outstanding voting securities. The Fund will provide stockholders with at least 60 days prior notice of any change to these investment objectives.

The Fund expects that a substantial majority of its assets will consist of convertible securities. The Fund has adopted a non-fundamental investment policy providing that the Fund will invest, under normal circumstances, at least 80% of the value of its assets (consisting of net assets plus the amount of any borrowings for investment purposes) in convertible securities. This investment policy may be changed in the future by the Fund's Board of Directors without the approval of a majority of the Fund's outstanding voting securities. The Fund will provide stockholders with at least 60 days prior notice of any change to this investment policy.

Convertible securities include debt securities and preferred stocks which are convertible into, or carry the right to purchase, common stock or other equity securities. The debt security or preferred stock may itself be convertible into or exchangeable for equity securities, or the conversion privilege may be evidenced by warrants attached to the security or acquired as part of a unit with the security. The convertible security may be structured so that it is convertible at the option of the holder or of the issuer, or subject to mandatory conversion. The remainder of the Fund's assets may be invested in other securities, including non-convertible preferred stocks and investment grade debt securities, common stock received upon conversion or exchange of securities, options, warrants, securities of the U.S. Government, its agencies and instrumentalities, foreign securities, American Depositary Receipts, or repurchase agreements, or they may be held as cash. The Fund is not required to sell securities for the purpose of assuring that 80% of its assets are invested in convertible securities.

An investment in the Fund is not appropriate for all investors. There can be no assurance that the Fund's investment objectives will be realized. See "Investment Objectives and Policies."

### **Capital Stock**

The Fund's Common Stock is listed and traded on the AMEX under the symbol "BCV." As of November 13, 2003, the Fund had 4,725,858 shares of Common Stock issued and outstanding. See "Description of Capital Stock."

### **Investment Adviser**

Davis-Dinsmore Management Company (the "Adviser") provides investment advisory services to the Fund. For its services, the Fund pays the Adviser a monthly advisory fee, computed at an annual rate of 3/4 of 1% of the first \$100,000,000, and 1/2 of 1% of the excess over \$100,000,000, of the Fund's net asset value in such month. For purposes of calculation of the fee, the net asset value for a month will be the average of the Fund's net asset values at the close of business on the last business day on which the New York Stock Exchange is open in each week in the month. See "Management of the Fund."

### **Risk Factors and Special Considerations**

The following summarizes some of the matters that you should consider before subscribing for Shares of the Fund through the Offer.

**Dilution** ..... Stockholders who do not fully exercise their Rights should expect that they will, at the completion of the Offer, own a smaller proportional interest in the Fund than if they exercised their Rights. In addition, as a result of the Offer, you may experience an immediate dilution of the aggregate net asset value of your shares, which, under certain circumstances, may be substantial. This is because the Subscription Price per share and the net proceeds to the Fund for each new Share sold will be less than the Fund's net asset value per share on the

Expiration Date. It is not possible to state precisely the amount of such dilution because it is not known at this time how many Shares will be subscribed for or what the net asset value or market price per share will be on the Pricing Date. For an example of the potential dilution that may result from the Offer see “Risk Factors and Special Considerations – Dilution.”

**Risk of Trading Discounts.....**

The Fund’s shares have generally traded in the market below (a discount from) net asset value since the commencement of the Fund’s operations in September 1970. The Fund’s shares have traded at discounts of as much as 23.33% in the past 20 years. The possibility that shares of the Fund will trade at a discount from net asset value is a risk separate and distinct from the risk that the Fund’s net asset value will decrease. The risk of purchasing shares of a closed-end fund, such as the Fund, that might trade at a discount is more pronounced for investors who wish to sell their shares in a relatively short period of time because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. See “Risk Factors and Special Considerations – Risk of Trading Discounts.”

For the fiscal year ended October 31, 2003, the Fund’s shares traded in the market at an average daily discount to net asset value of 3.32%. As of November 13, 2003, the discount to net asset value was 10.15%. There can be no assurance that the current discount level will not change. See “Description of Capital Stock – Net Asset Values and Sales Prices.”

**Risk of Decline in Net Asset Value .....**

The Fund is subject to market risk – the possibility that the securities it holds will decline over short or extended periods of time. As a result, the value of an investment in the Fund’s Common Stock will fluctuate with the market, and you could lose money over short or long periods of time. It is the Fund’s policy to invest at least 80% of its assets in convertible securities. Although convertible securities do derive part of their value from that of the securities into which they are convertible, they are not considered derivative financial instruments. However, certain of the Fund’s investments include features which render them more sensitive to price changes in their underlying securities. Thus, they expose the Fund to greater downside risk than traditional convertible securities, but still less than that of the underlying common stock. See “Investment Objectives and Policies – Discussion of Convertible Securities.”

**Credit Risk.....**

Credit risk is the risk that an issuer will fail to pay interest or dividends and principal in a timely manner. Companies that issue convertible securities may be small to medium-size, and they often have low credit ratings. In addition, the credit rating of a company’s convertible securities is generally lower than that of its conventional debt securities. Convertible securities are normally considered “junior” securities - that is, the company usually must pay interest on its

conventional debt before it can make payments on its convertible securities. Credit risk could be high for the Fund, because it could invest in securities with low credit quality.

**Interest Rate Risk .....** Interest rate risk is the possibility that prices of securities will decline along with overall bond prices, over short or even long periods, because of rising interest rates. Convertible securities are particularly sensitive to interest rate changes when their predetermined conversion price is much higher than the issuing company's common stock.

**Manager Risk .....** Manager risk is the risk that poor security selection will cause the Fund to underperform other funds with a similar investment objective .

**Anti-Takeover Provisions.....** The Fund has provisions in its governing instruments which could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. See "Certain Charter Provisions."

**Ineligibility of Shares Issued to Receive Next Dividend.....** Historically, the Fund has paid quarterly dividends to its stockholders. It is likely that the Fund's Board of Directors will declare a dividend during the Subscription Period. Because the record date for such dividend would be prior to the Expiration Date, any Shares issued pursuant to the Offer would not be eligible to receive such dividend. Additionally, since the Subscription Price would be determined after the dividend record date, the Subscription Price would be priced ex-dividend.

## FUND EXPENSES

The following tables are intended to assist investors in understanding the various costs and expenses that a stockholder of the Fund will bear, directly or indirectly.

Stockholder Transaction Expenses	
Sales Load .....	None
Cash Payment Plan Fee .....	\$1.25 <sup>(1)</sup>
Annual Expenses (as a percentage of average net assets attributable to the Fund's Common Stock)	
Management Fees .....	0.75%
Other Expenses <sup>(2)</sup> .....	0.45%
Total Annual Expenses .....	1.20%

- 
- (1) Represents the bank service charge per transaction for the Cash Payment Plan.
  - (2) Other Expenses are based on estimated amounts for the current fiscal year.

### Example

The following Example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in the Fund's Common Stock. These amounts are based upon payment by the Fund of management fees and other expenses at the levels set forth in the above table.

An investor would directly or indirectly pay the following expenses on a \$1,000 investment in shares of the Fund's Common Stock, assuming (i) the market price at the time of investment was equal to the net asset value ("NAV") per share, (ii) a 5% annual return and (iii) reinvestment of all distributions at NAV:

One Year	Three Years	Five Years	Ten Years
\$12	\$38	\$66	\$145

This Example assumes that the percentage amounts listed under Annual Expenses remain the same in the years shown. The above tables and the assumption in the Example of a 5% annual return and reinvestment at NAV are required by regulation of the SEC and are applicable to all investment companies, and the assumed 5% annual return is not a prediction of, and does not represent, the projected performance of the Fund's Common Stock. Actual expenses and annual rates of return may be more or less than those allowed for purposes of this Example. In addition, while the Example assumes reinvestment of all distributions at NAV, the Fund's Automatic Dividend Investment and Cash Payment Plan contemplates reinvestment of net investment income dividends and capital gain distributions in shares of the Fund's Common Stock, based on the lower of the market price or NAV on the valuation date, except that distributions may not be reinvested for less than 95% of the market price.

**THIS EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. THE FUND'S ACTUAL EXPENSES MAY BE MORE OR LESS THAN THOSE SHOWN.**

## FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund's financial performance for the periods presented and reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned on an investment in the Fund (assuming reinvestment of all dividends and distributions). The information for the six months ended April 30, 2003 has not been audited. The information for each of the ten fiscal years in the period ended October 31, 2002 has been audited by PricewaterhouseCoopers LLP, independent accountants. The audited financial statements included in the Annual Report to the Fund's Stockholders for the fiscal year ended October 31, 2002, together with the report of PricewaterhouseCoopers LLP thereon, and the unaudited financial statements included in the Semi-Annual Report to the Fund's Stockholders for the six months ended April 30, 2003 are incorporated by reference into the Statement of Additional Information. Further information about the performance of the Fund is available in the Fund's 2002 Annual Report to Stockholders and the Fund's Semi-Annual Report to Stockholders dated April 30, 2003. The Statement of Additional Information, the Fund's 2002 Annual Report to Stockholders and the Fund's Semi-Annual Report to Stockholders dated April 30, 2003 may be obtained from the Fund free of charge by calling the Fund collect at (973) 631-1177.

