

SECURITIES AND EXCHANGE COMMISSION

FORM N-1A EL/A

Registration statements of open end management investment companies [amend]

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FILER

**GABELLI INCOME SERIES FUNDS INC**

CIK: **933085** | IRS No.: **133827333** | State of Incorpor.: **MD** | Fiscal Year End: **1231**  
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Business Address  
*ONE CORPORATE CENTER  
RYE NY 10580  
8004223554*

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 /X/

PRE-EFFECTIVE AMENDMENT NO. 1 /X/

POST-EFFECTIVE AMENDMENT NO. / /

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT /X/

AMENDMENT NO. 1 /X/

GABELLI INCOME SERIES FUNDS, INC.  
(Exact Name of Registrant as Specified in Charter)

One Corporate Center, Rye, New York 10580-1434  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code (800) 422-3554

Please Send Copy of Communications to:

BRUCE N. ALPERT RICHARD T. PRINS, ESQ.  
One Corporate Center Skadden, Arps, Slate, Meagher & Flom  
Rye, New York 10580-1434 919 Third Avenue  
(Name and Address of Agent for Service) New York, New York 10022  
(212) 735-3000

Approximate Date of Proposed Public Offering:  
As soon as practicable after the effective date  
of this Registration Statement

Pursuant to the provisions of Rule 24f-2(a)(1) under the Investment Company Act of 1940, Registrant hereby elects to register an indefinite number of securities under the Securities Act of 1933. Registrant will file a Rule 24f-2 Notice within six months after the fiscal year ended December 31, 1994.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

GABELLI INCOME SERIES FUNDS, INC.

CROSS-REFERENCE SHEET

The Gabelli Global Governments Fund  
(as required by Rule 4B1)

N-1A Item No. Location

Part A

Item 1.	Cover .....	Cover Page
Item 2.	Synopsis .....	Table of Fees and Expenses
Item 3.	Condensed Financial Information .	Not Applicable
Item 4.	General Description of Registrant	Cover Page; Investment Objective and Policies; Risk Factors; General Information
Item 5.	Management of the Fund .....	Management of the Fund; General Information
Item 6.	Capital Stock and Other Securities .....	Dividends, Distributions and Taxes; General Information
Item 7.	Purchase of Securities Being Offered .....	Purchase of Shares
Item 8.	Redemption or Repurchase .....	Redemption of Shares
Item 9.	Pending Legal Proceedings .....	Not Applicable

Part B

Item 10.	Cover Page .....	Cover page
Item 11.	Table of Contents	Cover page
Item 12.	General Information and History .	Not Applicable
Item 13.	Investment Objectives and Policies .....	Investments; Investment Restrictions
Item 14.	Management of the Fund .....	Directors and Officers
Item 15.	Control Persons and Principal Holders of Securities .....	Directors and Officers
Item 16.	Investment Advisory and Other Services .....	The Adviser; The Sub-Adviser; The Distributor
Item 17.	Brokerage Allocation and Other Practices .....	Portfolio Transactions and Brokerage
Item 18.	Capital Stock and Other Securities .....	Prospectus-General Information
Item 19.	Purchase, Redemption and Pricing of Securities Being Offered ...	Prospectus-Purchase of Shares; Prospectus-Redemption of Shares
Item 20.	Tax Status .....	Dividends, Distributions and Taxes
Item 21.	Underwriters .....	Prospectus-Purchase of Shares; The Distributor
Item 22.	Calculations of Performance Data	Investment Performance Information
Item 23.	Financial Statements .....	Not Applicable

Part C

Information required to be included in Part C is set forth under the appropriate item, so numbered, in Part C to this Registration Statement.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

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Subject to Completion -- Dated May \_\_, 1995

The Gabelli Global Governments Fund

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PROSPECTUS

June , 1995

The Gabelli Global Governments Fund (the "Fund") is a series of the Gabelli Income Series Funds, Inc., a Maryland corporation (the "Corporation"). The Fund is a newly organized, non-diversified, no-load mutual fund whose investment objective is to seek a high level of total investment return on its assets. The Fund seeks to achieve its investment objective through a combination of current income and capital appreciation by investing primarily in a global portfolio of high grade income securities issued or guaranteed by the U.S. or foreign governments or their agencies, central banks, instrumentalities or political subdivisions or by supranational agencies such as the World Bank or by issuers that are majority owned by U.S. or foreign governments or supranational agencies. See "Investment Objective and Policies".

The Fund has a distribution plan which permits it to pay up to .25% per year of its average daily net assets for marketing and shareholder services and expenses. The minimum initial investment in the Fund is currently \$1,000. The Fund currently intends to increase its minimum initial investment to \$10,000 when it has either 10,000 shareholders or over \$100,000,000 of assets under management. See "Purchase of Shares". As the Fund is non-diversified, the Fund will have the ability to invest a larger portion of its assets in a single issuer than would be the case if it were diversified. As a result of this non-diversified status, the Fund may experience greater fluctuations in net asset value than investment companies which invest in a broad range of issuers. For further information, contact Gabelli & Company, Inc. at the address or telephone number shown above.

This Prospectus sets forth concisely the information a prospective investor should know before investing in the Fund. A Statement of Additional Information dated June , 1995 (the "Additional Statement") containing additional information about the Fund has been filed with the Securities and Exchange Commission and is incorporated by reference into this Prospectus. For a free copy, write or call the Corporation at the telephone number or address set forth above.

This Prospectus should be retained by investors for future reference.

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

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The  
Gabelli  
Global  
Governments  
Fund

PROSPECTUS

June , 1995

GABELLI FUNDS, INC.  
Investment Adviser

SAL. OPPENHEIM JR. & CIE. ASSET  
MANAGEMENT CORP.  
Sub-Adviser

GABELLI & COMPANY, INC.  
Distributor

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TABLE OF FEES AND EXPENSES

Shareholder Transaction Expenses:

Maximum Sales Load Imposed on Purchases (as a percentage of offering price) .....	None
Maximum Sales Load Imposed on Reinvested Dividends .....	None
Deferred Sales Load .....	None
Redemption Fees .....	None
Exchange Fees .....	None

Annual Fund Operating Expenses for the First Fiscal Year  
(as a percentage of average net assets) (a):

Management Fees (b) .....	1.00%
12b-1 Expenses .....	.25
Other Expenses (c) .....	.50
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Total Operating Expenses .....	1.75%
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Example:

	1 year -----	3 years -----
You would pay the following expenses on a \$1,000 investment assuming a 5% annual return:	17.50	54.92

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The amounts listed in these examples should not be considered as representative of future expenses, and actual expenses may be greater or less than those indicated. Moreover, while the example assumes a 5% annual return, the Fund's actual performance will vary and may result in an actual return greater or less than 5%.

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The information contained in the foregoing table is provided to assist you in understanding the various direct and indirect costs and expenses that an investor in the Fund would bear.

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- (a) Since the Fund has not yet commenced investment operations, the percentages indicated in the table are estimates and actual expenses may be more or less than the amounts shown.
  - (b) Subject to potential reduction as a result of the Adviser's expense reimbursement obligations.
  - (c) Such expenses include custodian and transfer agency fees and other customary Fund expenses.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to seek a high level of total investment return on its assets. The Fund seeks to achieve its investment objective through a combination of current income and capital appreciation. Under normal market conditions, the Fund will invest at least 65% of its total assets in a global portfolio of high grade Government Income Securities. As used in this Prospectus, "Government Income Securities" includes bonds, notes, bills or debentures; in each case issued by the U.S. or foreign governments or their agencies, central banks, instrumentalities or political subdivisions or by issuers that are majority owned by the U.S. or foreign governments or issued by supranational agencies such as The World Bank or their affiliates.

Under normal circumstances, the Fund will invest in Government Income Securities of issuers located in at least three countries, which may include the United States. Risks inherent in the Fund's investments are discussed below. See "Associated Risk Factors". The Fund's investment objective is fundamental and cannot be changed without shareholder approval. There can be no assurance the Fund will achieve its investment objective.

Investments in foreign securities may involve certain risks. (See "Associated Risk Factors"). Also, the expense ratio of the Fund can be expected to be higher than that of mutual funds investing solely in domestic securities since the expenses of the Fund, such as the cost of maintaining the custody of foreign securities and advisory fees, are higher.

#### Investment Methodology and Policies

While participation in global securities markets was traditionally the domain of large, experienced investors with direct access to institutionally

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dominated foreign markets, the Fund has been designed to allow investors to participate in a global portfolio of Government Income Securities denominated in various currencies. A global portfolio of Government Income Securities gives investors the opportunity to pursue attractive total returns in a variety of markets.

The Adviser has engaged Sal. Oppenheim jr. & Cie. Asset Management Corp. (the "Sub-Adviser") to act as the sub-adviser with respect to the management of the Fund. The Sub-Adviser seeks to maximize total return through a disciplined investment approach that focuses on understanding the long-term trends in the global bond and currency markets. Investment strategy is formulated based on a continuous top-down assessment of global macroeconomic developments, political environments, central bank and G-7 policies, and currency and inflationary trends. The Sub-Adviser's fundamental, top-down assessments are primarily qualitative in nature.

The Sub-Adviser maintains that global bond managers add value primarily through their choice of countries and currencies based on "relative" macroeconomic assessments. The Sub-Adviser believes inefficiencies in the world's capital markets and the fact that the world's major economies often do not move in unison provide investment opportunities to seek high total return.

Quantitative analyses are utilized as valuation tools in timing buy and sell decisions and in taking advantage of interim trading opportunities. The Sub-Adviser believes that in using quantitative and qualitative techniques, it is important to maintain flexibility to factor in new events and information.

In selecting Government Income Securities for the Fund's portfolio, the Sub-Adviser normally will consider the following factors, among others: (i) the strengths and weaknesses of the currencies in which the securities are denominated; (ii) expected levels of inflation and interest rates; (iii) government policies influencing business conditions; (iv) the financial condition of the issuer; and (v) other pertinent financial, tax, social, political and national factors.

Under normal market conditions, the Fund will invest at least 65% of its total assets in high grade Government Income Securities denominated in any currency or multi-currency units. High grade securities are those rated at the time of purchase A- or higher by Moody's Investor Services, Inc. or by Standard & Poor's Ratings Group (or another nationally recognized statistical ratings organization) or are unrated but deemed by the Sub-Adviser to be of comparable quality.

The weighted average maturity of the Fund's portfolio securities will vary based upon an assessment of economic and market conditions, although it is not currently expected that the average maturity of the Fund's portfolio will exceed ten years.

Government Income Securities in which the Fund may invest have different kinds of government support. For example, some U.S. government securities, such as U.S. Treasury bonds, notes and bills, are supported by the full faith and credit of the United States, whereas other U.S. government securities issued or guaranteed by federal agencies or government-sponsored enterprises are not supported by the full faith and credit of the United States. Similarly, obligations of foreign governmental entities include obligations issued or guaranteed by governments with taxing power or by their agencies. Some foreign government securities are supported by the full faith and credit of a foreign national government or political subdivision (such as a province of Canada) and some are not. For example, foreign government securities include securities issued by corporations which have been charged with a public purpose and a majority of whose outstanding equity securities are owned by a foreign government or government agency. Such securities may be supported only by the credit of the issuing corporation and not by that of the government or agency.

Supranational income securities are issued by agencies whose member nations make capital contributions to support the agencies' activities, and include such entities as the World Bank (International Bank for Reconstruction and Development), the Asian Development Bank, the European Coal and Steel Community, the European Investment Bank and the Inter-American Development Bank. These organizations do not have taxing authority and are dependent upon their members for payments of interest and principal. Each supranational entity's lending activities are limited to a percentage of its total capital (including "callable capital" contributed by members on the entity's call), reserves and net income. Supranational income securities may be denominated in U.S. dollars or in foreign currencies.

When the Sub-Adviser believes that abnormal market or economic conditions warrant, for temporary defensive purposes it may establish and maintain cash reserves without limitation. Fund reserves may be invested in domestic as well as foreign money market instruments, including but not limited to government obligations, certificates of deposit, bankers' acceptances, commercial paper, short-term corporate debt securities and repurchase agreements.

The Fund may employ certain investment techniques utilizing derivative instruments in pursuit of its investment objectives. The Fund may purchase put or call options on foreign securities and foreign currencies. The Fund may write covered call and put options. The Fund also may enter into forward currency exchange contracts and financial futures contracts ("hedging transactions") in order to hedge the Fund's portfolio against changes in interest rates or against foreign currency exchange rate risks. Finally, the Fund may also purchase securities on a "when-issued" basis or sell securities for delayed delivery subject to certain limitations and requirements. The Fund will not purchase or sell futures contracts or related options if, immediately thereafter, the sum of the amount of margin deposits on the existing futures and related options positions and for premiums paid for existing options would exceed 5% of the market value of the Fund's total assets. The market value of such instruments,

however, is not limited to any specific percentage of the Fund's total assets. These investment techniques are discussed in more detail below under "Associated Risk Factors" and in the Additional Statement.

The Fund may invest in repurchase agreements with respect to any securities it owns. Repurchase agreements are considered loans to the counter party, and will be fully collateralized at all times with liquid high grade securities and will only be entered into with financial institutions approved by the Board of Directors.

The Fund may lend securities to dealers or others if the loans are fully collateralized and invest the collateral in short-term, liquid, high quality debt securities. The Fund may borrow money in an amount up to 15% of its total assets to satisfy redemption requests and may borrow money in an amount up to 5% of its total assets for temporary or emergency purposes. The Fund does not currently intend to borrow money for investment purposes. The Fund will not purchase securities when borrowings exceed 5%.

The Fund may invest up to 5% of its net assets in illiquid securities as to which market quotations are not readily available.

The Fund may also invest in the secondary market in premium income securities which bear coupon rates higher than prevailing market rates.

See the Additional Statement for more information about these securities and investment practices.

#### RISK FACTORS

Income Securities. Fixed-income securities generally are subject to two types of risks: credit risk and interest rate risk. Credit risk relates to the ability of the issuer to meet interest or principal payments or both as they come due. Interest rate risk refers to the fluctuations in the net asset value of any

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portfolio of fixed-income securities resulting from the inverse relationship between price and yield of fixed-income securities; that is, when the general level of interest rates rises, the prices of outstanding fixed-income securities decline, and when interest rates fall, prices rise. Variable and floating rate income securities also are subject to credit risk, but generally are less subject to interest rate risk. Premium income securities are purchased at a price in excess of par value. Accordingly, the yield earned by the Fund on such investments may not exceed prevailing market yields. If an issuer were to redeem premium securities held by the Fund at a price less than the price paid by the Fund for such securities, the Fund would incur a loss of principal and, after giving effect to such loss, the above market coupon rate available on the premium security may not be sufficient to provide the Fund with a rate of return equal to or greater than the return otherwise available if the Fund had not invested in such premium income security.

Foreign Securities. Foreign securities in which the Fund may invest include securities issued by supranational agencies such as the World Bank or their affiliates. Investments in foreign securities involve certain risks not ordinarily associated with investments in securities of domestic issuers, including fluctuations in foreign exchange rates, future political and economic developments, and the possible imposition of exchange controls or other foreign governmental laws or restrictions. In addition, with respect to certain countries, there is the possibility of expropriation of assets, confiscatory



taxation, political or social instability or diplomatic developments which could adversely affect investments in those countries.

There may be less publicly available information about foreign issuers than about a U.S. issuer, and accounting, auditing and financial reporting standards and requirements may not be comparable. Securities of many foreign issuers are less liquid and their prices more volatile than securities of comparable U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the U.S. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in the U.S. The Fund might have greater difficulty taking appropriate legal action in non-U.S. courts. Depository receipts that are not sponsored by the issuer may be less liquid.

Interest income from non-U.S. securities generally will be subject to withholding taxes by the country in which the issuer is located and may not be recoverable by the Fund or the investor.

The Sub-Adviser will attempt to manage these risks so that its strategies and investments benefit the Fund, but no assurance can be given that they will be successfully managed.

Non-diversified Status. For purposes of the Investment Company Act of 1940, as amended (the "Act"), the Fund has registered as a non-diversified investment company which means the Fund may invest to a greater degree in a relatively limited number of issuers than may a diversified investment company. However, for tax purposes, the Fund intends to comply with the diversification requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"). (See "Dividends, Distributions and Taxes" in the Prospectus.) To the extent the Fund invests in a more limited number of issuers, the Fund is more susceptible to any single economic, political or regulatory occurrence that affects such issuers.

#### Miscellaneous Investment Techniques.

Repurchase agreements have the risk that collateral may not be able to be disposed of at a desirable price and the Fund may experience delays as a result of bankruptcy of the counter party or encumbrances of collateral or restrictions on its disposition. Lending of securities can result in a failure to deliver the original security by the borrower, and similar risks with respect to disposition of the collateral. When issued and delayed delivery securities transactions and forward commitments involve potential loss to the Fund if the counterparty

to the transaction fails to perform. Hedging transactions also have certain risks, including imperfect market correlations, dependence on the credit of the counter party, possible inability to enter into offsetting transactions, potential losses in excess of the amount invested and market fluctuations that can result in the Fund being in a worse position than if the hedging had not occurred. Currency transactions also include the risk securities losses could be magnified by changes in the value of the currency in which a security is denominated relative to the U.S. dollar. While the Sub-Adviser may try to hedge such risks, entering into hedging transactions can result in even greater losses.

The purchaser of an option risks a total loss of the premium paid for the option if the price of the underlying security does not increase or decrease sufficiently to justify exercise. The seller of an option, on the other hand, will recognize the premium as income if the option expires unrecognized but forgoes any capital appreciation in excess of the exercise price in the case of

a call option and may be required to pay a price in excess of current market value in the case of a put option. Options purchased and sold other than on an exchange in private transactions also impose on the Fund the credit risk that the counterparty will fail to honor its obligations.

See the Statement of Additional Information for additional information with respect to the miscellaneous investment techniques in which the Fund may engage.

MANAGEMENT OF THE FUND

The Corporation's Board of Directors (who, with its officers, are described in the Additional Statement) has overall responsibility for the management of the Fund. The Board of Directors decides upon matters of general policy and reviews the actions of Gabelli & Company, Inc. (the "Distributor"), Gabelli Funds, Inc. (the "Adviser") and the Sub-Adviser. Pursuant to an Investment Advisory Contract with the Fund, the Adviser, under the supervision of the Corporation's Board of Directors, directly or indirectly through sub-advisers, as the case may be, provides a continuous investment program for the Fund's portfolio; provides investment research and makes and executes recommendations for the purchase and sale of securities; provides facilities and personnel, and the exercise of all voting and other rights appertaining thereto required for the Fund's administrative management; supervises the performance of administrative and professional services provided by others including the Sub-Adviser; and pays the compensation of the Sub-Administrator and all officers and directors of the Fund who are its affiliates. As compensation for its services and the related expenses borne by the Adviser, the Fund pays the Adviser a fee, computed daily and payable monthly, equal, on an annual basis, to 1.00% of the first \$500 million of the Fund's average daily net assets, and 0.80% of the Fund's average daily net assets in excess of \$500 million. This fee is higher than most mutual funds with similar investment objectives. The Adviser is located at One Corporate Center, Rye, New York 10580-1434.

The Adviser was formed in 1980 and as of March 31, 1995 acts as investment adviser to the following funds with aggregate assets of \$3.7 billion:

	Net Assets 3/31/95 (in millions)
Open-end investment companies:	
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The Gabelli Asset Fund	\$1,048
The Gabelli Growth Fund	478
The Gabelli Value Fund	463
The Gabelli Small Cap Growth Fund	212
The Gabelli Equity Income Fund	51
The Gabelli ABC Fund	23
The Gabelli Global Telecommunications Fund	132
The Gabelli Global Interactive Couch Potato(TM) (C) Fund	27
The Gabelli Global Convertible Securities Fund	17
Gabelli Gold Fund, Inc.	16
The Gabelli U.S. Treasury Money Market Fund	264
Closed-end investment companies:	
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The Gabelli Convertible Securities Fund, Inc.	90
The Gabelli Equity Trust Inc.	856
The Gabelli Global Multimedia Trust, Inc.	66

Sal. Oppenheim jr. & Cie. Asset Management Corp. acts as Sub-Adviser to the Fund pursuant to a sub-advisory agreement between the Adviser, the Sub-Adviser

and the Fund. Under the supervision of the Board of Directors and the Adviser, the Sub-Adviser provides investment research and makes and executes recommendations for the purchase and sale of securities. As compensation for the Sub-Adviser's services and related expenses, the Adviser pays the Sub-Adviser a monthly fee in an amount equal to one half of all advisory fees it receives from the Fund, after the payment by the Adviser of administrative and marketing expenses. Investment decisions made by the Sub-Adviser on behalf of the Fund are made by a committee, and no person is primarily responsible for making recommendations to such committee. The Sub-Adviser is located at 450 Park Avenue, New York, New York 10022.

Gabelli & Company, Inc., the Distributor of each of the Gabelli open-end Funds, is an indirect majority owned subsidiary of the Adviser. GAMCO Investors, Inc. ("GAMCO"), a majority owned subsidiary of the Adviser, acts as investment adviser for individuals, pension trusts, profit sharing trusts and endowments. As of March 31, 1995, GAMCO had aggregate assets in excess of \$4.5 billion under its management. Teton Advisers LLC, an affiliate of the Adviser, acts as investment sub-adviser of the Westwood Funds with assets under management in excess of \$28 million. Mr. Mario J. Gabelli may be deemed a "controlling person" of the Adviser and the Distributor on the basis of his ownership of stock of the Adviser.

Orders for the purchase or sale of portfolio securities may be placed with affiliates of the Adviser and Sub-Adviser when it appears that such affiliate can obtain a price and execution which is at least as favorable as that obtainable by other qualified brokers. The Adviser and the Sub-Adviser also may consider sales of shares of the Fund and any other registered investment companies managed by the Adviser, the Sub-Adviser or their affiliates by brokers and dealers other than the Distributor as a factor in its selection of brokers and dealers to execute portfolio transactions for the Fund.

In addition to the fee of the Adviser, the Fund is responsible for the payment of all its other operating expenses, which include, among other things, expenses for legal and independent auditor services, costs of printing all materials sent to shareholders, charges of State Street Bank and Trust Company (the "Custodian", "Transfer Agent" and "Dividend Disbursing Agent"), foreign sub-custodians and any other persons hired by the Fund, securities registration fees, fees and expenses of unaffiliated directors, accounting and printing costs for reports and similar materials sent to shareholders, membership fees in trade organizations, fidelity bond and liability coverage for the Corporation's directors, officers and employees, interest, brokerage and other trading costs, taxes, expenses of qualifying the Fund for sale in various jurisdictions, expense of its distribution plan adopted under Rule 12b-1, expenses of personnel performing shareholder servicing functions, litigation and other extraordinary or non-recurring expenses and other expenses properly payable by the Fund.

The Additional Statement contains further information about the Investment Advisory Contract and the Sub-Advisory Contract, including a more complete description of the advisory and expense arrangements and administrative provisions.

The Adviser has entered into a Sub-Administration Contract with The Shareholder Services Group, Inc., a subsidiary of First Data Corporation (the "Sub-Administrator") pursuant to which the Sub-Administrator provides certain administrative services necessary for the Fund's operations. These services include, among other things, the preparation and distribution of materials for meetings of the Corporation's Board of Directors, compliance testing of Fund activities and assistance in the preparation of proxy statements, reports to shareholders and other documentation. The Adviser pays the Sub-Administrator

a monthly fee at the annual rate of .10% of the aggregate daily average net

assets of the mutual funds managed by the Adviser under its administration, (with a minimum annual fee of \$30,000 and subject to reduction to .08% on assets of the Gabelli Funds under its administration in excess of \$1 billion, up to \$1.5 billion and .03% in excess of \$1.5 billion up to \$3 billion and 0.2% in excess of \$3 billion) which, together with the services to be rendered, are subject to negotiation between the parties and both parties retain the right unilaterally to terminate the arrangement on not less than 60 days' notice. The Sub-Administrator has its principal office at Exchange Place, Boston, Massachusetts 02109.

#### DISTRIBUTION PLAN

The Board of Directors of the Corporation has approved on behalf of the Fund as being in the best interest of the Fund and its shareholders a Distribution Plan which authorize payments by the Fund in connection with the distribution of its shares at an annual rate, as determined from time to time by the Board of Directors, of up to .25% of the Fund's average daily net assets. Payments may be made in subsequent years for expenses incurred in prior years. The potential for such subsequent payments is a contingent liability for which no amount is currently being recorded because the Fund does not have a reasonable basis on which to conclude that the Board of Directors will approve such payment. Interest, carrying or other financing charges on unreimbursed amounts could also be considered a distribution expense if the Board so determined and would in such event also potentially be subject to carryover to a future year upon specific approval by the Board.

Payments may be made by the Fund under its Distribution Plan for the purpose of financing any activity primarily intended to result in the sale of its shares as determined by the Board of Directors. Such activities typically include advertising; compensation for sales and sales marketing activities of the Distributor, banks, broker-dealers and service providers; shareholder account servicing; production and dissemination of prospectus and sales and marketing materials; and capital or other expenses of associated equipment, rent, salaries, bonuses, interest and other overhead. To the extent any activity is one which the Fund may finance without its Distribution Plan, the Fund may also make payments to finance such activity outside of the Plan and not be subject to its limitations.

The Plan is to be implemented by written agreements between the Corporation on behalf of the Fund and/or the Distributor and each person (including the Distributor) to which payments may be made. Administration of the Plan is regulated by Rule 12b-1 under the Act, which includes requirements that the Board of Directors receive and review at least quarterly reports concerning the nature and qualification of expenses for which payments are made, that the Board of Directors approve all agreements implementing the Plan and that the Plan may be continued from year to year only if the Board of Directors concludes at least annually that continuation of the Plan is likely to benefit shareholders.

The Board of Directors has initially implemented the Plan by having the Corporation enter into an agreement with the Distributor authorizing reimbursement of expenses (including overhead) incurred by the Distributor and its affiliates up to the .25% rate authorized by the Plan for distribution activities of the types listed above. To the extent any of these payments are based on allocations by the Distributor, the Fund may be considered to be participating in joint distribution activities with other funds distributed by the Distributor. Any such allocations would be subject to approval by the Corporation's non-interested Directors and would be based on such factors as the net assets of the Fund, the number of shareholder inquiries and similar pertinent criteria.

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#### PURCHASE OF SHARES

Shares of the Fund are currently offered without a sales load as an investment vehicle for individuals, institutions, fiduciaries and retirement plans.

The minimum initial investment in the Fund is currently \$1,000. The Fund currently intends to increase its minimum initial investment to \$10,000 when it has either 10,000 shareholders or over \$100,000,000 of assets under management. There is no minimum for subsequent investments in the Fund. Investments through an Individual Retirement Account or other retirement plans, and Automatic Investment Plans, however, have different requirements. Shares of the Fund are sold at the net asset value per share next determined after receipt of an order by the Fund's Distributor or transfer agent in proper form with accompanying check or bank wire or other payment arrangements satisfactory to the Fund. Although most shareholders elect not to receive stock certificates, certificates for whole shares only can be obtained on specific written request to the Transfer Agent.

Shares of the Fund may also be purchased through shareholder agents that are not affiliated with the Fund or the Distributor. There is no sales or service charge imposed by the Fund other than as described, but agents who do not receive distribution payments or sales charges may impose a charge to the investor for their services. Such fees may vary among agents, and such agents may impose higher initial or subsequent investment requirements than those established by the Fund. Services provided by broker-dealers may include allowing the investor to establish a margin account and to borrow on the value of the Fund's shares in that account. It is the responsibility of the shareholder's agent to establish procedures which would assure that upon receipt of an order to purchase shares of the Fund the order will be transmitted so that it will be received by the Distributor before the time when the price applicable to the buy order expires.

Prospectuses, sales material and applications may be obtained from the Distributor. The Fund and its Distributor reserve the right in their sole discretion (1) to suspend the offerings of the Fund's shares and (2) to reject purchase orders when, in the judgment of the Fund's management, such rejection is in the best interest of the Fund.

The net asset value per share of the Fund is determined as of the close of the regular session of the New York Stock Exchange, which is generally 4:00 p.m., New York City time, on each day that trading is conducted on the New York Stock Exchange, by dividing the value of the Fund's net assets (i.e., the value of its securities and other assets less its liabilities, including expenses payable or accrued but excluding capital stock and surplus) by the number of shares outstanding at the time the determination is made. Foreign securities are valued as of the close of trading on the primary exchange on which they trade. Portfolio securities for which market quotations are readily available are valued at market value as determined by the last quoted sale price prior to the valuation time on the valuation date in the case of securities traded on securities exchanges or other markets for which such information is available. Other readily marketable securities are valued at the average of the latest bid and asked quotations for such securities prior to the valuation time. Debt securities with remaining maturities of 60 days or less are valued at amortized cost, which the Board of Directors believes represents fair value. All other assets are valued at fair value as determined by or under the supervision of the Board of Directors. See "Determination of Net Asset Value" in the Additional Statement.

#### Mail

To make an initial purchase by mail, send a completed subscription order form with a check for the amount of the investment payable to the Fund to:

The Gabelli Funds  
P.O. Box 8308  
Boston, MA 02266-8308

Subsequent purchases do not require a completed application and can be made by (1) mailing a check to the same address noted above or by (2) bank wire,

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as indicated below. The exact name and number of the shareholder's account should be clearly indicated.

Checks will be accepted if drawn in U.S. currency on a domestic bank for less than \$100,000. U.S. dollar checks drawn against a non-U.S. bank may be subject to collection delays and will be accepted only upon actual receipt of funds by the Transfer Agent. Bank collection fees may apply.

#### Bank Wire

To initially purchase shares of the Fund using the wire system for transmittal of money among banks, an investor should first telephone the Fund at 1-800-422-3554 to obtain a new account number. The investor should then instruct a Federal Reserve System member bank to wire funds to:

State Street Bank and Trust Company  
ABA # 011-0000-28 REF DDA # 99046187  
Attn: Custody and Shareholder Services

Re: Gabelli Global Governments Fund

A/C #  
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Account of (Registered Owner)  
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225 Franklin Street, Boston, MA 02110

For initial purchases, the investor should promptly complete and mail the subscription order form to the address shown above for mail purchases. There may be a charge by your bank for transmitting the money by bank wire but State Street Bank and Trust Company does not charge investors in the Fund for the receipt of wire transfers. If you are planning to wire funds, it is suggested that you instruct your bank early in the day so the wire transfer can be accomplished the same day.

#### Overnight Mail or Personal Delivery

Deliver a check made payable to the Fund along with a completed subscription order form to:

The Gabelli Funds  
The BFDS Building, 6th Floor  
Two Heritage Drive  
North Quincy, MA 02171

#### Telephone Investment Plan

You may purchase additional shares of the Fund by telephone through the Automated Clearinghouse (ACH) system as long as your bank is a member of the ACH system and you have a completed, approved Investment Plan application on file with our Transfer Agent. The funding for your purchase will be automatically deducted from the ACH eligible account you designate on the application. Your investment will normally be credited to your Fund account on the first business day following your telephone request. Your request must be received no later than 4:00 p.m., New York City time. There is a minimum of \$100 for each telephone investment. Any subsequent changes in banking information must be submitted in writing and accompanied by a sample voided check. To initiate an ACH purchase, please call 1-800-GABELLI (422-3554) or 1-800-872-5365. Fund shares purchased through the Telephone or Automatic Investment Plan will not be available for redemption for up to fifteen (15) days following the purchase date.

#### Automatic Investment Plan

The Fund offers an automatic monthly investment plan, details of which can be obtained from the Distributor. There is no minimum initial investment for

accounts establishing an automatic investment plan. Systematic Withdrawal Plan The Fund offers a systematic withdrawal program for shareholders whereby they can authorize an automatic redemption on a monthly, quarterly or annual basis. Details can be obtained from the Distributor.

#### Other Investors

No minimum initial investment is required for officers, directors or full-time employees of the Fund, other investment companies managed by the Adviser, the Sub-Adviser, the Sub-Administrator, the Transfer Agent, the Distributor or their affiliates, including members of the "immediate family" of such individuals

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and retirements plans and trusts for their benefit. The term "immediate family" refers to spouses, children and grandchildren (adopted or natural), parents, grandparents, siblings, a spouse's siblings, a sibling's spouse and a sibling's children.

#### REDEMPTION OF SHARES

Upon receipt by the Distributor or the Transfer Agent of a redemption request in proper form, shares of the Fund will be redeemed at their next determined net asset value. Redemption requests received after the time as of which the Fund's net asset value is determined on a particular day will be redeemed at the net asset value of the Fund determined on the next day the net asset value is determined. Checks for redemption proceeds will normally be mailed to the shareholder's address of record within seven days, but will not be mailed until all checks in payment for the purchase of the shares to be redeemed have been honored, which may take up to 15 days. Redemption requests may be made by letter to the Transfer Agent, specifying the name of the Fund, the dollar amount or number of shares to be redeemed, and the account number. The letter must be signed in exactly the same way the account is registered (if there is more than one owner of the shares, all must sign) and, if any certificates for the shares to be redeemed are outstanding, presentation of such certificates properly endorsed is also required. Signatures on a redemption request and/or certificates must be guaranteed by an "eligible guarantor institution" which includes certain banks, brokers, dealers, credit unions, securities exchanges and associations, clearing agencies and savings associations (signature guarantees by notaries public are not acceptable). Shareholders may also redeem the Fund's shares through shareholder agents, who have made arrangements with the Fund permitting them to redeem shares by telephone or facsimile transmission and who may charge shareholders a fee for this service if they have not received any payments under the appropriate Distribution Plan. It is the responsibility of the shareholder's agent to establish procedures which would assure that upon receipt of a shareholder's order to redeem shares of the Fund the order will be transmitted so that it will be received by the Fund before the time when the price applicable to the order expires.

Further documentation, such as copies of corporate resolutions and instruments of authority, are normally requested from corporations, administrators, executors, personal representatives, trustees or custodians to evidence the authority of the person or entity making the redemption request.

The Fund may suspend the right of redemption or postpone the date of payment for more than seven days during any period when (1) trading on the New York Stock Exchange is restricted or the Exchange is closed, other than customary weekend and holiday closings; (2) the Securities and Exchange Commission has by order permitted such suspension or (3) an emergency, as defined by rules of the Securities and Exchange Commission, exists making disposal of portfolio investments or determination of the value of the net assets of the Fund not reasonably practicable.

To minimize expenses, the Fund reserves the right to redeem, upon not less than

30 days notice, all shares of the Fund in an account (other than an IRA) which as a result of shareholder redemption has a value below \$500 and has reserved the ability to raise this amount to up to \$10,000. However, a shareholder will be allowed to make additional investments prior to the date fixed for redemption to avoid liquidation of the account.

#### Telephone Redemption

#### By Check

Shareholders automatically are eligible to redeem shares by telephone (subject to a \$25,000 limitation). By calling either 1-800-GABELLI (1-800-422-3554) or 1-800-872-5365, you may request that a check be mailed to the address of record on the account provided that the address has not changed within thirty (30)

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days prior to your request. The check will be made payable to the account as registered and mailed within seven (7) days.

#### By Bank Wire

The Fund accepts telephone requests from any investor for wire redemption in excess of \$1,000 (but subject to a \$25,000 limitation) to a predesignated bank either on the subscription order form or in a subsequent written authorization with the signature guaranteed. The Fund accepts signature guaranteed written requests for redemption by bank wire without limitation. The proceeds are normally wired on the following business day. Your bank must be either a member of the Federal Reserve System or have a correspondent bank which is a member. Any change to the banking information made at a later date must be submitted in writing with a signature guarantee. The Fund will not impose a wire service fee. A shareholder's agent or the predesignated bank, however, may impose its own service fee on wire transfers.

Requests for telephone redemption must be received between 9:00 a.m. and 4:00 p.m., New York City time. If your telephone call is received after this time or on a day when the New York Stock Exchange is not open, a new request will be required the following business day. Shares are redeemed at the net asset value next determined following your request. Any Fund shares purchased by check or through the automatic purchase plan will not be available for redemption for up to fifteen (15) days following the purchase. Shares held in certificate form must be returned to the Transfer Agent for redemption of shares. Telephone redemption is not available for IRAs. The proceeds of a telephone redemption may be directed to an account in another mutual fund advised by Gabelli Funds, Inc., provided the account is registered in the redeeming shareholder's name. Such purchase will be made at the respective net asset value plus applicable sales charge, if any, with credit for any sales charge previously paid to the Distributor.

The Fund and its transfer agent will not be liable for following telephone instructions reasonably believed to be genuine. In this regard, the Fund and its transfer agent require personal identification information before accepting a telephone redemption. If the Fund or its transfer agent fail to use reasonable procedures, the Fund might be liable for losses due to fraudulent instructions.

#### RETIREMENT PLANS

The Fund has available a form of Individual Retirement Account ("IRA") for investment in shares which may be obtained from the Distributor. The minimum investment required to open an IRA for investment in shares of the Fund is \$1,000 for an individual, except that both the individual and his or her spouse may establish separate IRAs if their combined investment is \$1,250. There is no minimum for additional investment in an IRA account.



Investors who are self-employed may purchase shares of the Fund through tax-deductible contributions to retirement plans for self-employed persons, known as Keogh or H.R. 10 plans. The Fund does not currently act as sponsors for such plans. The Fund's shares may also be a suitable investment for other types of qualified pension or profit-sharing plans which are employer-sponsored, including deferred compensation or salary reduction plans known as "401(k) Plans" which give participants the right to defer portions of their compensation for investment on a tax-deferred basis until distributions are made from the plans. The minimum initial investment for an individual under such plans is \$1,000 and there is no minimum for additional investments. Under the Internal Revenue Code of 1986, (the "Code") individuals may make wholly or partly tax deductible IRA contributions of up to \$2,000 annually, depending on whether they are active participants in an employer-sponsored retirement plan and on their income level. However, dividends and distributions held in the account are not taxed until withdrawn in accordance with the provisions of the Code. An individual with a non-working spouse may establish a separate IRA for the

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spouse under the same conditions and contribute a maximum of \$2,250 annually to either or both IRAs provided that no more than \$2,000 may be contributed to the IRA of either spouse.

Investors should be aware that they may be subject to penalties or additional tax on contributions or withdrawals from IRAs or other retirement plans which are not permitted by the applicable provisions of the Code. Persons desiring information concerning investments through IRA accounts or other retirement plans should write or telephone the Distributor.

#### DIVIDENDS, DISTRIBUTIONS AND TAXES

Each dividend and capital gains distribution, if any, declared by the Fund on its outstanding shares will, unless the shareholder elects otherwise, be paid on the payment date fixed by the Board of Directors in additional shares of the Fund having an aggregate net asset value as of the ex-dividend date of such dividend or distribution equal to the cash amount of such distribution. An election to receive dividends and distributions may be changed by notifying the Fund in writing at any time prior to the record date for a particular dividend or distribution. Dividends and distributions are taxable, as described below, regardless of whether the shareholder elects to receive them in cash or in additional shares. There are no sales or other charges in connection with the reinvestment of dividends and capital gains distributions. There is no fixed dividend rate, and there can be no assurance that the Fund will pay any dividends or realize any capital gains. However, the Fund currently intends to pay dividends from net investment income, if any, on a quarterly basis. Net realized short-term and long-term capital gains, if any, are expected to be distributed, to the extent permitted by applicable law, at least annually.

The Fund intends to qualify for tax treatment as a "Regulated Investment Company" under the Code, and thus will not be subject to Federal income tax on that part of its net investment income and realized capital gains which it pays out to its shareholders.

To qualify, the Fund must meet certain relatively complex tests, including the requirement that less than 30% of its gross income (exclusive of losses) may be derived from the sale or other disposition of securities held for less than three months. The loss by the Fund of its status as a Regulated Investment Company would result in the Fund being subject to Federal income tax on its taxable income and gains.

Dividends out of net investment income and distributions of realized short-term

capital gains are taxable to the recipient shareholders as ordinary income. In the case of corporate shareholders, such distributions are not expected to be eligible for the dividends received deduction. Distributions out of long-term capital gains are taxable to the recipient as long-term capital gains. Dividends and distributions declared by the Fund may also be subject to state and local taxes. Prior to investing in shares of the Fund, prospective shareholders may wish to consult their tax advisers concerning the Federal, state and local tax consequences of such investment.

If more than 50% of the Fund's total assets consists of securities of foreign corporations, the Fund will be entitled to elect to "pass-through" to shareholders the amount of foreign taxes paid by the Fund. If such an election is made, each shareholder of the Fund will be deemed to have paid directly his or her pro rata share of the foreign taxes paid by the Fund, and may be entitled to credit all or a part of such deemed payment against his or her U.S. Federal income tax liability.

#### GENERAL INFORMATION

##### Description of Shares, Voting Rights and Liabilities

The Fund is a series of Gabelli Income Series Funds, Inc. (the "Corporation"), which was incorporated in Maryland on November 16, 1994. The Corporation's

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authorized capital stock consists of 1,000,000,000 shares of stock having a par value of one tenth of one cent (\$.001) per share, 200,000,000 shares of which have been initially classified as shares of the Fund. The Corporation is not required, and does not intend, to hold regular annual shareholder meetings, but may hold special meetings for consideration of proposals requiring shareholder approval, such as changing fundamental policies. The Corporation's Board of Directors is authorized to classify or reclassify the unissued shares into separate series of stock, each series representing a separate, additional portfolio.

There are no conversion or preemptive rights in connection with any shares of the Fund. All shares, when issued in accordance with the terms of the offering, will be fully paid and nonassessable. Subject to certain restrictions of applicable law, shares will be redeemed at net asset value, at the option of the shareholder. Shares also are redeemable at the option of the Corporation.

The Fund sends semi-annual and annual reports to all respective shareholders which include lists of portfolio securities and the Fund's financial statements which shall be audited annually. Unless it is clear that a shareholder is a nominee for the account of an unrelated person or a shareholder otherwise specifically requests in writing, the Fund may send a single copy of semi-annual, annual and other reports to shareholders to all accounts at the same address and all accounts of any person at that address.

The shares of the Fund have noncumulative voting rights which means that the holders of more than 50% of the shares can elect 100% of the directors if the holders choose to do so, and, in that event, the holders of the remaining shares will not be able to elect any person or persons to the Board of Directors. Unless specifically requested by an investor who is a shareholder of record, the Fund does not issue certificates evidencing shares.

##### Portfolio Turnover

The investment policies of the Fund may lead to frequent changes in investments, particularly in periods of rapidly fluctuating interest or currency exchange rates. The portfolio turnover may be higher than that of other investment companies. While it is impossible to predict with certainty the portfolio

turnover, the Sub-Adviser expects that the annual turnover rate of the Fund will not exceed 100%.

Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. Rapid turnover makes it more difficult to qualify as a passthrough entity for federal tax purposes in view of a requirement that the Fund obtain less than 30% of its gross income in any tax year from gains on the sale of securities held less than three months. Failure of the Fund to qualify as a passthrough entity would result in federal taxation of the Fund at the standard corporate rate of up to 35% and may adversely affect returns to shareholders. The portfolio turnover rate is computed by dividing the lesser of the amount of the securities purchased or securities sold by the average monthly value of securities owned during the year (excluding securities whose maturities at acquisition were one year or less).

#### Performance Information

The Fund may furnish data about its investment performance in advertisements, sales literature and reports to shareholders. "Total return" represents the annual percentage change in value of \$1,000 invested at the maximum public offering price for the one, five and ten year periods (if applicable) and the life of the Fund through the most recent calendar quarter, assuming reinvestment of all dividends and distributions. Quotations of "yield" will be based on the investment income per share earned during a particular 30 day period, less expenses accrued during the period, with the remainder being divided by the maximum offering price per share on the last day of the period. The Fund may

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also furnish total return and yield calculations for other periods and/or based on investments at various sales charge levels or net asset values. Any performance data which is based on the Fund's net asset value per share would be reduced if a sales charge were taken into account.

#### Custodian, Transfer Agent and Dividend Disbursing Agent

State Street Bank and Trust Company is the Custodian for the Fund's cash and securities as well as the Transfer and Dividend Disbursing Agent for its shares. Boston Financial Data Services, Inc., an affiliate of State Street Bank and Trust Company, performs the shareholder services on behalf of State Street and is located at The BFDS Building, Two Heritage Drive, North Quincy, MA 02171. State Street Bank and Trust Company does not assist in and is not responsible for investment decisions involving assets of the Fund.

#### Independent Auditors

Price Waterhouse LLP has been appointed independent auditors for the Corporation, and is located at 1177 Avenue of the Americas, New York, New York 10036.

#### Information for Shareholders

All shareholder inquiries regarding administrative procedures including the purchase and redemption of shares should be directed to the Distributor, Gabelli & Company, Inc., One Corporate Center, Rye, New York 10580-1434. For assistance, call 1-800-GABELLI (1-800-422-3554).

This Prospectus omits certain information contained in the Registration Statement filed with the Securities and Exchange Commission. Copies of the Registration Statement, including items omitted herein, may be obtained from the Commission by paying the charges prescribed under its rules and regulations. The

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No dealer, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Prospectus, and if given or made, such information or representation may not be relied upon as being authorized by the Fund, the Adviser, the Administrator, the Distributor or any affiliate thereof. This Prospectus does not constitute an offer to sell or a solicitation of any offer to buy in any state to any person to whom it is unlawful to make such offer in such state.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION -- DATED MAY , 1995

The Gabelli Global Governments Fund  
A Series of Gabelli Income Series Funds, Inc.

One Corporate Center  
Rye, New York 10580-1434  
Telephone 1-800-GABELLI (1-800-422-3554)

STATEMENT OF ADDITIONAL INFORMATION

June , 1995

This Statement of Additional Information ("Additional Statement") relates to The Gabelli Global Governments Fund (the "Fund"), which is a series of Gabelli Income Series Funds, Inc., a Maryland corporation (the "Corporation"), and is not a prospectus and is only authorized for distribution when preceded or accompanied by the Fund's prospectus dated June , 1995, as supplemented from time to time (the "Prospectus"). This Additional Statement contains information in addition to that set forth in the Prospectus into which this document is incorporated by reference and should be read in conjunction with the Prospectus. Additional copies of this document may be obtained without charge by writing or telephoning the Corporation at the address and telephone number set forth above.

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The following Information supplements that in the Prospectus

INVESTMENTS

Subject to the Fund's policy of investing at least 65% of its total assets in high grade Government Income Securities and Supranational Income Securities, the Fund may invest in any of the securities described below. The Fund has no current intention to purchase securities rated below A- (or an equivalent rating) by a nationally recognized statistical ratings organization or which are unrated but deemed by the Sub-Adviser to be of comparable quality, in each case at the time of investment.

Foreign Debt Securities

The Fund may invest in securities issued or guaranteed by any country and denominated in any currency. The Fund currently expects that it generally will invest in developed countries including, without limitation, Australia, Canada, Finland, France, Germany, Japan, Italy, New Zealand, Norway, Spain, Sweden, the United Kingdom, Austria, Belgium, Denmark, Ireland, the Netherlands, Portugal, Switzerland and the United States. The obligations of governmental entities have various kinds of government support and include obligations issued or guaranteed by governmental entities with taxing power. These obligations may or may not be supported by the full faith and credit of a government. Debt securities issued or guaranteed by foreign governmental entities have credit characteristics similar to those of domestic debt securities but include additional risks. These additional risks include those resulting from devaluation of currencies, future adverse political and economic developments and other foreign governmental laws.

Foreign securities in which the Fund may invest also include securities issued by semi-governmental or supranational agencies such as the Asian Development Bank, the International Bank for Reconstruction and Development, the Export-Import Bank and the European Investment Bank. The governmental members, or "stockholders," usually make initial capital contributions to the supranational entity and in many cases are committed to make additional capital contributions if the supranational entity is unable to repay its borrowings.

The Fund may invest in securities denominated in a multi-national currency unit. An illustration of a multi-national currency unit is the European Currency Unit (the "ECU"), which is a "basket" consisting of specified amounts of the currencies of the member states of the European Community, a Western European economic cooperative organization that includes France, Germany, The Netherlands, the United Kingdom and other countries. The specific amounts of

currencies comprising the ECU may be adjusted by the Council of Ministers of the European Community to reflect changes in relative values of the underlying currencies. Such investments involve credit risks associated with the issuer and currency risks associated with the currency in which the obligation is denominated.

The Fund does not intend to invest more than 25% of its total assets in any one industry (including for this purpose securities issued by any single foreign government or in supranational entities as a group).

#### Premium Securities

The Fund may invest in the secondary market in income securities bearing coupon rates higher than prevailing market rates. Such "premium" securities are purchased at prices greater than the principal amounts payable on maturity. The Fund will amortize the premium paid for such securities in calculating its net investment income. Although such securities bear coupon rates higher than prevailing market rates, because they are purchased at a price in excess of par

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value, the yield earned by the Fund on such investments may not exceed prevailing market yields. If an issuer were to redeem premium securities held by the Fund at a price less than the price paid by the Fund for such securities, the Fund would incur a loss of principal and, after giving effect to such loss, the above market coupon rate available on the premium security may not be sufficient to provide the Fund with a rate of return equal to or greater than the return otherwise available if the Fund had not invested in such premium income security.

#### Options

The Fund may purchase options or sell covered options on individual securities as well as on indices of securities as a means of hedging the value of its portfolio and not for speculative purposes.

A call option is a contract that gives the holder of the option the right, in return for a premium paid, to buy from the seller the security underlying the option at a specified exercise price at any time during the term of the option or, in some cases, only at the end of the term of the option. The seller of the call option has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price. A put option is a contract that gives the holder of the option the right in return for a premium to sell to the seller the underlying security at a specified price. The seller of the put option, on the other hand, has the obligation to buy the underlying security upon exercise at the exercise price. The Fund's transactions in options may be subject to specific segregation requirements. See "Hedging Transactions" below.

If the Fund has sold an option, it may terminate its obligation by effecting a closing purchase transaction. This is accomplished by purchasing an option of the same series as the option previously sold. There can be no assurance that a closing purchase transaction can be effected when the Fund so desires.

The purchaser of an option risks a total loss of the premium paid for the option if the price of the underlying security does not increase or decrease sufficiently to justify exercise. The seller of an option, on the other hand, will recognize the premium as income if the option expires unrecognized but foregoes any capital appreciation in excess of the exercise price in the case of

a call option and may be required to pay a price in excess of current market value in the case of a put option. Options purchased and sold other than on an exchange in private transactions also impose on the fund the credit risk that the counterparty will fail to honor its obligations. The Fund will not purchase or sell options if, as a result, the aggregate cost of all outstanding options exceeds 5% of the Fund's total assets. To the extent that puts, straddles and similar investment strategies involve instruments regulated by the Commodity Futures Trading Commission, the Fund is limited to an investment not in excess of 5% of its total assets.

#### When Issued, Delayed Delivery Securities and Forward Commitments

The Fund may enter into forward commitments for the purchase or sale of securities, including on a "when issued" or "delayed delivery" basis in excess of customary settlement periods for the type of security involved. In some cases, a forward commitment may be conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, corporate reorganization or debt restructuring, i.e., a when, as and if issued security. When such transactions are negotiated, the price is fixed at the time of the commitment, with payment and delivery taking place in the future, generally a month or more after the date of the commitment. While the Fund will only enter into a forward commitment with the intention of actually acquiring the security, the Fund may sell the security before the settlement date if it is deemed advisable.

Securities purchased under a forward commitment are subject to market fluctuation, and no interest (or dividends) accrues to the Fund prior to the

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settlement date. The Fund will segregate with its custodian cash or liquid high-grade debt securities with the Fund's custodian in an aggregate amount at least equal to the amount of its outstanding forward commitments.

#### Restricted and Illiquid Securities

The Fund may invest up to a total of 5% of its net assets in securities that are subject to restrictions on resale and securities the markets for which are illiquid. Illiquid securities include most of the securities the disposition of which is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely salable among qualified institutional investors under special rules adopted by the Securities and Exchange Commission or otherwise determined to be liquid may be treated as liquid if they satisfy liquidity standards established by the Board of Directors. The Board will review pertinent factors such as trading activity, reliability of price information and trading patterns of comparable securities in determining whether to treat any such security as liquid for purposes of the foregoing 5% test. To the extent the Board treats such securities as liquid, temporary impairments to trading patterns of such securities may adversely affect the Fund's liquidity.

#### Unseasoned Companies

The Fund may invest in securities of unseasoned companies. In view of the limited liquidity, more speculative prospects and price volatility with respect to such securities, the Fund will not invest more than 5% of the Fund's assets (at the time of purchase) in securities of companies (including predecessors) that have operated less than three years.

#### Repurchase Agreements

The Fund may invest in repurchase agreements, which are agreements pursuant to which securities are acquired by the Fund from a third party with the understanding that they will be repurchased by the seller at a fixed price on an agreed date. These agreements may be made with respect to any of the portfolio securities in which the Fund is authorized to invest. Repurchase agreements may be characterized as loans secured by the underlying securities. The Fund may enter into repurchase agreements with (i) member banks of the Federal Reserve System having total assets in excess of \$500 million and (ii) securities dealers, provided that such banks or dealers meet the creditworthiness standards established by the Fund's board of directors ("Qualified Institutions"). The Adviser will monitor the continued creditworthiness of Qualified Institutions, subject to the supervision of the Board of Directors. The resale price reflects the purchase price plus an agreed upon market rate of interest which is unrelated to the coupon rate or date of maturity of the purchased security. The collateral is marked to market daily. Such agreements permit the Fund to keep all its assets earning interest while retaining "overnight" flexibility in pursuit of investments of a longer-term nature.

The use of repurchase agreements involves certain risks. For example, if the seller of securities under a repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund's ability to dispose of the underlying securities may be restricted. Finally, it is possible that the Fund may not be able to substantiate its interest in the underlying securities. To minimize this risk, the securities

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underlying the repurchase agreement will be held by the Fund's custodian at all times in an amount at least equal to the repurchase price, including accrued interest. If the seller fails to repurchase the securities, the Fund may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. The Fund will not enter into repurchase agreements of a duration of more than seven days if taken together with all other illiquid securities in the Fund's portfolio, more than 5% of its total assets would be so invested.

#### Loans of Portfolio Securities

To increase income, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions if (1) the loan is collateralized in accordance with applicable regulatory requirements including collateralization continuously at no less than 100% by marking to market daily, (2) the loan is subject to termination by the Fund at any time, (3) the Fund receives reasonable interest or fee payments on the loan, (4) the Fund is able to exercise all voting rights with respect to the loaned securities and (5) the loan will not cause the value of all loaned securities to exceed 33% of the value of the Fund's total assets.

If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates and the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over the value of the collateral. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in collateral should the borrower of the securities fail financially.

#### Short Sales

Although the fundamental policies of the Fund permit it to make short sales of securities the Fund has no current intention of engaging in short-sales. This policy may be changed without shareholder approval.



A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. Short sales may be made both to obtain capital gains from anticipated declines in securities and as a form of hedging to offset potential declines in long positions in the same or similar securities. The short sale of a security is considered a speculative investment technique.

If the Fund were to make a short sale, it would borrow the security sold short and deliver it to the broker-dealer through which it made the short sale in order to satisfy its obligation to deliver the security upon conclusion of the sale. The Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities.

The Fund's obligation to replace the borrowed security would be secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other highly liquid securities. The Fund would also be required to deposit similar collateral with its Custodian to the extent, if any, necessary so that the value of both collateral deposits in the aggregate is at all times equal to the greater of the price at which the security is sold short or 100% of the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which it borrowed the security regarding payment over of any payments received by the Fund on such security, the Fund would not receive any payments (including interest) on its collateral deposited with such broker-dealer. If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund would incur a loss; conversely, if the price declines, the Fund would realize a capital gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Although the Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

The Fund also could make short sales "against the box" without respect to such limitations. In this type of short sale, at the time of the sale, the Fund

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would own or have the immediate and unconditional right to acquire at no additional cost the identical security.

#### Borrowing

The Fund's fundamental investment restrictions permit the Fund to borrow money in amounts not in excess of 33 1/3% of its total assets. The Fund may borrow an additional 5% for temporary or emergency purposes. The Fund currently intends to borrow money only for (1) short-term credits from banks as may be necessary for the clearance of portfolio transactions, and (2) borrowings from banks for temporary or emergency purposes, including the meeting of redemption requests, which would otherwise require the untimely disposition of its portfolio securities. The Fund currently does not intend (1) for borrowings, in the aggregate, to exceed 15% of total assets after giving effect to the borrowing and (2) for borrowings for purposes other than meeting redemptions to exceed 5% of the value of the Fund's total assets after giving effect to the borrowing. The Fund will not make additional investments when borrowings exceed 5% of total assets. The Fund may mortgage, pledge or hypothecate assets to secure such borrowings.

Leverage. Although the Fund has no current intention to borrow money for investment purposes, the Fund's fundamental investment policies permit it to do so in an amount up to 33 1/3% of the Fund's total assets. Borrowing money for investment purposes sometimes is referred to as "leverage." The Fund would consider reverse repurchase agreements and dollar rolls to be subject to the foregoing limitation but would not consider such instruments to be senior securities to the extent that the Fund covers such obligations by establishing

and maintaining a segregated account containing cash, U.S. government securities or other appropriate high grade obligations. Borrowing by the Fund would create an opportunity for increased net income but, at the same time, would increase the risk of the Fund's portfolio. Leveraging by the Fund generally would increase the volatility of the Fund's net asset value in response to fluctuations in market interest rates and accordingly may increase the risk of the Fund's portfolio. Although the principal of such borrowings would be fixed, the Fund's assets may change in value during the time the borrowing is outstanding. To the extent the income derived from securities purchased with borrowed funds exceeds the interest the Fund would have to pay, the Fund's net income would be greater than if borrowing were not used. Conversely, if the income from the assets retained with borrowed funds is not sufficient to cover the cost of borrowing, the net income of the Fund would be less than if borrowing were not used, and therefore the amount available for distribution to stockholders as dividends will be reduced.

Reverse repurchase agreements involve sales by the Fund of portfolio assets concurrently with an agreement by the Fund to repurchase the same assets at a later date at a fixed price. During the reverse repurchase agreement period, the Fund would continue to receive principal and interest payments on these securities. The Fund could enter into dollar rolls in which the Fund sells securities for delivery in the current month and simultaneously contracts to repurchase, typically in 30 or 60 days, substantially similar (same type, coupon and maturity) securities on a specified future date. During the roll period, the Fund would forego principal and interest paid on such securities. The Fund would be compensated by the difference between the current sales price and the forward price of the future purchase (often referred to as the "drop") as well as by the interest earned on the cash proceeds of the initial sale. A "covered roll" is a specific type of dollar roll for which there is an off-setting cash position or cash equivalent security position which matures on or before the forward settlement date of the dollar roll transaction.

In the event the Fund utilizes reverse repurchase agreements and dollar rolls, the Fund will establish a segregated account with its custodian in which it will maintain cash, U.S. Government securities or other liquid high-grade debt obligations equal in value to its obligations in respect of reverse repurchase agreements and dollar rolls; thus the Fund will not treat such

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obligations as senior securities for purposes of the 1940 Act. "Covered rolls" would not be subject to these segregation requirements. Reverse repurchase agreements and dollar rolls would involve the risk that the market value of the securities retained by the Fund may decline below the price of the securities the Fund has sold but is obligated to repurchase under the agreement. In the event the buyer of securities under a reverse repurchase agreement or dollar roll files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement could be restricted pending a determination by the other party, or its trustee or receiver; whether to enforce the Fund's obligation to repurchase the securities.

#### Hedging Transactions

Futures Contracts. The Fund may enter into futures contracts only for certain bona fide hedging and risk management purposes. The Fund may enter into futures contracts for the purchase or sale of debt securities, debt instruments, or indices of prices thereof, stock index futures, other financial indices, and U.S. Government Securities.

A "sale" of a futures contract (or a "short" futures position) means the assumption of a contractual obligation to deliver the securities underlying the contract at a specified price at a specified future time. A "purchase" of a futures contract (or a "long" futures position) means the assumption of a contractual obligation to acquire the securities underlying the contract at a

specified price at a specified future time.

Certain futures contracts are settled on a net cash payment basis rather than by the sale and delivery of the securities underlying the futures contracts. U.S. futures contracts have been designed by exchanges that have been designated as "contract markets" by the Commodity Futures Trading Commission (the "CFTC"), an agency of the U.S. Government, and must be executed through a futures commission merchant (i.e., a brokerage firm) which is a member of the relevant contract market. Futures contracts trade on these contract markets and the exchange's affiliated clearing organization guarantees performance of the contracts as between the clearing members of the exchange.

These contracts entail certain risks, including but not limited to the following: no assurance that futures contracts transactions can be offset at favorable prices, possible reduction of the Fund's yield due to the use of hedging, possible reduction in value of both the securities hedged and the hedging instrument, possible lack of liquidity due to daily limits on price fluctuation, imperfect correlation between the contracts and the securities being hedged, and potential losses in excess of the amount invested in the futures contracts themselves.

Currency Transactions. The Fund may enter into various currency transactions, including forward foreign currency contracts, foreign currency or currency index futures contracts and put and call options on such contracts or on currencies. A forward foreign currency contract involves an obligation to purchase or sell a specific currency for a set price at a future date. Forward foreign currency contracts and currency swaps are established in the interbank market conducted directly between currency traders (usually large commercial banks or other financial institutions) on behalf of their customers. Futures contracts are similar to forward contracts except that they are traded on an organized exchange and the obligations thereunder may be offset by taking an equal but opposite position to the original contract, with profit or loss determined by the relative prices between the opening and offsetting positions. The Fund will enter into currency transactions only for hedging purposes. The Fund expects to enter into these currency contracts in primarily the following circumstances: to "lock in" the U.S. dollar equivalent price of a security the Fund is contemplating to buy or sell that is denominated in a non-U.S. currency; or to protect against a decline against the U.S. dollar of the currency of a particular country to which the Fund's portfolio has exposure. The Fund

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anticipates seeking to achieve the same economic result by utilizing from time to time for such hedging a currency different from the one of the given portfolio security as long as, in the view of the Adviser, such currency is essentially correlated to the currency of the relevant portfolio security based on historic and expected exchange rate patterns.

The Adviser may choose to use such instruments on behalf of the Fund depending upon market conditions prevailing and the perceived investment needs of the Fund. Futures contracts and options on securities, indices and futures contracts and certain currency contracts sold by the Fund generally are subject to segregation and coverage requirement with the result that, if the Fund does not hold the security or futures contract underlying the instrument, the Fund will be required to segregate on an ongoing basis with its custodian, cash, U.S. government securities, or other high grade liquid debt obligations in an amount at least equal to the Fund's obligations with respect to such instruments. Such amounts fluctuate as the obligations increase or decrease. The segregation requirement can result in the Fund maintaining securities positions it would otherwise liquidate or segregating assets at a time when it might be disadvantageous to do so.

The Fund does not consider the options contracts and hedging transactions described above to be Government Income Securities or Supranational Income Securities for purposes of its fundamental policy of investing at least 65% of its total assets in Government Income Securities and Supranational Income

THE ADVISER

The Adviser is a New York corporation with principal offices located at One Corporate Center, Rye, New York 10580-1434. The Adviser also serves as Adviser to The Gabelli Growth Fund, The Gabelli Value Fund, The Gabelli Convertible Securities Fund, Inc., The Gabelli Equity Income Fund, The Gabelli U.S. Treasury Money Market Fund, The Gabelli Small Cap Growth Fund, Inc., The Gabelli ABC Fund, The Gabelli Global Telecommunications Fund, The Gabelli Global Convertible Securities Fund, The Gabelli Global Interactive Couch Potato(TM) (C) Fund, and Gabelli Gold Fund Inc., open-end investment companies, and The Gabelli Equity Trust, Inc., The Gabelli Convertible Securities Fund, Inc., and The Gabelli Global Multimedia Trust, Inc., closed-end investment companies.

Pursuant to the Investment Advisory Contract which was approved by the Fund's shareholders on May 23, 1995 the Adviser furnishes directly or indirectly through sub-advisers, as the case may be, a continuous investment program for the Fund's portfolio, makes the day-to-day investment decisions for the Fund, arranges the portfolio transactions for the Fund and generally manages the Fund's investments in accordance with the stated policies of the Fund, subject to the general supervision of the Board of Directors of the Corporation.

Under the Investment Advisory Contract, the Adviser directly, or indirectly through one or more agents, also (1) provides the Fund with the services of persons competent to perform such supervisory, administrative, and clerical functions as are necessary to provide efficient administration of the Fund, including maintaining certain books and records and overseeing the activities of the Fund's Custodian and Transfer Agent; (2) oversees the performance of administrative and professional services provided to the Fund by others, including the Fund's Sub-Adviser, Sub-Administrator, Custodian, Transfer Agent and Dividend Disbursing Agent, as well as legal, accounting, auditing and other services performed for the Fund; (3) provides the Fund, if requested, with adequate office space and facilities; (4) prepares, but does not pay for, periodic updating of the Fund's registration statement, Prospectus and Additional Statement, including the printing of such documents for the purpose of filings with the Securities and Exchange Commission; (5) supervises the

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calculation of the net asset value of shares of the Fund; (6) prepares, but does not pay for, all filings under state "Blue Sky" laws of such states or countries as are designated by the Distributor, which may be required to register or qualify, or continue the registration or qualification, of the Fund and/or its shares under such laws; and (7) prepares notices and agendas for meetings of the Fund's Board of Directors and minutes of such meetings in all matters required by the Investment Company Act of 1940 (the "Act") to be acted upon by the Board.

The Adviser has entered into a Sub-Administration Contract with The Shareholder Services Group, Inc., a subsidiary of First Data Corporation (the "Sub-Administrator") pursuant to which the Sub-Administrator provides certain administrative services necessary for the Fund's operations but which do not concern the investment advisory and portfolio management services provided by the Adviser and the Sub-Adviser. For such services and the related expenses borne by the Sub-Administrator, the Adviser pays a monthly fee at the annual rate of .10% of the aggregate average net assets of the Gabelli Funds under its administration (with a minimum annual fee of \$30,000 and subject to reduction to .08% on assets of the Gabelli Funds under its administration in excess of \$1 billion up to \$1.5 billion and .03% in excess of \$1.5 billion up to \$3 billion and 0.2% in excess of \$3 billion) which, together with the services to be rendered, is subject to negotiation between the parties and both parties retain the right unilaterally to terminate the arrangement on not less than 60 days' notice.

The Investment Advisory Contract provides that absent willful misfeasance, bad faith, gross negligence or reckless disregard of its duty, the Adviser and its employees, officers, directors and controlling persons are not liable to the Fund or any of their investors for any act or omission by the Adviser or for any error of judgment or for losses sustained by the Fund. However, the Contract provides that the Fund is not waiving any rights it may have with respect to any violation of law which cannot be waived. The Contract also provides indemnification for the Adviser and each of these persons for any conduct for which they are not liable to the Fund. The Investment Advisory Contract in no way restricts the Adviser from acting as adviser to others. The Fund has agreed by the terms of its Investment Advisory Contract that the word "Gabelli" in its name is derived from the name of the Adviser which in turn is derived from the name of Mario J. Gabelli; that such name is the property of the Adviser for copyright and/or other purposes; and that therefore, such name may freely be used by the Adviser for other investment companies, entities or products. The Fund has further agreed that in the event that for any reason, the Adviser ceases to be its investment adviser, it will, unless the Adviser otherwise consents in writing, promptly take all steps necessary to change its name to one which does not include "Gabelli."

The Investment Advisory Contract is terminable without penalty by the Corporation on not more than sixty days' written notice when authorized by the Directors of the Corporation, by the holders of a majority, as defined in the Act, of the outstanding shares of the Corporation, or by the Adviser. The Investment Advisory Contract will automatically terminate in the event of its assignment, as defined in the Act and rules thereunder except to the extent otherwise provided by order of the Commission or any rule under the Act and except to the extent the Act no longer provides for automatic termination, in which case the approval of a majority of the disinterested directors is required for any "assignment." The Investment Advisory Contract provides in effect, that unless terminated it will remain in effect until May 23, 1997, and from year to year thereafter, so long as continuance of the Investment Advisory Contract is approved annually by the Directors, or the shareholders of the Fund and in either case, by a majority vote of the Directors who are not parties to the Investment Advisory Contract or "interested persons" as defined in the Act of any such person cast in person at a meeting called specifically for the purpose of voting on the continuance of the Investment Advisory Contract.

The Investment Advisory Contract also provides that the Adviser is obligated to reimburse to the Fund any amount up to the amount of its advisory

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fee by which its aggregate expenses including advisory fees payable to the Adviser (but excluding interest, taxes, Rule 12b-1 expenses, brokerage commissions, extraordinary expenses and any other expenses not subject to any applicable expense limitation) during the portion of any fiscal year in which the Investment Advisory Contract is in effect exceed the most restrictive expense limitation imposed by the securities law of any jurisdiction in which shares of the Fund are registered or qualified for sale. Such limitation is currently believed to be 2.5% of the first \$30 million of average net assets, 2.0% of the next \$70 million of average net assets and 1.5% of average net assets in excess of \$100 million. For purposes of this expense limitation the Fund's expenses are accrued monthly and the monthly fee otherwise payable to the Adviser postponed to the extent that the Fund's includable expenses to date exceed the proportionate amount of such limitation to date.

THE SUB-ADVISER

Sal. Oppenheim jr. & Cie. Asset Management Corp. is the Fund's sub-adviser. The Sub-Adviser is a New York corporation with its principal office located at 450 Park Avenue, New York, New York 10022. The Sub-Adviser is a wholly owned subsidiary of Sal. Oppenheim jr. & Cie., a private financial services partnership headquartered in Cologne, Germany.

Pursuant to the Sub-Advisory Contract which was approved by the Fund's shareholders on May 13, 1995, the Sub-Adviser performs investment research and portfolio management, including recommendations with respect to the selection of portfolio securities for the Fund to purchase, hold or sell and the selection of brokers through whom the Fund's portfolio transactions are executed, in accordance with the stated policies of the Fund and subject to the general supervision of the Board of Directors of the Corporation and the Adviser.

The Sub-Advisory Contract provides that absent willfull misfeasance, bad faith, gross negligence or reckless disregard of its duty, the Sub-Adviser and its employees, officers, directors and controlling persons are not liable to the Adviser, the Fund or any of their investors for any act or omission by the Sub-Adviser or for any error of judgement or for losses sustained by the Fund. However, the contract provides that the Fund is not waiving any rights it may have with respect to any violation of law which cannot be waived. The Contract also provides indemnification for the Sub-Adviser and each of these persons for any conduct for which they are not liable to the Fund. The Sub-Advisory Contract in no way restricts the Sub-Adviser from acting as adviser to others.

The Sub-Advisory Contract is terminable without penalty by the Sub-Adviser at any time without penalty upon giving the Adviser and the Fund sixty days written notice (which notice may be waived by such parties) and may be terminated by the Fund or the Adviser at any time without penalty upon giving the Sub-Adviser sixty days written notice, which notice may be waived by the Sub-Adviser, provided that such termination by the Fund shall be directed or approved by the vote of a majority of the Directors of the Fund or by the vote of the holders of a "majority of the voting securities" (as defined in the Act) of the Fund at the time outstanding and entitled to vote. The Sub-Advisory Contract will automatically terminate in the event of its assignment, as defined in the Act and rules thereunder except to the extent otherwise provided by order of the Commission or any rule under the Act and except to the extent the Act no longer provides for automatic termination, in which case the approval of a majority of the disinterested directors is required for any "assignment." The Sub-Advisory Contract provides in effect, that unless terminated it will remain in effect until May 23, 1997, and from year to year thereafter, so long as continuance of the Sub-Advisory Contract is approved annually by the Directors, or the shareholders of the Fund and, in either case, by a majority vote of the

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Directors who are not parties to the Sub-Advisory Contract or "interested persons" as defined in the Act of any such person cast in person at a meeting called specifically for the purpose of voting on the continuance of the Sub-Advisory Contract.

#### THE DISTRIBUTOR

The Corporation on behalf of the Fund has entered into a Distribution Agreement with Gabelli & Company, Inc. (the "Distributor"), a New York corporation which is a subsidiary of Gabelli Funds, Inc., having principal offices located at One Corporate Center, Rye, New York 10580-1434. The Distributor acts as agent of the Fund for the continuous offering of their shares on a best efforts basis.