	Six Months Ended April 30, 2003 (unaudited)	Years Ended October 31,			
		2002	2001	2000	1999
<b>Operating Performance:</b>					
Net asset value, beginning of period.....	\$18.55	\$20.72	\$27.09	\$27.35	\$26.89
Net investment income.....	.27	.79	1.07	1.04	.78
Net realized and unrealized gain (loss).....	1.14	(2.02)	(3.23)	2.29	3.40
Total from investment operations.....	1.41	(1.23)	(2.16)	3.33	4.18
<b>Less Distributions:</b>					
Dividends from net investment income.....	(.41)	(.94)	(1.11)	(.80)	(.78)
Distributions from realized gains.....	---	---	(3.10)	(2.90)	(2.94)
Total Distributions.....	(.41)	(.94)	(4.21)	(3.70)	(3.72)
Capital share repurchases.....	---	---	---	.11	---
Net asset value, end of period.....	\$19.55	\$18.55	\$20.72	\$27.09	\$27.35
Market value, end of period.....	\$18.95	\$17.54	\$18.75	\$22.63	\$22.25
Total Net Asset Value Return %(a).....	7.71	(6.29)	(8.68)	13.62	16.36
Total Investment Return %(b).....	10.50	(1.82)	1.31	20.63	(2.96)
<b>Ratios/Supplemental Data:</b>					
Net assets, end of year (\$000's).....	\$92,394	\$86,904	\$95,864	\$111,336	\$103,791
Ratio of expenses to average net assets (%) .	1.2(c)	1.2	1.1	1.1	1.1
Ratio of net investment income to average net assets (%).....	2.9(c)	4.0	4.9	3.8	3.0
Portfolio turnover rate (%).....	39	78	83	93	72

(a) Assumes valuation of the Fund's shares, and reinvestment of dividends, at net asset values.

(b) Assumes valuation of the Fund's shares at market price and reinvestment of dividends at actual reinvestment price.

(c) Annualized.

	Years Ended October 31,					
	1998	1997	1996	1995	1994	1993
<b>Operating Performance:</b>						
Net asset value, beginning of period.....	\$30.48	\$28.23	\$24.84	\$23.11	\$25.00	\$22.75
Net investment income.....	.87	.94	.96	1.14	1.20	1.26
Net realized and unrealized gain (loss).....	(.01)	4.55	4.19	2.30	(1.18)	3.07
Total from investment operations.....	.86	5.49	5.15	3.44	.02	4.33
<b>Less Distributions:</b>						
Dividends from net investment income.....	(.88)	(.93)	(1.11)	(1.17)	(1.24)	(1.24)
Distributions from realized gains.....	(3.57)	(2.31)	(.65)	(.54)	(.67)	(.84)
Total Distributions.....	(4.45)	(3.24)	(1.76)	(1.71)	(1.91)	(2.08)
Capital share repurchases.....	---	---	---	---	---	---
Net asset value, end of period.....	\$26.89	\$30.48	\$28.23	\$24.84	\$23.11	\$25.00
Market value, end of period.....	\$26.75	\$26.81	\$23.88	\$22.25	\$20.13	\$23.00
Total Net Asset Value Return %(a).....	(3.16)	21.18	21.55	15.79	0.18	20.12
Total Investment Return %(b).....	18.17	28.19	15.65	20.17	(4.88)	22.90
<b>Ratios/Supplemental Data:</b>						
Net assets, end of year (\$000's).....	\$93,433	\$96,187	\$83,302	\$71,425	\$64,551	\$67,829
Ratio of expenses to average net assets (%) .	1.1	1.2	1.2	1.2	1.2	1.2
Ratio of net investment income to average net assets (%).....	3.1	3.3	3.9	4.9	5.2	5.4
Portfolio turnover rate (%).....	55	71	70	43	39	102

(a) Assumes valuation of the Fund's shares, and reinvestment of dividends, at net asset values.

(b) Assumes valuation of the Fund's shares at market price and reinvestment of dividends at actual reinvestment price.

## INVESTMENT PERFORMANCE

The table below presents average annual total returns of the Fund's Common Stock on two separate bases. The NAV Return is the compound average annual rate of return, using NAVs, on an amount invested in the Fund from the beginning to the end of the stated period and assumes reinvestment of net investment income dividends and capital gains distributions at NAV. The Market Value Return presents the same information, but values the Fund at market rather than NAV and reinvestment of dividends at actual reinvestment price and, therefore, reflects the actual experience of a stockholder, before commission costs, who bought and sold shares of the Fund at the beginning and ending dates.

The record of the Credit Suisse First Boston Convertible Securities Index (the "CSFB Index") has been included so that the Fund's results may be compared with an index of convertible securities. The CSFB Index is an unmanaged index which generally includes 250-300 issues representing convertible issues, U.S. dollar-denominated debentures and preferred stock which can be converted into a specified number of shares of common stock. The record of the Standard & Poor's Composite Stock Price 500 Index (the "S&P 500 Index") has been included so that the Fund's results may be compared with a widely recognized, unmanaged benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The record of the Russell 2000<sup>®</sup> Index has been included so that the Fund's results may be compared with an unmanaged index reflecting the performance of the 2,000 smallest companies in the Russell 3000<sup>®</sup> Index (which represent the 3,000 largest U.S. companies based on total market capitalization). The Fund primarily invests in convertible securities. The figures for each Index assume reinvestment of dividends.

	One Year Ended October 31, 2003(%)	Three Years Ended October 31, 2003(%)	Five Years Ended October 31, 2003(%)	Ten Years Ended October 31, 2003(%)	From April 20, 1971 (day trading began) to October 31, 2003(%)
Fund NAV Return	16.67	-0.05	5.81	8.90	9.80 <sup>(a)</sup>
Fund Market Value Return	16.71	5.18	6.16	10.55	10.95 <sup>(b)</sup>
Credit Suisse First Boston Convertible Securities Index	30.04	-1.28	8.74	8.68	— <sup>(c)</sup>
S&P 500 Index	20.80	-8.33	0.53	10.41	11.07
Russell 2000 <sup>®</sup> Index	43.40	3.52	8.43	7.37 <sup>(d)</sup>	— <sup>(c)</sup>

<sup>(a)</sup> Reflects a stockholders full participation in the 1988 rights offering. If a stockholder did not participate in the 1988 rights offering, the Fund NAV Return would be 9.49%.

<sup>(b)</sup> Reflects a stockholders full participation in the 1988 rights offering. If a stockholder did not participate in the 1988 rights offering, the Fund Market Value Return would be 10.59%.

<sup>(c)</sup> Beginning of stated period pre-dates inception of index.

<sup>(d)</sup> Simple appreciation of index.

It should be noted that the NAV Return for the period from April 20, 1971 through October 31, 2003 is based on the Fund's initial NAV of \$23.00 per share, rather than the initial public offering price of \$25.00 per share. Accordingly, that figure does not reflect underwriting commissions and discounts or expenses of the offering paid by stockholders who purchased the Fund's shares in the initial public offering.

The above results represent past performance and should not be considered an indication of future performance from an investment in the Fund today. They are provided only to give an historical perspective of the Fund. The investment return and net asset and market prices will fluctuate, so that shares of Common Stock may be worth more or less than their original cost when sold.

## **THE OFFER**

### **Terms of the Offer**

The Fund is offering to common stockholders of record as of the close of business on the Record Date, Rights to subscribe for an aggregate of 797,918 Shares of the Common Stock of the Fund.

Each stockholder is being issued one Right for each whole share of Common Stock owned on the Record Date rounded up to the nearest number of Rights evenly divisible by six. The Rights entitle a stockholder to acquire at the subscription price one Share for each six Rights held. Fractional Shares will not be issued upon the exercise of Rights. In the case of shares held of record by a Nominee, the number of Rights issued to such Nominee will be adjusted to permit rounding up (to the nearest number of Rights evenly divisible by six) of the Rights to be received by each of the beneficial owners for whom it is the holder of record only if the Nominee provides to the Fund, on or before the close of business on December 15, 2003, a written representation of the number of Rights required for such rounding.

Rights may be exercised at any time during the subscription period, which commences on November 18, 2003 and ends as of 5:00 p.m., Eastern time, on December 16, 2003 (the "Subscription Period") unless extended by the Fund (such date, as it may be extended, is referred to in this Prospectus as the "Expiration Date"). A stockholder's right to acquire one additional Share for each six Rights held during the Subscription Period at the subscription price is referred to as the "Primary Subscription." The Rights are evidenced by subscription certificates ("Subscription Certificates"), which will be mailed to stockholders or their Nominee.

The subscription price (the "Subscription Price") will be the lesser of (A) 95% of the net asset value per share of the Fund's Common Stock on December 17, 2003 (the "Pricing Date") or (B) 95% of the average of the volume-weighted average sales prices of a share of the Fund's Common Stock on the AMEX on the Pricing Date and the four preceding trading days. Since the time of the close of the Offer on the Expiration Date is prior to the Pricing Date, holders who choose to exercise their Rights will not know the Subscription Price at the time they exercise their Rights.

In addition, any stockholder who fully exercises all Rights issued to him or her is entitled to subscribe for additional Shares, which were not otherwise subscribed for in the Primary Subscription, at the Subscription Price (the "Over-Subscription Privilege"). Shares acquired pursuant to the Over-Subscription Privilege are subject to allotment, which is more fully discussed below under "The Offer – Over-Subscription Privilege."

The Rights are non-transferable. Therefore, only the underlying Shares, and not the Rights, will be listed for trading on the AMEX.

## **Purposes of the Offer**

The Board of Directors of the Fund has determined that (i) it would be in the best interests of the Fund and its stockholders to increase the assets of the Fund available for investment so that it may be in a better position to take advantage of investment opportunities that may arise, and (ii) the potential benefits of the Offer to the Fund and its stockholders will outweigh the dilution to stockholders who do not fully exercise their Rights. The proceeds of the Offer will enable the Fund's portfolio managers to take advantage of perceived investment opportunities without having to sell existing portfolio holdings which they otherwise would retain. Increasing the size of the Fund also might result in lowering the Fund's expenses as a percentage of average net assets. The Offer seeks to reward investors by giving existing stockholders the opportunity to purchase additional Shares at a price below market and/or net asset value and without brokerage commissions.

The Board of Directors of the Fund believe that a larger asset base may increase the level of market interest in and visibility of the Fund and improve the trading liquidity of the Fund's shares on the AMEX.

Currently, the majority of new convertible offerings are made pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act"). In order to participate in these offerings, a buyer must qualify as a Qualified Institutional Buyer ("QIB"). A QIB generally must invest on a discretionary basis at least \$100 million in securities. Although the assets of the Fund are less than \$100 million, the Fund is able to participate in these offerings because its investment adviser, Davis-Dinsmore Management Company (the "Adviser"), is a QIB (it is an investment adviser registered under the Investment Advisers Act of 1940, as amended, and invests on a discretionary basis at least \$100 million in securities). If the Adviser no longer qualified as a QIB, the Fund would no longer be able to participate in Rule 144A offerings. However, if the Offer is successful, the Fund may independently qualify as a QIB.

The Adviser will benefit from the Offer because its fees are based on the average weekly net assets of the Fund. See "Management of the Fund - Management Fees." It is not possible to state precisely the amount of additional compensation the Adviser will receive as a result of the Offer because it is not known how many Shares will be subscribed for and because the net proceeds of the Offer will be invested in additional portfolio securities that will fluctuate in value. Two of the Fund's Directors who voted to authorize the Offer are "interested persons," within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act"), of the Adviser, and therefore could benefit indirectly from the Offer. The other seven Directors are not "interested persons" of the Fund or the Adviser.

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

There can be no assurance that the Fund or its stockholders will achieve any of the foregoing objectives or benefits through the Offer.

## **Over-Subscription Privilege**

If some stockholders do not exercise all of the Rights initially issued to them, any Shares for which subscriptions have not been received from stockholders will be offered by means of the Over-Subscription Privilege to those stockholders who have exercised all of the Rights initially issued to them and who wish to acquire additional Shares. Stockholders who exercise all of the Rights initially

issued to them should indicate on the Subscription Certificate how many Shares they are willing to acquire through this Over-Subscription Privilege. If sufficient Shares remain after completion of the Primary Subscription, all over-subscription requests will be honored in full. However, if sufficient Shares are not available to honor all over-subscription requests, the available Shares will be allocated among those who over-subscribe based on the number of Rights originally issued to them by the Fund, so that the number of Shares issued to stockholders who subscribe through the Over-Subscription Privilege will generally be in proportion to the number of shares of the Fund owned by them on the Record Date. The percentage of remaining Shares each over-subscribing Stockholder may acquire may be rounded up or down to result in delivery of whole Shares. The allocation process may involve a series of allocations in order to ensure that the total number of Shares available for over-subscriptions is distributed, as nearly as may be practicable, on a pro rata basis. The Fund will not offer or sell any Shares which are not subscribed for through the Primary Subscription or the Over-Subscription Privilege.

Thomas H. Dinsmore and Jane D. O’Keeffe (control persons of the Adviser) and certain other officers and employees of the Adviser may purchase shares of Common Stock in the Primary Subscription and the Over-Subscription Privilege. Any such purchases will be made on the same terms applicable to other stockholders.

### **Subscription Price**

The Subscription Price for the Shares to be issued pursuant to the Offer will be the lesser of (A) 95% of the net asset value per share of the Fund’s Common Stock on the Pricing Date or (B) 95% of the average of the volume-weighted average sales prices of a share on the AMEX on the Pricing Date and the four preceding trading days.

The actual Subscription Price will not be determined until the Pricing Date. Therefore, stockholders wishing to exercise Rights must send to American Stock Transfer & Trust Company prior to the Expiration Date either: (i) the Estimated Subscription Price of \$18.32 per Share, together with a completed Subscription Certificate, or (ii) a Notice of Guaranteed Delivery guaranteeing delivery of a properly completed and executed Subscription Certificate and payment for the Shares. See “The Offer – Methods of Exercising Rights” and “The Offer – Payment For Shares” on pages 14 and 15.

The Fund announced the proposed Offer on July 18, 2003. The NAV per share of the Fund’s Common Stock at the close of business on July 17, 2003 and November 13, 2003 were \$20.00 and \$20.98, respectively, and the last reported sales prices of a share of the Fund’s Common Stock on the AMEX on those dates were \$19.05 and \$18.85, respectively.

It is expected that the Fund’s Board of Directors will declare a dividend during the Subscription Period. Any shares issued pursuant to the Offer would not be eligible to receive such dividend. Since the Subscription Price would be determined after the dividend record date, the Subscription Price would be priced ex-dividend.

### **Expiration of the Offer**

The Expiration Date is 5:00 p.m., Eastern time, on December 16, 2003, unless extended by the Fund. The Rights will expire on the Expiration Date and may not be exercised after that date. Since the close of the Offer on the Expiration Date is prior to the Pricing Date, stockholders who choose to exercise their Rights will not know the Subscription Price when they decide whether to acquire Shares on Primary Subscription or through the Over-Subscription Privilege.

## **Subscription Agent**

The Subscription Agent for the Offer is American Stock Transfer & Trust Company (“Subscription Agent”), which will receive, for its administrative, processing, invoicing and other services as Subscription Agent, an estimated fee of \$25,000 and reimbursement for all out-of-pocket expenses related to the Offer. The Subscription Agent is also the Fund’s Transfer Agent. **Signed Subscription Certificates should be sent to American Stock Transfer & Trust Company** by one of the following methods:

- (1) BY FIRST CLASS MAIL:  
American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038
  
- (2) BY EXPRESS MAIL OR OVERNIGHT COURIER:  
American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038
  
- (3) BY HAND:  
(9:00 a.m. – 5:00 a.m. New York City Time)  
59 Maiden Lane  
Plaza Level  
New York, NY 10038

DELIVERY TO AN ADDRESS OTHER THAN THE ABOVE DOES NOT  
CONSTITUTE GOOD DELIVERY.

## **Information Agent**

Any questions or requests for assistance may be directed to Georgeson Shareholder Communications Inc., Information Agent, at its toll free telephone number listed below:

Georgeson Shareholder Communications Inc.  
(888) 613-9988

Stockholders may also call the Fund collect at (973) 631-1177 or contact their Nominees, who hold shares for the account of others, for information with respect to the Offer.

The Fund will pay a fee of \$7,500 to Georgeson Shareholder Communications Inc. and reimbursement for all out-of-pocket expenses related to its services as Information Agent.

## **Method of Exercising Rights**

Stockholders of record may exercise their Rights by filling in and signing the accompanying Subscription Certificate and mailing it in the envelope provided or by delivering the completed and signed Subscription Certificate to the Subscription Agent, together with any required payment for the Shares as described below under “Payment for Shares.” Stockholders of record may also exercise Rights by contacting a broker, bank, trust company, New York Stock Exchange member firm, or financial

institution (“Intermediary”) which can arrange, on a stockholder’s behalf, to guarantee delivery (using a “Notice of Guaranteed Delivery”) of a properly completed and executed Subscription Certificate and payment for the Shares.

Rights may also be exercised by a stockholder whose shares are held by a Nominee, by contacting such Nominee, which can arrange, on the stockholder’s behalf, to guarantee delivery (using a “Notice of Guaranteed Delivery”) of a properly completed and executed Subscription Certificate and payment for the Shares.