The Distribution Agreement is terminable by the Distributor or the Corporation at any time without penalty on not more than 60 nor less than 30 days' written notice, provided, that termination by the Corporation must be directed or approved by the Board of Directors of the Corporation or by written

consent of a majority of the directors who are not interested persons of the Corporation or the Distributor. The Distribution Agreement will automatically terminate in the event of its assignment, as defined in the Act. The Distribution Agreement provides that, unless terminated, it will remain in effect until [ ], 1997, and from year to year thereafter, so long as continuance of the Distribution Agreement is approved annually by the Corporation's Board of Directors and also by a majority of the Directors who are not interested persons of the Corporation or the Distributor.

DIRECTORS AND OFFICERS

The Directors and Executive Officers of the Corporation, their principal business occupations during the last five years and their affiliations, if any, with the Adviser, the Sub-Adviser or the Sub-Administrator, are shown below. Directors deemed to be "interested persons" of the Fund for purposes of the Investment Company Act of 1940 are indicated by an asterisk. Unless otherwise indicated, the address for each individual is One Corporate Center, Rye, New York 10580.

Name, Position with Fund and Address	Principal Occupations During Last Five Years; Affiliations with the Adviser or Administrator
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Mario J. Gabelli* Director and Chairman One Corporate Center Rye, New York 10580 Age: 52	Chairman, President, Chief Executive Officer and a Director of Gabelli Funds, Inc., the Adviser and the indirect parent of Gabelli & Company, Inc., the Distributor, Chairman, Chief Executive Officer, Chief Investment Officer and Director of GAMCO Investors, Inc.; President and Chairman of The Gabelli Equity Trust Inc.; President, Chief Investment Officer and Director of Gabelli Equity Series Funds, Inc.; The Gabelli Convertible Securities Fund, Inc., Gabelli Global Series Funds, Inc. and The Gabelli Value Fund Inc., and Trustee of The Gabelli Asset Fund; The Gabelli Growth Fund and The Gabelli Money Market Funds; Chairman and Director of Lynch Corporation; Director and Adviser of Gabelli International Ltd.; Director of Morgan Group, Inc.

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Name, Position with Fund and Address	Principal Occupations During Last Five Years; Affiliations with the Adviser or Administrator
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Anthony J. Colavita Director 575 White Plains Road Eastchester, New York 10709 Age: 59	President and Attorney at Law in the law firm of Anthony J. Colavita, P.C. since 1961. Former member of the New York State Thruway Authority; Former counsel, New York State Assembly; Director of the Gabelli Value Fund Inc., Gabelli Global Series Funds, Inc., The Gabelli Convertible Securities Fund, Inc. and Gabelli Equity Series Funds, Inc.; Trustee of the Gabelli Asset Fund, the Gabelli Money Funds and the Gabelli Growth Fund and the Westwood Funds.

Karl Otto Pohl\*  
Director  
One Corporate Center  
Rye, New York 10580  
Age: 64

Managing Partner of Sal. Oppenheim jr. & Cie. (private investment bank and parent company of the Sub-Adviser); Former President of the Deutsche Bundesbank (Germany's Central Bank) and Chairman of its Central Bank Council (1980-1991); Currently board member of IBM World Trade Europe/Middle East/Africa Corp.; Bertlesmann A.G.; Zurich Versicherungs-Gesellschaft (insurance); the International Advisory Board of General Electric Company; the International Council for JP Morgan & Co.; the Board of Supervisory Directors of ROBECo/o Group; and the Supervisory Board of Royal Dutch (petroleum company); Advisory Director of Unilever N.V. and Unilever Deutschland; German Governor, International Monetary Fund (1980-1991); Board Member, Bank for International Settlements (1980-1991); Chairman, European Economic Community Central Bank Governors (1990-1991); Director/Trustee of all Funds managed by the Adviser.

Werner J. Roeder, M.D.  
Director  
One Corporate Center  
Rye, New York 10580  
Age: 54

Director of Surgery, Lawrence Hospital and practicing private physician. Director, Gabelli Global Series Funds, Inc. and Gabelli Gold Fund, Inc.

Anthonie C. van Ekris  
Director  
Le Columbia  
11 Blvd. Princess Grace  
MC98000  
Monaco  
Age: 60

Managing Director of Balmac International, Ltd. Formerly Chairman and Chief Officer of Balfour MacLaine Corporation and Kay Corporation (through 1990). Director of Stahel Hardmeyer A.G. (through present); Trustee of The Gabelli Asset Fund and The Gabelli Money Market Funds. Director of The Gabelli Series Funds, Inc., Gabelli Gold Fund, Inc., Gabelli Global Series Fund, Inc., and Gabelli Equity Series Funds, Inc.

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Name, Position with Fund and  
Address  
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Principal Occupations During Last Five Years;  
Affiliations with the Adviser or Administrator  
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Bruce N. Alpert  
President and  
Treasurer  
One Corporate Center  
Rye, New York 10580  
Age: 43

Vice President, Treasurer and Chief Financial and Administrative Officer of the investment advisory division of the Adviser, President and Treasurer of The Gabelli Equity Trust Inc. and the Gabelli Global Multimedia Trust, Inc., Vice President and Treasurer of Gabelli Treasurer Convertible Securities Fund, Inc.; Gabelli Equity Series Funds, Inc.; The Gabelli Money Market Funds; The Gabelli Value Fund Inc.; One Corporate Center Gabelli Gold Fund, Inc., Gabelli Investor Funds, Inc., and Gabelli Global Series Funds, Inc.; President and Treasurer of The Rye, New York 10580 Gabelli Asset Fund and The Gabelli Growth Fund. Vice President of the Westwood Funds and Manager of Teton Advisers LLC.



J. Hamilton Crawford, Jr  
 Secretary  
 One Corporate Center  
 Rye, New York 10580  
 Age: 65

Senior Vice President and General Counsel of the investment advisory division of the Adviser; Secretary of all Funds advised by Gabelli Funds, Inc. since 1992, Secretary of the Westwood Funds. Secretary of Teton Advisers LLC. Attorney in private practice, 1990-1992. Executive Vice President, and General Counsel of Prudential Mutual Fund Management, Inc. from 1988-1990.

George M. Muzinich  
 Vice President  
 450 Park Avenue  
 New York, New York 10022  
 Age: 52

President of Sal. Oppenheim jr. & Cie. Asset Management Corporation. President of Muzinich & Co.

Sunil Purmessur  
 Vice President  
 31 Adelaide Road  
 Dublin 2, Ireland  
 Age: 37

Vice President of Sal. Oppenheim jr. & Cie. Asset Management Corporation. Prior to 1993, Senior Assistant Manager of Investments, Coutts & Co.

The Fund pays each Director who is not an "affiliated person" of the Corporation, the Adviser or the Sub-Adviser the following amounts for serving as a Director during a year in which the assets of the Corporation do not exceed \$500,000,000; (i) \$1,000 per year; (ii) \$250 per meeting including telephonic meetings in excess of one hour; and (iii) all out-of-pocket expenses of such members in attending each such meeting.

The Fund pays each Director who is not an "affiliated person" of the Corporation, the Adviser or the Sub-Adviser the following amounts for serving as a Director during a year in which the assets of the Corporation exceed \$500,000,000; (i) \$3,000 per year; (ii) \$250 per meeting including telephonic meetings in excess of one hour; and (iii) \$250 per in-person committee meeting; and (iv) all out-of-pocket expenses of such members in attending each such meeting.

The following table sets forth certain information regarding the compensation of the Fund's directors and officers. No executive officer or person affiliated with the Fund received compensation from the Fund for the calendar year ended December 31, 1994 in excess of \$60,000.

COMPENSATION TABLE

<TABLE>  
 <CAPTION>

Name of Person, Position	Aggregate Compensation From the Fund(1)	Pension or Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From The Fund and Fund Complex Paid to Directors(2)
<S>	<C>	<C>	<C>	<C>
Mario J. Gabelli Chairman of the Board	\$ 0	0	N/A	\$ 0
Anthony J. Colavita Director	\$ 0	0	N/A	\$62,000 (10)
Anthonie C. van Ekris	\$ 0	0	N/A	\$41,500 (8)

Director

Karl Otto Pohl Director	\$ 0	0	N/A	\$64,750 (12)
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Werner J. Roeder, M.D. Director	\$ 0	0	N/A	\$6,000 (3)
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- (1) Aggregate compensation from the Fund to each Director for the past year is \$0.00 because the Fund is a new registrant with no previous operations. The Fund anticipates paying each independent Director approximately \$2,000 in each calendar year.
- (2) Represents the total compensation paid to such persons during the calendar year ending December 31, 1994. The parenthetical number represents the number of investment companies (including the Fund) from which such person receives compensation that are considered part of the same fund complex as the Fund, because, among other things, they have a common investment adviser.

#### INVESTMENT RESTRICTIONS

The Fund's investment objective and the following investment restrictions are fundamental and cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities (defined in the 1940 Act as the lesser of (a) more than 50% of the outstanding shares or (b) 67% or more of the shares represented at a meeting at which more than 50% of the outstanding shares are represented). All other investment policies or practices are considered by the Fund not to be fundamental and accordingly may be changed without stockholder approval. If a percentage restriction on investment or use of assets set forth below is adhered to at the time a transaction is effected, later changes in percentage resulting from changing market values or total assets of the Fund will not be considered a deviation from policy. The Fund may not:

- (1) issue senior securities, except that the Fund may borrow money, including on margin if margin securities are owned and enter into reverse repurchase agreements and dollar rolls in an amount up to 33 1/3% of its total assets (including the amount of such enumerated senior securities issued but excluding any liabilities and indebtedness not constituting senior securities) and except that the Fund may borrow up to an additional 5% of its total assets for temporary or emergency purposes; or pledge its assets other than to secure such issuances or in connection with hedging transactions, short sales, when-issued and forward commitment transactions and similar investment strategies. The Fund's obligations under reverse repurchase agreements, dollar rolls and the foregoing investment strategies are not treated as senior securities to the extent that the Fund covers such obligations by establishing and maintaining a segregated account containing cash, U.S. government securities or other appropriate high grade debt obligations;

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- (2) make loans of money or property to any person, except through loans of portfolio securities, the purchase of fixed income securities or the acquisition of securities subject to repurchase agreements;

- (3) underwrite the securities of other issuers, except to the extent that in connection with the disposition of portfolio securities or the sale of its own shares the Fund may be deemed to be an underwriter;

(4) invest for the purpose of exercising control over management of any company;

(5) purchase real estate or interests therein, including limited partnerships that invest primarily in real estate equity interests, other than mortgage-backed securities, publicly traded real estate investment trusts and similar instruments; or

(6) purchase or sell commodities or commodity contracts except for certain bona fide hedging, yield enhancement and risk management purposes or invest in any oil, gas or mineral interests.

The Fund will provide shareholders with 30 days written notice prior to engaging in the following investment practices permitted by its fundamental policies, but in which the Fund has no current intention of engaging: (i) acquiring income securities rated below A- (or an equivalent rating) at the time of investment by a nationally recognized statistical rating agency; (ii) borrowing money for investment purposes, including entering into reverse repurchase agreements and dollar rolls; and (iii) selling securities short.

#### PORTFOLIO TRANSACTIONS AND BROKERAGE

The Sub-Adviser is authorized on behalf of the Fund to employ brokers to effect the purchase or sale of portfolio securities with the objective of obtaining prompt, efficient and reliable execution and clearance of such transactions at the most favorable price obtainable ("best execution") at reasonable expense. Transactions in securities other than those for which a securities exchange is the principal market are generally done through a principal market maker. However, such transactions may be effected through a brokerage firm and a commission paid whenever it appears that the broker can obtain a more favorable overall price. In general, there may be no stated commission in the case of securities traded on the over-the-counter markets, but the prices of those securities may include undisclosed commissions or markups. Options transactions will usually be effected through a broker and a commission will be charged. The Fund also expects that securities will be purchased at times in underwritten offerings where the price includes a fixed amount of compensation generally referred to as the underwriter's concession or discount.

The Sub-Adviser currently serves as adviser to a number of institutional clients and may in the future act as adviser to other investment companies. Affiliates of the Sub-Adviser act as investment adviser to numerous private accounts. It is the practice of the Sub-Adviser and its affiliates to cause purchase and sale transactions to be allocated among the Fund and others whose assets they manage in such manner as it deems equitable. In making such allocations among the Fund and other client accounts, the main factors considered are the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment, the size of investment commitments generally held and the opinions of the persons responsible for managing the portfolios of the Fund and other client accounts.

The policy of the Fund regarding purchases and sales of securities and options for its portfolio is that primary consideration will be given to

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obtaining the most favorable prices and efficient execution of transactions. In seeking to implement the Fund's policies, the Sub-Adviser effects transactions with those brokers and dealers who the Sub-Adviser believes provide the most favorable prices and are capable of providing efficient executions. If the Sub-Adviser believes such price and execution are obtainable from more than one broker or dealer, it may give consideration to placing portfolio transactions with those brokers and dealers who also furnish research and other services to the Fund or the Sub-Adviser of the type described in Section 28(e) of the Securities Exchange Act of 1934. In doing so, the Fund may also pay higher commission rates than the lowest available when the Sub-Adviser believes it is

reasonable to do so in light of the value of the brokerage and research services provided by the broker effecting the transaction. Such services may include, but are not limited to, any one or more of the following: information as to the availability of securities for purchase or sale; statistical or factual information or opinions pertaining to investment; wire services; and appraisals or evaluations of portfolio securities.

The Sub-Adviser may also place orders for the purchase or sale of portfolio securities with Gabelli & Company, Inc. ("Gabelli"), a broker-dealer member of the National Association of Securities Dealers, Inc. and an affiliate of the Adviser and with affiliates of the Sub-Adviser, when it appears that, as an introducing broker or otherwise, Gabelli or the affiliates of the Sub-Adviser can obtain a price and execution which is at least as favorable as that obtainable by other qualified brokers. The Sub-Adviser may also consider sales of shares of the Fund and any other registered investment companies managed by the Adviser, the Sub-Adviser and their affiliates by brokers and dealers other than the Distributor as a factor in its selection of brokers and dealers to execute portfolio transactions for the Fund.

As required by Rule 17e-1 under the Act, the Board of Directors of the Fund has adopted "Procedures" which provide that the commissions paid to Gabelli and affiliates of the Sub-Adviser on stock exchange transactions may not exceed that which would have been charged by another qualified broker or member firm able to effect the same or a comparable transaction at an equally favorable price. Rule 17e-1 and the Procedures contain requirements that the Boards, including independent Directors, conduct periodic compliance reviews of such brokerage allocations and review such schedule at least annually for its continuing compliance with the foregoing standard. The Adviser, the Sub-Adviser, Gabelli and affiliates of the Sub-Adviser are also required to furnish reports and maintain records in connection with such reviews.

To obtain the best execution of portfolio trades on the New York Stock Exchange ("Exchange"), Gabelli controls and monitors the execution of such transactions on the floor of the Exchange through independent "floor brokers" or through the Designated Order Turnaround ("DOT") System of the Exchange. Such transactions are then cleared, confirmed to the Fund for the account of Gabelli, and settled directly with the Custodian of the Fund by a clearing house member firm which remits the commission less its clearing charges to Gabelli. Gabelli and affiliates of the Sub-Adviser may also effect portfolio transactions on behalf of the Fund in the same manner and pursuant to the same arrangements on other national securities exchanges which adopt direct access rules similar to those of the New York Stock Exchange.

#### PURCHASE AND REDEMPTION OF SHARES

Cancellation of purchase orders for shares of the Fund (as, for example, when checks submitted to purchase shares are returned unpaid) cause a loss to be incurred when the net asset value of the Fund's shares on the date of cancellation is less than on the original date of purchase. The investor is

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responsible for such loss, and the Fund may reimburse itself with shares from any account registered in that shareholder's name, or by seeking other redress. If the Fund is unable to recover any loss to itself, it is the position of the SEC that the Distributor will be immediately obligated to make the Fund whole.

In addition to other rights of redemption in favor of the Corporation, to minimize expenses, the Corporation reserves the right to redeem, upon not less than 30 days notice, all shares of the Fund in an account (other than an IRA) which as a result of shareholder redemption has a value below \$500 and has reserved the ability to raise this amount to up to \$10,000. However, a shareholder will be allowed to make additional investments prior to the date fixed for redemption to avoid liquidation of the account.

## General

The Fund intends to qualify as a regulated investment company under Subchapter M of the Code. If it so qualifies, the Fund will not be subject to Federal income tax on its net investment income and net short-term capital gain, if any, realized during any fiscal year in which it distributes such income and capital gains to its shareholders.

The Fund will determine either to distribute or to retain all or part of any net long-term capital gain in any year for reinvestment. If any such gains are retained by the Fund, the Fund will be subject to a tax of 35% of such amount. In that event, the Fund expects that it will designate the retained amount as undistributed capital gains in a notice to its shareholders, each of whom (1) will be required to include in income for tax purposes, as long-term capital gain, its share of undistributed amount, (2) will be entitled to credit its proportionate share of the tax paid by the Fund against its Federal income tax liability and to claim refunds to the extent the credit exceeds such liability, and (3) will increase its basis in its shares of the Fund by an amount equal to 65% of the amount of undistributed capital gains included in such shareholder's gross income.

Under the Code, amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax. To avoid the tax, the Fund must distribute during each calendar year, an amount equal to, at a minimum, the sum of (1) 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) 98% of its capital gains in excess of its capital losses for the twelve-month period ending on October 31 of the calendar year (unless an election is made by a fund with a November or December year-end to use the fund's fiscal year) and (3) all ordinary income and net capital gains for previous years that were not previously distributed. A distribution will be treated as paid during the calendar year if it is paid during the calendar year or declared by a Fund in October, November or December of the year, payable to shareholders of record on a date during such month and paid by the Fund during January of the following year. Any such distributions paid during January of the following year will be deemed to be received on December 31 of the year the distributions are declared, rather than when the distributions are received.

Gains or losses on the sales of securities by the Fund will be long-term capital gains or losses if the securities have been held by the Fund for more than twelve months. Gains or losses on the sale of securities held for twelve months or less will be short-term capital gains or losses.

## Hedging Transactions

Certain options, futures contracts and options on futures contracts are "section 1256 contracts". Any gains or losses on section 1256 contracts are generally considered 60% long-term and 40% short-term capital gains or losses

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("60/40"). Also, section 1256 contracts held by the Fund at the end of each taxable year are "marked-to-market" with the result that unrealized gains or losses are treated as though they were realized and the resulting gain or loss is treated as 60/40 gain or loss.

The hedging transactions undertaken by the Fund may result in "straddles" for U.S. Federal income tax purposes. The straddle rules may affect the character of gains (or losses) realized by the Fund. In addition, losses realized by the Fund on positions that are part of a straddle may be deferred under the straddle rules, rather than being taken into account in calculating

the taxable income for the taxable year in which such losses are realized. Further, the Fund may be required to capitalize, rather than deduct currently, any interest expense on indebtedness incurred or continued to purchase or carry any positions that are part of a straddle.

The Fund may make one or more of the elections available under the Code which are applicable to straddles. If the Fund makes any of the elections, the amount, character and timing of the recognition of gains or losses from the affected straddle positions will be determined under rules that vary according to the election(s) made. The rules applicable under certain of the elections accelerate the recognition of gains or losses from the affected straddle positions.

Because application of the straddle rules may affect the character of gains or losses, defer losses and/or accelerate the recognition of gains or losses from the affected straddle positions, and require the capitalization of interest expense, the amount which must be distributed to shareholders, and which will be taxed to shareholders as ordinary income or long-term capital gain, may be increased or decreased substantially as compared to a fund that did not engage in such hedging transactions.

Under the Code, gains or losses attributable to foreign currency contracts, or to fluctuations in exchange rates between the time the Fund accrues income or receivables on expenses or other liabilities denominated in a foreign currency and the time the Fund actually collects such income or pays such liabilities, are generally treated as ordinary income or ordinary loss. Similarly, gains or losses on the disposition of debt securities held by the Fund, if any, denominated in a foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, also are generally treated as ordinary income or loss. These gains and losses increase or decrease the amount of the Fund's net investment income available for distribution. Thus, if such losses exceed other net investment income and net short-term capital gains during a taxable year, the Fund would not be able to make any ordinary dividend distributions, and any distributions made during the taxable year would be treated as a return of capital to shareholders, rather than as ordinary income, and would reduce each shareholder's basis in his Fund shares.

The 30% limitation and the diversification requirements applicable to the Fund may limit the extent to which the Fund will be able to engage in transactions in options, futures contracts and options on futures contracts.

#### Distributions

Distributions of investment company taxable income (which includes taxable interest income and the excess of net short-term capital gain over net long-term capital loss) are taxable to a U.S. shareholder as ordinary income, whether paid in cash or shares. Dividends paid by the Fund are not expected to qualify for the 70% deduction for dividends received by corporations. Distributions of net capital gain (which consists of the excess of net long-term capital gain over net short-term capital loss), if any, are taxable as long-term capital gains, whether paid in cash or in shares, and are not eligible for the dividends received deduction. Shareholders receiving distributions in the form of newly

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issued shares will have a basis in such shares of the Fund equal to the fair market value of such shares on the distribution date. If the net asset value of shares is reduced below a shareholder's cost as a result of a distribution by the Fund, such distribution will be taxable even though it represents a return of invested capital. The price of shares purchased at this time may reflect the amount of the forthcoming distribution. Those purchasing just prior to a distribution will receive a distribution that will nevertheless be taxable to

them.

#### Sales of Shares

Upon a sale or exchange of his or her shares, a shareholder will realize a taxable gain or loss depending upon his or her basis in the shares. Such gain or loss will be treated as a long-term capital gain or loss if the shares have been held for more than one year. Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced within a 61-day period beginning 30 days before and ending 30 days after the day on which the shares are disposed of. In such case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

Any loss realized by a shareholder on the sale of the Fund's shares held by the shareholder for six months or less will be treated for tax purposes as a long-term capital loss to the extent of any distributions of net capital gain received by the shareholder with respect to such shares.

#### Backup Withholding

The Corporation may be required to withhold Federal income tax at the rate of 31% of all taxable distributions payable to shareholders who fail to provide the Fund with their correct taxpayer identification number or to make required certifications, or who have been notified by the Internal Revenue Service that they are subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be credited against a shareholder's Federal income tax liability.

#### Foreign Withholding Taxes

Income received by the Fund from sources within foreign countries may be subject to withholding and other taxes imposed by such countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. It is impossible to determine the rate of foreign tax in advance since the amount of the Fund's assets to be invested in various countries is not known. If more than 50% of the Fund's total assets consists of securities of foreign corporations, the Fund will be entitled to elect to "pass-through" to shareholders the amount of foreign taxes paid by the Fund. If such an election is made, each shareholder of the Fund will be deemed to have paid directly his or her pro rata share of the foreign taxes paid by the Fund, and may be entitled to credit all or a part of such deemed payment against his or her U.S. Federal income tax liability. Shareholders are urged to consult their tax advisers regarding specific questions regarding Federal, state or local taxes.

The Corporation reserves the right to create and issue a number of series shares, in which case the shares of each series would participate equally in the earnings, dividends, and assets of the particular series and would vote separately to approve management agreements or changes in investment policies, but shares of all series would vote together in the election or selection of Directors, principal underwriters and auditors and on any proposed material amendment to the Corporation's Certificate of Incorporation.

Upon liquidation of the Corporation or any series, shareholders of the affected series would be entitled to share pro rata in the net assets of their respective series available for distribution to such shareholders.

#### DETERMINATION OF NET ASSET VALUE

For purposes of determining the Fund's net asset value per share, domestic securities will be valued as of 4:00 p.m. New York time on each business day.

Foreign securities are valued as of the close of trading on the primary exchange on which they are traded. Securities traded on a registered securities exchange will be valued at the last sale price on the principal exchange for such security if available; the last sale price reported on the composite tape if available; or the last sale price on the trading day preceeding the valuation date if it is within the spread of the last available bid and asked prices on the principal exchange and, if not, the closing bid or asked price which is closest to such last reported sale price.

OTC securities for which a last sale price is published by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") will be valued at such last sale price. All other OTC securities will be valued at the highest closing bid price either as reported by NASDAQ or obtained from a dealer which maintains an active market in that security.

Obligations of the U.S. Government, its agencies or instrumentalities and all other debt instruments having a remaining maturity of sixty days or less will be valued at cost adjusted by the amortization of discount or premium to maturity. All other debt instruments will be valued at the latest bid price obtainable from a dealer which maintains an active market in the security until the maturity of the instrument is sixty days or less when it will be valued as if purchased at the valuation established as of the sixty-first day of its maturity. Listed debt securities which are actively traded on a securities exchange may also be valued at the last sale price in lieu of the quoted bid price of a dealer.

Any security for which market value cannot be established in accordance with the foregoing pricing practices will be valued in good faith by the Fund's directors.

As indicated in the Prospectus, the net asset value per share of the Fund's shares will be determined on each day that the New York Stock Exchange is open for trading. That Exchange annually announces the days on which it will not be open for trading; the most recent announcement indicates that it will not be open on the following days: New Year's Day, President's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. However, that Exchange may close on days not included in that announcement.

#### INVESTMENT PERFORMANCE INFORMATION

The Fund may furnish data about its investment performance in advertisements, sales literature and reports to shareholders. "Total return" represents the annual percentage change in value of \$1,000 invested at the maximum public offering price for the one year period and the life of the Fund through the most recent calendar quarter, assuming reinvestment of all dividends and distributions. The Fund may also furnish total return calculations for these and other periods, based on investments at various sales charge levels or net asset value. Any performance data which is based on the Fund's net asset value per share would be reduced if a sales charge were taken into account.

Quotations of yield will be based on the investment income per share earned during a particular 30 day period, less expenses accrued during the period ("net investment income") and will be computed by dividing net investment income by the maximum offering price per share on the last day of the period, according to the following formula:

$$\text{YIELD} = 2 \left[ \frac{(A - B + 1)^6 - 1}{CD} \right]$$

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where A = dividends and interest earned during the period, B = expenses accrued for the period (net of any reimbursements), C = the average daily number of shares outstanding during the period that were entitled to receive dividends, and D = the maximum offering price per share on the last day of the period.



Quotations of total return will reflect only the performance of a hypothetical investment in any Fund during the particular time period shown. The Fund's total return and current yield may vary from time to time depending on market conditions, the compositions of its portfolio and operating expenses. These factors and possible differences in the methods used in calculating yield should be considered when comparing the Fund's current yield to yields published for other investment companies and other investment vehicles. Total return and yield should also be considered relative to change in the value of the Fund's shares and the risks associated with the Fund's investment objectives and policies. At any time in the future, total returns and yield may be higher or lower than past total returns and yields and there can be no assurance that any historical return or yield will continue.

From time to time evaluations of performance are made by independent sources that may be used in advertisements concerning the Fund. These sources include: Lipper Analytical Services, Weisenberger Investment Company Service, Barron's, Business Week, Kiplinger's Personal Finance, Financial World, Forbes, Fortune, Money, Personal Investor, Sylvia Porter's Personal Finance, Bank Rate Monitor, Morningstar and The Wall Street Journal.

In connection with communicating its yield or total return to current or prospective shareholders, the Fund may also compare these figures to the performance of other mutual funds tracked by mutual fund rating services or to other unmanaged indexes which may assume reinvestment of dividends but generally do not reflect deductions for administrative and management costs. Quotations of the Fund's total return will represent the average annual compounded rate of return of a hypothetical investment in the Fund over periods of 1, 5, and 10 years (up to the life of the Fund), and are calculated pursuant to the following formula:

$$T = [(ERV/P)^{1/6}] - 1$$

(where P = a hypothetical initial payment of \$1,000, T = the average annual total return, n = the number of years, and ERV = the redeemable value at the end of the period of a \$1,000 payment made at the beginning of the period). All total return figures will reflect the deduction of Fund expenses (net of certain expenses reimbursed by the Adviser) on an annual basis, and will assume that all dividends and distributions are reinvested and will deduct the maximum sales charge, if any is imposed.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board  
of Directors of Gabelli Income Series Funds, Inc.

In our opinion, the accompanying statement of assets and liabilities presents fairly, in all material respects, the financial position of The Gabelli Global Governments Fund (the "Fund"), a separately managed portfolio of Gabelli Income Series Funds, Inc., at May 15, 1995, in conformity with generally accepted accounting principles. This financial statement is the responsibility of the Fund's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this financial statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

Price Waterhouse LLP  
1177 Avenue of the Americas  
New York, New York 10036

THE GABELLI GLOBAL GOVERNMENTS FUND  
 STATEMENT OF ASSETS AND LIABILITIES  
 May 15, 1995

ASSETS:	
Cash .....	\$100,000
Deferred organization expenses (Note 1) .....	98,000
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	198,000
LIABILITIES	
Accrued organization expenses (Note 1) .....	98,000
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NET ASSETS, applicable to 10,000 shares of \$0.001 par value shares of common stock issued and outstanding (allocated and authorized 2,000,000,000 shares) .....	\$100,000
	=====
NET ASSET VALUE PER SHARE .....	\$10.00
	=====

NOTES TO STATEMENT OF ASSETS AND LIABILITIES

Note 1. Organization

The Gabelli Global Governments Fund (the "Fund") is a series of Gabelli Income Series Funds, Inc. The Fund was incorporated as a Maryland corporation on November 16, 1994 and has had no operations to date other than matters relating to its organization and registration as an open-end, non-diversified, no-load mutual fund under the Investment Company Act of 1940, as amended, and the sale and issuance to Gabelli Funds, Inc. (the "Adviser") and its affiliates of 10,000 shares of its common stock for an aggregate purchase price of \$100,000. Organization expenses relating to the Fund, estimated at \$98,000, will be deferred and amortized on a straight-line basis over the period of benefit not to exceed 60 months beginning at the commencement of operation of the Fund. The Adviser has agreed that if any of the initial shares are redeemed by any holder thereof prior to amortization of the organization expenses, the proceeds of such redemption will be reduced by any unamortized organizational expenses in the same proportion as the number of initial shares being redeemed bears to the number of initial shares outstanding at the time of redemption.

Note 2. Investment Advisory and Sub-Investment Advisory Agreement

The Fund has entered into an Investment Advisory Agreement with the Adviser. The fee payable to the Adviser under the Investment Advisory Agreement is computed daily and paid monthly, at an annual rate of 1.00% applied to the average daily net assets. The Fund and the Adviser have entered into an Investment Sub-Advisory Agreement with Sal Oppenheim Jr. & Cie Asset Management Corp. (the "Sub-Adviser") whereby the Adviser has agreed to pay to the Sub-Adviser, to manage the Fund's investment program, a fee computed daily and payable monthly in an amount equal to 50% of the net revenue to the Adviser. The Adviser is obligated to perform certain administrative and management services for the Fund and will provide all of the facilities, equipment, personnel and, if requested, office space necessary to perform its duties under the Investment Advisory Agreement.

Note 3. Distribution Plan and Agreement

The Board of Directors of the Fund has approved a Distribution Plan which

authorizes payments by the Fund, in connection with the distribution of its shares, at an annual rate of up to .25% of the Fund's average daily net assets to the Distributor.

The Fund has entered into a Distribution Agreement with Gabelli & Company, Inc., an affiliate of the Adviser.

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Appendix A

APPENDIX TO STATEMENT OF ADDITIONAL INFORMATION

Description of Moody's Investors Service, Inc.'s ("Moody's") Corporate Bond Ratings

Aaa: Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. Aa: Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which made the long term risks appear somewhat larger than in Aaa securities. A: Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Note: Moody's may apply numerical modifiers, 1, 2 and 3 in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Description of Standard & Poor's Rating Group's ("S&P's") Corporate Debt Ratings

AAA: Debt rated AAA has the highest rating assigned by S&P's. Capacity to pay interest and repay principal is extremely strong. AA: Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree. A: Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

Plus (+) or Minus (-): The ratings from "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Description of Moody's Preferred Stock Ratings

aaa: An issue which is rated aaa is considered to be a top-quality preferred stock. This rating indicates good asset protection and the least risk of dividend impairment within the universe of preferred stocks. aa: An issue which is rated aa is considered a high-grade preferred stock. This rating indicates that there is reasonable assurance that earnings and asset protection will remain relatively well maintained in the foreseeable future. a: An issue which is rated a is considered to be an upper medium grade preferred stock. While risks

are judged to be somewhat greater than in the aaa and aa classifications, earnings and asset protection are, nevertheless expected to be maintained at adequate levels. baa: An issue which is rated baa is considered to be medium grade, neither highly protected nor poorly secured. Earnings and asset protection appear adequate at present but may be questionable over any great length of time.

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Note: Moody's may apply numerical modifiers 1, 2 and 3 in each rating classification from "aa" through "b" in its preferred stock rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

#### Description of S&P's Preferred Stock Ratings

AAA: This is the highest rating that may be assigned by S&P's to a preferred stock issue and indicates an extremely strong capacity to pay the preferred stock obligations. AA: A preferred stock issue rated AA also qualifies as a high-quality fixed income security. The capacity to pay preferred stock obligations is very strong, although not as overwhelming as for issues rated AAA. A: An issue rated A is backed by a sound capacity to pay the preferred stock obligations, although it is somewhat more susceptible to the adverse effect of changes in circumstances and economic conditions. BBB: An issue rated BBB is regarded as backed by an adequate capacity to pay the preferred stock obligations. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to make payments for a preferred stock in this category than for issues in the A category.

Plus (+) or Minus (-): The ratings from "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

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#### PART C: OTHER INFORMATION

##### Item 24. Financial Statements and Exhibits.

List all financial statements and exhibits as part of the Registration Statement.

- (a) Financial Statements included in Part B:
  - (a) Report of Independent Accountants
  - (b) Statement of Assets and Liabilities

Schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are omitted because they are not required under the related instructions, they are inapplicable, or the required information is presented in the financial statements or notes thereto.

- (b) Exhibits:
  - (1) Form of Amended and Restated Articles of Incorporation\*
  - (2) Form of Amended and Restated By-Laws\*

- (3) Not Applicable
- (4) Form of Stock Certificate\*
- (5) (a) Form of Investment Advisory Agreement\*  
(b) Form of Investment Sub-Advisory Agreement\*
- (6) Form of Distribution Agreement\*
- (7) Not Applicable
- (8) Form of Custodian Agreement\*
- (9) (a) Form of Transfer Agent Agreement\*  
(b) Form of Sub-Administration Agreement\*
- (10) Opinion and Consent of Counsel\*
- (11) Consent of Independent Auditors\*
- (12) Not Applicable
- (13) Form of Subscription Agreements with Initial Shareholders\*
- (14) Model IRA Plan\*
- (15) Form of Distribution Plan\*
- (16) Not Applicable
- (17) Powers of Attorney

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\* Filed herewith.

Item 25. Persons Controlled by or under Common Control with Registrant.

To the extent the following have substantially identical boards of directors and trustees they may be deemed with Registrant to be under common control: The Gabelli Asset Fund, Gabelli Equity Series Funds, Inc., The Gabelli Equity Trust Inc., The Gabelli Growth Fund, The Gabelli Value Fund, Inc., The Gabelli U.S. Treasury Money Market Fund, Gabelli Gold Fund, Inc., The Gabelli Global Multimedia Trust, Inc., Gabelli Investor Funds, Inc., The Gabelli Global Series Funds, Inc. and The Gabelli Convertible Securities Fund, Inc.

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Item 26. Number of Holders of Securities.

As of May 22, 1995 the approximate number of holders was:

(1)	(2)
Title of Class	Number of Record Holders
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The Gabelli Global Income Fund, par value \$.001 per share .....	2
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Item 27. Indemnification.

The basic effect of the respective indemnification provisions of the Registrant's By-Laws, the Investment Advisory Contract with Gabelli Funds, Inc. and the Sub-Advisory Contract with Sal. Oppenheim jr. & Cie. Asset Management Corp. for the Fund and Section 2-418 of the Maryland General Corporation Law is to indemnify each officer and director of both the Registrant and Gabelli Funds, Inc. and Sal. Oppenheim jr. & Cie. Asset Management Corp. to the full extent permitted under the General Laws of the State of Maryland, except that such indemnity shall not protect any such person against any liability to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant and the investment advisor and distributor pursuant to the forgoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a direct officer, or controlling person of the Registrant and the principal underwriter in connection with the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person or the Distributor in connection with the shares being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 28. Business and Other Connections of Investment Adviser.