The Nominee or Intermediary may charge a fee for this service. Fractional Shares will not be issued. Completed Subscription Certificates must be received by the Subscription Agent prior to 5:00 p.m., Eastern time, on the Expiration Date (unless payment is to be effected by means of a Notice of Guaranteed Delivery (see “Payment for Shares”)) at the offices of the Subscription Agent.

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

Investors Whose Shares Are Held Through A Nominee. Stockholders whose shares are held by a Nominee, such as a broker, bank, trust company or financial institution, must contact that Nominee to exercise their Rights. In that case, the Nominee will complete the Subscription Certificate on behalf of the stockholder and arrange for proper payment by one of the methods set forth below under “Payment for Shares.”

Nominees. Nominees who hold shares for the account of others should notify the respective beneficial owners of such shares as soon as possible to ascertain such beneficial owners’ intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the Nominee should complete the Subscription Certificate and submit it to the Subscription Agent, together with the proper payment described below under “Payment for Shares.”

## **Payment for Shares**

Stockholders who acquire Shares in the Primary Subscription or pursuant to the Over-Subscription Privilege may choose between the following methods of payment:

- (1) A record owner can send payment for the Shares acquired in the Primary Subscription and any additional Shares subscribed for pursuant to the Over-Subscription Privilege, together with the Subscription Certificate, to the Subscription Agent based on the Estimated Subscription Price of \$18.32 per Share. To be accepted, such payment, together with the Subscription Certificate, must be received by the Subscription Agent prior to 5:00 p.m., Eastern time, on the Expiration Date (December 16, 2003).
- (2) If your Nominee or Intermediary delivered a Notice of Guaranteed Delivery to the Subscription Agent prior to the Expiration Date, your Nominee or Intermediary must send payment for the Shares acquired in the Primary Subscription and any additional Shares subscribed for pursuant to the Over-Subscription Privilege, together with the Subscription Certificate, to the Subscription Agent based on the Estimated Subscription

Price of \$18.32 per Share. To be accepted, such payment together with the Subscription Certificate must be received by the Subscription Agent prior to 5:00 pm., Eastern time, on the third business day after the Expiration Date (December 19, 2003, unless the Offer is extended).

**If the first method described above is used, payment by money order, personal check, certified check or bank cashier's check must accompany any Subscription Certificate for the Subscription Certificate to be accepted.**

**Stockholders will have no right to rescind their subscription after receipt of their payment for shares by the Subscription Agent, except as provided under "Risk Factors and Special Considerations – Possible Suspension of the Offer."**

**The method of delivery of Subscription Certificates and payment of the Subscription Price to the Fund will be at the election and risk of the stockholders, but if sent by mail it is recommended that such Subscription Certificates and payment be sent by registered mail, properly insured, with return receipt requested, and that a sufficient number of days be allowed to ensure delivery to the Fund and clearance of payment prior to 5:00 p.m., Eastern time, on the Expiration Date. If you pay directly, you have a choice of paying by money order, personal check, certified check, bank cashier's check, or by wire transfer. If you choose to pay by personal check, you will need to deliver your check to the Subscription Agent not less than 5 business days before the Expiration Date, since your check must clear before the Expiration Date.**

A confirmation will be sent by the Subscription Agent to each subscribing stockholder (or, if the Fund's Shares on the Record Date are held by a Nominee, to such Nominee) by December 23, 2003 (the "Confirmation Date"), showing (i) the number of Shares acquired pursuant to the Primary Subscription; (ii) the number of Shares, if any, acquired through the Over-Subscription Privilege; (iii) the per Share and total purchase price for the Shares; and (iv) any additional amount payable by the stockholder to the Fund or any excess to be refunded by the Fund to the stockholder, in each case based on the Subscription Price as determined on the Pricing Date. In the case of any stockholder who exercises his or her right to acquire Shares pursuant to the Over-Subscription Privilege, any excess payment which would otherwise be refunded to the stockholder will be applied by the Fund toward payment for additional Shares acquired pursuant to exercise of the Over-Subscription Privilege. Any additional payment required from a stockholder must be received by the Subscription Agent within ten business days after the Confirmation Date. Any excess payment to be refunded by the Fund to a stockholder will be mailed by the Subscription Agent to such stockholder as promptly as possible within ten business days after the Confirmation Date. All proceeds received by the Subscription Agent in connection with the Offer will be held by the Subscription Agent, on behalf of the Fund, in a segregated, interest-bearing account.

All payments by a stockholder must be made in United States dollars by money order or check drawn on a bank located in the United States of America and payable to **American Stock Transfer & Trust Company**.

Issuance and delivery of certificates for the Shares purchased are subject to collection of checks and actual payment through any Notice of Guaranteed Delivery.

If a stockholder who acquires Shares pursuant to the Primary Subscription or Over-Subscription Privilege does not make payment of all amounts due by the tenth business day after the Confirmation Date, the Fund reserves the right to (i) find other purchasers for such subscribed and unpaid Shares; (ii) apply any payment actually received by it toward the purchase of the greatest number of whole Shares which could be acquired by such stockholder upon exercise of the Primary Subscription and/or Over-

Subscription Privilege; and/or (iii) exercise any and all other rights and/or remedies to which it may be entitled, including, without limitation, the right to set-off against payments actually received by it with respect to such subscribed Shares.

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

### **Delivery of Share Certificates**

Participants in the Fund's Automatic Dividend Investment and Cash Payment Plan (the "Plan") will have any Shares acquired in the Primary Subscription and pursuant to the Over-Subscription Privilege credited to their accounts in the Plan. Stock certificates will not be issued for Shares credited to Plan accounts. Stockholders whose Shares are held of record by a Nominee on their behalf will have any Shares acquired in the Primary Subscription and pursuant to the Over-Subscription Privilege credited to the account of such Nominee. For all other stockholders, stock certificates for all Shares acquired will be mailed promptly after full payment for the subscribed Shares has been received and cleared.

### **Federal Income Tax Consequences of the Offer**

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

The tax basis of a stockholder's Common Stock will remain unchanged, and the stockholder's basis in the Rights will be zero. Notwithstanding this general rule, each stockholder may elect, with respect to all Rights issued to him, to allocate the tax basis of all shares of Common Stock that he holds on the Record Date between such shares and the Rights issued to him in proportion to their fair market values on the Record Date. To be valid, this election must be made by the stockholder in a statement attached to his timely-filed Federal income tax return for the taxable year that includes the Record Date and, once made, is irrevocable. However, if on the Record Date the fair market value of the Rights is 15% or more of the fair market value of the Common Stock, each stockholder will be required to allocate the tax basis of his shares of Common Stock in the manner described above in determining gain or loss on any subsequent sales of Common Stock. Stockholders should consult their own tax advisers concerning this basis allocation rule, including the appropriate method to be used in determining the relative values of the Common Stock and the Rights. A stockholder who exercises Rights will not recognize any gain or loss for U.S. Federal income tax purposes upon the exercise. The basis of the newly acquired Common Stock will equal the Subscription Price paid for the Common Stock. Upon a sale or exchange of the Common Stock so acquired, the stockholder will recognize gain or loss measured by the difference between the proceeds of the sale or exchange and the cost basis of such Common Stock. Assuming the stockholder holds the Common Stock as a capital asset, any gain or loss realized upon its sale will generally be treated as a capital gain or loss, which gain or loss will be short-term or long-term, depending on the length of the stockholder's holding period for such Common Stock. However, any loss recognized upon the sale of shares of Common Stock with a tax holding period of 12 months or less will

be treated as a long-term capital loss to the extent of any capital gain distribution previously received by the stockholder with respect to such Shares, and a loss may be disallowed under wash sale rules to the extent that the stockholder purchases additional Common Stock (including by reinvestment of distributions) within 30 days before or after the sale date. The holding period for Common Stock acquired upon the exercise of Rights will begin on the date of exercise of the Rights.

The foregoing is a summary of the material U.S. Federal income tax consequences of the Offer under the provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and applicable existing and proposed regulations thereunder, all as currently in effect and all subject to change at any time, perhaps with retroactive effect. It does not include any state, local or foreign tax consequences of the Offer. This summary is generally applicable to stockholders that are United States persons as defined in the Code. Further, this summary is not intended to be, nor should it be, construed as legal or tax advice, and stockholders are urged to consult their own tax advisors to determine the tax consequences to them of the Offer and their ownership of Rights and Common Stock.

## **RISK FACTORS AND SPECIAL CONSIDERATIONS**

### **Dilution**

If you do not exercise all of your Rights during the Subscription Period, when the Offering is over you will own a relatively smaller percentage of the Fund than if you had exercised all of your Rights. The Fund cannot tell you precisely how much smaller the percentage of the Fund that you would own will be because the Fund does not know how many of the Fund’s stockholders will exercise their Rights and how many of their Rights they will exercise.