See "Management of the Fund" in the Prospectus and "Directors and Officers" in the Statement of Additional Information as well as the Adviser's and Sub-Adviser's respective current Forms ADV which are incorporated herein by reference.

Item 29. Principal Underwriters.

- (a) The Distributor, Gabelli & Company, Inc., is also the principal underwriter for The Gabelli Global Telecommunications Fund, The Gabelli Global Interactive Couch Potato Fund, The Gabelli Global Convertible Securities Fund, The Gabelli Growth Fund, The Gabelli Asset Fund, The Gabelli Value

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Fund, The Gabelli Small Cap Growth Fund, Gabelli Equity Income Fund, Gabelli Gold Fund, Inc., The Westwood Funds and The Gabelli Money Market Funds.

- (b) For information required with respect to the directors and executive officers of Gabelli & Company, Inc, reference is made to the Form BD filed by Gabelli & Company, Inc. under the Securities Exchange Act of 1934.
- (c) Not applicable. The Registrant's only principal underwriter is an affiliated person of an affiliated person of the Registrant.

Item 30. Location of Accounts and Records.

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940 and the Rules thereunder will be maintained at the offices of the Sub-Administrator, The Shareholder Services Group, Inc. Exchange Place, Bos 425, 53 State Street, Boston, MA 02109, at the offices of the Fund's Custodian, State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts, at the offices of the Fund's Transfer Agent and Dividend Disbursing Agent, State Street Bank & Trust Company, c/o Boston Financial Data Services, 2 Heritage Drive, North Quincy, MA 02171 or at the offices of the Adviser, Gabelli Funds, Inc., One Corporate Center, Rye, New York 10580-1434.

Item 31. Management Services.

The Registrant is not a party to any management-related service contract.

Item 32. Undertakings.

- (a) Registrant will file a post-effective amendment containing unaudited financial statements for each series within four to six months after effectiveness of Registrant's Registration Statement.
- (b) Registrant has undertaken that if it does not hold annual meetings it will abide by Section 16(c) of the 1940 Act which provides certain rights to stockholders.
- (c) Registrant hereby undertakes to furnish to each person to whom a prospectus is delivered a copy of Registrant's latest Annual Report to Shareholders upon request and without charge.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Rye and State of New York on the 23rd day of May, 1995.

GABELLI INCOME SERIES FUNDS, INC.

/s/ BRUCE N. ALPERT  
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By: Bruce N. Alpert  
President and Treasurer

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

Signature	Title	Date
-----	-----	----

\* Chairman and Director May 23, 1995  
 -----  
 Mario J. Gabelli

BRUCE N. ALPERT President and Treasurer May 23, 1995  
 -----  
 Bruce N. Alpert

\* Director May 23, 1995  
 -----  
 Anthonie C. van Ekris

\* Director May 23, 1995  
 -----  
 Anthony J. Colavita

\* Director May 23, 1995  
 -----  
 Karl Otto Pohl

\* Director May 23, 1995  
 -----  
 Werner J. Roeder, M.D.

\* By: /s/ BRUCE N. ALPERT

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 Bruce N. Alpert  
 Attorney-in-fact

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SCHEDULE OF EXHIBITS TO FORM N-1A

Exhibit Number	Exhibit	Page Number
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(1)	Amended and Restated Articles of Incorporation*.....	
(2)	Amended and Restated By-Laws*.....	
(3)	Not Applicable.....	
(4)	Stock Certificate*.....	
(5) (a)	Investment Advisory Agreement*.....	
	(b) Investment Sub-Advisory Agreement*.....	
(6)	Distribution Agreement*.....	
(7)	Not Applicable.....	
(8)	Custodian Agreement*.....	
(9) (a)	Transfer Agent Agreement*.....	



- (b) Sub-Administration Agreement\*.....
- (10) Opinion and Consent of Counsel\*.....
- (11) Consent of Independent Auditors\*.....
- (12) Not Applicable.....
- (13) Form of Subscription Agreements with Initial Shareholders\*...
- (14) Model IRA Plan\*.....
- (15) Distribution Plan\*.....
- (16) Not Applicable.....
- Powers of Attorney\*.....

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\* Filed herewith.

ARTICLES OF AMENDMENT AND RESTATEMENT

OF

ARTICLES OF INCORPORATION

OF GABELLI INCOME SERIES FUNDS, INC.

Gabelli Income Series Funds, Inc., a Maryland corporation having its principal office at One Corporate Center, Rye, New York 10580-1431 (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of the State of Maryland (the "Department") that:

The Corporation desires to amend, ratify, confirm and restate its charter as currently in effect, consisting of Articles of Incorporation filed on November 16, 1994 with the Department, as hereinafter provided. The provisions set forth in these Articles of Amendment and Restatement of Articles of Incorporation (the "Articles of Incorporation" or "Charter") are all of the provisions of the Charter of the Corporation as currently in effect.

The Articles of Incorporation of the Corporation, filed with the Department on November 16, 1994, are hereby amended and restated in full as follows:

ARTICLE I

THE UNDERSIGNED, John R. Mentzer, III, whose post office address is 10 Light Street, Baltimore, Maryland 21202, being at least eighteen (18) years of age, hereby forms a corporation under and by virtue of the Maryland General Corporation Law.

ARTICLE II

NAME

The name of the Corporation is GABELLI INCOME SERIES FUNDS, INC. (the "Corporation").

ARTICLE III

PURPOSES AND POWERS

The purposes for which the Corporation is formed are to act as an investment company under the federal Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "1940 Act"), and to exercise and enjoy all of the general powers, rights and privileges granted to,

or conferred upon, corporations by the Maryland General Corporation Law now or hereafter in force.

#### ARTICLE IV

##### PRINCIPAL OFFICE AND RESIDENT AGENT

The post office address of the principal office of the Corporation in the State of Maryland is c/o The Corporation Trust Incorporated, 32 South Street, Baltimore, Maryland 21202. The name of the resident agent of the Corporation in the State of Maryland is The Corporation Trust Incorporated, a corporation of the State of Maryland, and the post office address of the resident agent is 32 South Street, Baltimore, Maryland 21202.

#### ARTICLE V

##### CAPITAL STOCK

(1) The total number of shares of stock of all classes which the Corporation shall have authority to issue is One Billion (1,000,000,000) shares, all of which stock shall have a par value of one-tenth of one cent (\$.001) per share. The aggregate par value of all authorized shares of stock of the Corporation is One Million Dollars (\$1,000,000). Unless otherwise prohibited by law, following the registration of the Corporation as an open-end investment company under the 1940 Act and so long as the Corporation is registered as an open-end investment company under the 1940 Act, the Board of Directors of the Corporation shall have the power and authority, without the approval of the holders of any outstanding shares of capital stock of the Corporation,

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to increase or decrease the aggregate number of authorized shares of any class or series of capital stock of the Corporation now existing or hereafter authorized and created, but the number of shares of any class or series shall not be decreased by the Board of Directors to a number below the number of shares of such class or series then outstanding.

(2) (a) The Board of Directors of the Corporation is authorized to classify or to reclassify, from time to time, any unissued shares of stock of the Corporation, whether now or hereafter authorized, by setting, changing or eliminating the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, and qualifications or terms and conditions of or rights to require redemption of the stock.

(b) Without limiting the generality of the foregoing, the dividends and distributions of investment income and capital gains with respect to each class or series of the stock of the Corporation, and with respect to each class or series that hereafter may be authorized and created, shall be in such amount as may be declared from time to time by the Board of Directors, and such dividends and distributions may vary from class to class and from series to series to such

extent and for such purposes as the Board of Directors may deem appropriate, including, but not limited to, the purpose of complying with requirements of regulatory or legislative authorities.

(c) Without limiting the generality of the foregoing, the Board of Directors may designate, from time to time, any unissued shares of stock of the Corporation, whether now or hereafter authorized, as one or more classes or series or a number of series of preferred or special stock that is excluded from the definition of "senior security" set forth in section 18(g) of the 1940 Act (or in any successor statute).

(3) Until such time as the Board of Directors shall provide otherwise pursuant to the authority granted in section (2) of this Article V, Two Hundred Million (200,000,000) shares of the authorized shares of the Corporation are designated as The Gabelli Global Governments Fund Stock ("Governments Stock").

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(4) The shares of Governments Stock and the holders thereof, and shares of any other class or series of the capital stock of the Corporation that may be authorized from time to time, and the holders thereof, shall be subject to the provisions set forth in this section (4) of this Article V except as may be otherwise provided in any Articles Supplementary classifying or reclassifying any such class or series; provided, however, that if no shares of any class or series other than the Governments Stock are outstanding, the shares of Governments Stock, and the holders thereof, shall nevertheless be subject to the following provisions except to the extent that such provisions are by their terms applicable only when shares of two or more classes are outstanding:

(a) As more fully set forth hereafter, the assets and liabilities and the income and expenses of each class or series of the Corporation's capital stock shall be determined separately and, accordingly, the net asset value, the distributions payable to holders, and the amounts distributable in the event of dissolution and liquidation of the Corporation to holders, of shares of the Corporation's capital stock may vary from class to class or series to series. Except for these differences and certain other differences hereafter set forth, each class or series of the Corporation's capital stock shall have the same preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of and rights to require redemption.

(b) The net asset value of each share of the capital stock of the Corporation shall be the current net asset value per share as determined in accordance with the provisions of this Section 4 of Article V and with the procedures adopted from time to time by the Board of Directors in compliance with the 1940 Act.

(c) All consideration received by the Corporation for the issuance or sale of shares of a class or series of the Corporation's stock, together with all

income, earnings, profits, and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation thereof, and any funds or payments derived from any reinvestment of such proceeds in whatever form the same may be (collectively referred to hereinafter as

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"assets belonging to" that class or series), shall irrevocably belong to that class or series for all purposes, subject only to the rights of creditors, and shall be so recorded upon the books of account of the Corporation. For purposes of the preceding sentence, the assets of any corporation or business trust merged with and into the Corporation pursuant to a merger in which the Corporation is the surviving corporation shall be deemed to be assets belonging to that class or series of the Corporation's stock the shares of which are issued by the Corporation pursuant to the merger.

(d) For purposes of determining the net asset value per share of stock of a class or series, the assets belonging to such class or series of the Corporation's stock shall be charged with the liabilities of the Corporation with respect to that class or series and with that class' or series' share of the liabilities of the Corporation not attributable to any particular class or series, in the latter case in the proportion that the net asset value of that class or series (determined without regard to such liabilities) bears to the net asset value of all classes or series of the Corporation's stock (determined without regard to such liabilities) as determined in accordance with procedures adopted by the Board of Directors. The determination of the Board of Directors shall be conclusive as to the allocation of liabilities, including accrued expenses and reserves, and assets to a particular class or classes or series. The liabilities of any corporation or business trust merged with and into the Corporation pursuant to a merger in which the Corporation is the surviving corporation shall be charged to that class or series of the Corporation's stock the shares of which are issued by the Corporation pursuant to the merger.

(e) Subject to any restrictions or limitations on redemptions by the Corporation hereafter set forth in the Charter of the Corporation, each holder of stock of the Corporation, upon request to the Corporation (accompanied by surrender of the appropriate stock certificate or certificates in proper form for transfer, if any certificates have been issued to represent such shares) shall be entitled to require the Corporation to redeem, to the extent that the Corporation may lawfully effect such redemption under the laws of the State of Maryland and the federal securities laws but subject to

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any right of the Corporation to postpone or suspend such right of redemption pursuant to the federal securities laws, all or any part of the shares of stock standing in the name of such holder on the books of the Corporation at a price

per share equal to the net asset value per share.

(f) Payment by the Corporation for shares of stock of the Corporation surrendered to it for redemption shall be made by the Corporation within seven business days of such surrender out of the funds legally available therefor, provided that the Corporation may suspend the right of the holders of stock of the Corporation to redeem shares of stock and may postpone the right of such holders to receive payment for any shares when permitted or required to do so by applicable statutes or regulations. Payment of the aggregate price of shares surrendered for redemption may be made in cash or, at the option of the Corporation, wholly or partly in such portfolio securities or other assets of the Corporation as the Corporation shall select.

(g) The right of any holder of stock of the Corporation redeemed by the Corporation as provided in subsection (e) of this section (4) to receive dividends thereon and all other rights of such holder with respect to such shares shall terminate at the time as of which the purchase or redemption price of such shares is determined, except the right of such holder to receive (i) the redemption price of such shares from the Corporation or its designated agent and (ii) any dividend or distribution to which such holder had previously become entitled as the record holder of such shares on the record date for such dividend or distribution.

(h) Subject to the applicable laws of the State of Maryland, if authorized by the Board of Directors of the Corporation, the Corporation shall have the right, upon thirty (30) days advance written notice to such stockholder, to redeem from any stockholder any shares of any class or series of the capital stock of the Corporation at a redemption price determined in accordance with subsection (e) of this section (4) if at any time the total investment in the account of such stockholder does not equal or exceed \$500 or certain other minimum values as determined from time to time by resolution of the Board of Directors in accordance with section

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2-105(b) of the Maryland General Corporation Law, as such Section 2-105(b) may be amended from time to time (the "Minimum Amount"); provided, however, that in the event the Corporation determines to exercise its power to redeem shares provided in this subsection (h), the stockholder shall be notified that the value of his account is less than the Minimum Amount and shall be allowed 30 days to make an appropriate investment in order to prevent such mandatory redemption.

(i) The Corporation shall be entitled to redeem shares of its stock, to the extent that the Corporation may lawfully effect such redemption under the laws of the State of Maryland, upon such terms and conditions and for such consideration as the Board of Directors shall deem advisable, at a price not exceeding the net asset value per share.

(j) Until their classification is changed in accordance with section (2) of this Article V, all shares so redeemed or purchased shall continue to belong to the same class or series to which they belonged at the time of their redemption or purchase.

(k) Shares of each class of stock shall be entitled to such dividends or distributions, in stock or in cash or both, as may be declared from time to time by the Board of Directors, acting in its sole discretion, with respect to such class, provided that dividends or distributions shall be paid on shares of a class of stock only out of lawfully available assets belonging to that class.

(l) In the event of the liquidation and dissolution of the Corporation, or the liquidation of a particular class or series of the capital stock of the Corporation, the stockholders of each class or series that has been authorized and designated and which is being liquidated shall be entitled to receive, as a class or series, out of the assets of the Corporation available for distribution to stockholders, the assets belonging to that class or series. The assets so distributable to the stockholders of a class or series shall be distributed among such stockholders in proportion to the number of shares of that class or series held by them and recorded on the books of the Corporation. In the event of the liquidation and dissolution of the Corporation, to the

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extent that there are any assets available for distribution that are not attributable to any particular class or series of stock, such assets shall be allocated to all classes or series in proportion to the net asset values of the respective classes or series and then distributed to the holders of stock of each class or series in proportion to the number of shares of that class or series held by the respective holders.

(m) The liquidation of any particular class or series in which there are shares then outstanding may be authorized by vote of the majority of the Board of Directors then in office, subject to the approval of the majority of outstanding securities of that class or series, as defined in the 1940 Act, and without the vote of the holders of any other class or series. The liquidation or dissolution of a particular class or series may be accomplished, in whole or in part, by the transfer of assets belonging to such class or series to another class or series or by the exchange of shares of such class or series for the shares of another class or series.

(n) Unless otherwise provided in the Charter of the Corporation, on each matter submitted to a vote of the stockholders for approval, each holder of a share of stock shall be entitled to one vote for each such share standing in his name on the books of the Corporation irrespective of the class or series thereof, and all shares of all classes or series shall vote together as a single class; provided, however, that (i) as to any matter with respect to which a

separate vote of any class or series is required by the 1940 Act, the Maryland General Corporation Law or the Charter of the Corporation, such class or series shall vote separately as a class or series with respect to such matter in addition to the vote of the holders of all classes or series of capital stock of the Corporation voting together as a single class (unless the 1940 Act, the Maryland General Corporation Law or the Charter of the Corporation shall provide that the separate vote of such class or series shall apply in lieu of the vote of all the holders of all classes or series, in which case, such class or series shall vote separately as a class or series with respect to such matter and no vote of any other class or series shall be necessary with respect to such matter); and (ii) as to any matter which does not affect the

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express contract rights as set forth in the Charter of the Corporation of any particular class or series, including the liquidation of a particular class or series as described in subsection (1) above, only the holders of shares of the one or more affected classes or series shall be entitled to vote thereon.

(o) The Corporation may issue shares of stock in fractional denominations to the same extent as its whole shares, and shares in fractional denominations shall be shares of stock having proportionately to the respective fractions represented thereby all the rights of whole shares, including without limitation, the right to vote, the right to receive dividends and distributions, and the right to participate upon liquidation of the Corporation, but excluding the right to receive a stock certificate representing fractional shares.

(5) All persons who shall acquire stock or other securities of the Corporation shall acquire the same subject to the provisions of the Charter of the Corporation.

## ARTICLE VI

### PROVISIONS FOR DEFINING, LIMITING AND REGULATING CERTAIN POWERS OF THE CORPORATION AND OF THE DIRECTORS AND STOCKHOLDERS

(1) The number of directors of the Corporation shall be five (5), unless and until changed pursuant to the By-Laws of the Corporation; provided, however, that (i) so long as there are three or more stockholders of the Corporation, the number of directors shall never be less than three and (ii) the number of directors shall never be more than fifteen. The name of the persons who shall act as the next directors until the first annual meeting of the stockholders and until their successors are duly elected and qualify are: Anthony J. Colavita, Mario J. Gabelli, Karl Otto Pohl, Werner J. Roeder, M.D., and Anthonie C. van Ekris.

The term of office for a director is until the next annual meeting of



stockholders at which directors are elected or until death, resignation, retirement or reelection, or until a successor is elected and qualified. In no

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case shall a decrease in the number of directors shorten the term of any incumbent director. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the entire Board of Directors, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, whether or not sufficient to constitute a quorum, or by a sole remaining director; provided, however, that if the stockholders of any class or series of the capital stock of the Corporation are entitled separately to elect one or more directors, a majority of the remaining directors elected by that class or series or the sole remaining director elected by that class or series shall fill any vacancy among the number of directors elected by that class or series. A director elected by the Board of Directors to fill any vacancy in the Board of Directors shall serve until the next annual meeting of stockholders and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. At any meeting of stockholders, stockholders shall be entitled to elect directors to fill any vacancies in the Board of Directors that have arisen since the preceding annual meeting of stockholders (whether or not any such vacancy has been filled by election of a new director by the Board of Directors), and any director so elected by the stockholders shall hold office until the next annual meeting of stockholders or until death, resignation or retirement or until a successor is elected and qualified; provided, however, that if the stockholders of any class or series of the capital stock of the Corporation are entitled separately to elect one or more directors, only the stockholders of that class or series may elect a successor to fill a vacancy on the Board of Directors which results from the removal of a director elected by that class or series. A director may be removed by the stockholders for cause or without cause, and only by action of the stockholders taken by the holders of at least a majority of the shares of capital stock then entitled to vote on the removal of such director; provided, however, that if the stockholders of any class or series are entitled separately to elect one or more directors, the director elected by a class or series may not be removed without cause except by the affirmative vote of a majority of all of the votes of that class or series.

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(2) The Board of Directors of the Corporation is hereby empowered to authorize the issuance from time to time of shares of capital stock, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable, subject to such limitations as may be set forth in the Charter or in the By-Laws of the Corporation or in the Maryland General Corporation Law.

(3) Each person who at any time is or was a Director or officer of the Corporation shall be indemnified by the Corporation to the fullest extent permitted by the Maryland General Corporation Law as it may be amended or interpreted from time to time, including the advancing of expenses, subject to any limitations imposed by the 1940 Act. Furthermore, to the fullest extent permitted by Maryland law, as it may be amended or interpreted from time to time, subject to the limitations imposed by the 1940 Act, no Director or officer of the Corporation shall be personally liable to the Corporation or its stockholders for money damages. No amendment of the Charter of the Corporation or repeal of any of its provisions shall limit or eliminate any of the benefits provided to any person who at any time is or was a Director or officer of the Corporation under this Section in respect of any act or omission that occurred prior to such amendment or repeal.

(4) The Board of Directors of the Corporation shall have the exclusive authority to make, alter or repeal from time to time any of the By-Laws of the Corporation except any particular By-Law which is specified as not subject to alteration or repeal by the Board of Directors, subject to the requirements of the 1940 Act.

(5) The Board of Directors may designate, from time to time, the location of the offices of the Corporation.

## ARTICLE VII

### DENIAL OF PREEMPTIVE RIGHTS

No stockholder of the Corporation shall by reason of his holding shares of capital stock have any preemptive or preferential right to purchase or subscribe

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to any shares of capital stock of the Corporation, now or hereafter authorized, or any notes, debentures, bonds or other securities convertible into shares of capital stock, now or hereafter to be authorized, whether or not the issuance of any such shares of capital stock, or notes, debentures, bonds or other securities would adversely affect the dividend or voting rights of such stockholder; and the Board of Directors may issue shares of any class of capital stock of the Corporation, or any notes, debentures, bonds, other securities convertible into shares of any class of capital stock of the Corporation, either whole or in part, to the existing stockholders for such lawful consideration and on such terms as the Board of Directors, in its sole discretion, may determine.

## ARTICLE VIII

### MAJORITY VOTES OF STOCKHOLDERS

At all meetings of the stockholders, the holders of a majority of the shares of stock of the Corporation entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for the transaction of any business, except as otherwise provided by Maryland General Corporation Law or the 1940 Act. In the absence of a quorum, no business may be transacted, except that the holders of a majority of the shares of stock present in person or by proxy and entitled to vote may adjourn the meeting from time to time, without notice other than announcement thereat or notice otherwise required by the By-Laws of the Corporation, until the holders of the requisite amount of shares of stock shall be so present. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting as originally called. The absence from any meeting, in person or by proxy, of holders of the number of shares of stock of the Corporation in excess of a majority thereof which may be required by the laws of the State of Maryland, the 1940 Act, or other applicable statute, the Charter of the Corporation, or the By-Laws of the Corporation, for action upon any given matter shall not prevent action at such meeting upon any other matter or matters which may properly come before the meeting, if there shall be present thereat, in person or by proxy, holders of the number of shares of stock of the Corporation

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required for action in respect of such other matter or matters. A quorum shall be present with respect to matters as to which only the holders of one class or series of stock may vote if a majority of the shares of that class or series are present at the meeting in person or by proxy, and the absence of holders of a majority of shares with respect to one class or series shall have no effect with respect to any other class or series of stock.

Except as otherwise provided in the Charter of the Corporation or as required under the 1940 Act, and notwithstanding any provision of the Maryland General Corporation Law requiring approval by the stockholders of any action by the affirmative vote of a greater proportion than a majority of the votes entitled to be cast upon the matter, any such action may be taken or authorized upon the concurrence of a majority of the number of votes entitled to be cast thereon.

## ARTICLE IX

### DETERMINATION BINDING

Any determination made in good faith, so far as accounting matters are involved, in accordance with accepted accounting practice, by or pursuant to the authority or the direction of the Board of Directors, as to the amount of assets, obligations or liabilities of the Corporation (or the allocation of assets, obligations or liabilities to a particular class or series of the capital stock of the Corporation), as to the amount of net income of the Corporation from dividends and interest for any period (or the allocation of

such income to a particular class or series of the capital stock of the Corporation), or amounts at any time legally available for the payment of dividends, as to the amount of any reserves or charges set up and the propriety thereof (or the allocation of reserves or charges to a particular class or series of the capital sock of the Corporation), as to the time of or purpose for creating reserves or as to the use, alteration or cancellation of any reserves or charges (whether or not any obligation or liability for which such reserves or charges shall have been created, shall have been paid or discharged or shall be then or thereafter required to be paid or discharged), as to the price of any

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security owned by the Corporation or as to any other matters relating to the issuance, sale, redemption or other acquisition or disposition of securities or shares of capital stock of the Corporation, and any other reasonable determination made in good faith by the Board of Directors shall be final and conclusive, and shall be binding upon the Corporation and all holders of its capital stock, past, present and future, and all shares of the capital stock of the Corporation are issued and sold on the condition and understanding, evidenced by the purchase of shares of capital stock or acceptance of share certificates, that any and all such determinations shall be binding as aforesaid. No provision of the Charter of the Corporation shall be effective to (a) require a waiver of compliance with any provision of the Securities Act of 1933, as amended, or the 1940 Act, or of any valid rule, regulation or order of the Securities and Exchange Commission thereunder or (b) protect or purport to protect any director or officer of the Corporation against any liability to the Corporation or its security holders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

#### ARTICLE X

##### PRIVATE PROPERTY OF STOCKHOLDERS

The private property of stockholders shall not be subject to the payment of corporate debts to any extent whatsoever.

#### ARTICLE XI

##### PERPETUAL EXISTENCE

The duration of the Corporation shall be perpetual.

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ARTICLE XII

AMENDMENT

The Corporation reserves the right to amend, alter, change or repeal any provision contained in the Charter of the Corporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

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The Board of Directors of the Corporation at a duly called meeting held on April 25, 1995, with a quorum present, adopted a resolution approving the foregoing amendment to and restatement of the Articles of Incorporation, declaring that said amendment to and restatement of the Articles of Incorporation was advisable and directing that it be submitted for action thereon by the stockholders by a unanimous consent in writing in lieu of a meeting under ss. 2-505 of the Maryland General Corporation Law.

The amendment to and restatement of the Articles of Incorporation of the Corporation as hereinabove set forth was approved by the unanimous consent in writing of the stockholders of the Corporation on May 30, 1995.

IN WITNESS WHEREOF, Gabelli Income Series Funds, Inc. has caused these presents to be signed in its name and on its behalf by its President and attested to by its Secretary on May 30, 1995.

ATTEST:

GABELLI INCOME SERIES  
FUNDS, INC.

By:-----  
Name: J. Hamilton Crawford, Jr.  
Title: Secretary

By:-----  
Name: Bruce N. Alpert  
Title: President & Treasurer

OFFICER'S CERTIFICATION

I, Bruce N. Alpert, President of Gabelli Income Series Funds, Inc., hereby acknowledge the foregoing Articles of Amendment and Restatement of Articles of Incorporation of Gabelli Income Series Funds, Inc. to be the act of Gabelli Income Series Funds, Inc., and to the best of my knowledge, information and belief, these matters and facts are true in all material respects, and my statement is made under penalties of perjury.

Dated: May 30, 1995

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Name: Bruce N. Alpert  
Title: President & Treasurer

AMENDED BY-LAWS

OF

GABELLI INCOME SERIES FUNDS, INC.

ARTICLE I

Offices

Section 1. Principal Office. The principal office of the Corporation shall be in the City of Baltimore, State of Maryland.

Section 2. Principal Executive Office. The principal executive office of the Corporation shall be at The Corporate Center at Rye, 555 Theodore Fremd Avenue, Rye, New York 10580.

Section 3. Other Offices. The Corporation may have such other offices in such places as the Board of Directors may from time to time determine.

ARTICLE II

Meetings of Stockholders

Section 1. Annual Meetings. The Corporation is not required to hold an annual meeting in any year in which the election of directors is not required to be acted upon under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "1940 Act"), but it may hold annual meetings (whether or not required by the 1940 Act). Any meeting held for the purpose of electing directors shall be designated the annual meeting of stockholders for that year. If the Corporation is required to hold a meeting of stockholders to elect directors pursuant to the 1940 Act, the annual meeting shall be held no later than 120 days after the occurrence of the event requiring the meeting. All other annual meetings shall be held on a day in the month of May selected by the Board of Directors.

Section 2. Special Meetings. Special meetings of the stockholders, unless otherwise provided by law or by the Charter of the Corporation (the "Charter") may be called for any purpose or purposes by a majority of the Board of Directors, the President, or on the written request of the holders of at least 10% of the outstanding capital stock of the Corporation entitled to vote at such

meeting.

Section 3. Place of Meetings. Annual and special meetings of the stockholders shall be held at such place within the United States as the Board of Directors may from time to time determine.

Section 4. Notice of Meetings; Waiver of Notice. Notice of the place, date and time of the holding of each annual and special meeting of the stockholders and the purpose or purposes of each special meeting shall be given personally or by mail, not less than ten nor more than ninety days before the date of such meeting, to each stockholder entitled to vote at such meeting and to each other stockholder entitled to notice of the meeting. Notice by mail shall be deemed to be duly given when deposited in the United States mail addressed to the stockholder at his address as it appears on the records of the Corporation, with postage thereon prepaid.

Notice of any meeting of stockholders shall be deemed waived by any stockholder who shall attend such meeting in person or by proxy, or who shall, either before or after the meeting, submit a signed waiver of notice which is filed with the records of the meeting. When a meeting is adjourned to another time and place, unless the Board of Directors, after the adjournment, shall fix a new record date for an adjourned meeting, or the adjournment is for more than one hundred and twenty days after the original record date, notice of such adjourned meeting need not be given if the time and place to which the meeting shall be adjourned were announced at the meeting at which the adjournment is taken.

Section 5. Quorum. At all meetings of the stockholders, a quorum shall be present with respect to matters as to which stockholders are entitled to vote as provided for in the Charter of the Corporation.

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Section 6. Organization. At each meeting of the stockholders, the Chairman of the Board (if one has been designated by the Board), or in the absence of the Chairman of the Board or his or her inability to act, the President, or in the absence or inability of the Chairman of the Board and the President, a Vice President, shall act as chairman of the meeting. The Secretary, or in the Secretary's absence or inability to act, any person appointed by the chairman of the meeting, shall act as secretary of the meeting and keep the minutes thereof.

Section 7. Order of Business. The order of business at all meetings of the stockholders shall be as determined by the chairman of the meeting.

Section 8. Voting. Stockholders shall be entitled to vote on matters submitted to the stockholders as provided in the Charter, and, unless otherwise provided in the Charter, shall be entitled to one vote on each matter submitted to the stockholders on which matter such stockholder is entitled to vote for



every share of such stock standing in such stockholder's name on the records of stockholders of the Corporation as of the record date determined pursuant to Section 9 of this Article or if such record date shall not have been so fixed, then at the later of (i) the close of business on the day on which notice of the meeting is mailed or (ii) the thirtieth day before the meeting.

Each stockholder entitled to vote at any meeting of stockholders may authorize another person or persons to act for him by a proxy signed by such stockholder or his attorney-in-fact. No proxy shall be valid after the expiration of eleven months from the date thereof, unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the stockholder executing it, except in those cases where such proxy states that it is irrevocable and the proxy is coupled with an interest.

If a vote shall be taken on any question other than the election of directors, which shall be by written ballot, then unless required by statute, the 1940 Act or these By-Laws, or determined by the chairman of the meeting to be advisable, any such vote need not be by ballot. On a vote by ballot, each ballot shall be signed

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by the stockholder voting, or by his proxy, if there be such proxy, and shall state the number of shares voted.

Section 9. Fixing of Record Date. The Board of Directors may set a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of the stockholders or be allotted other rights. The record date, which may not be prior to the close of business on the day the record date is fixed, shall be not more than ninety nor less than ten days before the date on which the action requiring such determination shall be taken.

Section 10. Inspectors. The Board may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If the inspector shall not be so appointed or if any of them shall fail to appear or act, the chairman of the meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares outstanding and the voting powers of each, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute

a certificate of any fact found by them. No director or candidate for the office of director shall act as inspector of an election of directors. Inspectors need not be stockholders.

Section 11. Consent of Stockholders in Lieu of Meeting. Except as otherwise provided by statute, the 1940 Act or the Charter, any action required to be taken at any annual or special meet-

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ing of stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if the following are filed with the records of stockholders meetings: (i) a unanimous written consent which sets forth the action and is signed by each stockholder entitled to vote on the matter and (ii) a written waiver of any right to dissent signed by each stockholder entitled to notice of the meeting but not entitled to vote thereat.

### ARTICLE III

#### Board of Directors

Section 1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. All powers of the Corporation may be exercised by or under authority of the Board of Directors except as conferred on or reserved to the stockholders by law or by the Charter or these By-Laws.

Section 2. Number of Directors. Subject to the provisions of the Charter, the number of directors shall be fixed from time to time by resolution of the Board of Directors adopted by a majority of the directors then in office. Any vacancy created by an increase in the number of Directors may be filled in accordance with Section 6 of this Article III. Directors need not be stockholders.

Section 3. Election and Term of Directors. Directors shall be elected by written ballot at each annual meeting of stockholders held for that purpose unless otherwise provided by statute or the Charter. The term of office of directors shall be from the time of their election and qualification until the next annual meeting of stockholders and until their successors are elected and qualify.

Section 4. Resignation. A director of the Corporation may resign at any time by giving written notice of his resignation to the Board or the Chairman of the Board or the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become

shall not be specified therein, immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Removal of Directors. Any director of the Corporation may be removed in accordance with the Charter.

Section 6. Vacancies. Subject to the provisions of the 1940 Act, any vacancies in the Board, whether arising from death, resignation, removal, an increase in the number of directors or any other cause, shall be filled by a vote of the Board of Directors in accordance with the Charter.

Section 7. Place of Meetings. Meetings of the Board may be held at such place as the Board may from time to time determine or as shall be specified in the notice of such meeting.

Section 8. Regular Meeting. Regular meetings of the Board may be held without notice at such time and place as may be determined by the Board of Directors.

Section 9. Special Meetings. Special meetings of the Board may be called by two or more directors of the Corporation or by the Chairman of the Board or the President.

Section 10. Post Stockholder Meetings. A meeting of the Board of Directors shall be held as soon as practicable after each meeting of stockholders at which directors were elected. No notice of such meeting shall be necessary if held immediately after the adjournment, and at the site, of the meeting of stockholders. If not so held, notice shall be given as hereinafter provided for special meetings of the Board of Directors.

Section 11. Notice of Special Meetings. Notice of each special meeting of the Board shall be given by the Secretary as hereinafter provided, in which notice shall be stated the time and place of the meeting. Notice of each such meeting shall be delivered to each director, either personally or by telephone or any standard form of telecommunication, at least twenty-four hours before the time at which such meeting is to be

held, or mailed by first-class mail, postage prepaid, addressed to him at his residence or usual place of business, at least three days before the day on

which such meeting is to be held.

Section 12. Participation in Meetings. The members of the Board of Directors of the Corporation or any committee of the Board of Directors of the Corporation established pursuant to Article IV of these By-Laws may participate in any meeting of the Board of Directors or of any committee thereof by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in any meeting by such means constitutes presence in person by such director at such meeting.

Section 13. Waiver of Notice of Meetings. Notice of any special meeting need not be given to any director who shall, either before or after the meeting, sign a written waiver of notice which is filed with the records of the meeting or who shall attend such meeting. Except as otherwise specifically required by these By-Laws, a notice or waiver of notice of any meeting need not state the purpose of such meeting.

Section 14. Quorum and Voting. One-third, but not less than two, of the members of the entire Board shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and except as otherwise expressly required by statute, the 1940 Act, the Charter, these By-Laws, or other applicable statute, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board; provided, however, that the approval of any contract with an investment adviser or principal underwriter, as such terms are defined in the 1940 Act, which the Corporation enters into or any renewal or amendment thereof, and the selection of the Corporation's independent public accountants shall each require the affirmative vote of a majority of the directors who are not interested persons, as defined in the 1940 Act, of the Corporation cast in person at such meeting and the approval of the fidelity bond required by the 1940 Act shall require the approval of a majority of such directors. In the absence of a quorum at any meeting of the Board, a majority of the

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directors present thereat may adjourn such meeting to another time and place until a quorum shall be present thereat. Notice of the time and place of any such adjourned meeting shall be given to the directors who were not present at the time of the adjournment and, unless such time and place were announced at the meeting at which the adjournment was taken, to the other directors. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 15. Organization. The Board may, by resolution adopted by a majority of the entire Board, designate a Chairman of the Board, who shall preside at each meeting of the Board. In the absence or inability of the Chairman of the Board to preside at a meeting, the President or, in his absence

or inability to act, another director chosen by a majority of the directors present, shall act as chairman of the meeting and preside thereat. The Secretary (or, in his absence or inability to act, any person appointed by the Chairman) shall act as secretary of the meeting and keep the minutes thereof.

Section 16. Written Consent of Directors in Lieu of a Meeting. Subject to the provisions of the 1940 Act any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writings or writing are filed with the minutes of the proceedings of the Board or committee.

Section 17. Compensation. Directors may receive compensation for services to the Corporation in their capacities as directors or otherwise in such manner and in such amounts as may be fixed from time to time by the Board.

#### ARTICLE IV

##### Committees

Section 1. Committees of the Board. The Board of Directors may from time to time, by resolution adopted

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by a majority of the whole Board, designate one or more committees of the Board, each such committee to consist of two or more directors and, subject to applicable statute, to have such powers and duties as the Board of Directors may, by resolution, prescribe.

Section 2. General. One-third, but not less than two, of the members of any committee shall be present in person at any meeting of such committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority present shall be the act of such committee. The Board may designate a chairman of any committee and such chairman or any two members of any committee may fix the time and place of its meetings unless the Board shall otherwise provide. In the absence or disqualification of any member of any committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. The Board shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority or

power of the Board in the management of the business or affairs of the Corporation.

## ARTICLE V

### Officers, Agents and Employees

Section 1. Officers. The officers of the Corporation shall be a President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may elect or appoint one or more Vice Presidents and may also appoint such other officers, agents and employees as it may deem necessary or proper. Any two or more offices may be held by the same person, except the offices of President and

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Vice President, but no officer shall execute, acknowledge or verify any instrument as an officer in more than one capacity. Such officers shall be elected by the Board of Directors to serve at the pleasure of the Board, each to hold office until the next annual meeting of the Board of Directors following the next succeeding annual meeting of stockholders and until their successors shall have been duly elected and shall have qualified, or until death, resignation, or removal, as hereinafter provided in these By-Laws. The Board may from time to time elect, or delegate to the President the power to appoint, such officers (including one or more Assistant Vice Presidents, one or more Assistant Treasurers and one or more Assistant Secretaries) and such agents, as may be necessary or desirable for the business of the Corporation. Such officers and agents shall have such duties and shall hold their offices for such terms as may be prescribed by the Board or by the appointing authority.

Section 2. Resignations. Any officer of the Corporation may resign at any time by giving written notice of resignation to the Board, the Chairman of the Board, President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3. Removal of Officer, Agent or Employee. Any officer, agent or employee of the Corporation may be removed by the Board of Directors with or without cause at any time, and the Board may delegate such power of removal as to agents and employees not elected or appointed by the Board of Directors. Such removal shall be without prejudice to such person's contract rights, if any, but the appointment of any person as an officer, agent or employee of the Corporation shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office, either arising from death,

resignation, removal or any other cause, may be filled for the unexpired portion of the term of the office which shall be vacant, in the manner prescribed in these By-Laws for the regular election or appointment to such office.

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Section 5. Compensation. The compensation of the officers of the Corporation shall be fixed by the Board of Directors, but this power may be delegated to any officer in respect of other officers under his control.

Section 6. Bonds or Other Security. If required by the Board, any officer, agent or employee of the Corporation shall give a bond or other security for the faithful performance of his duties, in such amount and with such surety or sureties as the Board may require.

Section 7. President. The President shall be the chief executive officer of the Corporation and shall have all of the powers and duties incident to the office of President of a corporation. In the absence of the Chairman of the Board (or if there be none), he shall preside at all meetings of the stockholders and of the Board of Directors. He shall have, subject to the control of the Board of Directors, general charge of the business and affairs of the Corporation. He may employ and discharge employees and agents of the Corporation, except such as shall be appointed by the Board, and he may delegate these powers.

Section 8. Vice President. Each Vice President shall have such powers and perform such duties as the Board of Directors or the President may from time to time prescribe.

Section 9. Treasurer. The Treasurer shall:

(a) have charge and custody of, and be responsible for, all the funds and securities of the Corporation, except those which the Corporation has placed in the custody of a bank or trust company or member of a national securities exchange (as that term is defined in the Securities Exchange Act of 1934, as amended) pursuant to a written agreement designating such bank or trust company or member of a national securities exchange as a custodian or sub-custodian of the property of the Corporation;

(b) keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation;

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(c) cause all moneys and other valuables to be deposited to the credit of the Corporation;

(d) receive, and give receipts for, moneys due and payable, to the Corporation from any source whatsoever;

(e) disburse the funds of the Corporation and supervise the investment of its funds as ordered or authorized by the Board, taking proper vouchers therefor;

(f) provide assistance to the Audit Committee of the Board, if any, and report to such committee as necessary;

(g) be designated as principal accounting officer for purposes of ss. 32 of the 1940 Act; and

(h) in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board or the President.

Section 10. Secretary. The Secretary shall:

(a) keep or cause to be kept in one or more books provided for the purpose, the minutes of all meetings of the Board, the committees of the Board and the stockholders;

(b) see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law;

(c) be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal;

(d) see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and

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(e) in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board or the President.

Section 11. Delegation of Duties. In case of the absence of any officer of the Corporation, or for any other reason that the Board may deem sufficient, the



Board may confer for the time being the powers or duties, or any of them, of such officer upon any other officer or upon any director.

## ARTICLE VI

### Indemnification

Each officer and director of the Corporation shall be indemnified by the Corporation to the full extent permitted under the Maryland General Corporation Law, except that such indemnity shall not protect any such person against any liability to the Corporation or any stockholder thereof to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office. Absent a court determination that an officer or director seeking indemnification was not liable on the merits or guilty of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office, the decision by the Corporation to indemnify such person must be based upon the reasonable determination of independent counsel or nonparty independent directors, after review of the facts, that such officer or director is not guilty of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

The Corporation may purchase insurance on behalf of an officer, director, employee or other agent of the Corporation protecting such person to the full extent permitted under the Maryland General Corporation Law, from liability arising from his activities as officer or director of the Corporation. The Corporation, however, may not purchase insurance on behalf of any officer or director of the Corporation that protects or

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purports to protect such person from liability to the Corporation or to its stockholders to which such officer or director would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his office.

## ARTICLE VII

### Capital Stock

Section 1. Stock Certificates. Each holder of stock of the Corporation shall be entitled upon request to have a certificate or certificates, in such form as shall be approved by the Board, representing the number of shares of the Corporation owned by him, provided, however, that certificates for fractional shares will not be delivered in any case. The certificates representing shares of stock shall be signed by or in the name of the Corporation by the President

or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and sealed with the seal of the Corporation. Any or all of the signatures or the seal on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate shall be issued, it may be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still in office at the date of issue.

Section 2. Books of Accounts and Record of Stockholders. There shall be kept at the principal executive office of the Corporation correct and complete books and records of account of all the business and transactions of the Corporation. There shall be made available upon request of any stockholder, in accordance with Maryland law, a record containing the number of shares of stock issued during a specified period not to exceed twelve months and the consideration received by the Corporation for each such share.

Section 3. Transfers of Shares. Transfers of shares of stock of the Corporation shall be made on the

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stock records of the Corporation only by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and on surrender of the certificate or certificates, if issued, for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. Except as otherwise provided by law, the Corporation shall be entitled to recognize the exclusive rights of a person in whose name any share or shares stand on the record of stockholders as the owner of such share or shares for all purposes, including, without limitation, the rights to receive dividends or other distributions, and to vote as such owner, and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in any such share or shares on the part of any other person.

Section 4. Regulations. The Board may make such additional rules and regulations, not inconsistent with these By-Laws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer agents or one or more transfer clerks and one or more registrars and may require all certificates for shares of stock to bear the signature or signatures of any of them.

Section 5. Lost, Destroyed or Mutilated Certificates. The holder of any certificates representing shares of stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of such certificate, and the Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it which the owner thereof shall

allege to have been lost or destroyed or which shall have been mutilated, and the Board may, in its discretion, require such owner or his legal representatives to give to the Corporation a bond in such sum, limited or unlimited, and in such form and with such surety or sureties, as the Board in its absolute discretion shall determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of any such certificate, or issuance of a new certificate. Anything herein to the contrary notwithstanding, the Board, in its abso-

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lute discretion, may refuse to issue any such new certificate, except pursuant to legal proceedings under the laws of the State of Maryland.

Section 6. Fixing of a Record Date for Dividends and Distributions. The Board may fix, in advance, a date not more than ninety days preceding the date fixed for the payment of any dividend or the making of any distribution. Once the Board of Directors fixes a record date as the record date for the determination of the stockholders entitled to receive any such dividend or distribution, in such case only the stockholders of record at the time so fixed shall be entitled to receive such dividend or distribution.

Section 7. Information to Stockholders and Others. Any stockholder of the Corporation or his agent may inspect and copy during usual business hours the Corporation's By-Laws, minutes of the proceedings of its stockholders, annual statements of its affairs, and voting trust agreements on file at its principal office.

## ARTICLE VIII

### Seal

The seal of the Corporation shall be circular in form and shall bear, in addition to any other emblem or device approved by the Board of Directors, the name of the Corporation, the year of its incorporation and the words "Corporate Seal" and "Maryland". Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

## ARTICLE IX

### Fiscal Year

Unless otherwise determined by the Board, the fiscal year of the Corporation shall end on the 31st day of December.

## ARTICLE X

## Depositories and Custodians

Section 1. Depositories. The funds of the Corporation shall be deposited with such banks or other depositories as the Board of Directors of the corporation may from time to time determine.

Section 2. Custodians. All securities and other investments shall be deposited in the safe keeping of such banks or other companies as the Board of Directors of the Corporation may from time to time determine. Every arrangement entered into with any bank or other company for the safe keeping of the securities and investments of the Corporation shall contain provisions complying with the 1940 Act.

## ARTICLE XI

## Execution of Instruments

Section 1. Checks, Notes, Drafts, etc. Checks, notes, drafts, acceptances, bills of exchange and other orders or obligations for the payment of money shall be signed by such officer or officers or person or persons as the Board of Directors by resolution shall from time to time designate.

Section 2. Sale or Transfer of Securities. Stock certificates, bonds or other securities at any time owned by the Corporation may be held on behalf of the Corporation or sold, transferred or otherwise disposed of subject to any limits imposed by these By-Laws and pursuant to authorization by the Board and, when so authorized to be held on behalf of the Corporation or sold, transferred or otherwise disposed of, may be transferred from the name of the Corporation by the signature of the President or a Vice President or the Treasurer or pursuant to any procedure approved by the Board of Directors, subject to applicable law.

## ARTICLE XII

## Independent Public Accountants

The firm of independent public accountants which shall sign or certify the financial statements of the Corporation which are filed with the Securities and Exchange Commission shall be selected annually by the Board of Directors and ratified by the stockholders to the extent required by the 1940 Act.

## ARTICLE XIII

### Annual Statement

The books of account of the Corporation shall be examined by an independent firm of public accountants at the close of each annual period of the Corporation and at such other times as may be directed by the Board. A report to the stockholders based upon each such examination shall be mailed to each stockholder of the Corporation of record on such date with respect to each report as may be determined by the Board, at his address as the same appears on the books of the Corporation. Such annual statement shall also be available at the annual meeting of stockholders and be placed on file at the Corporation's principal office in the State of Maryland. Each such report shall show the assets and liabilities of the Corporation as of the close of the annual or quarterly period covered by the report and the securities in which the funds of the Corporation were then invested. Such report shall also show the Corporation's income and expenses for the period from the end of the Corporation's preceding fiscal year to the close of the annual or quarterly period covered by the report and any other information required by the 1940 Act, and shall set forth such other matters as the Board or such firm of independent public accountants shall determine.

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## ARTICLE XIV

### Amendments

The Board of Directors, by affirmative vote of a majority thereof, shall have the right to amend, alter or repeal these By-Laws at any regular or special meeting of the Board of Directors, except any particular By-Law which is specified as not subject to alteration or repeal by the Board of Directors.

COUNTERSIGNED: BOSTON FINANCIAL DATA SERVICES  
SERVICING AGENT FOR STATE STREET BANK AND TRUST COMPANY,  
P.O. BOX 8308, BOSTON, MA 02206-8308

BY

-----  
AUTHORIZED OFFICER

GABELLI INCOME SERIES FUNDS, INC.  
INCORPORATED UNDER THE LAWS OF THE STATE OF MARYLAND

THIS CERTIFIES that \_\_\_\_\_ is the owner of

\*SEE REVERSE SIDE FOR CERTAIN DEFINITIONS

CUSIP  
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FULLY PAID AND NON-ASSESSABLE SHARES OF STOCK OF THE CLASS DESIGNATED AS THE GABELLI GLOBAL GOVERNMENTS FUND (the "Corporation"), par value \$0.001 per share, transferable on the books of the Corporation by the bidder hereof, in person or by a duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate is not valid unless countersigned by the Transfer Agent. Witness the seal of the Corporation and the signatures of its duly appointed officers.

Dated:

Corporate  
Seal

Treasurer

President

PLEASE DETACH AND DISCARD UNLESS CHANGES ARE REQUIRED

Gabelli Global Governments Fund,  
a series of Gabelli Income Series Funds, Inc.

Number  
KC

Shares

Account No

Alpha Code

Dealer No.

Confirm No.

Trade Date

Confirm Date

Batch I. D. No.

Change Notice if the above information is incorrect or missing.  
Please print the correct information below, and return to:

Boston Financial Data Services  
Servicing Agent for State Street Bank and Trust Company  
P.O. Box 8308  
Boston, MA 02206-8308

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IDENT. OR SOC. SEC. NO.

## INVESTMENT ADVISORY AGREEMENT

INVESTMENT ADVISORY AGREEMENT, dated as of May 23, 1995, between Gabelli Income Series Funds, Inc., a Maryland corporation (the "Corporation"), on behalf of its series The Gabelli Global Governments Fund (the "Fund"), and Gabelli Funds, Inc. (the "Adviser"), a Delaware corporation.

In consideration of the mutual promises and agreements herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. In General

The Adviser agrees, all as more fully set forth herein, to act as investment adviser to the Fund with respect to the investment of the assets of the Fund and to supervise and arrange the purchase and sale of assets held in the investment portfolio of the Fund. The Adviser may delegate any or all of its responsibilities to one or more sub-advisers or administrators, subject to the approval of the Board of Directors of the Corporation. Such delegation shall not relieve the Adviser of its duties and responsibilities hereunder.

2. Duties and Obligations of the Adviser With Respect to Investments of Assets of the Fund

(a) Subject to the succeeding provisions of this paragraph and subject to the direction and control of the Corporation's Board of Directors, the Adviser shall (i) act as investment adviser for and supervise and manage the investment and reinvestment of the Fund's assets and, in connection therewith, have complete discretion in purchasing and selling securities and other assets for the Fund and in voting, exercising consents and exercising all other rights appertaining to such securities and other assets on behalf of the Fund; (ii) arrange for the purchase and sale of securities and other assets held in the investment portfolio of the Fund and (iii) oversee the administration of all aspects of the Fund's business and affairs and provide, or arrange for others whom it believes to be competent to provide,

certain services as specified in subparagraph (b) below. Nothing contained herein shall be construed to restrict the Corporation's right to hire its own employees or to contract for administrative services to be performed by third parties, including but not limited to, the calculation of the net asset value of the Fund's shares.

(b) The specific services to be provided or arranged for by the Adviser for the Fund are (i) maintaining the Fund's books and records, such as journals, ledger accounts and other records in accordance with applicable laws and



regulations to the extent not maintained by the Fund's custodian, transfer agent and dividend disbursing agent; (ii) transmitting purchase and redemption orders for the Fund's shares to the extent not transmitted by the Fund's distributor or others who purchase and redeem shares; (iii) initiating all money transfers to the Fund's custodian and from the Fund's custodian for the payment of the Fund's expenses, investments, dividends and share redemptions; (iv) reconciling account information and balances among the Fund's custodian, transfer agent, distributor, dividend disbursing agent and the Adviser; (v) providing the Fund, upon request, with such office space and facilities, utilities and office equipment as are adequate for the Fund's needs; (vi) preparing, but not paying for, all reports by the Corporation, on behalf of the Fund, to their shareholders and all reports and filings required to maintain the registration and qualification of the Fund's shares under federal and state law including periodic updating of the Corporation's registration statement and Prospectus (including its Statement of Additional Information); (vii) supervising the calculation of the net asset value of the Fund's shares; and (viii) preparing notices and agendas for meetings of the Fund's shareholders and the Corporation's Board of Directors as well as minutes of such meetings in all matters required by applicable law to be acted upon by the Board of Directors.

(c) In the performance of its duties under this Agreement, the Adviser shall at all times use all reasonable efforts to conform to, and act in accordance with, any requirements imposed by (i) the provisions of the Investment Company Act of 1940 (the "Act"), and of any rules or regulations in force thereunder; (ii) any other applicable provision of law; (iii) the provisions of the Articles of Incorporation, as amended, and By-Laws

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of the Corporation, as such documents are amended from time to time; (iv) the investment objectives, policies and restrictions applicable to the Fund as set forth in the Corporation's Registration Statement on Form N-1A and (v) any policies and determinations of the Board of Directors of the Corporation with respect to the Fund.

(d) The Adviser will seek to provide qualified personnel to fulfill its duties hereunder and will bear all costs and expenses (including any overhead and personnel costs) incurred in connection with its duties hereunder and shall bear the costs of any salaries or directors fees of any officers or directors of the Corporation who are affiliated persons (as defined in the Act) of the Adviser. If in any fiscal year the Fund's aggregate expenses (excluding interest, taxes, distribution expenses, brokerage commissions and extraordinary expenses) exceed the most restrictive expense limitation imposed by the securities law of any state in which the shares of the Fund are registered or qualified for sale, the Adviser will reimburse the Fund for the amount of such excess up to the amount of fees accrued for such fiscal year hereunder. The amount of such reimbursement shall be calculated monthly and an appropriate amount shall be held back or released to the Adviser each month so that the

aggregate amount held back at any particular time shall equal the net amount of the reimbursement on a cumulative year-to-date basis. As of the end of the year the final amount of the total reimbursement shall be calculated and the appropriate amount released to the Fund or the Adviser or paid to the Fund by the Adviser. Subject to the foregoing, the Corporation shall be responsible for the payment of all the Fund's other expenses, including (i) payment of the fees payable to the Adviser under paragraph 4 hereof; (ii) organizational expenses; (iii) brokerage fees and commissions; (iv) taxes; (v) interest charges on borrowings; (vi) the cost of liability insurance or fidelity bond coverage for the Corporation officers and employees, and directors' and officers' errors and omissions insurance coverage; (vii) legal, auditing and accounting fees and expenses; (viii) charges of the Fund's custodian, transfer agent and dividend disbursing agent; (ix) the Fund's pro rata portion of dues, fees and charges of any trade association of which the Corporation is a member; (x) the expenses of printing, preparing and mailing proxies, stock certificates and reports, including the Fund's prospectus

and statement of additional information, and notices to shareholders; (xi) filing fees for the registration or qualification of the Fund and its shares under federal or state securities laws; (xii) the fees and expenses involved in registering and maintaining registration of the Fund's shares with the Securities and Exchange Commission; (xiii) the expenses of holding shareholder meetings; (xiv) the compensation, including fees, of any of the Corporation's directors, officers or employees who are not affiliated persons of the Adviser; (xv) all expenses of computing the Fund's net asset value per share, including any equipment or services obtained solely for the purpose of pricing shares or valuing the Fund's investment portfolio; (xvi) expenses of personnel performing shareholder servicing functions and all other distribution expenses payable by the Corporation; and (xvii) litigation and other extraordinary or non-recurring expenses and other expenses properly payable by the Fund.

(e) The Adviser shall give the Fund the benefit of its best judgment and effort in rendering services hereunder, but neither the Adviser nor any of its officers, directors, employees, agents or controlling persons shall be liable for any act or omission or for any loss sustained by the Fund in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations and duties under this Agreement; provided, however, that the foregoing shall not constitute a waiver of any rights which the Corporation may have which may not be waived under applicable law.

(f) Nothing in this Agreement shall prevent the Adviser or any director, officer, employee or other affiliate thereof from acting as investment adviser for any other person, firm or corporation, or from engaging in any other lawful

activity, and shall not in any way limit or restrict the Adviser or any of its directors, officers, employees or agents from buying, selling or trading any securities for its or their own accounts or for the accounts of others for whom it or they may be acting.

### 3. Portfolio Transactions

In the course of the Adviser's execution of portfolio transactions for the Fund, it is agreed that the Adviser shall employ securities brokers and dealers which, in its judgment, will be able to satisfy the policy of the Fund to seek the best execution of its portfolio transactions at reasonable expenses. For purposes of this agreement, "best execution" shall mean prompt, efficient and reliable execution at the most favorable price obtainable. Under such conditions as may be specified by the Corporation's Board of Directors in the interest of its shareholders and to ensure compliance with applicable law and regulations, the Adviser may (a) place orders for the purchase or sale of the Fund's portfolio securities with its affiliate, Gabelli & Company, Inc. or affiliates of any sub-adviser pursuant to procedures under Rule 17e-1; (b) pay commissions to brokers other than such affiliates which are higher than might be charged by another qualified broker to obtain brokerage and/or research services considered by the Adviser to be useful or desirable in the performance of its duties hereunder and for the investment management of other advisory accounts over which it or its affiliates exercise investment discretion; and (c) consider sales by brokers (other than its affiliate distributor) of shares of the Fund and any other mutual fund for which it or its affiliates act as investment adviser, as a factor in its selection of brokers and dealers for the Fund's portfolio transactions.

### 4. Compensation of the Adviser

(a) Subject to paragraph 2(b), the Corporation agrees to pay to the Adviser out of the Fund's assets and the Adviser agrees to accept as full compensation for all services rendered by or through the Adviser (other than any amounts payable to the Adviser pursuant to paragraph 4(b)) a fee computed daily and payable monthly in an amount equal on an annualized basis to 1.00% of the first \$500,000,000 of the Fund's average daily net asset value and 0.80% of the Fund's average daily net assets in excess of \$500,000,000. For any period less than a month during which this Agreement is in effect, the fee shall be prorated according to the proportion which such period bears to a full month of 28, 29, 30 or 31 days, as the case may be.

(b) The Corporation will pay the Adviser or the distributor separately for any costs and expenses incurred by the Adviser or the distributor in connection with distribution of the Fund's shares in accordance with the terms (including proration or nonpayment as a result of allocations of payments) of a Plan of Distribution (the "Plan") adopted for the Fund pursuant to Rule 12b-1 under the Act as such Plan may be in effect from time to time; provided, however, that no payments shall be due or paid to the Adviser hereunder unless and until this Agreement shall have been approved by Director Approval and Disinterested Director Approval (as such terms are defined in such Plan). The Corporation reserves the right to modify or terminate such Plan at any time as specified in the Plan and Rule 12b-1, and this subparagraph shall thereupon be modified or terminated to the same extent without further action of the parties. The persons authorized to direct the payment of the funds pursuant to this Agreement and the Plan shall provide to the Corporation's Board of Directors, and the Directors shall review, at least quarterly a written report of the amount so paid and the purposes for which such expenditures were made.

(c) For purposes of this Agreement, the net assets of the Fund shall be calculated pursuant to the procedures adopted by resolutions of the Directors of the Corporation for calculating the net asset value of the Fund's shares.

## 5. Indemnity

(a) The Corporation hereby agrees to indemnify the Adviser and each of the Adviser's directors, officers, employees, sub-advisers and agents (including any individual who serves at the Adviser's request as director, officer, partner, trustee or the like of another corporation) and controlling persons of each of them (each such person being an "indemnitee") out of the Fund's assets against any liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees (all as provided in accordance with applicable corporate law) reasonably incurred by such indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which he

may be or may have been involved as a party or otherwise or with which he may be or may have been threatened, while acting in any capacity set forth above in this paragraph or thereafter by reason of his having acted in any such capacity, except with respect to any matter as to which he shall have been adjudicated not to have acted in good faith in the reasonable belief that his action was in the best interest of the Corporation and furthermore, in the case of any criminal proceeding, so long as he had no reasonable cause to believe that the conduct was unlawful, provided, however, that (1) no indemnitee shall be indemnified hereunder against any liability to the Corporation or its shareholders or any expense of such indemnitee arising by reason of (i) willful misfeasance, (ii)

bad faith, (iii) gross negligence iv) reckless disregard of the duties involved in the conduct of his position (the conduct referred to in such clauses (i) through (v) being sometimes referred to herein as "disabling conduct"), (2) as to any matter disposed of by settlement or a compromise payment by such indemnitee, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless there has been a determination that such settlement or compromise is in the best interests of the Fund and that such indemnitee appears to have acted in good faith in the reasonable belief that his action was in the best interest of the Fund and did not involve disabling conduct by such indemnitee and (3) with respect to any action, suit or other proceeding voluntarily prosecuted by any indemnitee as plaintiff, indemnification shall be mandatory only if the prosecution of such action, suit or other proceeding by such indemnitee was authorized by a majority of the full Board of the Corporation. Notwithstanding the foregoing, the Corporation shall not be obligated to provide any such indemnification to the extent such provision would waive any right which the Corporation cannot lawfully waive.

(b) The Corporation shall make advance payments out of the assets of the Fund in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Corporation receives a written affirmation of the indemnitee's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to reimburse the Fund unless it is subsequently determined that he is entitled to such

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indemnification and if the Directors of the Corporation determine that the facts then known to them would not preclude indemnification. In addition, at least one of the following conditions must be met: (A) the indemnitee shall provide a security for his undertaking, (B) the Fund shall be insured against losses arising by reason of any lawful advances, or (C) a majority of a quorum of directors of the Corporation who are neither "interested persons" of the Corporation (as defined in Section 2(a)(19) of the Act) nor parties to the proceeding ("Disinterested Non-Party Directors") or an independent legal counsel in a written opinion, shall determine, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the indemnitee ultimately will be found entitled to indemnification.

(c) All determinations with respect to indemnification hereunder shall be made (1) by a final decision on the merits by a court or other body before whom the proceeding was brought that such indemnitee is not liable by reason of disabling conduct or, (2) in the absence of such a decision, by (i) a majority vote of a quorum of the Disinterested Non-party Directors of the Corporation, or (ii) if such a quorum is not obtainable or even, if obtainable, if a majority vote of such quorum so directs, independent legal counsel in a written opinion.

The rights accruing to any indemnitee under these provisions shall not exclude any other right to which he may be lawfully entitled.

## 6. Duration and Termination

This Agreement shall become effective upon on the date hereof and shall continue in effect for a period of two years and thereafter from year to year, but only so long as such continuation is specifically approved at least annually in accordance with the requirements of the Act.

This Agreement may be terminated by the Adviser at any time without penalty upon giving the Corporation sixty days written notice (which notice may be waived by the Corporation) and may be terminated by the Corporation at any time without penalty upon giving the Adviser sixty

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days notice (which notice may be waived by the Adviser), provided that such termination by the Corporation shall be directed or approved by the vote of a majority of the Directors of the Corporation in office at the time or by the vote of the holders of a "majority of the voting securities" (as defined in the Act) of the Corporation at the time outstanding and entitled to vote or, with respect to paragraph 4(b), by a majority of the Directors of the Corporation who are not "interested persons" of the Corporation and who have no direct or indirect financial interest in the operation of the Plan or any agreements related to the Plan. This Agreement shall terminate automatically in the event of its assignment (as "assignment" is defined in the Act and the rules thereunder.)

It is understood and hereby agreed that the word "Gabelli" is the property of the Adviser for copyright and other purposes. The Corporation further agrees that the word "Gabelli" in its name is derived from the name of Mario J. Gabelli and such name may freely be used by the Adviser for other investment companies, entities or products. The Corporation further agrees that, in the event that the Adviser shall cease to act as investment adviser to the Corporation with respect to the investment of assets allocated to the Fund, both the Corporation and the Fund shall promptly take all necessary and appropriate action to change their names to names which do not include the word "Gabelli"; provided, however, that the Corporation and the Fund may continue to use the word "Gabelli" if the Adviser consents in writing to such use.

## 7. Notices

Any notice under this Agreement shall be in writing to the other party at such address as the other party may designate from time to time for the receipt of such notice and shall be deemed to be received on the earlier of the date actually received or on the fourth day after the postmark if such notice is mailed first class postage prepaid.

8. Governing Law

This Agreement shall be construed in accordance with the laws of the State of New York for contracts to

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be performed entirely therein and in accordance with the applicable provisions of the Act.

IN WITNESS WHEREOF, the parties hereto have caused the foregoing instrument to be executed by their duly authorized officers, all as of the day and the year first above written.

GABELLI INCOME SERIES FUNDS, INC.

By

-----  
Name: Bruce N. Alpert  
Title: President

GABELLI FUNDS, INC.

By

-----  
Name: Stephen G. Bondi  
Title: Vice President of Finance

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## INVESTMENT SUB-ADVISORY AGREEMENT

INVESTMENT SUB-ADVISORY AGREEMENT, dated as of May 23, 1995, by and between Gabelli Funds, Inc., a Delaware corporation (the "Adviser"), Sal Oppenheim Jr. & Cie. Asset Management Corp., a New York corporation (the "Sub-Adviser"), and Gabelli Income Series Funds, Inc., a Maryland corporation (the "Corporation"), on behalf of its series The Gabelli Global Governments Fund (the "Fund").

WHEREAS, the Corporation and the Adviser are parties to an Investment Advisory Agreement, dated May , 1995 (the "Advisory Agreement") pursuant to which the Adviser has agreed to furnish investment advisory services to the Fund; and

WHEREAS, the Adviser desires to retain the Sub-Adviser to provide investment sub-advisory services to the Fund and the Sub-Adviser desires to provide such services.

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

### 1. In General.

The Sub-Adviser agrees, all as more fully set forth herein, to act as investment sub-adviser to the Fund with respect to the investment of the assets of the Fund and to supervise and arrange the purchase and sale of assets held in the investment portfolio of the Fund.

### 2. Duties and Obligations of the Sub-Adviser With Respect to Investments of Assets of the Fund.

(a) Subject to the succeeding provisions of this paragraph and subject to the direction and control of the Corporation's Board of Directors and the Adviser, the Sub-Adviser shall (i) act as investment sub-adviser for and supervise and manage the investment and reinvestment of the Fund's assets and, in connection

therewith, have complete discretion in purchasing and selling securities and other assets for the Fund and in voting, exercising consents and exercising all other rights appertaining to such securities and other assets on behalf of the Fund, and (ii) arrange for the purchase and sale of securities and other assets held in the investment portfolio of the Fund. Nothing herein contained shall be construed to restrict the Corporation's right to hire its own employees or to contract for administrative services to be performed by third parties,



including, but not limited to, the calculation of the net asset value of the Fund's shares.

(b) Subject to the direction and control of the Corporation's Board of Directors and the Adviser, the additional specific services to be provided or arranged for by the Sub-Adviser for the Fund include (i) maintaining the Fund's books and records, such as journals, ledger accounts and other records in accordance with applicable laws and regulations to the extent not maintained by the Adviser or the Fund's sub-administrator, custodian, transfer agent and dividend disbursing agent; (ii) initiating money transfers to the Fund's custodian and from the Fund's custodian for the payment of the Fund's investments and related expenses; (iii) reconciling account information and balances among the Fund's custodian, transfer agent, distributor, dividend disbursing agent and the Adviser; and (iv) assisting in the calculation of the net asset value of the Fund's shares.

(c) In the performance of its duties under this Agreement, the Sub-Adviser shall at all times use all reasonable efforts to conform to, and act in accordance with, any requirements imposed by (i) the provisions of the Investment Company Act of 1940 (the "Act"), and of any rules or regulations in force thereunder; (ii) any other applicable provision of law; (iii) the provisions of the Articles of Incorporation and By-Laws of the Corporation, as such documents may be amended from time to time; (iv) the investment objectives, policies and restrictions applicable to the Fund as set forth in the Corporation's Registration Statement on Form N-1A and (v) any policies and determinations of the Board of Directors of the Corporation or the Adviser with respect to the Fund.

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(d) The Sub-Adviser will seek to provide qualified personnel to fulfill its duties hereunder and will bear all costs and expenses (including any overhead and personnel costs) incurred in connection with its duties hereunder and shall bear the costs of any salaries or directors' fees of any officers or directors of the Fund who are affiliated persons (as defined in the Act) of the Sub-Adviser.

(e) The Sub-Adviser acknowledges the following arrangement between the Fund and the Adviser: if in any fiscal year the Fund's aggregate expenses (excluding interest, taxes, distribution expenses, brokerage commissions and extraordinary expenses) exceed the most restrictive expense limitation imposed by the securities law of any state in which the shares of the Fund are registered or qualified for sale, the Adviser will reimburse the Fund for the amount of such excess up to the amount of fees accrued for such fiscal year hereunder. The amount of such reimbursement shall be calculated monthly and an appropriate amount shall be held back or released to the Adviser each month so that the aggregate amount held back at any particular time shall equal the net amount of

the reimbursement on a cumulative year-to-date basis. As of the end of the year, the final amount of the total reimbursement shall be calculated and the appropriate amount released to the Fund or the Adviser or paid to the Fund by the Adviser.

(f) The Sub-Adviser shall give the Fund and the Adviser the benefit of its best judgment and effort in rendering services hereunder, but neither the Sub-Adviser nor any of its officers, directors, employees, agents or controlling persons shall be liable for any act or omission or for any loss sustained by the Fund in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations and duties under this Agreement; provided, however, that the foregoing shall not constitute a waiver of any rights which the Fund may have which may not be waived under applicable law.

(g) Nothing in this Agreement shall prevent the Sub-Adviser or any director, officer, employee or other affiliate thereof from acting as investment adviser

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for any other person, firm or corporation, or from engaging in any other lawful activity, and shall not in any way limit or restrict the Sub-Adviser or any of its directors, officers, employees or agents from buying, selling or trading any securities for its or their own accounts or for the accounts of others for whom it or they may be acting.

### 3. Portfolio Transactions.

In the course of the Sub-Adviser's execution of portfolio transactions for the Fund, it is agreed that the Sub-Adviser shall employ securities brokers and dealers which, in its judgment, will be able to satisfy the policy of the Fund to seek the best execution of its portfolio transactions at reasonable expenses. For purposes of this agreement, "best execution" shall mean prompt, efficient and reliable execution at the most favorable price obtainable. Under such conditions as may be specified by the Corporation's Board of Directors and the Adviser in the interest of the Fund's shareholders and to ensure compliance with applicable law and regulations, the Sub-Adviser may (a) place orders for the purchase or sale of the Fund's portfolio securities with the Adviser's affiliate, Gabelli & Company, Inc. or the Sub-Adviser's affiliated entities pursuant to procedures under Rule 17e-1; (b) pay commissions to brokers other than such affiliates which are higher than might be charged by another qualified broker to obtain brokerage and/or research services considered by the Sub-Adviser to be useful or desirable in the performance of its duties hereunder and for the investment management of other advisory accounts over which it or its affiliates exercise investment discretion; and (c) consider sales by brokers (other than affiliates) of shares of the Fund and any other mutual fund for which it or its affiliates act as investment adviser, as a factor in its

selection of brokers and dealers for the Fund's portfolio transactions.

#### 4. Compensation of the Sub-Adviser.

(a) Subject to paragraph 2(e), the Adviser agrees to pay to the Sub-Adviser and the Sub-Adviser agrees to accept as full compensation for all services rendered by or through the Sub-Adviser a fee computed daily and payable monthly in an amount equal to 50% of

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the net revenues to the Adviser. "Net revenues" shall mean gross revenues received by the Adviser with respect to the Fund less administrative and marketing fees at an annual rate of .10% of the Fund's average net assets. "Gross revenues" shall mean all advisory and administrative fees paid by the Fund to the Adviser. For any period less than a month during which this Agreement is in effect, the fee shall be prorated according to the proportion which such period bears to a full month of 28, 29, 30 or 31 days, as the case may be.

(b) For purposes of this Agreement, the net assets of the Fund shall be calculated pursuant to the procedures adopted by resolutions of the Directors of the Corporation for calculating the net asset value of the Fund's shares.