All stockholders will experience an immediate dilution of the aggregate NAV of Shares as a result of the completion of the Offer because (i) the Subscription Price per Share will be less than the Fund’s NAV per Share on the Expiration Date, (ii) the Fund will incur expenses in connection with the Offer, and (iii) the number of Shares outstanding after the Offer will increase in a greater percentage than the increase in the size of the Fund’s assets. Such dilution may, under certain circumstances, be substantial. This dilution also will affect stockholders to a greater extent if they do not exercise their Rights in full. It is not possible to state precisely the amount of any decreases in either NAV or in ownership interests, because it is not known at this time what the NAV per Share will be at the Expiration Date or what proportion of the Shares will be subscribed. Finally, there may be a dilution of earnings per Share due to the increase in the number of Shares outstanding, but only to the extent that investments of the proceeds of the Offer do not achieve the same return as current investments held by the Fund.

The following example shows the dilution in NAV per share of the Fund as a result of the Offer. The example assumes that all of the Shares are sold at the Estimated Subscription Price of \$18.32 and deducts estimated expenses related to the issuance of the Shares.

	<u>NAV per Share on November 13, 2003</u>	<u>Dilution per Share in Dollars</u>	<u>Percentage Dilution</u>
Primary Subscription of 797,918 Shares	\$20.98	\$0.41	1.95%

As of November 13, 2003, the Fund’s shares traded at a 10.15% discount from NAV. If the Fund’s Common Stock continues to trade at a discount from NAV, and such discount increases as of the Pricing Date, such dilution would increase with the size of the discount, and may, under certain

circumstances, be substantial. See “Prospectus Summary – Risk Factors and Special Considerations – Dilution” and “Description of Capital Stock – Net Asset Values and Sales Prices.” Except as described in this Prospectus under “Risk Factors and Special Considerations – Possible Suspension of the Offer,” you will have no right to rescind your subscription requests after receipt of your payment for Shares by the Subscription Agent.

### **Risk of Trading Discounts**

Since the commencement of the Fund’s operations, the Fund’s Shares have generally traded in the market at a discount to net asset value. This trading discount is a risk separate and distinct from the risk that the Fund’s net asset value may decrease. The risk of purchasing shares of a closed-end fund that trades at a discount is more pronounced if you wish to sell your shares in a relatively short period of time. If you do so, realization of a gain or loss on your investment is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. The Fund’s Shares are not subject to redemption. Investors desiring liquidity may, subject to applicable securities laws, trade their Shares in the Fund on the AMEX. Stockholders expecting to sell their Shares during the course of the Offer should be aware that there is a greater risk that the trading discount referred to above, which may increase during the Offer, will adversely affect them. This increased risk is because, among other things, the market price per Share may reflect the anticipated dilution that will result from this Offer. There can be no assurance that after the completion of the Offer, the Fund’s trading discount will remain at then current levels or decrease.

### **Risk of Decline in Net Asset Value**

As with any investment company that invests in convertible securities, the Fund is subject to market risk – the possibility that convertible securities will decline over short or extended periods of time. As a result, the value of an investment in the Fund’s Common Stock will fluctuate with the market, and you could lose money over short or long periods of time. It is the Fund’s policy to invest at least 80% of its assets in convertible securities. Although convertible securities do derive part of their value from that of the securities into which they are convertible, they are not considered derivative financial instruments. However, certain of the Fund’s investments include features which render them more sensitive to price changes in their underlying securities. Thus, they expose the Fund to greater downside risk than traditional convertible securities, but still less than that of the underlying common stock. See “Investment Objectives and Policies – Discussion of Convertible Securities.”

### **Risk Factors of Convertible Securities**

Convertible debt securities and preferred stocks may depreciate in value if the market value of the underlying equity security declines or if rates of interest increase. In addition, although debt securities are liabilities of a corporation which the corporation is generally obligated to repay at a specified time, debt securities, particularly convertible debt securities, are often subordinated to the claims of some or all of the other creditors of the corporation.

Mandatory conversion securities (securities that automatically convert into equity securities at a future date) may limit the potential for capital appreciation and, in some instances, are subject to complete loss of invested capital. Other innovative convertibles include “equity-linked” securities, which are securities or derivatives that may have fixed, variable, or no interest payments prior to maturity, may convert (at the option of the holder or on a mandatory basis) into cash or a combination of cash and equity securities, and may be structured to limit the potential for capital appreciation. Equity-linked securities may be illiquid and difficult to value and may be subject to greater credit risk than that of other convertibles. Moreover, mandatory conversion securities and equity-linked securities have increased the

sensitivity of the convertible securities market to the volatility of the equity markets and to the special risks of those innovations, which may include risks different from, and possibly greater than, those associated with traditional convertible securities.

Preferred stocks are equity securities in the sense that they do not represent a liability of the corporation. In the event of liquidation of the corporation, and after its creditors have been paid or provided for, holders of preferred stock are generally entitled to a preference as to the assets of the corporation before any distribution may be made to the holders of common stock. Debt securities normally do not have voting rights. Preferred stocks may have no voting rights or may have voting rights only under certain circumstances. For a more detailed description of preferred stock, see “Risk Factors and Special Considerations – Other Investments” in the Statement of Additional Information.

### **Credit Risk**

Credit risk is the risk that an issuer will fail to pay interest or dividends and principal in a timely manner. Companies that issue convertible securities may be small to medium-size, and they often have low credit ratings. In addition, the credit rating of a company’s convertible securities is generally lower than that of its conventional debt securities. Convertible securities are normally considered “junior” securities - that is, the company usually must pay interest on its conventional debt before it can make payments on its convertible securities. Credit risk could be high for the Fund, because it could invest in securities with low credit quality.

### **Interest Rate Risk**

Interest rate risk is the possibility that prices of securities will decline along with overall bond prices, over short or even long periods, because of rising interest rates. Convertible securities are particularly sensitive to interest rate changes when their predetermined conversion price is much higher than the issuing company’s common stock.

### **Manager Risk**

Manager risk is the risk that poor security selection will cause the Fund to underperform other funds with a similar investment objective.

### **Ineligibility of Shares Issued to Receive Next Dividend**

Historically, the Fund has paid quarterly dividends to its stockholders. It is likely that the Fund’s Board of Directors will declare a dividend during the Subscription Period. Because the record date for such dividend would be prior to the Expiration Date, any Shares issued pursuant to the Offer would not be eligible to receive such dividend. Additionally, since the Subscription Price would be determined after the dividend record date, the Subscription Price would be priced ex-dividend.

### **Possible Suspension of the Offer**

The Fund has, as required by the Securities and Exchange Commission’s (“SEC”) registration form, undertaken to suspend the Offer until it amends this Prospectus if, subsequent to the effective date of the Fund’s Registration Statement, the Fund’s net asset value declines more than 10% from its net asset value as of the effective date of the Fund’s Registration Statement. The Fund will notify stockholders of any such decline and suspension and thereby permit them to cancel their exercise of Rights.

## USE OF PROCEEDS

The Fund estimates the net proceeds of the Offer to be approximately \$14,442,366. This figure assumes (i) all Rights are exercised in full, (ii) a Subscription Price of \$18.32 and (iii) payment of offering expenses of approximately \$175,492. The Adviser anticipates that investment of the net proceeds of the Offer in accordance with the Fund's investment objectives and policies will take up to one month after receipt of such proceeds, depending on market conditions and the availability of appropriate securities. Pending investment, the net proceeds of the Offer will be held in the types of short-term debt securities and instruments in which the Fund may invest. As a result of this short-term investment of the proceeds, the Fund may realize a lower yield than if it had immediately invested in convertible securities.

## INVESTMENT OBJECTIVES AND POLICIES

### Investment Objectives

The Fund invests primarily in convertible securities with the objectives of providing income and the potential for capital appreciation (which objectives the Fund considers to be relatively equal due to the nature of the securities in which it invests). These investment objectives may be changed by the Fund's Board of Directors without the approval of a majority of the Fund's outstanding voting securities. The Fund will provide stockholders with at least 60 days prior notice of any change to these investment objectives. There are market risks inherent in any investment, and there is no assurance that the Fund's investment objectives will be achieved.

### Investment Policies

The Fund expects that a substantial majority of its assets will consist of convertible securities. The Fund has adopted a non-fundamental investment policy providing that the Fund will invest, under normal circumstances, at least 80% of the value of its assets (consisting of net assets plus the amount of any borrowings for investment purposes) in convertible securities. This investment policy may be changed in the future by the Fund's Board of Directors without the approval of a majority of the Fund's outstanding voting securities. The Fund will provide stockholders with at least 60 days prior notice of any change to this investment policy.

Convertible securities include debt securities and preferred stocks which are convertible into, or carry the right to purchase, common stock or other equity securities. The debt security or preferred stock may itself be convertible into or exchangeable for equity securities, or the conversion privilege may be evidenced by warrants attached to the security or acquired as part of a unit with the security. The convertible security may be structured so that it is convertible at the option of the holder or the issuer, or subject to mandatory conversion. The remainder of the Fund's assets may be invested in other securities, including non-convertible preferred stocks and investment grade debt securities, common stock received upon conversion or exchange of securities, options, warrants, securities of the U.S. Government, its agencies and instrumentalities, foreign securities, American Depositary Receipts or repurchase agreements, or they may be held as cash or cash equivalents. The Fund is not required to sell securities for the purpose of assuring that 80% of its assets are invested in convertible securities.

The Fund's investment policies are subject to certain restrictions. For a complete list of the Fund's investment restrictions, see "Investment Restrictions" in the Statement of Additional Information.

## Discussion of Convertible Securities

The Fund will invest primarily in convertible securities, including bonds, debentures, corporate notes, preferred stock or other securities which may be exchanged or converted into a predetermined number of the issuer's underlying common stock during a specified time period. Prior to their conversion, convertible securities have the same overall characteristics as non-convertible debt securities insofar as they generally provide a stable stream of income with generally higher yields than those of equity securities of the same or similar issuers. Convertible securities rank senior to common stock in an issuer's capital structure. They are of a higher credit quality and entail less risk than an issuer's common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed income security.

The Fund is also permitted to invest in securities with innovative structures, which have become more common in the convertible securities market. These include "mandatory conversion" securities, which consist of debt securities or preferred stocks that convert automatically into equity securities of the same or a different issuer at a specified date and conversion ratio.

The market value of a convertible security may be viewed as comprised of two components: its "investment value," which is its value based on its yield without regard to its conversion feature; and its "conversion value," which is its value attributable to the underlying common stock obtainable on conversion. The investment value of a convertible security is influenced by changes in interest rates and the yield of similar non-convertible securities, with investment value declining as interest rates increase and increasing as interest rates decrease. The conversion value of a convertible security is influenced by changes in the market price of the underlying common stock. If, because of a low price of the underlying common stock, the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the convertible security will be increasingly influenced by its conversion value, and the convertible security may sell at a premium over its conversion value to the extent investors place value on the right to acquire the underlying common stock while holding a fixed income security.

Accordingly, convertible securities have unique investment characteristics because (i) they have relatively high yields as compared to common stocks, (ii) they have defensive characteristics since they provide a fixed return even if the market price of the underlying common stock declines, and (iii) they provide the potential for capital appreciation if the market price of the underlying common stock increases.

A convertible security may be subject to redemption at the option of the issuer at a price established in the charter provision or indenture pursuant to which the convertible security is issued. If a convertible security held by the Fund is called for redemption, the Fund will be required to surrender the security for redemption, convert it into the underlying common stock or sell it to a third party. Before the Fund purchases a convertible security it will review carefully the redemption provisions of the security.

There may be additional types of convertible securities with features not specifically referred to herein in which the Fund may invest consistent with its investment objectives and policies. For a discussion of risk factors of convertible securities, see "Risk Factors and Special Considerations – Risk Factors of Convertible Securities."

## **Other Investment Techniques**

Short Sales. Although the Fund does not generally do so, the Fund may make short sales of securities which it owns or which it has the right to acquire through conversion or exchange of other securities it owns. In a short sale, the Fund does not immediately deliver the securities sold and does not receive the proceeds from the sale. The Fund is said to have a short position in the securities sold until it delivers the securities sold, at which time it receives the proceeds of the sale. For a more detailed description of the Fund's use of short sales see "Risk Factors and Special Considerations – Other Investment Techniques" in the Statement of Additional Information.

Lending of Portfolio Securities. Although the Fund does not presently intend to do so, the Fund may lend securities representing up to 10% of its total assets, taken at market value, to securities firms and financial institutions such as banks and trust companies and receive therefor collateral in cash or securities issued or guaranteed by the United States Government ("Government Securities") which are maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. For a more detailed description of portfolio securities lending, see "Risk Factors and Special Considerations – Other Investment Techniques" in the Statement of Additional Information.

## **Other Investments**

Options. Although the Fund does not presently intend to do so, the Fund may invest up to 2% of its net assets, taken at market value, in: (i) put options on common stocks owned by the Fund or which it has an immediate right to acquire through conversion or exchange of other securities; (ii) put options on one or more broadly based stock market indices; and (iii) the writing of covered call options. The Fund also may enter into closing transactions with respect to such options. Except as stated above the Fund may not engage in options transactions. For a more detailed description of options see "Risk Factors and Special Considerations – Other Investments" in the Statement of Additional Information.

Illiquid Securities. The Fund may invest up to 20% of its net assets in securities that are illiquid. Illiquid securities include securities that have no readily available market quotations and cannot be disposed of promptly (within seven days) in the normal course of business at a price at which they are valued. Illiquid securities may include securities that are subject to restrictions on resale ("restricted securities") because they have not been registered under the Securities Act. For a more detailed description of illiquid securities see "Risk Factors and Special Considerations – Other Investments" in the Statement of Additional Information.

Temporary Investments. The assets of the Fund are normally invested in convertible securities. However, for temporary defensive purposes (i.e., when the Adviser determines that market conditions warrant) or when it has uncommitted cash balances, the Fund may hold cash or cash equivalents or invest in: (1) Government Securities; (2) certificates of deposit, bankers' acceptances and interest-bearing savings deposits of banks having total assets of more than \$1 billion and which are members of the Federal Deposit Insurance Corporation; (3) commercial paper rated Prime 1 or higher by Moody's Investors Service, Inc. ("Moody's") or A-1 or higher by Standard & Poor's Corporation ("S&P") or, if not rated, issued by companies which have an outstanding debt issue rated Aa or higher by Moody's or AA or higher by S&P; (4) other debt securities rated Baa or higher by Moody's or BBB or higher by S&P; and (5) repurchase agreements as described below. Accordingly, the composition of the Fund's portfolio may vary from time to time.

Repurchase Agreements. Although the Fund does not presently intend to do so, as part of its strategy for the temporary investment of cash balances, the Fund may enter into "repurchase agreements" with maturities of not more than seven days, pertaining to Government Securities with member banks of

the Federal Reserve System or “primary dealers” (as designated by the Federal Reserve Bank of New York) in such securities. The Fund will not invest more than 5% of its total assets, taken at market value, in repurchase agreements with any single vendor. For a more detailed description of repurchase agreements see “Risk Factors and Special Considerations – Other Investments” in the Statement of Additional Information.

Foreign Securities. Although the Fund does not frequently do so, the Fund may invest in securities of foreign issuers. Foreign securities involve certain additional risks, such as political or economic instability of the issuer or of the country of issue, fluctuating exchange rates and the possibility of imposition of exchange controls. For a more detailed description of foreign securities see “Risk Factors and Special Considerations – Other Investments” in the Statement of Additional Information.

American Depositary Receipts. The Fund may invest in American Depositary Receipts (“ADRs”). Such investment may entail certain risks similar to foreign securities. ADRs are certificates representing an ownership interest in a security or a pool of securities issued by a foreign issuer and deposited with the depository, typically a bank, and held in trust for the investor. For a more detailed description of ADRs, see “Risk Factors and Special Considerations – Other Investments” in the Statement of Additional Information.

The Fund’s investment objectives and policies are subject to certain restrictions. See “Investment Restrictions” in the Statement of Additional Information.

## **MANAGEMENT OF THE FUND**

### **Directors and Officers**

The overall management of the business and affairs of the Fund is vested in the Board of Directors. The Board of Directors approves all significant agreements between the Fund and persons or companies furnishing services to the Fund. The day-to-day operations of the Fund are delegated to the officers of the Fund and to the Adviser, subject always to the objectives, restrictions and policies of the Fund and to the general supervision of the Board of Directors. Certain directors and officers of the Fund are affiliated with the Adviser.

### **Investment Adviser**

Davis-Dinsmore Management Company, 65 Madison Avenue, Morristown, New Jersey 07960 (the “Adviser”), serves as the Fund’s investment adviser pursuant to an investment advisory agreement dated February 12, 2001 (the “Advisory Agreement”). The stockholders of the Fund approved the Advisory Agreement on February 12, 2001. Most recently, the Advisory Agreement was continued for a one-year term by the Board of Directors at a meeting held on November 18, 2002, for the period ending December 31, 2003. The Adviser has served in this capacity since inception of the Fund’s business in 1970. The Adviser is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. The Adviser also serves as the investment adviser to Ellsworth Convertible Growth and Income Fund, Inc. (the “Ellsworth Fund”), a closed-end, management investment company whose shares have traded on the AMEX since 1986. Thomas H. Dinsmore and Jane D. O’Keeffe, the Fund’s Chairman and President, respectively, each own more than 25% of the outstanding voting stock of the Adviser and are deemed to be control persons of the Adviser.