#### 5. Indemnity.

(a) The Corporation hereby agrees to indemnify the Sub-Adviser and each of the Sub-Adviser's directors, officers, employees, and agents (including any individual who serves at the Sub-Adviser's request as director, officer, partner, trustee or the like of another corporation) and controlling persons (each such person being an "indemnitee") out of the Fund's assets against any liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees (all as provided in accordance with applicable corporate law) reasonably incurred by such indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which he may be or may have been involved as a party or otherwise or with which he may be or may have been threatened, while acting in any capacity set forth above in this paragraph or thereafter by reason of his having acted in any such capacity, except with respect to any matter as to which he shall have been adjudicated not to have acted in good faith in the reasonable belief that his action was in the best interest of the Fund and furthermore, in the case of any criminal proceeding, so long as he had no reasonable cause to believe that the conduct was unlawful, provided, however, that (1) no indemnitee shall be indemnified hereunder against any liability to the Fund or its shareholders or any expense of such indemnitee arising by

reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence, (iv) reckless disregard of the duties involved in the conduct of his position (the conduct referred to in such clauses (i) through (v) being sometimes referred to herein as "disabling conduct"), (2) as to any matter disposed of by settlement or a compromise payment by such indemnitee, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless there has been a determination that such settlement or compromise is in the best interests of the Fund and that such indemnitee appears to have acted in good faith in the reasonable belief that his action was in the best interest of the Fund and did not involve disabling conduct by such indemnitee and (3) with respect to any action, suit or other proceeding voluntarily prosecuted by any indemnitee as plaintiff, indemnification shall be mandatory only if the prosecution of such action, suit or other proceeding by such indemnitee was authorized by a majority of the full Board of the Corporation. Notwithstanding the foregoing, the Corporation shall not be obligated to provide any such indemnification to the extent such provision would waive any right which the Corporation cannot lawfully waive. The Sub-Adviser and the Adviser shall each indemnify the other and their respective officers, trustees, shareholders, partners and controlling persons to the extent such persons are not indemnified by the Corporation and have not engaged in disabling conduct with respect to all actions or omissions to act or any matter related to the activities of such persons hereunder.

(b) The Corporation shall make advance payments out of the assets of the Fund in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Corporation receives a written affirmation of the indemnitee's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to reimburse the Corporation unless it is subsequently determined that he is entitled to such indemnification and if the Directors of the Corporation determine that the facts then known to them would not preclude indemnification. In addition, at least one of the following conditions must be met: (A) the indemnitee shall provide a security for his undertaking, (B) the Fund shall be insured against losses arising by reason of

any lawful advances, or (C) a majority of a quorum of directors of the Corporation who are neither "interested persons" of the Corporation (as defined in Section 2(a)(19) of the Act) nor parties to the proceeding ("Disinterested Non-Party Directors") or an independent legal counsel in a written opinion, shall determine, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the indemnitee ultimately will be found entitled to indemnification.

(c) All determinations with respect to indemnification hereunder shall be made (1) by a final decision on the merits by a court or other body before whom the proceeding was brought that such indemnitee is not liable by reason of disabling conduct or, (2) in the absence of such a decision, by (i) a majority vote of a quorum of the Disinterested Non-party Directors of the Corporation, or (ii) if such a quorum is not obtainable or even, if obtainable, if a majority vote of such quorum so directs, independent legal counsel in a written opinion.

The rights accruing to any indemnitee under these provisions shall not exclude any other right to which he may be lawfully entitled.

## 6. Duration and Termination

This Agreement shall become effective upon the date hereof and shall continue in effect for a period of two years and thereafter from year to year, but only so long as such continuation is specifically approved at least annually in accordance with the requirements of the Act.

This Agreement may be terminated by the Sub-Adviser at any time without penalty upon giving the Adviser and the Corporation sixty days written notice (which notice may be waived by such parties) and may be terminated by the Corporation or the Adviser at any time without penalty upon giving the Sub-Adviser sixty days written notice, which notice may be waived by the Sub-Adviser, provided that such termination by the Corporation shall be directed or approved by the vote of a majority of the Directors of the Corporation in office at the time or by the vote of the holders of a "majority of

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the voting securities" (as defined in the Act) of the Corporation at the time outstanding and entitled to vote. This Agreement shall terminate automatically in the event of its assignment (as "assignment" is defined in the Act and the rules thereunder).

## 7. Notices.

Any notice under this Agreement shall be in writing to the other party at such address as the other party may designate from time to time for the receipt of such notice and shall be deemed to be received on the earlier of the date actually received or on the fourth day after the postmark if such notice is mailed first class postage prepaid.

## 8. Governing Law.

This Agreement shall be construed in accordance with the laws of the State of New York for contracts to be performed entirely therein and in accordance with the applicable provisions of the Act.

IN WITNESS WHEREOF, the parties hereto have caused the foregoing instrument to be executed by their duly authorized officers, all as of the day and the year first above written.

GABELLI INCOME SERIES FUNDS, INC.

By

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Name: Bruce N. Alpert  
Title: President

GABELLI FUNDS, INC.

By

-----

Name: Stephen G. Bondi  
Title: Vice President of Finance

SAL OPPENHEIM JR. & CIE. ASSET MANAGEMENT CORP.

By

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Name:  
Title:

## DISTRIBUTION AGREEMENT

FOR

THE GABELLI GLOBAL GOVERNMENTS FUND

DISTRIBUTION AGREEMENT, dated \_\_\_\_\_, 1995, between Gabelli Income Series Funds, Inc., a Maryland corporation (the "Company"), and Gabelli & Company, Inc., a New York corporation (the "Distributor"). The Company is registered as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), and an indefinite number of shares (the "Shares") of The Gabelli Global Governments Fund (the "Fund"), par value \$.001 per share (the "Shares"), have been registered under the Securities Act of 1933, as amended (the "1933 Act"), to be offered for sale to the public in a continuous public offering in accordance with terms and conditions set forth in the Prospectus and Statement of Additional Information (together, the "Prospectus") of the Fund included in the Company's Registration Statement on Form N-1A as such documents may be amended from time to time.

In this connection, the Company desires that the Distributor act as its exclusive sales agent and distributor for the sale and distribution of Shares. The Distributor has advised the Company that it is willing to act in such capacities, and it is accordingly agreed between them as follows:

1. The Company hereby appoints the Distributor as exclusive sales agent and distributor for the sale and distribution of Shares pursuant to the aforesaid continuous public offering of Shares, and the Company further agrees from and after the commencement of such continuous public offering that it will not, without the Distributor's consent, sell or agree to sell any Shares otherwise than through the Distributor, except the Company may issue Shares in connection with a merger, consolidation or acquisition of assets on such basis as may be authorized or permitted under the 1940 Act.

2. The Distributor hereby accepts such appointment and agrees to use its best efforts to sell such Shares, provided, however, that when requested by the Fund at any time for any reason the Distributor will suspend such efforts. The Company may also withdraw the offering of Shares at any time when required by the provisions of any statute, order, rule or regulation of any governmental body having jurisdiction. It is understood that the Distributor does not undertake to sell all or any specific portion of the Shares.

3. The Distributor represents that it is a member in good standing of the National Association of Dealers, Inc. and agrees that it will use all reasonable

efforts to maintain such status and to abide by the Rules of Fair Practice, the Constitution and the Bylaws of the National Association of Securities Dealers, Inc., and all other rules and regulations that are now or may become applicable to its performance hereunder. The Distributor will undertake and discharge its obligations hereunder as an independent contractor and it shall have no authority or power to obligate or bind the Company by its actions, conduct or contracts except that it is authorized to accept orders for the purchase or repurchase of Shares as the Company's agent and subject to its approval. The Company reserves the right to reject any order in whole or in part. The Distributor may appoint sub-agents or distribute through dealers or otherwise as it may determine from time to time pursuant to agreements approved by the Company, but this Agreement shall not be construed as authorizing any dealer or other person to accept orders for sale or repurchase of Shares on behalf of the Company or otherwise act as the Company's agent for any purpose. The Distributor shall not utilize any materials in connection with the sale or offering of Shares except the then current Prospectus and such other materials as the Company shall provide or approve in writing.

4. Shares may be sold by the Distributor only at prices and terms described in the then current Prospectus relating to the Shares and may be sold either through persons with whom it has selling agreements in a form approved by the Company's board of directors or directly to prospective purchasers. To facilitate sales, the Company will furnish the Distributor with the net asset value of its Shares promptly after each calculation thereof.

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5. The Company has delivered to the Distributor a copy of the current Prospectus for the Fund. It agrees that it will use its best efforts to continue the effectiveness of its Registration Statement filed under the 1933 Act and the 1940 Act. The Company further agrees to prepare and file any amendments to its Registration Statement as may be necessary and any supplemental data in order to comply with the 1933 Act and the 1940 Act. The Company will furnish to the Distributor, at the Distributor's expense, a reasonable number of copies of the Prospectus and any amended Prospectus for use in connection with the sale of Shares.

6. At the Distributor's request, the Company will take such steps at its own expense as may be necessary and feasible to qualify the Shares for sale in states, territories or dependencies of the United States of America and in the District of Columbia in accordance with the laws thereof, and to renew or extend any such qualification; provided, however, that the Company shall not be required to qualify Shares or to maintain the qualification of Shares in any state, territory, dependency or district where it shall deem such qualification disadvantageous to the Fund.

7. The Distributor agrees that:



(a) It will furnish to the Company any pertinent information required to be inserted with respect to the Distributor as exclusive sales agent and distributor within the purview of federal and state securities laws in any reports or registrations required to be filed with any government authority;

(b) It will not make any representations inconsistent with the information contained in the Registration Statement or Prospectus filed under the 1933 Act, as in effect from time to time;

(c) It will not use or distribute or authorize the use or distribution of any statements other than those contained in the Fund's then current Prospectus or in such supplemental literature or advertising as may be authorized in writing by the Company; and

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(d) Subject to paragraph 9 below, the Distributor will bear the costs and expenses of printing and distributing any copies of the Prospectuses and any annual and interim reports of the Fund (after such items have been prepared and set in type) which are used in connection with the offering of Shares, and the costs and expenses of preparing, printing and distributing any other literature used by the Distributor or furnished by the Distributor for use in connection with the offering of the Shares and the costs and expenses incurred by the Distributor in advertising, promoting and selling Shares of the Fund to the public.

8. The Company will pay its legal and auditing expenses and the cost of composition of the Prospectus and any annual or interim reports of the Fund.

9. The Company will pay the Distributor for costs and expenses incurred by the Distributor in connection with distribution of Shares by the Distributor in accordance with the terms of a Plan of Distribution (the "Plan") adopted by the Fund pursuant to Rule 12b-1 under the 1940 Act, as such Plan may be in effect from time to time; provided, however, that no payments shall be due or paid to the Distributor hereunder unless and until this Agreement shall have been approved by Board Approval and Disinterested Director Approval (as such terms are defined in such Plan). The Company reserves the right to modify or terminate such Plan at any time as specified in the Plan and Rule 12b-1, and this Section 9 shall thereupon be modified or terminated to the same extent without further action of the parties. The persons authorized to direct the payment of funds pursuant to this Agreement and the Plan shall provide to the Company's board of directors, and such directors shall review, at least quarterly a written report of the amounts so paid and the purposes for which such expenditures were made.

10. The Company agrees to indemnify, defend and hold the Distributor, its officers, directors, employees and agents and any person who controls the

Distributor within the meaning of Section 15 of the 1933 Act (each, an "indemnatee"), free and harmless from any and all liabilities and expenses, including costs of investigation or defense (including reasonable counsel fees) incurred by such indemnatee in connection with the de-

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fense or disposition of any action, suit or other proceeding, whether civil or criminal, in which such indemnatee may be or may have been involved as a party or otherwise or with which he may be or may have been threatened, while the Distributor was active in such capacity or by reason of the Distributor having acted in any such capacity or arising out of or based upon any untrue statement of a material fact contained in the then-current Prospectus relating to the Shares or arising out of or based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims, demands, liabilities or expenses arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information furnished in writing by the Distributor to the Company expressly for use in any such Prospectus; provided, however, that (1) no indemnatee shall be indemnified hereunder against any liability to the Company or the shareholders of the Fund or any expense of such indemnatee with respect to any matter as to which such indemnatee shall have been adjudicated not to have acted in good faith in the reasonable belief that its action was in the best interest of the Company or arising by reason of such indemnatee's willful misfeasance, bad faith, or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations under this Agreement ("disabling conduct"), or (2) as to any matter disposed of by settlement or a compromise payment by such indemnatee, no indemnification shall be provided unless there has been a determination that such settlement or compromise is in the best interests of the Company and that such indemnatee appears to have acted in good faith in the reasonable belief that its action was in the best interest of the Company and did not involve disabling conduct by such indemnatee. Notwithstanding the foregoing the Company shall not be obligated to provide any such indemnification to the extent such provision would waive any right which the Company cannot lawfully waive.

The Distributor agrees to indemnify, defend and hold the Company, its directors, officers, employees and agents and any person who controls the Company within the meaning of Section 15 of the 1933 Act (each, an "indemnatee"), free and harmless from and against any and all liabilities and expenses, including costs of investiga-

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tion or defense (including reasonable counsel fees) incurred by such indemnatee,

but only to the extent that such liability or expense shall arise out of or be based upon any untrue or alleged untrue statement of a material fact contained in information furnished in writing by the Distributor of the Company expressly for use in a Prospectus or any alleged omission to state a material fact in connection with such information required to be stated therein or necessary to make such information not misleading or arising by reason of disabling conduct by such indemnitee or any person selling Shares pursuant to an agreement with the Distributor.

The Company shall make advance payments in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Company receives a written affirmation of the indemnitee's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to reimburse the Company unless it is subsequently determined that he is entitled to such indemnification and if the directors of the Company determine that the facts then known to them would not preclude indemnification. In addition, at least one of the following conditions must be met: (A) the indemnitee shall provide a security for his undertaking, (B) the Company shall be insured against losses arising by reason of any lawful advances, or (C) a majority of a quorum of directors of the Company who are neither "interested persons" of the Company (as defined in Section 2(a)(19) of the 1940 Act) nor parties to the proceeding ("Disinterested Non-Party Directors") or an independent legal counsel in a written opinion, shall determine, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the indemnitee ultimately will be found entitled to indemnification.

All determinations with respect to the indemnification hereunder shall be made (1) by a final decision on the merits by a court or other body before whom the proceeding was brought that such indemnitee is not liable by reason of disabling conduct or (2) in the absence of such a decision, by (i) a majority vote of a quorum of the Disinterested Non-Party Directors of the Company or (ii) if such a quorum is not obtainable or even, if

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obtainable, if a majority vote of such quorum so directs, independent legal counsel in a written opinion.

11. This Agreement shall become effective on the date first set forth above and shall remain in effect for up to two years from such date (one year in the case of Section 9) and thereafter from year to year provided such continuance is specifically approved at least annually prior to each anniversary of such date by Board Approval and by Disinterested Director Approval.

12. This Agreement may be terminated (a) by the Distributor at any time without penalty by giving sixty (60) days' written notice to the Company which notice may be waived by the Company; or (b) by the Company at any time without

penalty upon sixty (60) days' written notice to the Distributor (which notice may be waived by the Distributor); provided, however, that any such termination by the Company shall be directed or approved in the same manner as required for continuance of this Agreement by Section 11(a) (or, in the case of termination of Section 9, by Section 11(b)).

13. This Agreement may not be amended or changed except in writing signed by each of the parties hereto and approved in the same manner as provided for continuance of this Agreement in Section 11(a) (or, in the case of amendment of Section 9, by Section 11(b)). Any such amendment or change shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, but this Agreement shall not be assigned by either party and shall automatically terminate upon assignment (as such term is defined in the 1940 Act and the rules thereunder).

14. This Agreement shall be construed in accordance with the laws of the State of New York applicable to agreements to be performed entirely therein and in accordance with applicable provisions of the 1940 Act.

15. If any provision of this Agreement shall be held or made invalid or unenforceable by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have caused this Distribution Agreement to be executed by their duly authorized officers as of the date first written above.

GABELLI INCOME SERIES FUNDS, INC.

By: \_\_\_\_\_  
Name:  
Title:

GABELLI & COMPANY, INC.

By: \_\_\_\_\_  
Name:

Title:

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## CUSTODIAN CONTRACT

Between

GABELLI INCOME SERIES FUNDS, INC.

and

STATE STREET BANK AND TRUST COMPANY

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#### CUSTODIAN CONTRACT

This Contract between Gabelli Income Series Funds, Inc., an open-end, non-diversified registered investment company organized and existing under the laws of Maryland, having its principal place of business at One Corporate Center, Rye, New York 10580-1434 (the "Fund"), and State Street Bank and Trust Company, a Massachusetts trust company, having its principal place of business at 225 Franklin Street, Boston, Massachusetts 02110 (the "Custodian"),

#### WITNESSETH:

WHEREAS, the Fund is authorized to issue shares in separate series, with each such series representing interests in a separate portfolio of securities and other assets; and



WHEREAS, the Fund intends to initially offer shares in one series, The Gabelli Global Governments Fund (such series together with all other series subsequently established by the Fund and made subject to this Contract in accordance with Article 17, being herein referred to as the "Portfolio(s)");

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. Employment of Custodian and Property to be Held by It

The Fund hereby employs the Custodian as the custodian of the assets of the Portfolios of the Fund, including securities which the Fund, on behalf of the applicable Portfolio desires to be held in places within the United States ("domestic securities") and securities it desires to be held outside the United States ("foreign securities") pursuant to the provisions of the Fund's articles of incorporation (the "Articles of Incorporation"). The Fund on behalf of the Portfolio(s) agrees to deliver to the Custodian all securities and cash of the Portfolios, and all payments of income, payments of principal or capital distributions received by it with respect to all securities owned by the Portfolio(s) from time to time, and the cash consideration received by it for such new or treasury shares of beneficial interest of the Fund representing interests in the Portfolios ("Shares") as may be issued or sold from time to time. The Custodian shall not be responsible for any property of a Portfolio held or received by the Fund on behalf of the Portfolio and not delivered to the Custodian.

Upon receipt of "Proper Instructions" (within the meaning of Article 5), the Custodian shall on behalf of the applicable Portfolio(s) from time to time employ one or more sub-custodians located in the United States, but only in accordance with an applicable vote by the board of directors of the Fund (the "Board of Directors") on behalf of the applicable Portfolio(s) and provided that the Custodian shall have no more or less responsibility or liability to the Fund

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on account of any actions or omissions of any sub-custodian so employed than any such sub-custodian has to the Custodian. The Custodian may employ as sub-custodian for the Fund's foreign securities on behalf of the applicable Portfolio(s) the foreign banking institutions and foreign securities depositories designated in Schedule A hereto but only in accordance with the provisions of Article 3.

2. Duties of the Custodian with Respect to Property of the Fund Held By the Custodian in the United States

2.1 Holding Securities. The Custodian shall hold and physically segregate for the account of each Portfolio all non-cash property to be held by it in the United States, including all domestic securities owned by such Portfolio

other than (a) securities which are maintained pursuant to Section 2.10 in a clearing agency which acts as a securities depository or in a book-entry system authorized by the U.S. Department of the Treasury and certain federal agencies (each a "U.S. Securities System") and (b) commercial paper of an issuer for which State Street Bank and Trust Company acts as issuing and paying agent ("Direct Paper") which is deposited and/or maintained in the Custodian's Direct Paper System pursuant to Section 2.11.

2.2 Delivery of Securities. The Custodian shall release and deliver domestic securities owned by a Portfolio held by the Custodian or in a U.S. Securities System account of the Custodian or in the Custodian's Direct Paper book-entry system account ("Direct Paper System Account") only upon receipt of Proper Instructions from the Fund on behalf of the applicable Portfolio, which may be continuing instructions when deemed appropriate by the parties, and only in the following cases:

- 1) Upon sale of such securities for the account of the Portfolio and receipt of payment therefor;
- 2) Upon the receipt of payment in connection with any repurchase agreement related to such securities entered into by the Portfolio;
- 3) In the case of a sale effected through a U.S. Securities System, in accordance with the provisions of Section 2.10 hereof;
- 4) To the depository agent in connection with tender or other similar offers for securities of the Portfolio;
- 5) To the issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable; provided that, in any such case, the cash or other consideration is to be delivered to the Custodian;

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- 6) To the issuer thereof, or its agent, for transfer into the name of the Portfolio or into the name of any nominee or nominees of the Custodian or into the name or nominee name of any agent appointed pursuant to Section 2.9 or into the name or nominee name of any sub-custodian appointed pursuant to Article 1; or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units; provided that, in any such case, the new securities are to be delivered to the Custodian;
- 7) Upon the sale of such securities for the account of the Portfolio, to the broker or its clearing agent, against a receipt, for examination in accordance with "street delivery" custom; provided that, in any such case, the Custodian shall have no responsibility or liability for

any loss arising from the delivery of such securities prior to receiving payment for such securities except as may arise from the Custodian's own negligence or willful misconduct;

- 8) For exchange or conversion pursuant to any plan of merger, consolidation, recapitalization, reorganization or readjustment of the securities of the issuer of such securities, or pursuant to provisions for conversion contained in such securities, or pursuant to any deposit agreement; provided that, in any such case, the new securities and cash, if any, are to be delivered to the Custodian;
- 9) In the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities for definitive securities; provided that, in any such case, the new securities and cash, if any, are to be delivered to the Custodian;
- 10) For delivery in connection with any loans of securities made by the Portfolio, but only against receipt of adequate collateral as agreed upon from time to time by the Custodian and the Fund on behalf of the Portfolio, which may be in the form of cash or obligations issued by the United States government, its agencies or instrumentalities, except that in connection with any loans for which collateral is to be credited to the Custodian's account in the book-entry system authorized by the U.S. Department of the Treasury, the Custodian will not be held liable or responsible for the delivery of securities owned by the Portfolio prior to the receipt of such collateral;
- 11) For delivery as security in connection with any borrowings by the Fund on behalf of the Portfolio requiring a pledge of assets by the Fund on behalf of the Portfolio, but only against receipt of amounts borrowed;
- 12) For delivery in accordance with the provisions of any agreement among the Fund on behalf of the Portfolio, the Custodian and a broker-dealer registered under the Securities Exchange Act of 1934 (the "Exchange Act") and a member of The National Association of Securities Dealers,

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Inc. ("NASD"), relating to compliance with the rules of The Options Clearing Corporation and of any registered national securities exchange, or of any similar organization or organizations, regarding escrow or other arrangements in connection with transactions by the Portfolio of the Fund;

- 13) For delivery in accordance with the provisions of any agreement among the Fund on behalf of the Portfolio, the Custodian, and a Futures Commission Merchant registered under the Commodity Exchange Act, relating to compliance with the rules of the Commodity Futures Trading

Commission and/or any Contract Market, or any similar organization or organizations, regarding account deposits in connection with transactions by the Portfolio of the Fund;

- 14) Upon receipt of instructions from the transfer agent ("Transfer Agent") for the Fund, for delivery to such Transfer Agent or to the holders of shares in connection with distributions in kind, as may be described from time to time in the currently effective prospectus and statement of additional information of the Fund related to the Portfolio (the "Prospectus"), in satisfaction of requests by holders of Shares for repurchase or redemption; and
- 15) For any other proper corporate purpose, but only upon receipt of, in addition to Proper Instructions from the Fund on behalf of the applicable Portfolio, a certified copy of a resolution of the Board of Directors or of the Executive Committee signed by an officer of the Fund and certified by the Secretary or an Assistant Secretary, specifying the securities of the Portfolio to be delivered, setting forth the purpose for which such delivery is to be made, declaring such purpose to be a proper corporate purpose, and naming the person or persons to whom delivery of such securities shall be made.

2.3 Registration of Securities. Domestic securities held by the Custodian (other than bearer securities) shall be registered in the name of the Portfolio or in the name of any nominee of the Fund on behalf of the Portfolio or of any nominee of the Custodian which nominee shall be assigned exclusively to the Portfolio, unless the Fund has authorized in writing the appointment of a nominee to be used in common with other registered investment companies having the same investment adviser as the Portfolio, or in the name or nominee name of any agent appointed pursuant to Section 2.9 or in the name or nominee name of any sub-custodian appointed pursuant to Article 1. All securities accepted by the Custodian on behalf of the Portfolio under the terms of this Contract shall be in "street name" or other good delivery form. If, however, the Fund directs the Custodian to maintain securities in "street name", the Custodian shall utilize reasonable efforts to (i) timely collect income due the Fund on such securities and (ii) notify the Fund of relevant corporate actions including, without limitation, pendency of calls, maturities, tender or exchange offers.

2.4 Bank Accounts. The Custodian shall open and maintain a separate bank account or accounts in the United States in the name of each Portfolio of the Fund, subject only to draft or order by the Custodian acting pursuant to the terms of this Contract, and shall hold in such account or accounts, subject to the provisions hereof, all cash received by it from or for the account of the Portfolio, other than cash maintained by the Portfolio in a

bank account established and used in accordance with Rule 17f-3 under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Funds held by the Custodian for a Portfolio may be deposited by it to its credit as Custodian in the banking department of the Custodian or in such other banks or trust companies as it may in its discretion deem necessary or desirable; provided, however, that every such bank or trust company shall be qualified to act as a custodian under the Investment Company Act and that each such bank or trust company and the funds to be deposited with each such bank or trust company shall on behalf of each applicable Portfolio be approved by vote of a majority of the Board of Directors. Such funds shall be deposited by the Custodian in its capacity as Custodian and shall be withdrawable by the Custodian only in that capacity.

2.5 Availability of Federal Funds. Upon mutual agreement between the Fund on behalf of each applicable Portfolio and the Custodian, the Custodian shall, upon the receipt of Proper Instructions from the Fund on behalf of a Portfolio, make federal funds available to such Portfolio as of specified times agreed upon from time to time by the Fund and the Custodian in the amount of checks received in payment for Shares of such Portfolio which are deposited into the Portfolio's account.

2.6 Collection of Income. Subject to the provisions of Section 2.3, the Custodian shall collect on a timely basis all income and other payments with respect to registered domestic securities held hereunder to which each Portfolio shall be entitled either by law or pursuant to custom in the securities business, and shall collect on a timely basis all income and other payments with respect to bearer domestic securities if, on the date of payment by the issuer, such securities are held by the Custodian or its agent thereof and shall credit such income, as collected, to such Portfolio's account. Without limiting the generality of the foregoing, the Custodian shall detach and present for payment all coupons and other income items requiring presentation as and when they become due and shall collect interest when due on securities held hereunder. Collection of income due each Portfolio on securities loaned pursuant to the provisions of Section 2.2 (10) shall be the responsibility of the Fund. The Custodian will have no duty or responsibility in connection therewith, other than to provide the Fund with such information or data in its possession as may be necessary to assist the Fund in arranging for the timely delivery to the Custodian of the income to which the Portfolio is properly entitled.

2.7 Payment of Fund Monies. Upon receipt of Proper Instructions from the Fund on behalf of the applicable Portfolio, which may be continuing instructions when deemed appropriate by the parties, the Custodian shall pay out monies of a Portfolio in the following cases only:

- 1) Upon the purchase of domestic securities, options, futures contracts or options on futures contracts for the account of the Portfolio but

only (a) against the delivery of such securities or evidence of title to such options, futures contracts or options on futures contracts to the Custodian (or any bank, banking firm or trust company doing business in the United States or abroad which is qualified under the Investment Company Act to act as a custodian and has been designated by the Custodian as its agent for this purpose) registered in the name of the Portfolio or in the name of a nominee of the Custodian referred to in Section 2.3 hereof or in proper form for transfer; (b) in the case of a purchase effected through a U.S. Securities System, in accordance with the conditions set forth in Section 2.10 hereof; (c) in the case of a purchase involving the Direct Paper System, in accordance with the conditions set forth in Section 2.11; (d) in the case of repurchase agreements entered into between the Fund on behalf of the Portfolio and the Custodian, or another bank, or a broker-dealer which is a member of NASD, (i) against delivery of the securities either in certificate form or through an entry crediting the Custodian's account at the Federal Reserve Bank with such securities or (ii) against delivery of the receipt evidencing purchase by the Portfolio of securities owned by the Custodian along with written evidence of the agreement by the Custodian to repurchase such securities from the Portfolio; or (e) for transfer to a time deposit account of the Fund in any bank, whether domestic or foreign; such transfer may be effected prior to receipt of a confirmation from a broker and/or the applicable bank pursuant to Proper Instructions from the Fund as defined in Article 5;

- 2) In connection with conversion, exchange or surrender of securities owned by the Portfolio as set forth in Section 2.2 hereof;
- 3) For the redemption or repurchase of Shares issued by the Portfolio as set forth in Article 4 hereof;
- 4) For the payment of any expense or liability incurred by the Portfolio, including but not limited to the following payments for the account of the Portfolio: interest, taxes, management fees, accounting fees, transfer agent fees, legal fees and operating expenses of the Fund whether or not such expenses are to be in whole or part capitalized or treated as deferred expenses;
- 5) For the payment of any dividends on Shares of the Portfolio declared pursuant to the governing documents of the Fund;

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- 6) For payment of the amount of dividends received in respect of securities sold short;
- 7) For any other proper purpose, but only upon receipt of, in addition to

Proper Instructions from the Fund on behalf of the Portfolio, a certified copy of a resolution of the Board of Directors or of the Executive Committee of the Fund signed by an officer of the Fund and certified by its Secretary or an Assistant Secretary, specifying the amount of such payment, setting forth the purpose for which such payment is to be made, declaring such purpose to be a proper purpose, and naming the person or persons to whom such payment is to be made.

- 2.8 Liability for Payment in Advance of Receipt of Securities Purchased. Except as specifically stated otherwise in this Contract, in any and every case where payment for purchase of domestic securities for the account of a Portfolio is made by the Custodian in advance of receipt of the securities purchased in the absence of specific written instructions from the Fund on behalf of such Portfolio to so pay in advance, the Custodian shall be absolutely liable to the Fund for such securities to the same extent as if the securities had been received by the Custodian.
- 2.9 Appointment of Agents. The Custodian may at any time or times in its discretion appoint (and may at any time remove) any other bank or trust company which is itself qualified under the Investment Company Act to act as a custodian, as its agent to carry out such of the provisions of this Article 2 as the Custodian may from time to time direct; provided, however, that the appointment of any agent shall not relieve the Custodian of its responsibilities or liabilities hereunder.
- 2.10 Deposit of Fund Assets in U.S. Securities Systems. The Custodian may deposit and/or maintain securities owned by a Portfolio in a clearing agency registered with the Securities and Exchange Commission (the "SEC") under Section 17A of the Exchange Act, which acts as a securities depository, or in the book-entry system authorized by the U.S. Department of the Treasury and certain federal agencies (collectively referred to herein as "U.S. Securities System") in accordance with applicable Federal Reserve Board and SEC rules and regulations, if any, and subject to the following provisions:
- 1) The Custodian may keep securities of the Portfolio in a U.S. Securities System provided that such securities are represented in an account ("U.S. Securities System Account") of the Custodian in the U.S. Securities System which shall not include any assets of the Custodian other than assets held as a fiduciary, custodian or otherwise for its customers;
  - 2) The records of the Custodian with respect to securities of the Portfolio which are maintained in a U.S. Securities System shall identify by book-entry those securities belonging to the Portfolio;

- 3) The Custodian shall pay for securities purchased for the account of the Portfolio upon (i) receipt of advice from the U.S. Securities System that such securities have been transferred to the U.S. Securities System Account, and (ii) the making of an entry on the records of the Custodian to reflect such payment and transfer for the account of the Portfolio; the Custodian shall transfer securities sold for the account of the Portfolio upon receipt of advice from the U.S. Securities System that payment for such securities has been transferred to the U.S. Securities System Account and the making of an entry on the records of the Custodian to reflect such transfer and payment for the account of the Portfolio. Copies of all advices from the U.S. Securities System of transfers of securities for the account of the Portfolio shall identify the Portfolio, be maintained for the Portfolio by the Custodian and be provided to the Fund at its request. Upon request, the Custodian shall furnish the Fund on behalf of the Portfolio confirmation of each transfer to or from the account of the Portfolio in the form of a written advice or notice and shall furnish to the Fund on behalf of the Portfolio copies of daily transaction sheets reflecting each day's transactions in the U.S. Securities System for the account of the Portfolio;
- 4) The Custodian shall provide the Fund on behalf of the Portfolio(s) with any report obtained by the Custodian on the U.S. Securities System's accounting system, internal accounting control and procedures for safeguarding securities deposited in the U.S. Securities System;
- 5) The Custodian shall have received from the Fund on behalf of the Portfolio the initial or annual certificate, as the case may be, required by Article 14 hereof;
- 6) Anything to the contrary in this Contract notwithstanding, the Custodian shall be liable to the Fund for the benefit of the Portfolio for any loss or damage to the Portfolio resulting from use of the U.S. Securities System by reason of any negligence, misfeasance or misconduct of the Custodian or any of its agents or of any of its or their employees or from failure of the Custodian or any such agent to enforce effectively such rights as it may have against the U.S. Securities System; at the election of the Fund, it shall be entitled to be subrogated to the rights of the Custodian with respect to any claim against the U.S. Securities System or any other person which the Custodian may have as a consequence of any such loss or damage if and to the extent that the Portfolio has not been made whole for any such loss or damage.

2.11 Fund Assets Held in the Custodian's Direct Paper System. The Custodian may deposit and/or maintain securities owned by a Portfolio in the Direct Paper System of the Custodian subject to the following provisions:

- 1) No transaction relating to securities in the Direct Paper System will be effected in the absence of Proper Instructions from the Fund on



- 2) The Custodian may keep securities of the Portfolio in the Direct Paper System only if such securities are represented in an account ("Direct Paper Account") of the Custodian in the Direct Paper System which shall not include any assets of the Custodian other than assets held as a fiduciary, custodian or otherwise for customers;
- 3) The records of the Custodian with respect to securities of the Portfolio which are maintained in the Direct Paper System shall identify by book-entry those securities belonging to the Portfolio;
- 4) The Custodian shall pay for securities purchased for the account of the Portfolio upon the making of an entry on the records of the Custodian to reflect such payment and transfer of securities to the account of the Portfolio. The Custodian shall transfer securities sold for the account of the Portfolio upon the making of an entry on the records of the Custodian to reflect such transfer and receipt of payment for the account of the Portfolio;
- 5) The Custodian shall furnish the Fund on behalf of the Portfolio confirmation of each transfer to or from the account of the Portfolio, in the form of a written advice or notice, of Direct Paper on the next business day following such transfer and shall furnish to the Fund on behalf of the Portfolio copies of daily transaction sheets reflecting each day's transaction in the Direct Paper System for the account of the Portfolio; and
- 6) Upon reasonable request of the Fund, the Custodian shall provide the Fund with any report on the Direct paper System's system of internal accounting control which had been prepared as of the time of such request.

2.12 Segregated Account. The Custodian shall, upon receipt of Proper Instructions from the Fund on behalf of each applicable Portfolio, establish and maintain a segregated account or accounts for and on behalf of each such Portfolio, into which account or accounts may be transferred cash and/or securities, including securities maintained in an account by the Custodian pursuant to Section 2.10 hereof: (i) in accordance with the provisions of any agreement among the Fund on behalf of the Portfolio, the Custodian and a broker-dealer registered under the Exchange Act and a member of the NASD (or any futures commission merchant registered under the Commodity Exchange Act), relating to compliance with the rules of The Options Clearing Corporation and of any registered national securities exchange (or the Commodity Futures Trading Commission or any registered contract market), or of any similar organization or organizations,

regarding escrow or other arrangements in connection with transactions by the Portfolio, (ii) for purposes of segregating cash or government securities in connection with options purchased, sold or written by the Portfolio or commodity futures contracts or options thereon purchased or sold by the Portfolio, (iii) for the purposes of compliance by the Portfolio with the procedures required by Investment Company Act Release No. 10666, or any subsequent release or releases of the SEC relating to the

maintenance of segregated accounts by registered investment companies; and (iv) for other proper corporate purposes, but only, in the case of this clause (iv), upon receipt of, in addition to Proper Instructions from the Fund on behalf of the applicable Portfolio, a certified copy of a resolution of the Board of Directors or of the Executive Committee signed by an officer of the Fund and certified by the Secretary or an Assistant Secretary, setting forth the purpose or purposes of such segregated account and declaring such purposes to be proper corporate purposes.