## **Advisory Agreement**

Pursuant to the Advisory Agreement, the Adviser supervises all aspects of the Fund's operations, including the investment and reinvestment of cash, securities or other properties comprising the Fund's assets. In carrying out its obligations the Adviser: (a) supervises all aspects of the operations of the Fund; (b) obtains and evaluates pertinent information about significant developments and economic, statistical and financial data, domestic, foreign or otherwise, whether affecting the economy generally or any industry or the Fund or any issuer of securities held or to be purchased by the Fund; (c) determines which issuers and securities shall be represented in the Fund's investment portfolio and regularly reports thereon to the Board of Directors; (d) places orders for the purchase and sale of securities for the Fund; and (e) takes, on behalf of the Fund, such other action as may be necessary or appropriate in connection with the foregoing.

The Adviser pays for the Fund's office space and facilities and the salaries of the Fund's executive officers and furnishes clerical, bookkeeping and statistical services to the Fund. The costs associated with personnel and certain non-personnel expenses of the office of the Fund's Treasurer, up to a maximum of \$25,000 a year, are reimbursed by the Fund. The Fund pays all of its expenses not assumed by the Adviser including expenses in connection with the offering of its securities, fees and expenses of unaffiliated directors, salaries of employees other than executive officers, taxes, fees and commissions of all types, fees of its custodian, registrar, transfer agents and dividend disbursing agents, and interest, brokerage commissions, legal and accounting expenses and the like. The Fund pays or reimburses the Adviser for the direct costs of postage, printing, copying and travel expenses attributable to the conduct of the business of the Fund.

## **Portfolio Management**

The persons primarily responsible for the day-to-day management of the Fund's portfolio are Thomas H. Dinsmore and Jane D. O'Keefe, Chairman and President, respectively, of the Adviser.

Mr. Dinsmore has served as the Senior Analyst of the Adviser since February 1983, and as Chairman and Chief Executive Officer since August 1996. In addition, Mr. Dinsmore has served as Chairman and Chief Executive Officer of the Fund and the Ellsworth Fund since August 1996. Mr. Dinsmore is a Chartered Financial Analyst. Mr. Dinsmore has been a director of the Fund since 1985 and is also a director of the Ellsworth Fund and the Adviser.

Ms. O'Keefe has served as President of the Adviser since August 1996. Ms. O'Keefe has also served as President of the Fund and the Ellsworth Fund since August 1996. Ms. O'Keefe has been in the investment business since 1980. Ms. O'Keefe has been a director of the Fund since 1995 and is also a director of the Ellsworth Fund and the Adviser.

## **Management Fees**

As compensation for its services under the Advisory Agreement, the Adviser receives a monthly advisory fee, computed at an annual rate of 3/4 of 1% of the first \$100,000,000, and 1/2 of 1% of the excess over \$100,000,000, of the Fund's net asset value in such month. For purposes of calculation of the fee, the net asset value for a month is the average of the Fund's net asset values at the close of business on the last business day on which the New York Stock Exchange is open in each week in the month.

For the fiscal years ended October 31, 2003, 2002 and 2001, the Adviser received investment advisory fees from the Fund of \$681,000, \$701,000 and \$747,000, respectively.

## Code of Ethics

The Fund and the Adviser's Board of Directors approved separate Codes of Ethics under Rule 17j-1 of the 1940 Act for the Fund and the Adviser (collectively, the "Codes"). The Codes establish procedures for personal investing and restrict certain transactions. See "Code of Ethics" in the Statement of Additional Information.

## DESCRIPTION OF CAPITAL STOCK

### Common Stock

The Fund has authorized capital consisting of 9,000,000 shares of Common Stock, par value \$.01 per share. As of November 13, 2003, 4,725,858 shares were outstanding, none of which was held by the Fund for its account. Each share of Common Stock has equal dividend, voting and liquidation rights. The shares of Common Stock are fully paid and non-assessable when issued. The shares of Common Stock are not redeemable and have no pre-emptive or conversion rights. There is no sinking fund provision. There are no restrictions on the repurchase or redemption of the Common Stock. All voting rights for the election of directors are non-cumulative, which means that the holders of more than 50% of the shares of Common Stock can elect 100% of the directors then nominated for election if they choose to do so and, in such event, the holders of the remaining shares of Common Stock will not be able to elect any directors.

The following table shows the number of shares of (i) capital stock authorized and (ii) capital stock outstanding for each class of authorized securities of the Fund as of November 13, 2003 and as adjusted for the Offer assuming that all Rights are exercised.

Title of Class	Amount Authorized	Amount Outstanding*	Amount Outstanding, As Adjusted
Common Stock	9,000,000	4,725,858	5,523,776

\* The Fund does not hold any shares of Common Stock for its own account.

## Net Asset Values and Sales Prices

The Fund's shares of Common Stock are publicly held and are listed and traded on the AMEX under the symbol "BCV." The following table sets forth for the periods indicated the high and low sales prices on the AMEX per share of Common Stock of the Fund and the NAV per share on the dates of the market highs and lows.

Quarter Ended	Market Price Per Share and Related Discount (-) / Premium (+) <sup>(1)(2)</sup>				Net Asset Value Per Share on Date of Market High and Low <sup>(3)</sup>	
	High		Low		High	Low
January 31, 2002	\$20.65	-0.0%	\$18.75	-10.1%	\$20.66	\$20.86
April 30, 2002	20.14	+0.2	18.60	-10.4	20.10	20.76
July 31, 2002	19.49	+0.3	16.50	-10.1	19.43	18.35
October 31, 2002	18.38	+0.3	17.05	-8.2	18.33	18.57
January 31, 2003	19.02	+1.3	17.53	-6.2	18.78	18.68
April 30, 2003	19.24	+1.7	17.68	-4.9	18.92	18.59
July 31, 2003	19.80	-1.1	19.39	-5.6	20.02	20.53
October 31, 2003	19.70	-5.5	19.05	-4.6	20.84	19.97

(1) Highest and lowest market price per share reported on the AMEX.

(2) "Related Discount (-) / Premium (+)" represents the discount or premium from NAV of the shares on the date of the high and low market price for the respective quarter.

(3) Based on the Fund's computations.

As evidenced by the above table, the Common Stock has generally traded in the market below NAV. On July 18, 2003, when the proposed Offer was publicly announced, the NAV per share of Common Stock was \$20.16, and the closing price on the AMEX was \$19.45, representing a discount of 3.52% below NAV. On November 13, 2003, such NAV was \$20.98, and such closing price was \$18.85, representing a discount of 10.15% below NAV.

There can be no assurance that the Common Stock will trade in the future at, above or below NAV.

## CERTAIN CHARTER PROVISIONS

The Fund has provisions in its Certificate of Incorporation, as amended (the "Charter"), which could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. The Charter provides for three classes of directors. Directors in each class serve for a term of three years, with one class expiring each year. In addition, directors may be removed only for cause and only by the affirmative vote of at least two-thirds of the outstanding shares of the Fund's Common Stock. This percentage is greater than the minimum requirements under Delaware law.

The Charter provides that the affirmative vote of two-thirds of the outstanding shares of the Fund is necessary to authorize any of the following actions: (i) a merger or consolidation with any other company, (ii) the dissolution of the Fund, (iii) the sale of all or substantially all of the assets of the Fund, (iv) a change in the classification of the Fund from a diversified to a non-diversified management investment company as defined under the 1940 Act, (v) a change in the nature of the business of the Fund

so that it would cease to be an investment company registered under the 1940 Act, and (vi) any amendment to the Charter which makes the Common Stock a redeemable security (as such term is defined in the 1940 Act) or reduces the two-thirds vote required to authorize any of the actions in this paragraph.

The Charter provides that no director of the Fund shall be liable to the Fund or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that the foregoing shall not eliminate or limit liability of a director: (i) for any breach of such director's duty of loyalty to the Fund or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct, gross negligence or reckless disregard of the duties involved in the conduct of such director's office, or knowing violation of law, (iii) any unlawful payment of dividend or unlawful stock purchase or redemption under Delaware law, or (iv) for any transaction from which such director derived an improper personal benefit.

## **REPURCHASES OF SECURITIES**

### **General**

The Fund is a closed-end, diversified management investment company and, as such, its stockholders generally do not, and will not, have the right to redeem their shares of the Fund. Although the Fund will not offer to repurchase its shares of Common Stock on a periodic basis, it may repurchase its shares from time to time at such times, and in such amounts, as may be deemed advantageous to the Fund, although nothing herein shall be considered a commitment to repurchase such shares. Any such repurchases shall be subject to the Delaware General Corporation Law and to limitations imposed by the 1940 Act. The Fund may incur debt to finance share repurchase transactions.