- 2.13 Ownership Certificates for Tax Purposes. The Custodian shall execute ownership and other certificates and affidavits for all federal and state tax purposes in connection with receipt of income or other payments with respect to domestic securities of each Portfolio held by it and in connection with transfers of securities.
- 2.14 Proxies. The Custodian shall, with respect to the domestic securities held hereunder, cause to be promptly executed by the registered holder of such securities, if the securities are registered otherwise than in the name of the Portfolio or a nominee of the Portfolio, all proxies, without indication of the manner in which such proxies are to be voted, and shall promptly deliver to the Fund on behalf of the Portfolio such proxies, all proxy soliciting materials and all notices relating to such securities.
- 2.15 Communications Relating to Portfolio Securities. Subject to the provisions of Section 2.3, the Custodian shall transmit promptly to the Fund for each Portfolio all written information (including, without limitation, pendency of calls and maturities of domestic securities and expirations of rights in connection therewith and notices of exercise of call and put options written by the Fund on behalf of the Portfolio and the maturity of futures contracts purchased or sold by the Portfolio) received by the Custodian from issuers of the securities being held for the Portfolio. With respect to tender or exchange offers, the Custodian shall transmit promptly to the Portfolio all written information received by the Custodian from issuers of the securities whose tender or exchange is sought and from the party (or his agents) making the tender or exchange offer. If the Portfolio desires to take action with respect to any tender offer, exchange offer or any other similar transaction, the Portfolio shall notify the Custodian at least three (3) business days prior to the date on which the Custodian is

to take such action.

2.16 Reports to Fund by Independent Public Accountants. The Custodian shall provide the Fund, at such times as the Fund may reasonably require, with reports by independent public accountants on the accounting system, internal accounting control and procedures for safeguarding securities, futures contracts and options on futures contracts, including domestic securities deposited and/or maintained in a U.S. Securities System, relating to the services provided by the Custodian under this Contract; such reports shall be of sufficient scope and in sufficient detail, as may reasonably be required by the Fund to provide reasonable assurance that any material inadequacies would be disclosed by such examination, and, if there are no such inadequacies, the reports shall so state.

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3. Duties of the Custodian with Respect to Property of the Fund Held Outside of the United States

3.1 Appointment of Foreign Sub-Custodians. The Fund hereby authorizes and instructs the Custodian to employ as sub-custodians for the Portfolio's securities and other assets maintained outside the United States the foreign banking institutions and foreign securities depositories designated on Schedule A hereto (the "foreign sub-custodians"). Upon receipt of "Proper Instructions", as defined in Article 5, together with a certified resolution of the Board of Directors, the Custodian and the Fund on behalf of the Portfolio(s) may agree to amend Schedule A hereto from time to time to designate additional foreign banking institutions and foreign securities depositories to act as sub-custodian. Upon receipt of Proper Instructions, the Fund may instruct the Custodian to cease the employment of any one or more such sub-custodians for maintaining custody of the Portfolio's assets.

3.2 Assets to be Held. The Custodian shall limit the securities and other assets maintained in the custody of the foreign sub-custodians to: (a) "foreign securities", as defined in paragraph (c)(1) of Rule 17f-5 under the Investment Company Act and (b) cash and cash equivalents in such amounts as the Custodian may determine to be reasonably necessary to effect the Portfolio's foreign securities transactions.

3.3 Foreign Securities Systems. Except as may otherwise be agreed upon in writing by the Custodian and the Fund, assets of the Portfolio(s) shall be maintained in a clearing agency which acts as a securities depository or in a book-entry system for the central handling of securities located outside the United States (each a "Foreign Securities System") only through arrangements implemented by the foreign banking institutions serving as sub-custodians pursuant to the terms hereof (Foreign Securities Systems and U.S. Securities Systems are referred to collectively herein as "Securities Systems"). Where possible, such arrangements shall include entry into

agreements containing the provisions set forth in Section 3.5 hereof.

3.4 Holding Securities. The Custodian may hold securities and other non-cash property for all of its customers, including the Fund, with a foreign sub-custodian in a single account that is to be identified as belonging to the Custodian for the benefit of its customers; provided, however, that (i) the records of the Custodian with respect to securities and other non-cash property of the Fund which are maintained in such account shall identify by book-entry those securities and other non-cash property as belonging to the Fund and (ii) the Custodian shall require that securities and other non-cash property of the Fund be held separately from the any assets of the foreign sub-custodian or others.

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3.5 Agreements with Foreign Banking Institutions. Each agreement with a foreign banking institution shall provide that: (a) the assets of each Portfolio will not be subject to any right, charge, security interest, lien or claim of any kind in favor of the foreign banking institution or its creditors or agent, except a claim of payment for their safe custody or administration; (b) beneficial ownership of the assets of each Portfolio will be freely transferable without the payment of money or value other than for custody or administration; (c) adequate records will be maintained by the Custodian identifying the assets as belonging to the Custodian on behalf of its customers; (d) officers of or auditors employed by, or other representatives of the Custodian, including to the extent permitted under applicable law the independent public accountants for the Fund, will be given access to the books and records of the foreign banking institution relating to its actions under its agreement with the Custodian; and (e) assets of the Portfolios held by the foreign sub-custodian will be subject only to the instructions of the Custodian or its agents.

3.6 Access of Independent Accountants of the Fund. Upon request of the Fund, the Custodian will use reasonable efforts to arrange for the independent accountants of the Fund to be afforded access to the books and records of any foreign banking institution employed as a foreign sub-custodian insofar as such books and records relate to the performance of such foreign banking institution under its agreement with the Custodian.

3.7 Reports by Custodian. The Custodian will supply to the Fund from time to time, as mutually agreed upon, statements in respect of the securities and other assets of the Portfolio(s) held by foreign sub-custodians, including but not limited to an identification of entities having possession of Portfolio securities and other assets and advices or notifications of any transfers of securities to or from each custodial account maintained by a foreign banking institution for the Custodian on behalf of its customers indicating, as to securities acquired for a Portfolio, the identity of the entity having physical possession of such securities.

3.8 Transactions in Foreign Custody Account. (a) Except as otherwise provided in paragraph (b) of this Section 3.8, the provision of Sections 2.2 and 2.7 of this Contract shall apply, mutatis mutandis to the foreign securities of the Portfolio(s) held outside the United States by foreign sub-custodians.

(b) Notwithstanding any provision of this Contract to the contrary, settlement and payment for securities received for the account of each applicable Portfolio and delivery of securities maintained for the account of each applicable Portfolio may be effected in accordance with the customary established securities trading or securities processing practices and procedures in the jurisdiction or market in which the transaction occurs, including, without limitation, delivering securities to the purchaser thereof or to a dealer therefor (or an agent for such purchaser or dealer) against a receipt with the expectation of receiving later payment for such securities from such purchaser or dealer.

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(c) Securities maintained in the custody of a foreign sub-custodian may be maintained in the name of such entity's nominee to the same extent as set forth in Section 2.3 of this Contract, and the Fund agrees to hold any such nominee harmless from any liability as a holder of record of such securities.

3.9 Liability of Foreign Sub-Custodians. Each agreement pursuant to which the Custodian employs a foreign banking institution as a foreign sub-custodian shall require the institution to exercise reasonable care in the performance of its duties and to indemnify, and hold harmless, the Custodian and the Fund from and against any loss, damage, cost, expense, liability or claim arising out of or in connection with the institution's performance of such obligations. At the election of the Fund on behalf of the Portfolio, it shall be entitled to be subrogated to the rights of the Custodian with respect to any claims against a foreign banking institution as a consequence of any such loss, damage, cost, expense, liability or claim if and to the extent that the Portfolio has not been made whole for any such loss, damage, cost, expense, liability or claim.

3.10 Liability of Custodian. The Custodian shall be liable for the acts or omissions of a foreign banking institution to the same extent as set forth with respect to sub-custodians generally in this Contract and, regardless of whether assets are maintained in the custody of a foreign banking institution, a foreign securities depository or a branch of a U.S. bank as contemplated by Section 3.13 hereof, the Custodian shall not be liable for any loss, damage, cost, expense, liability or claim resulting from nationalization, expropriation, currency restrictions, or acts of war or terrorism or any loss where the sub-custodian has otherwise exercised reasonable care. Notwithstanding the foregoing provisions of this Section

3.10, in delegating custody duties to State Street London Ltd., the Custodian shall not be relieved of any responsibility to the Fund for any loss due to such delegation, except such loss as may result from (a) political risk (including, but not limited to, exchange control restrictions, confiscation, expropriation, nationalization, insurrection, civil strife or armed hostilities) or (b) other losses (excluding a bankruptcy or insolvency of State Street London Ltd. not caused by political risk) due to Acts of God, nuclear incident or other losses under circumstances where the Custodian and State Street London Ltd. have exercised reasonable care.

3.11 Reimbursement for Advances. If the Fund requires the Custodian to advance cash or securities for any purpose for the benefit of a Portfolio, including the purchase or sale of foreign exchange or of contracts for foreign exchange, or in the event that the Custodian or its nominee shall incur or be assessed any taxes, charges, expenses, assessments, claims or liabilities in connection with the performance of this Contract, except such as may arise from its or its nominee's own negligent action, negligent failure to act or willful misconduct, any property at any time held for the account of the applicable Portfolio shall be security therefor and should the Fund fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to dispose of such Portfolio's assets to the extent necessary to obtain reimbursement.

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3.12 Monitoring Responsibilities. The Custodian shall furnish annually to the Fund (during the month of June) information concerning the foreign sub-custodians employed by the Custodian. Such information shall be similar in kind and scope to that furnished to the Fund in connection with the initial approval of this Contract. In addition, the Custodian will promptly inform the Fund in the event that the Custodian learns of a material adverse change in the financial condition of a foreign sub-custodian or any material loss of the assets of the Fund or in the case of any foreign sub-custodian not the subject of an exemptive order from the SEC is notified by such foreign sub-custodian that there appears to be a substantial likelihood that its shareholders' equity will decline below U.S.\$200 million (or the local currency equivalent thereof) or that its shareholders' equity has declined below such amount (in each case computed in accordance with generally accepted U.S. accounting principles).

3.13 Branches of U.S. Banks. (a) Except as otherwise set forth in this Contract, the provisions hereof shall not apply where the custody of Portfolio assets are maintained in a foreign branch of a banking institution which is a "bank" as defined by Section 2(a)(5) of the Investment Company Act meeting the qualification set forth in Section 26(a) of said Act. The appointment of any such branch as a sub-custodian shall be governed by Article 1 of this Contract.

(b) Cash held for each Portfolio of the Fund in the United Kingdom shall be maintained in an interest bearing account established for the Fund with the Custodian's London branch, which account shall be subject to the direction of the Custodian, State Street London Ltd. or both.

3.14 Tax Law. The Custodian shall have no responsibility or liability for any obligations now or hereafter imposed on the Fund or the Custodian as custodian of the Fund by the tax law of the United States of America or any state or political subdivision thereof. It shall be the responsibility of the Fund to notify the Custodian of the obligations imposed on the Fund or the Custodian as custodian of the Fund by the tax law of jurisdictions other than those mentioned in the above sentence, including responsibility for withholding and other taxes, assessments or other governmental charges, certifications and governmental reporting. The sole responsibility of the Custodian with regard to such tax law shall be to use reasonable efforts to assist the Fund with respect to any claim for exemption or refund under the tax law of jurisdictions for which the Fund has provided such information.

#### 4. Payments for Sales or Repurchases or Redemptions of Shares

The Custodian shall receive from the distributor for the Shares or from the Transfer Agent and deposit into the account of the appropriate Portfolio such payments as are received for Shares of that Portfolio issued or sold from time to time by the Fund. The Custodian will provide timely notification to the Fund

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on behalf of each Portfolio and the Transfer Agent of any receipt by it of payments for Shares of such Portfolio.

From such funds as may be available for the purpose but subject to the limitations of the Articles of Incorporation and any applicable votes of the Board of Directors pursuant thereto, the Custodian shall, upon receipt of instructions from the Transfer Agent, make funds available for payment to holders of Shares who have delivered to the Transfer Agent a request for redemption or repurchase of their Shares. In connection with the redemption or repurchase of Shares, the Custodian is authorized upon receipt of instructions from the Transfer Agent to wire funds to or through a commercial bank designated by the redeeming shareholders. In connection with the redemption or repurchase of Shares, the Custodian shall honor checks drawn on the Custodian by a holder of Shares, which checks have been furnished by the Fund to the holder of Shares, when presented to the Custodian in accordance with such procedures and controls as are mutually agreed upon from time to time between the Fund and the Custodian.

#### 5. Proper Instructions

Proper Instructions as used throughout this Contract means a writing signed or initialled by one or more person or persons as the Board of Directors shall have from time to time authorized. Each such writing shall set forth the specific transaction or type of transaction involved, including a specific statement of the purpose for which such action is requested. Oral instructions will be considered Proper Instructions if the Custodian reasonably believes them to have been given by a person authorized to give such instructions with respect to the transaction involved. The Fund shall cause all oral instructions to be confirmed in writing. Upon receipt of a certificate of the Secretary or an Assistant Secretary as to the authorization by the Board of Directors accompanied by a detailed description of procedures approved by the Board of Directors, Proper Instructions may include communications effected directly between electro-mechanical or electronic devices provided that the Board of Directors and the Custodian are satisfied that such procedures afford adequate safeguards for Portfolio assets. For purposes of this Section, Proper Instructions shall include instructions received by the Custodian pursuant to any three-party agreement which requires a segregated asset account in accordance with Section 2.12.

#### 6. Actions Permitted without Express Authority

The Custodian may in its discretion, without express authority from the Fund on behalf of each applicable Portfolio:

- 1) make payments to itself or others for minor expenses of handling securities or other similar items relating to its duties under this Contract, provided that all such payments shall be accounted for to the Fund on behalf of the Portfolio;

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- 2) surrender securities in temporary form for securities in definitive form;
- 3) endorse for collection, in the name of the Portfolio, checks, drafts and other negotiable instruments; and
- 4) in general, attend to all non-discretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the Portfolio except as otherwise directed by the Board of Directors.

#### 7. Evidence of Authority

The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate or other instrument or paper believed by it to be genuine and to have been properly executed by or on behalf of the Fund. The Custodian may receive and accept a certified copy of a vote of the Board of



Directors as conclusive evidence (a) of the authority of any person to act in accordance with such vote or (b) of any determination or of any action by the Board of Directors pursuant to the Articles of Incorporation as described in such vote, and such vote may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary.

#### 8. Duties of Custodian with Respect to the Books of Account and Calculation of Net Asset Value and Net Income

The Custodian shall cooperate with and supply necessary information to the entity or entities appointed by the Board of Directors to keep the books of account of each Portfolio and/or compute the net asset value per share of the outstanding shares of each Portfolio or, if directed in writing to do so by the Fund on behalf of the Portfolio(s), shall itself keep such books of account and/or compute such net asset value per share. If so directed, the Custodian shall also calculate daily the net income of the Portfolio(s) as described in the Prospectus and shall advise the Fund and the Transfer Agent daily of the total amounts of such net income and, if instructed in writing by an officer of the Fund to do so, shall advise the Transfer Agent periodically of the division of such net income among its various components. The calculations of the net asset value per share and the daily income of each Portfolio shall be made at the time or times described from time to time in the Prospectus.

#### 9. Records

The Custodian shall with respect to each Portfolio create and maintain all records relating to its activities and obligations under this Contract in such manner as will meet the obligations of the Fund under the Investment Company Act, with particular attention to Section 31 thereof and Rules 31a-1 and 31a-2

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thereunder. All such records shall be the property of the Fund and shall at all times during the regular business hours of the Custodian be open for inspection by duly authorized officers, employees or agents of the Fund and employees and agents of the SEC. The Custodian shall, at the Fund's request, supply the Fund with a tabulation of securities owned by each Portfolio and held by the Custodian and shall, when requested to do so by the Fund and for such compensation as shall be agreed upon between the Fund and the Custodian, include certificate numbers in such tabulations.

#### 10. Opinion of Fund's Independent Accountant

The Custodian shall take all reasonable action, as the Fund on behalf of each applicable Portfolio may from time to time request, to obtain from year to year favorable opinions from the Fund's independent accountants with respect to its activities hereunder in connection with the preparation of the Fund's Form N-1A, Form N-SAR or other annual reports to the SEC and with respect to any other SEC requirements.

## 11. Reports to Fund by Independent Public Accountants

The Custodian shall provide the Fund at such times as the Fund may reasonably require, with reports by independent public accountants on the accounting system, internal accounting control and procedures for safeguarding securities, futures contracts and options on futures contracts, including securities deposited and/or maintained in a Securities System, relating to the services provided by the Custodian under this Contract; such reports shall be of sufficient scope and in sufficient detail, as may reasonably be required by the Fund to provide reasonable assurance that any material inadequacies would be disclosed by such examination, and, if there are no such inadequacies, the reports shall so state.

12. Compensation of Custodian and procedures for safeguarding securities, futures contracts and options on futures contracts, including securities deposited and/or maintained in a Securities System, relating to the services provided by the Custodian under this Contract; such reports shall be of sufficient scope and in sufficient detail, as may reasonably be required by the Fund to provide reasonable assurance that any material inadequacies would be disclosed by such examination, and, if there are no such inadequacies, the report shall be held harmless in acting upon any notice, request, consent, certificate or other instrument reasonably believed by it to be genuine and to be signed by the proper party or parties, including any

futures commission merchant acting pursuant to the terms of a three-party futures or options agreement. The Custodian shall be held to the exercise of reasonable care in carrying out the provisions of this Contract, but shall be kept indemnified by and shall be without liability to the Fund for any action taken or omitted by it in good faith without negligence. It shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the Fund) on all matters, and shall be without liability for any action reasonably take

futures commission merchant acting pursuant to the terms of a three-party futures or options agreement. The Custodian shall be held to the exercise of reasonable care in carrying out the provisions of this Contract, but shall be Fund for any loss, liability, claim or expense resulting from or caused by: (i) events or circumstances beyond the reasonable control of the Custodian or any sub-custodian or Securities System or any agent or nominee of any of the foregoing, including, without limitation, nationalization or expropriation, imposition of currency controls or restrictions, the interruption, suspension or restriction of trading on or the closure of any securities markets, power or other mechanical or technological failures or interruptions, computer viruses or communications disruptions, acts of war or terrorism, riots, revolutions, work stoppages, natural disasters or

other similar events or acts; (ii) errors by the Fund or the Investment Advisor in their instructions to the Custodian provided such instructions have been given in accordance with this Contract; (iii) the insolvency of or acts or omissions by a Securities System; (iv) any delay or failure of any broker, agent or intermediary, central bank or other commercially prevalent payment or clearing system to deliver to the Custodian's sub-custodian or agent securities purchased or in the remittance of payment made in connection with securities sold; (v) any delay or failure of any company, corporation, or other body in charge of registering or transferring securities in the name of the Custodian, the Fund, the Custodian's sub-custodians, nominees or agents or any consequential losses arising out of such delay or failure to transfer such securities including non-receipt of bonus, dividends and rights and other accretions or benefits; (vi) delays or inability to perform its duties due to any disorder in market infrastructure with respect to any particular security or Securities System; and (vii) any provision of any present or future law or regulation or order of the United States of America, or any state thereof, or any other country, or political subdivision thereof or of any court of competent jurisdiction.

The Custodian shall be liable for the acts or omissions of a foreign banking institution appointed pursuant to the provisions of Article 3 to the same extent as set forth in Article 1 hereof with respect to sub-custodians located in the United States (except as specifically provided in Section 3.10) and, regardless of whether assets are maintained in the custody of a foreign banking institution, a foreign securities depository or a branch of a U.S. bank as contemplated by Section 3.13 hereof, the Custodian shall not be liable for any loss, damage, cost, expense, liability or claim resulting from, or caused by, the direction of or authorization by the Fund to maintain custody or any securities or cash of the Fund in a foreign country including, but not limited to, losses resulting from nationalization, expropriation, currency restrictions, or acts of war or terrorism.

If the Fund on behalf of a Portfolio requires the Custodian to take any action with respect to securities, which action involves the payment of money or which action may (in the opinion of the Custodian) result in the Custodian or

its nominee assigned to the Fund or the Portfolio being liable for the payment of money or incurring liability of some other form, the Fund on behalf of the Portfolio, as a prerequisite to requiring the Custodian to take such action, shall provide indemnity to the Custodian in an amount and form satisfactory to the Custodian.

If the Fund requires the Custodian, its affiliates, subsidiaries or agents, to advance cash or securities for any purpose (including, but not limited to, securities settlements, foreign exchange contracts and assumed settlement) for the benefit of a Portfolio, including the purchase or sale of foreign exchange or of contracts for foreign exchange or in the event that the Custodian or its

nominee shall incur or be assessed any taxes, charges, expenses, assessments, claims or liabilities in connection with the performance of this Contract, except such as may arise from its or its nominee's own negligent action, negligent failure to act or willful misconduct, any property at any time held for the account of the applicable Portfolio shall be security therefor and should the Fund fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to dispose of such Portfolio's assets to the extent necessary to obtain reimbursement.

In no event shall the Custodian be liable hereunder for indirect, special or consequential damages.

#### 14. Effective Period, Termination and Amendment

This Contract shall become effective as of the date of its execution, shall continue in full force and effect until terminated as hereinafter provided, may be amended at any time by mutual agreement of the parties hereto and may be terminated by either party by an instrument in writing delivered or mailed, postage prepaid to the other party, such termination to take effect not sooner than thirty (30) days after the date of such delivery or mailing; provided, however that the Custodian shall not with respect to a Portfolio act under Section 2.10 hereof in the absence of receipt of an initial certificate of the Secretary or an Assistant Secretary that the Board of Directors has approved the initial use of a particular Securities System by such Portfolio, as required by Rule 17f-4 under the Investment Company Act and that the Custodian shall not with respect to a Portfolio act under Section 2.11 hereof in the absence of receipt of an initial certificate of the Secretary or an Assistant Secretary that the Board of Directors has approved the initial use of the Direct Paper System by such Portfolio; provided further, however, that the Fund shall not amend or terminate this Contract in contravention of any applicable federal or state regulations, or any provision of the Articles of Incorporation, and further provided, that the Fund on behalf of one or more of the Portfolios may at any time by action of the Board of Directors (i) substitute another bank or trust company for the Custodian by giving notice as described above to the Custodian or (ii) immediately terminate this Contract in the event of the appointment of a conservator or receiver for the Custodian by the Comptroller of the Currency or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction.

Upon termination of the Contract, the Fund on behalf of each applicable Portfolio shall pay to the Custodian such compensation as may be due as of the date of such termination and shall likewise reimburse the Custodian for its costs, expenses and disbursements.

#### 15. Successor Custodian

If a successor custodian shall be appointed by the Board of Directors, the Custodian shall, upon termination, deliver to such successor custodian at the offices of the Custodian, duly endorsed and in the form for transfer, all securities of each applicable Portfolio then held by it hereunder and shall transfer to an account of the successor custodian all of the securities of each such Portfolio held in a Securities System.

If no such successor custodian shall be appointed, the Custodian shall, in like manner, upon receipt of a certified copy of a vote of the Board of Directors, deliver at the office of the Custodian and transfer such securities, funds and other properties in accordance with such vote.

In the event that no written order designating a successor custodian or certified copy of a vote of the Board of Directors shall have been delivered to the Custodian on or before the date when such termination shall become effective, then the Custodian shall have the right to deliver to a bank or trust company, which is a "bank" as defined in the Investment Company Act doing business in Boston, Massachusetts, of its own selection, having an aggregate capital, surplus, and undivided profits, as shown by its last published report, of not less than U.S.\$200,000,000, all securities, funds and other properties held by the Custodian on behalf of each applicable Portfolio and all instruments held by the Custodian relative thereto and all other property held by it under this Contract on behalf of each applicable Portfolio and to transfer to an account of such successor custodian all of the securities of each such Portfolio held in any Securities System. Thereafter, such bank or trust company shall be the successor of the Custodian under this Contract.

In the event that securities, funds and other properties remain in the possession of the Custodian after the date of termination hereof owing to failure of the Fund to procure the certified copy of the vote referred to or of the Board of Directors to appoint a successor custodian, the Custodian shall be entitled to fair compensation for its services during such period as the Custodian retains possession of such securities, funds and other properties and the provisions of this Contract relating to the duties and obligations of the Custodian shall remain in full force and effect.

## 16. Interpretive and Additional Provisions

In connection with the operation of this Contract, the Custodian and the Fund on behalf of each of the Portfolios may from time to time agree on such provisions interpretive of or in addition to the provisions of this Contract as may in their joint opinion be consistent with the general tenor of this

Contract. Any such interpretive or additional provisions shall be in a writing signed by both parties and shall be annexed hereto, provided that no such interpretive or additional provisions shall contravene any applicable federal or state regulations or any provision of the Articles of Incorporation. No

interpretive or additional provisions made as provided in the preceding sentence shall be deemed to be an amendment of this Contract.

#### 17. Additional Funds

In the event that the Fund establishes one or more series of Shares in addition to The Gabelli Global Governments Fund with respect to which it desires to have the Custodian render services as custodian under the terms hereof, it shall so notify the Custodian in writing, and if the Custodian agrees in writing to provide such services, such series of Shares shall become a Portfolio hereunder.

#### 18. Massachusetts Law to Apply

This Contract shall be construed and the provisions thereof interpreted under and in accordance with laws of The Commonwealth of Massachusetts.

#### 19. Prior Contracts

This Contract supersedes and terminates, as of the date hereof, all prior contracts between the Fund and the Custodian relating to the custody of the assets of the Portfolio(s).

#### 20. Shareholder Communications Election

SEC Rule 14b-2 requires banks which hold securities for the account of customers to respond to requests by issuers of securities for the names, addresses and holdings of beneficial owners of securities of that issuer held by the bank unless the beneficial owner has expressly objected to disclosure of this information. In order to comply with the rule, the Custodian needs the Fund to indicate whether it authorizes the Custodian to provide the Fund's name, address, and share position to requesting companies whose securities the Fund owns. If the Fund tells the Custodian "no", the Custodian will not provide this information to requesting companies. If the Fund tells the Custodian "yes" or does not check either "yes" or "no" below, the Custodian is required by the rule to treat the Fund as consenting to disclosure of this information for all securities owned by the Fund or any funds or accounts established by the Fund. For the Fund's protection, the Rule prohibits the requesting company from using the Fund's name and address for any purpose other than corporate communications. Please indicate below whether the Fund consents or objects by checking one of the alternatives below.

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YES [ ] The Custodian is authorized to release the Fund's name, address, and share positions.

NO [ ] The Custodian is not authorized to release the Fund's name,

address, and share positions.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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IN WITNESS WHEREOF, each of the parties has caused this instrument to be executed in its name and behalf by its duly authorized representative and its seal to be hereunder affixed as of May [ ], 1995.

GABELLI INCOME SERIES FUNDS, INC.

By: \_\_\_\_\_

Name:

Title:

STATE STREET BANK AND TRUST  
COMPANY

By: \_\_\_\_\_

Name: Ronald E. Logue

Title: Executive Vice President

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#### Schedule A

The following foreign banking institutions and foreign securities depositories have been approved by the Board of Directors of Gabelli Income Series Funds, Inc. for use as subcustodians for the Fund's securities and other assets:

(Insert banks and securities depositories)

Certified:

-----  
Fund's Authorized Officer

Date: May [ ], 1995



TRANSFER AGENCY AND SERVICE AGREEMENT

between

GABELLI INCOME SERIES FUNDS, INC.

and

STATE STREET BANK AND TRUST COMPANY

1 G - Domestic Corp/Series

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TRANSFER AGENCY AND SERVICE AGREEMENT

AGREEMENT made as of the day of \_\_\_\_\_, 199\_\_\_\_, by and between Gabelli Income Series Funds, Inc., a Maryland corporation, having its principal office and place of business at One Corporate Center, Rye, New York, New York 10580-1434 (the "Fund"), and STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company having its principal office and place of business at 225 Franklin Street, Boston, Massachusetts 02110 (the "Bank").

WHEREAS, the Fund is authorized to issue shares in separate series, with each such series representing interests in a separate portfolio of securities and other assets; and

WHEREAS, the Fund intends to initially offer shares in one series, the Gabelli Global Governments Fund (each such series, together with all other series subsequently established by the Fund and made subject to this Agreement in accordance with Article 10, being herein referred to as a "Portfolio", and collectively as the "Portfolios");

WHEREAS, the Fund on behalf of the Portfolios desires to appoint the Bank as its transfer agent, dividend disbursing agent, custodian of certain retirement plans and agent in connection with certain other activities, and the Bank desires to accept such appointment;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Terms of Appointment: Duties of the Bank

1.1 Subject to the terms and conditions set forth in this Agreement, the Fund, on behalf of the Portfolios, hereby employs and appoints the Bank to act as, and the Bank agrees to act as its transfer agent for the Fund's authorized and issued shares of its common stock, \$ \_\_\_\_\_ par value, ("Shares"), dividend disbursing agent, custodian of certain retirement plans and agent in connection with any accumulation, open-account or

similar plans provided to the shareholders of each of the respective Portfolios of the Fund ("Shareholders") and set out in the currently effective prospectus and statement of additional information ("prospectus") of the Fund on behalf of the applicable Portfolio, including without limitation any periodic investment plan or periodic withdrawal program.

1.2 The Bank agrees that it will perform the following services:

(a) In accordance with procedures established from time to time by agreement between the Fund on behalf of each of the Portfolios, as applicable and the Bank, the Bank shall:

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- (i) Receive for acceptance, orders for the purchase of Shares, and promptly deliver payment and appropriate documentation thereof to the Custodian of the Fund authorized pursuant to the Articles of Incorporation of the Fund (the "Custodian");
- (ii) Pursuant to purchase orders, issue the appropriate number of Shares and hold such Shares in the appropriate Shareholder account;
- (iii) Receive for acceptance redemption requests and redemption directions and deliver the appropriate documentation thereof to the Custodian;
- (iv) In respect to the transactions in items (i), (ii) and (iii) above, the Bank shall execute transactions directly with broker-dealers authorized by the Fund who shall thereby be deemed to be acting on behalf of the Fund;
- (v) At the appropriate time as and when it receives monies paid to it by the Custodian with respect to any redemption, pay over or cause to be paid over in the appropriate manner such monies as instructed by the redeeming Shareholders;
- (vi) Effect transfers of Shares by the registered owners thereof upon receipt of appropriate instructions;
- (vii) Prepare and transmit payments for dividends and distributions declared by the Fund on behalf of the applicable Portfolio;
- (viii) Issue replacement certificates for those certificates alleged to have been lost, stolen or destroyed upon receipt by the Bank of indemnification satisfactory to the Bank and protecting the Bank and the Fund, and the Bank at its option, may issue replacement certificates in place of mutilated stock

certificates upon presentation thereof and without such indemnity;

- (ix) Maintain records of account for and advise the Fund and its Shareholders as to the foregoing; and
- (x) Record the issuance of shares of the Fund and maintain pursuant to SEC Rule 17Ad-10(e) a record of the total number of shares of the Fund which are authorized, based upon data provided to it by the Fund, and issued and outstanding. The Bank shall also provide the Fund on a regular basis with the total number of shares which are authorized and issued and

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outstanding and shall have no obligation, when recording the issuance of shares, to monitor the issuance of such shares or to take cognizance of any laws relating to the issue or sale of such shares, which functions shall be the sole responsibility of the Fund.

- (b) In addition to and neither in lieu nor in contravention of the services set forth in the above paragraph (a), the Bank shall: (i) perform the customary services of a transfer agent, dividend disbursing agent, custodian of certain retirement plans and, as relevant, agent in connection with accumulation, open-account or similar plans (including without limitation any periodic investment plan or periodic withdrawal program), including but not limited to: maintaining all Shareholder accounts, preparing Shareholder meeting lists, mailing proxies, mailing Shareholder reports and prospectuses to current Shareholders, withholding taxes on U.S. resident and non-resident alien accounts, preparing and filing U.S. Treasury Department Forms 1099 and other appropriate forms required with respect to dividends and distributions by federal authorities for all Shareholders, preparing and mailing confirmation forms and statements of account to Shareholders for all purchases and redemptions of Shares and other confirmable transactions in Shareholder accounts, preparing and mailing activity statements for Shareholders, and providing Shareholder account information and (ii) provide a system which will enable the Fund to monitor the total number of Shares sold in each State.
- (c) In addition, the Fund shall (i) identify to the Bank in writing those transactions and assets to be treated as exempt from blue sky reporting for each State and (ii) verify the establishment of transactions for each State on the system prior to activation and thereafter monitor the daily activity for each State. The responsibility of the Bank for the Fund's blue sky State registration status is solely limited to the initial establishment of transactions subject to blue sky compliance by the Fund and the reporting of such

transactions to the Fund as provided above.

- (d) Procedures as to who shall provide certain of these services in Section 1 may be established from time to time by agreement between the Fund on behalf of each Portfolio and the Bank per the attached service responsibility schedule. The Bank may at times perform only a portion of these services and the Fund or its agent may perform these services on the Fund's behalf.

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- (e) The Bank shall provide additional services on behalf of the Fund (i.e., escheatment services) which may be agreed upon in writing between the Fund and the Bank.

## 2. Fees and Expenses

- 2.1 For the performance by the Bank pursuant to this Agreement, the Fund agrees on behalf of each of the Portfolios to pay the Bank an annual maintenance fee for each Shareholder account as set out in the initial fee schedule attached hereto. Such fees and out-of-pocket expenses and advances identified under Section 2.2 below may be changed from time to time subject to mutual written agreement between the Fund and the Bank.
- 2.2 In addition to the fee paid under Section 2.1 above, the Fund agrees on behalf of each of the Portfolios to reimburse the Bank for out-of-pocket expenses, including but not limited to confirmation production, postage, forms, telephone, microfilm, microfiche, tabulating proxies, records storage, or advances incurred by the Bank for the items set out in the fee schedule attached hereto. In addition, any other expenses incurred by the Bank at the request or with the consent of the Fund, will be reimbursed by the Fund on behalf of the applicable Portfolio.
- 2.3 The Fund agrees on behalf of each of the Portfolios to pay all fees and reimbursable expenses within five days following the receipt of the respective billing notice. Postage for mailing of dividends, proxies, Fund reports and other mailings to all shareholder accounts shall be advanced to the Bank by the Fund at least seven (7) days prior to the mailing date of such materials.

## 3. Representations and Warranties of the Bank

The Bank represents and warrants to the Fund that:

- 3.1 It is a trust company duly organized and existing and in good standing under the laws of the Commonwealth of Massachusetts.
- 3.2 It is duly qualified to carry on its business in the Commonwealth of Massachusetts.

- 3.3 It is empowered under applicable laws and by its Charter and By-Laws to enter into and perform this Agreement.
- 3.4 All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement.
- 3.5 It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

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#### 4. Representations and Warranties of the Fund

The Fund represents and warrants to the Bank that:

- 4.1 It is a corporation duly organized and existing and in good standing under the laws of .
- 4.2 It is empowered under applicable laws and by its Articles of Incorporation and By-Laws to enter into and perform this Agreement.
- 4.3 All corporate proceedings required by said Articles of Incorporation and ByLaws have been taken to authorize it to enter into and perform this Agreement.
- 4.4 It is an open-end and diversified management investment company registered under the Investment Company Act of 1940, as amended.
- 4.5 A registration statement under the Securities Act of 1933, as amended on behalf of each of the Portfolios is currently effective and will remain effective, and appropriate state securities law filings have been made and will continue to be made, with respect to all Shares of the Fund being offered for sale.