Under the 1940 Act, the Fund may repurchase its securities: (i) on a securities exchange or such other open market designated by the SEC (provided that the Fund has, in the case of purchases of its stock, informed holders of the class of stock involved within the preceding six months of its intention to repurchase such stock), (ii) by a tender offer open to all holders of the class of securities involved, or (iii) as otherwise permitted by the SEC. Where a repurchase of shares of the Fund is to be made that is not to be effected on a securities exchange or an open market or by the making of a tender offer, the 1940 Act provides that certain conditions must be met regarding, among other things, distribution of net income, identity of the seller, price paid, brokerage commissions, prior notice to holders of the class of its securities involved of an intention to purchase such securities and the purchase is not being made in a manner or on a basis which discriminates unfairly against the other holders of such class.

If the Fund repurchases its shares of Common Stock for a price below their NAV, the NAV of those shares of Common Stock that remain outstanding would be enhanced, but this does not necessarily mean that the market price of those outstanding shares would be affected, either positively or negatively. Repurchases of shares of Common Stock by the Fund would also decrease its total assets and accordingly may increase its expenses as a percentage of average net assets.

### **Open Market Purchases**

The Board of Directors of the Fund has authorized management to engage in open market purchases from time to time of the Fund's Common Stock, up to a maximum of 5% of its outstanding shares in any calendar year. Such open market purchases will be funded through uninvested cash and cash received upon the maturity, redemption or sale of the Fund's portfolio securities. Management does not intend to borrow funds to finance open market purchases. Management does not believe that open market purchases would likely result in an increase in the Fund's expense ratio or in any material change

to the Fund's portfolio turnover rate or investment objectives because of the overall limit on the number of shares that may be purchased. Open market purchases may result in a reduction of the market discount. Management does not intend to engage in open market purchases if the market price of the Fund's shares exceeds such shares' net asset value or if the sale of the Fund's portfolio securities would jeopardize the qualification of the Fund as a "regulated investment company" under Subchapter M of the Code in any taxable year.

## **DIVIDENDS, DISTRIBUTIONS AND REINVESTMENT PLAN**

Historically, the Fund has paid quarterly distributions to its stockholders.

The Fund has an Automatic Dividend Investment and Cash Payment Plan (the "Plan"). Any stockholder may elect to join the Plan by sending an application to American Stock Transfer & Trust Company, P.O. Box 922, Church Street Station, NY 10269-0560 (the "Plan Agent"). You may also obtain additional information about the Plan by calling the Plan Agent toll free at (800) 937-5449. If your shares are held by a broker or other nominee, you should instruct the nominee to join the Plan on your behalf. Some brokers may require that your shares be taken out of the broker's "street name" and re-registered in your own name.

Stockholders may participate in the Plan whereby all dividends and distributions are automatically invested in additional Fund shares. Depending on the circumstances, shares may either be issued by the Fund or acquired through open market purchases at the current market price or net asset value, whichever is lower (but not less than 95% of market price). When the market price is lower, the Plan Agent will combine your dividends with those of other Plan participants and purchase shares in the market, thereby taking advantage of the lower commissions on larger purchases. There is no other charge for this service.

Plan participants may also voluntarily send cash payments of \$100 to \$10,000 per month to the Plan Agent, to be combined with other Plan monies, for purchase of additional Fund shares in the open market. You pay only a bank service charge of \$1.25 per transaction, plus your proportionate share of the brokerage commission. All shares and fractional shares purchased will be held by the Plan Agent in your dividend reinvestment account.

At any time, a Plan participant may instruct the Plan Agent to liquidate all or any portion of such Plan participant's account. To do so, a Plan participant must deliver written notice to the Plan Agent prior to the record date of any dividend or distribution requesting either liquidation or a stock certificate. The Plan Agent or the Fund may terminate the Plan for any reason at any time by sending written notice addressed to Plan participant's address as shown on the Plan Agent's records. Such termination shall be effective as to all dividends and distributions payable to stockholders of record on any date more than 30 days after mailing of such notice and shall be effective 30 days after the mailing of such notice as to cash purchases. Following the date of termination, the Plan Agent shall send the Plan participant at such participant's address shown on Plan Agent's records either the proceeds of liquidation, or a stock certificate or certificates for the full shares held by Plan Agent in Plan participant's account and a check for the value of any fractional interest in Plan participant's account based on the market price of the Fund's Common Stock on that date.

The Plan Agent will combine all liquidation requests it receives from Plan participants on a particular day and will then sell shares of the Fund that are subject to liquidation requests in the open market. The amount of proceeds a Plan participant will receive shall be determined by the average sales price per share, after deducting brokerage commissions, of all shares sold by the Plan Agent for all Plan participants who have given the Plan Agent liquidation requests.

You may deposit with the Plan Agent any Fund stock certificates you hold, for a one-time fee of \$7.50.

A stockholder who participates in the Plan through a broker should contact the broker to determine whether shares acquired through participation in the Plan can be transferred to another broker, and thereafter, whether the stockholder can continue to participate in the Plan.

Participation in the Plan does not relieve a Plan participant of any income tax which may be payable by a Plan participant on such dividends and distributions and on expenses incurred by the Fund on a Plan participant's behalf.

## **TAXATION**

The Fund has qualified and intends to continue to qualify as a regulated investment company under the Code. The Fund currently intends to distribute all or substantially all its investment company taxable income (all taxable net investment income and net short-term capital gains) and its net capital gains each year, thereby avoiding the imposition on the Fund of Federal income and excise taxes on such distributed income and gain.

Dividends paid by the Fund from its ordinary income or from an excess of net short-term capital gains over net long-term capital losses (together "ordinary income dividends") are taxable to stockholders as ordinary income. However, certain ordinary income dividends paid to individual and other noncorporate shareholders and constituting qualified dividend income are taxable at lower rates. Distributions made from an excess of net long-term gains over net short-term losses (including gains or losses from certain transactions in warrants and options) ("capital gain dividends") are taxable to stockholders as long-term capital gains, regardless of the length of time the stockholder has owned Fund shares. After the end of each taxable year, the Fund will notify stockholders of the Federal income tax status of any distributions or deemed distributions made by the Fund during such year.

Distributions by the Fund will be treated in the manner described above regardless of whether such distributions are paid in cash or such cash is reinvested in additional shares of the Fund through open market purchases, or whether such distributions are paid in newly issued shares of the Fund. Plan participants receiving distributions in the form of newly issued shares will be treated as receiving an amount equal to the fair market value of such shares, determined as of the reinvestment date. Accordingly, a stockholder may incur a tax liability even though such stockholder has not received a cash distribution with which to pay the tax.

Ordinary income dividends paid to stockholders who are nonresident aliens or foreign entities will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Nonresident stockholders are urged to consult their own tax advisors concerning the applicability of the United States withholding tax.

It is anticipated that stockholders that hold shares of the Fund's Common Stock as capital assets and have such shares repurchased by the Fund will generally recognize capital gain or loss. Stockholders should, however, consult with their tax advisers to determine the tax consequences of such share repurchases in their particular circumstances.

Any capital gain or loss recognized by a stockholder with respect to a share repurchase by the Fund will be long-term capital gain or loss if the shares repurchased have been held for more than one year.

Under certain Code provisions, some stockholders may be subject to a backup withholding tax on certain ordinary income dividends and on capital gain dividends (“backup withholding”). Generally, stockholders subject to backup withholding are those for whom no certified taxpayer identification number is on file with the Fund or who, to the Fund’s knowledge, have furnished an incorrect number.

This section summarizes some of the consequences under current Federal income tax law of an investment in the Fund. It is not a substitute for personal tax advice. Fund stockholders are urged to consult their own tax advisors to determine the Federal income tax as well as state and local tax consequences to them of the ownership of stock of the Fund. See “Taxation” in the Statement of Additional Information.

### **CUSTODIAN, TRANSFER AGENT AND REGISTRAR**

The Bank of New York, 100 Church Street, 10th Floor, New York, NY 10286, acts as custodian of the cash and other assets of the Fund. American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10038, acts as transfer agent and registrar for the Fund’s shares and as Plan Agent under the Fund’s Plan. Stockholder inquiries should be directed to American Stock Transfer & Trust Company, P.O. Box 922, Church Street Station, New York, NY 10269-0560 (Tel. No. (800) 937-5449).

### **EXPERTS**

PricewaterhouseCoopers LLP (“PwC”) are the independent auditors of the Fund. The audited financial statements of the Fund and certain of the information appearing under the caption “Financial Highlights” included in this Prospectus have been audited by PwC for the periods indicated in their reports with respect thereto, and are included in reliance upon such reports and upon the authority of such firms as experts in accounting and auditing. PwC has an office at 1177 Avenue of the Americas, New York, NY 10036-2798, and also performs limited tax services for the Fund.

### **ADDITIONAL INFORMATION**

A Statement of Additional Information dated November 17, 2003 has been filed with the SEC and is incorporated by reference in this Prospectus. The Table of Contents of the Statement of Additional Information is as follows:

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797,918 Shares of  
Common Stock Issuable  
Upon Exercise of  
Non-Transferable Rights  
to Subscribe for such  
Shares of Common Stock

## **Bancroft Convertible Fund, Inc.**

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**PROSPECTUS**

November 17, 2003

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