#### 5. Data Access and Proprietary Information

- 5.1 The Fund acknowledges that the data bases, computer programs, screen formats, report formats, interactive design techniques, and documentation manuals furnished to the Fund by the Bank as part of the Fund's ability to access certain Fund-related data ("Customer Data") maintained by the Bank on data bases under the control and ownership of the Bank or other third party ("Data Access Services") constitute copyrighted, trade secret, or other proprietary information (collectively, "Proprietary Information") of substantial value to the Bank or other third party. In no event shall Proprietary Information be deemed Customer Data. The Fund agrees to treat all Proprietary Information as proprietary to the Bank and further agrees that it shall not divulge any Proprietary Information to any person or organization except as may be provided hereunder. Without limiting the

foregoing, the Fund agrees for itself and its employees and agents:

- (a) to access Customer Data solely from locations as may be designated in writing by the Bank and solely in accordance with the Bank's applicable user documentation;
- (b) to refrain from copying or duplicating in any way the Proprietary Information;

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- (c) to refrain from obtaining unauthorized access to any portion of the Proprietary Information, and if such access is inadvertently obtained, to inform in a timely manner of such fact and dispose of such information in accordance with the Bank's instructions;
- (d) to refrain from causing or allowing third-party data acquired hereunder from being retransmitted to any other computer facility or other location, except with the prior written consent of the Bank;
- (e) that the Fund shall have access only to those authorized transactions agreed upon by the parties;
- (f) to honor all reasonable written requests made by the Bank to protect at the Bank's expense the rights of the Bank in Proprietary Information at common law, under federal copyright law and under other federal or state law.

Each party shall take reasonable efforts to advise its employees of their obligations pursuant to this Section 5. The obligations of this Section shall survive any earlier termination of this Agreement.

5.2 If the Fund notifies the Bank that any of the Data Access Services do not operate in material compliance with the most recently issued user documentation for such services, the Bank shall endeavor in a timely manner to correct such failure. Organizations from which the Bank may obtain certain data included in the Data Access Services are solely responsible for the contents of such data and the Fund agrees to make no claim against the Bank arising out of the contents of such third-party data, including, but not limited to, the accuracy thereof. DATA ACCESS SERVICES AND ALL COMPUTER PROGRAMS AND SOFTWARE SPECIFICATIONS USED IN CONNECTION THEREWITH ARE PROVIDED ON AN AS IS, AS AVAILABLE BASIS. THE BANK EXPRESSLY DISCLAIMS ALL WARRANTIES EXCEPT THOSE EXPRESSLY STATED HEREIN INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

5.3 If the transactions available to the Fund include the ability to originate electronic instructions to the Bank in order to (i) effect the transfer or movement of cash or Shares or (ii) transmit Shareholder information or

other information, then in such event the Bank shall be entitled to rely on the validity and authenticity of such instruction without undertaking any further inquiry as long as such instruction is undertaken in conformity with security procedures established by the Bank from time to time.

## 6. Indemnification

6.1 The Bank shall not be responsible for, and the Fund shall on behalf of the

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applicable Portfolio indemnify and hold the Bank harmless from and against, any and all losses, damages, costs, charges, counsel fees, payments, expenses and liability arising out of or attributable to:

- (a) All actions of the Bank or its agents or subcontractors required to be taken pursuant to this Agreement, provided that such actions are taken in good faith and without negligence or willful misconduct.
- (b) The Fund's lack of good faith, negligence or willful misconduct which arise out of the breach of any representation or warranty of the Fund hereunder.
- (c) The reliance on or use by the Bank or its agents or subcontractors of information, records, documents or services which (i) are received by the Bank or its agents or subcontractors, and (ii) have been prepared, maintained or performed by the Fund or any other person or firm on behalf of the Fund including but not limited to any previous transfer agent or registrar.
- (d) The reliance on, or the carrying out by the Bank or its agents or subcontractors of any instructions or requests of the Fund on behalf of the applicable Portfolio.
- (e) The offer or sale of Shares in violation of any requirement under the federal securities laws or regulations or the securities laws or regulations of any state that such Shares be registered in such state or in violation of any stop order or other determination or ruling by any federal agency or any state with respect to the offer or sale of such Shares in such state.

6.2 At any time the Bank may apply to any officer of the Fund for instructions, and may consult with legal counsel with respect to any matter arising in connection with the services to be performed by the Bank under this Agreement, and the Bank and its agents or subcontractors shall not be liable and shall be indemnified by the Fund on behalf of the applicable Portfolio for any action taken or omitted by it in reliance upon such instructions or upon the opinion of such counsel. The Bank, its agents and subcontractors shall be protected and indemnified in acting



upon any paper or document furnished by or on behalf of the Fund, reasonably believed to be genuine and to have been signed by the proper person or persons, or upon any instruction, information, data, records or documents provided the Bank or its agents or subcontractors by machine readable input, telex, CRT data entry or other similar means authorized by the Fund, and shall not be held to have notice of any change of authority of any person, until receipt of written notice thereof from the Fund. The

Bank, its agents and subcontractors shall also be protected and indemnified in recognizing stock certificates which are reasonably believed to bear the proper manual or facsimile signatures of the officers of the Fund, and the proper countersignature of any former transfer agent or former registrar, or of a co-transfer agent or co-registrar.

6.3 In order that the indemnification provisions contained in this Section 6 shall apply, upon the assertion of a claim for which the Fund may be required to indemnify the Bank, the Bank shall promptly notify the Fund of such assertion, and shall keep the Fund advised with respect to all developments concerning such claim. The Fund shall have the option to participate with the Bank in the defense of such claim or to defend against said claim in its own name or in the name of the Bank. The Bank shall in no case confess any claim or make any compromise in any case in which the Fund may be required to indemnify the Bank except with the Fund's prior written consent.

## 7. Standard of Care

The Bank shall at all times act in good faith and agrees to use its best efforts within reasonable limits to insure the accuracy of all services performed under this Agreement, but assumes no responsibility and shall not be liable for loss or damage due to errors unless said errors are caused by its negligence, bad faith, or willful misconduct or that of its employees.

## 8. Covenants of the Fund and the Bank

8.1 The Fund shall on behalf of each of the Portfolios promptly furnish to the Bank the following:

- (a) A certified copy of the resolution of the Board of Directors of the Fund authorizing the appointment of the Bank and the execution and delivery of this Agreement.
- (b) A copy of the Articles of Incorporation and By-Laws of the Fund and all amendments thereto.

8.2 The Bank hereby agrees to establish and maintain facilities and procedures

reasonably acceptable to the Fund for safekeeping of stock certificates, check forms and facsimile signature imprinting devices, if any; and for the preparation or use, and for keeping account of, such certificates, forms and devices.

8.3 The Bank shall keep records relating to the services to be performed hereunder, in the form and manner as it may deem advisable. To the extent required by Section 31 of the Investment Company Act of 1940, as amended, and the Rules thereunder, the Bank agrees that all such records prepared

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or maintained by the Bank relating to the services to be performed by the Bank hereunder are the property of the Fund and will be preserved, maintained and made available in accordance with such Section and Rules, and will be surrendered promptly to the Fund on and in accordance with its request.

8.4 The Bank and the Fund agree that all books, records, information and data pertaining to the business of the other party which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed to any other person, except as may be required by law.

8.5 In case of any requests or demands for the inspection of the Shareholder records of the Fund, the Bank will endeavor to notify the Fund and to secure instructions from an authorized officer of the Fund as to such inspection. The Bank reserves the right, however, to exhibit the Shareholder records to any person whenever it is advised by its counsel that it may be held liable for the failure to exhibit the Shareholder records to such person.

## 9. Termination of Agreement

9.1 This Agreement may be terminated by either party upon one hundred twenty (120) days written notice to the other.

9.2 Should the Fund exercise its right to terminate, all out-of-pocket expenses associated with the movement of records and material will be borne by the Fund on behalf of the applicable Portfolio(s). Additionally, the Bank reserves the right to charge for any other reasonable expenses associated with such termination and/or a charge equivalent to the average of three (3) months' fees.

## 10. Additional Funds

In the event that the Fund establishes one or more series of Shares in addition to (LIST) with respect to which it desires to have the Bank render services as transfer agent under the terms hereof, it shall so notify the Bank in writing, and if the Bank agrees in writing to

provide such services, such series of Shares shall become a Portfolio hereunder.

11. Assignment

11.1 Except as provided in Section 10.3 below, neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the written consent of the other party.

11.2 This Agreement shall inure to the benefit of and be binding upon the

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parties and their respective permitted successors and assigns.

11.3 The Bank may, without further consent on the part of the Fund, subcontract for the performance hereof with (i) Boston Financial Data Services, Inc., a Massachusetts corporation ("BFDS") which is duly registered as a transfer agent pursuant to Section 17A(c)(1) of the Securities Exchange Act of 1934, as amended ("Section 17A(c)(1)"), (ii) a BFDS subsidiary duly registered as a transfer agent pursuant to Section 17A(c)(1) or (iii) a BFDS affiliate; provided, however, that the Bank shall be as fully responsible to the Fund for the acts and omissions of any subcontractor as it is for its own acts and omissions.

12. Amendment

This Agreement may be amended or modified by a written agreement executed by both parties and authorized or approved by a resolution of the Board of Directors of the Fund.

13. Massachusetts Law to Apply

This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the Commonwealth of Massachusetts.

14. Force Majeure

In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, equipment or transmission failure or damage reasonably beyond its control, or other causes reasonably beyond its control, such party shall not be liable for damages to the other for any damages resulting from such failure to perform or otherwise from such causes.

15. Consequential Damages

Neither party to this Agreement shall be liable to the other party for

consequential damages under any provision of this Agreement or for any consequential damages arising out of any act or failure to act hereunder.

16. Merger of Agreement

This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject matter hereof whether oral or written.

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17. Counterparts

This Agreement may be executed by the parties hereto on any number of counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf by and through their duly authorized officers, as of the day and year first above written.

GABELLI INCOME SERIES FUNDS, INC.

BY:

-----

ATTEST:

-----

STATE STREET BANK AND TRUST COMPANY

BY:

-----

Executive Vice President

ATTEST:

STATE STREET BANK & TRUST COMPANY  
 FUND SERVICE RESPONSIBILITIES

Service Performed -----	Responsibility -----	
	Bank ----	Fund ----
1. Receives orders for the purchase of Shares.		
2. Issue Shares and hold Shares in Shareholders accounts.		
3. Receive redemption requests.		
4. Effect transactions 1-3 above directly with broker-dealers.		
5. Pay over monies to redeeming Shareholders.		
6. Effect transfers of Shares.		
7. Prepare and transmit dividends and distributions.		
8. Issue Replacement Certificates.		
9. Reporting of abandoned property.		
10. Maintain records of account.		
11. Maintain and keep a current and accurate control book for each issue of securities.		
12. Mail proxies.		
13. Mail Shareholder reports.		
14. Mail prospectuses to current Shareholders.		
15. Withhold taxes on U.S. resident and non-resident alien accounts.		
16. Prepare and file U.S. Treasury Department forms.		

17. Prepare and mail account and confirmation statements for Shareholders.

Service Performed  
-----

Responsibility  
-----

Bank                      Fund  
-----                      -----

18. Provide Shareholder account information.

19. Blue sky reporting.

\* Such services are more fully described in Section 1.2 (a), (b) and (c) of the Agreement.

GABELLI INCOME SERIES FUNDS, INC.

BY:  
-----

ATTEST:  
-----

STATE STREET BANK AND TRUST COMPANY

BY:  
-----  
Executive Vice President

ATTEST:  
-----

## SUB-ADMINISTRATION AGREEMENT

May 1, 1995

The Shareholder Services Group, Inc.  
One Exchange Place  
Boston, Massachusetts 02109

Dear Ladies and Gentlemen:

Gabelli Funds, Inc., a New York corporation (the "Adviser"), as investment adviser or manager and administrator to the investment companies set forth on Exhibit A and incorporated herein (each referred to herein as the "Fund"), confirms its agreement with The Shareholder Services Group, Inc. ("TSSG") as set forth below.

### 1. Investment Description; Appointment; Governing Law

Each Fund desires to employ its capital by investing and reinvesting in investments of the kind and in accordance with the objective, policies and limitations specified in its Articles of Incorporation or Master Trust Agreement as amended from time to time (the "Charter"), its By-Laws, as amended from time to time, in its prospectus filed with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended (the "1940 Act") and the Securities Act of 1933, as amended, as part of the Fund's Registration Statement (the "Registration Statement"), as amended from time to time, and in the manner and to the extent as may from time to time be approved as set forth in the Charter. Copies of the Registration Statement, Charter and By-Laws have been submitted to TSSG. The Fund employs the Adviser as its investment adviser or manager and administrator and the Adviser desires to employ and hereby appoints TSSG to act as its sub-administrator. TSSG accepts this appointment and agrees to furnish the services as set forth in paragraph 2 of this Agreement for the compensation set forth below. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflict of law rules thereof.

### 2. Services as Sub-Administrator

Subject to the overall supervision and direction of the Adviser, TSSG will (a) assist in supervising all aspects of each Fund's operations except those performed by the Adviser under its investment advisory or management agreement with each Fund; (b) supply the Adviser with office facilities (which may be in TSSG's own offices), statistical and research data, data processing services, clerical, accounting and bookkeeping services, including, but not limited to, the calculation of the net asset value of shares in each Fund ("Shares"), internal auditing and legal services, internal executive and administrative

services, and stationery and office supplies; (c) prepare and distribute materials for all Fund Board of Directors/Trustees Meetings, including mailing of all Board materials, collating the same materials into the Board books and assisting in the drafting of minutes for the Board meetings; (d) prepare reports

to holders of Shares ("Shareholders"), tax returns and reports to and filings with the Securities and Exchange Commission, state Blue Sky authorities and the applicable stock exchange; (e) provide any equipment or services necessary for the purpose of pricing Shares or valuing each Fund's investment portfolio and, when requested, calculate the amount of all applicable "Blue Sky" expense limitations; (f) provide compliance testing of all Fund activities against applicable requirements of the 1940 Act and the rules thereunder, the Internal Revenue Code of 1986, as amended, and the Fund's investment restrictions; (g) furnish to the Adviser such statistical and other factual information and information regarding economic factors and trends as the Adviser from time to time may require, it being understood and acknowledged by the Fund and TSSG that TSSG shall not provide any services that would cause TSSG to be deemed to be an "investment adviser", as that term is defined in Section 2(a)(20) of the 1940 Act, including without limitation, services involving the making of recommendations with regard to purchases or sales by the Fund of securities; (h) assist in preparing information in connection with regulatory examinations; and (i) generally provide all administrative services that may be required for the ongoing operation of each Fund in a manner consistent with the requirements of the 1940 Act.

### 3. Compensation

In consideration of services rendered pursuant to this Agreement, the Adviser will pay TSSG on the first business day of each month a fee for the previous month in accordance with the fee schedule set forth on Exhibit B and incorporated herein. Such fees do not include certain "out-of-pocket" disbursements for which TSSG shall be entitled to bill separately. Out-of-pocket disbursements shall include, but shall not be limited to the items specified on Schedule C and incorporated herein, which schedule may be modified by TSSG upon not less than 30 days prior written notice to the Adviser. Upon any termination of this Agreement before the end of any month, the fee for such part of a month shall be prorated according to the proportion that such period bears to the full monthly period and shall be payable upon the date of termination of this Agreement. For the purpose of determining fees payable to TSSG, the value of each Fund's net assets shall be computed at the times and in the manner specified in the Registration Statement. TSSG will bear all expenses in connection with the performance of its services under this Agreement with the exception of costs of printing and mailing stock certificates, prospectuses, reports and notices, interest on borrowed money, brokerage commissions, taxes and fees payable to federal, state and other governmental agencies, fees of



Directors or Trustees of each Fund who are not affiliated with TSSG, outside auditing expenses, outside legal expenses or other expenses not specified in this Section 3 which may be properly payable by the Adviser or the Fund.

#### 4. Standard of Care

TSSG shall exercise its best judgment in rendering the services listed in paragraph 2 above. TSSG shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the matters to which this Agreement relates, provided that nothing in this Agreement shall be deemed to protect or purport to protect TSSG against liability to the Fund or to its Shareholders to which TSSG would otherwise be subject by reason of willful

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misfeasance, bad faith or gross negligence on its part in the performance of its duties or by reason of TSSG's reckless disregard of its obligations and duties under this Agreement.

#### 5. Service to Other Companies or Accounts

The Adviser understands that TSSG now acts, will continue to act and may act in the future as administrator, sub-administrator or transfer agent to one or more other investment companies, and the Adviser has no objection to TSSG's so acting. In addition, the Adviser understands that the persons employed by TSSG to assist in the performance of TSSG's duties under this Agreement will not devote their full time to such service and nothing contained in this Agreement shall be deemed to limit or restrict the right of TSSG or any affiliate of TSSG to engage in and devote time and attention to other businesses or to render services of any kind or nature.

#### 6. Term of Agreement

This Agreement shall become effective as of the date hereof and shall remain in full force and effect for successive annual periods thereafter unless terminated automatically in the event of its assignment or by either party, without penalty, on sixty (60) days' written notice to the other party.

#### 7. Amendment to this Agreement

No provision of this Agreement may be changed, discharged or terminated orally, but only by an instrument in writing signed by each party to the Agreement.

#### 8. Miscellaneous

Any notice or other instrument authorized or required by this Agreement to be given in writing to the Adviser or TSSG should be sufficiently given if

addressed to the party and received by it at its offices set forth below or at such other place as it may from time to time designate in writing.

To the Adviser:  
Gabelli Funds, Inc.  
One Corporate Center  
Rye, New York 10580-1434  
Attn: Bruce N. Alpert

To TSSG:  
The Shareholder Services Group, Inc.  
Exchange Place -- BOS425  
Boston, Massachusetts 02109-2873  
Attn: Patricia Bickimer, Esq.

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## 9. Confidentiality

All books, records, information and data pertaining to the business of the Fund that are exchanged or received pursuant to the performance of TSSG's duties under this Agreement shall remain confidential and shall not be voluntarily disclosed to any other person, except as specifically authorized by the Adviser or as may be required by law.

\* \* \* \* \*

If the foregoing is in accordance with your understanding, kindly indicate your acceptance of this Agreement by signing and returning to us the enclosed copy of this Agreement.

Very truly yours,

GABELLI FUNDS, INC.

By: /s/ Bruce N. Alpert

-----  
Title: CFO, Gabelli Funds Division

Agreed to and Accepted as of May 1, 1995:

THE SHAREHOLDER SERVICES GROUP, INC.

By: /s/ Richard W. Ingram

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Title: Vice President and  
Division Manager

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EXHIBIT A

The Gabelli Equity Trust, Inc.  
The Gabelli Value Fund Inc.  
The Gabelli Growth Fund  
The Gabelli Asset Fund  
The Gabelli Money Market Funds  
-The Gabelli U.S. Treasury Money Market Fund  
Gabelli Capital Series Funds, Inc.  
-Gabelli Capital Asset Fund  
Gabelli Income Series Funds, Inc.  
-The Gabelli Global Governments Fund

EXHIBIT B

Fees for each Fund will be calculated based upon the aggregate average daily net assets of the Funds listed on Exhibit A of this Agreement in accordance with the following schedule:

Aggregate Assets -----	Charges -----
\$0 to \$1 billion	.10%
\$1 billion to \$1.5 billion	.08%
\$1.5 billion to \$3 billion	.03%
Over \$3 billion	.02%

Assets attributed to new funds created after January 1, 1995 will be subject to a minimum fee of \$30,000.

This fee rate will be applied to each Fund's average daily net assets.

EXHIBIT C  
Out-of-Pocket Expenses

Out-of-pocket expenses include, but are not limited to the following:

- Travel to and from Board meetings outside the city of Boston, MA (subject to prior approval of the Adviser)
- Any other unusual expenses in association with the services rendered under this Agreement, such as duplicating charges related to blue sky filings and Board book production

[Letterhead of Miles & Stockbridge]

June 2, 1995

Gabelli Income Series Funds, Inc.  
One Corporate Center  
Rye, New York 10580

Ladies and Gentlemen:

As special Maryland counsel to Gabelli Income Series Funds, Inc., a Maryland corporation (the "Corporation"), in connection with the registration under the Securities Act of 1933, as amended, of an indefinite number of shares of common stock not to exceed 200,000,000 shares, par value \$.001 per share, of The Gabelli Global Governments Fund, the initial series of the Corporation (the "Shares"), we have examined the Articles of Incorporation of the Corporation certified by the Maryland State Department of Assessments and Taxation (the "SDAT") as having been filed with the SDAT on November 16, 1994 and the Articles of Amendment and Restatement of the Corporation certified by the SDAT as having been filed with the SDAT on June 2, 1995. We have additionally examined the Certificate of Corporate Secretary dated May 24, 1995, including the exhibits attached thereto (the "Certificate"). In rendering our opinion, we are relying on the Certificate and have made no independent investigations or inquiries as to the matters set forth therein.

Based on our examination and subject to the assumptions set forth herein, we advise you that in our opinion the Shares to be issued by the Corporation have been duly and validly authorized and, when issued upon the terms set forth in the Registration Statement on Form N-1A of the Corporation filed with the Securities and Exchange Commission (the "Commission"), will be legally issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving our consent, we do not thereby admit that we are in the category of persons whose consent

Gabelli Income Series Funds, Inc.  
June 1, 1995

is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Commission thereunder.

Very truly yours,

Miles & Stockbridge,  
a Professional Corporation

By: /s/ Mark S. Demilio

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Principal

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Statement of Additional Information constituting part of this Pre-Effective Amendment No. 1 in the registration statement on Form N-1A (the "Registration Statement") of our report dated May 16, 1995, relating to the financial statement of The Gabelli Global Governments Fund, a separately managed portfolio of Gabelli Income Service Funds, Inc., which appears in such Statement of Additional Information, and to the incorporation by reference of our report into the Prospectus which constitutes part of this Registration Statement. We also consent to the reference to us under the heading "Independent Auditors" in such Prospectus.

PRICE WATERHOUSE LLP  
Price Waterhouse LLP  
1177 Avenue of the Americas  
New York, New York 10036  
May 30, 1995

Gabelli & Company, Inc.  
One Corporate Center  
Rye, New York 10580

, 1995

Gabelli Income Series Funds, Inc.  
One Corporate Center  
Rye, New York 10580-1434

Gentlemen:

Gabelli & Company, Inc. (the "Distributor") hereby offers and agrees to purchase 2,100 shares (the "Shares") of the common stock, par value \$.001 per share, of The Gabelli Global Governments Fund, a series of Gabelli Income Series Funds, Inc. at a price of \$10.00 per share for an aggregate purchase price of \$21,000.00. The Distributor acknowledges that the Shares are being purchased for the Distributor's own account and for investment purposes only and will be sold only pursuant to a registration statement declared effective under the Securities Act of 1933, as amended, or an exemption therefrom.

Sincerely,

GABELLI & COMPANY, INC.

By \_\_\_\_\_

Gabelli Income Series Funds, Inc. hereby accepts the Distributor's offer to purchase the Shares of The Gabelli Global Governments Fund.

GABELLI INCOME SERIES FUNDS, INC.

By \_\_\_\_\_  
Bruce N. Alpert,  
President



Gabelli Funds, Inc.  
One Corporate Center  
Rye, New York 10580

, 1995

Gabelli Income Series Funds, Inc.  
One Corporate Center  
Rye, New York 10580-1434

Gentlemen:

Gabelli Funds, Inc. (the "Adviser") hereby offers and agrees to purchase 7,900 shares (the "Shares") of the common stock, par value \$.001 per share, of The Gabelli Global Governments Fund, a series of Gabelli Income Series Funds, Inc. at a price of \$10.00 per share for an aggregate purchase price of \$79,000.00. The Adviser acknowledges that the Shares are being purchased for the Adviser's own account and for investment purposes only and will be sold only pursuant to a registration statement declared effective under the Securities Act of 1933, as amended, or an exemption therefrom.

Sincerely,

GABELLI FUNDS, INC.

By \_\_\_\_\_

Gabelli Income Series Funds, Inc. hereby accepts the Adviser's offer to purchase the Shares of The Gabelli Global Governments Fund.

GABELLI INCOME SERIES FUNDS, INC.

By \_\_\_\_\_

Bruce N. Alpert,  
President

How To Open an Individual Retirement Account  
With the Gabelli Funds

The following documents are needed to establish your IRA Plan:

- (a) An Individual Retirement Account Application.
- (b) One copy of the Custodial Agreement for your records (included herein).
- (c) Disclosure Statement (included herein).
- (d) Fund Prospectus.

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1. Review carefully the enclosed material, including the Prospectus and the Disclosure Statement.
2. If you are transferring an existing IRA Plan, see instructions below.
3. Complete, sign and date the Application.
4. For a spousal IRA, each spouse must complete, sign and date a separate Application.
5. Make your check(s) payable to the specific Gabelli Fund in which you are investing for your contribution(s). The minimum initial contribution is shown on the Account Application.
6. Indicate the tax year(s) for which this (and any subsequent) contribution applies. Note: if no tax year is given, the custodian will assume the contribution applies to the calendar year in which it is received.
7. Make a separate check payable to State Street Bank and Trust Co. for the \$5.00 acceptance fee (\$10.00 if spousal is included since a separate account must be set up) to establish your IRA(s) otherwise the fee will be deducted from your contribution.
8. Mail the form(s) along with your check(s), to:

The Gabelli Funds  
P.O. Box 8308  
Boston, MA 02266-8308

9. For assistance, call 1-800-GABELLI (1-800-422-3554)

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To Transfer Your Existing IRA Plan  
to The Gabelli Funds

1. Follow the instructions as described above to open an IRA Plan.
2. For each account to be transferred complete the entire Transfer Request Form, instructing your present Custodian/Trustee to transfer the assets of your existing IRA to State Street Bank and Trust Co. as successor. (Consult your present Custodian/Trustee for any special additional forms that may be required, e.g. signature guarantees, ect.)
3. Send the Transfer Request Form(s) with your IRA application(s) to establish your account(s) to State Street Bank and Trust Co.
4. The transfer of your funds to a Gabelli Funds IRA will be completed by State Street Bank and Trust Co. and your present Custodian/Trustee.

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CUSTODIAL FEE SCHEDULE

\$5.00 acceptance fee per account on initial application.

\$10.00 annual maintenance fee per Social Security number. (To be charged automatically or you may make payment separately.)

Photocopies of any form are acceptable. Signatures must be original.

THE GABELLI FUNDS  
DISCLOSURE STATEMENT  
APPLICABLE TO INDIVIDUAL RETIREMENT ACCOUNTS

It is required that you be given this Disclosure Statement for the purpose of ensuring that you are informed and understand the nature of an Individual Retirement Account ("IRA") sponsored by Gabelli Funds, Inc. The Disclosure Statement explains the rules governing IRAs including the rules adopted by the Tax Reform Act of 1986 which took effect on January 1, 1987.

Your Right to Revoke this IRA. You may revoke this IRA at any time within seven (7) days after the later of the date you received this Disclosure Statement or the day you established this IRA. For purposes of revocation, it will be assumed that you received the Disclosure Statement no later than the date of your check or transfer direction with which you opened your IRA. To revoke the IRA, you must either mail or deliver a notice of revocation to the following address:

The Gabelli Funds  
P.O. Box 8308  
Boston, MA 02266-8308

If after you have established an IRA and during the period in which you are entitled to revoke the IRA, there becomes effective a material adverse change in the information set forth in the Disclosure Statement or a material change in the governing instrument used in establishing the IRA, you are entitled to revoke your IRA on or before a date not less than seven days after the date on which you receive such amendment under the same revocation procedure set forth above.

If a notice of revocation is mailed, it shall be deemed mailed on the date of the postmark (or if sent by certified or registered mail, the date of certification or registration) if it is so deposited in the mail in the United States, first class postage prepaid and properly addressed. If you revoke your IRA, you are entitled to a return of the entire amount contributed.

#### TYPES OF IRAS; ELIGIBILITY

In General. There are several types of IRAs. For example, there is a "Regular IRA" to which you may make contributions for yourself. There is also a "Spousal IRA" which you may be able to set up for your non-working spouse. There is also a "Rollover IRA" which you can set up to receive assets from a qualified plan, annuity or another IRA. Finally, there is a SEP-IRA (which is also known as a Simplified Employee Pension Plan) which your employer can establish for you. Following is a general description of the rules which apply to each of these types of IRAs and who is eligible to establish them.

Regular IRA. You may contribute up to the lesser of \$2,000 or 100% of your compensation if you have not reached age 70 1/2 during the taxable year. You may make this contribution even if you or your spouse is an active participant in a qualified employer plan. However, as explained below, the amount of the contribution which you may deduct may be limited. Compensation includes wages, salary, commissions, bonuses, tips, etc. but does not include income from interest, dividends or other earnings or profits from property, or amounts not includible in your gross income.

Spousal IRA. You may contribute to your IRA and an IRA for your non-working spouse if: (1) you have received compensation during the taxable year and (2) you file a joint income tax return for the year with your spouse. Under such an arrangement, you may qualify for a total deduction equal to the lesser of \$2,250 or 100% of your compensation for the taxable year. You can determine how to divide the contribution between the two accounts but you cannot contribute more than \$2,000 annually into either one. While you cannot contribute to your IRA in the taxable year in which you reach 70 1/2, you can still contribute to your spouse's IRA if he or she has not reached 70 1/2. A Spousal IRA does not involve the creation of a joint account. The account of each spouse is separately owned and treated independently from the account of the other spouse.

Rollover IRAs. All or a portion of certain distributions from qualified retirement plans, annuities and other IRAs may be "rolled over" tax-free within sixty (60) days after receipt of the distribution without regard to the limits on deductible contributions, but no deduction is allowed with respect to such contribution. The amount rolled over cannot exceed the fair market value of all property received, reduced by employee contributions (except voluntary

deductible employee contributions made pursuant to a qualified plan). Under certain circumstances, the law allows you to make a contribution from an IRA into a qualified pension or profit-sharing plan, qualified annuity plan, or tax-sheltered annuity or custodial account; however, such a contribution cannot be made from an IRA to which you have made any contributions. Certain partial distributions from qualified plans which you or your surviving spouse receive may also be rolled over to a rollover IRA. You can also transfer assets you hold in one IRA to another IRA by directing the current trustee or custodian to transfer those assets directly to the new IRA. You can direct such a so-called "trustee to trustee transfer" at any time. However, you may make a rollover from one IRA to another IRA only once during a one year period. A decision to make a rollover from a qualified plan, as signified by checking the rollover box on the Application, is irrevocable.

Rollover amounts you receive may not be deposited in your spouse's IRA, but if you should die while still a participant in a qualified plan, in certain cases your spouse may be allowed to make a tax-free rollover to an IRA of all or any part of the assets distributed from the qualified plan, excluding any contributions (other than voluntary deductible employee contributions) made by you to such plan. The amount of the death payout rolled over by a spouse into an IRA may not subsequently be rolled over into another employer's qualified plan or annuity.

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Strict requirements must be met to qualify for tax-free rollover treatment. You should consult your personal tax adviser in connection with rollovers to and from your IRA.

Simplified Employee Pension (SEP)-IRA. An employer may adopt a SEP-IRA and contribute to your SEP-IRA even if you are covered by another retirement plan. The maximum contribution is 15% of your compensation (computed without regard to the contribution) or \$30,000 (or such amount as may be prescribed by the Secretary of the Treasury) whichever is less. The contributions are deductible by the employer and are generally no includible in your income until you receive distributions. To establish a SEP-IRA, your employer must sign a SEP-IRA agreement and provide you with a copy of the agreement as well as certain information concerning the rules applicable to such plans. Your employer can satisfy these requirements by using Form 5303.SEP which is issued by the Internal Revenue Service.

## CONTRIBUTIONS

In General. As explained in this part, the amount of your IRA contributions which you can deduct is subject to limits. Except in the case of rollover contributions or trustee to trustee transfers, contributions to your Regular IRA, Spousal IRA or SEP-IRA must be in cash. Contributions to your Regular IRA or Spousal IRA may be made up to the due date for filing your tax return for the taxable year (excluding extensions thereof) even if you file before the due date. In making contributions, you must indicate the tax year to which the

contribution applies. If no tax year is designated, the custodian will assume that the contribution is intended to apply to the calendar year in which it is received. The time limit for designating the applicable tax year is April 15th.

Contributions made by an employer to your SEP-IRA for a calendar year may be made no later than the due date of your employer's tax return (including extensions). In making a SEP-IRA contribution, the tax year to which the contribution relates must also be specified or it will be deemed to relate to the calendar year in which it is received. In a SEP-IRA, this designation of the tax year of a contribution must be made by the due date for contributions described above.

**Deductible Contributions.** If you are single and are not an "active participant" in a retirement plan maintained by your employer, you can deduct the full amount of your IRA contribution up to the lesser of \$2,000 or 100% of your compensation for the year. If you are married and file a joint return, you can also deduct the full amount of your IRA contribution so long as neither you nor your spouse is an "active participant" in a retirement plan maintained by your respective employers. These plans include qualified pension, profit sharing, stock bonus or money purchase plans, 401k plans, SEP-IRAs, qualified annuity plans, tax sheltered annuities and custodial accounts and deferred compensation plans of governmental agencies. You are considered to be an active participant in a plan if an employer contribution or forfeiture was credited to your account during the year in the case of a defined contribution plan or, in the case of a defined benefit plan, you are eligible to participate even if you choose not to. You are considered to be an active participant in a plan if you make a contribution to the plan during a year even if your employer does not. For active participation, it does not matter whether any interest you have in a plan is vested or unvested.

If you or your spouse is an active participant in a plan, the amount of the deduction you can claim for an IRA contribution is reduced or totally denied depending upon the amount by which your adjusted gross income for the year exceeds the "applicable dollar amount". The applicable dollar amount is \$25,000 for single people and \$40,000 for married individuals filing a joint tax return. If you are married but are filing separate tax returns, your applicable dollar amount is \$0.

If your adjusted gross income exceeds your applicable dollar amount by more than \$10,000, you may not deduct any portion of your IRA contribution. However, if it is between \$0 and \$10,000 more than your applicable dollar amount, you can claim a tax deduction for your contribution. To determine the amount of the deduction, follow these steps. First, determine the amount of the contribution you can make. If, for example, you have compensation in excess of \$2,000 you could make a \$2,000 contribution to your Regular IRA. Next, subtract the applicable dollar amount from your adjusted gross income. If you are single and your adjusted gross income is \$30,000, the difference would be \$5,000. Next divide this difference by \$10,000, in the example  $\$5,000/\$10,000$  equals 1/2. Accordingly, you may deduct 1/2 of your contribution. If the deduction limitation is not a multiple of \$10, round the deduction to the next \$10. If your adjusted gross income does not exceed \$35,000 and you are single or \$50,000 and you are married and file a joint return, you can deduct \$200 regardless of

how the computation comes out.

Nondeductible Contributions. Even though you may not be entitled to claim a deduction for contributions to your IRA, you are still allowed to make the contributions to the extent described in "Types of IRAs", above. To the extent that the amount of your contribution exceeds the deduction limit, it is considered a nondeductible contribution. Earnings on these contributions are not taxed until distributed just like the earnings on deductible contributions. It may therefore be worthwhile making nondeductible contributions.

You are required to specify on your tax return the amount of your nondeductible contribution. If you overstate this amount, you may be liable for a tax penalty of \$100 per overstatement.

#### INVESTMENT AND HOLDING OF CONTRIBUTIONS

Contributions to your IRA, and the earnings thereon, are invested in shares of a mutual fund managed by Gabelli Funds, Inc. and chosen by you in writing. The assets in your account are held in a custodial account exclusively for your benefit and the benefit of such beneficiaries as you may designate in writing delivered to the Custodian. The balance in your IRA represents a separate account which is clearly identified as your property and generally may not be combined for investment with the property of another individual. Your right to the entire balance in your account is nonforfeitable. No part of the assets of your account may be invested in life insurance contracts or in collectibles such as works of art, antiques, coins, stamps, etc.

#### DISTRIBUTION FROM YOUR IRA

Distribution During Your Life. The law permits distributions to be made from an IRA any time after you attain age 59 1/2 and requires that distributions commence no later than April 1st following the calendar year in which you attain age 70 1/2. Distributions may be in the form of a single payment or, in accordance with regulations, in monthly, quarterly, or annual payments over your life, the joint lives of you and your designated beneficiary, or over a period certain not extending beyond your life expectancy or the joint life and last survivor expectancy of you and your designated beneficiary. If you direct distributions over your life or the joint lives of you and your designated beneficiary, the custodian will purchase an immediate annuity contract from an insurance company you choose with your IRA and your payments will be made under the annuity. You must provide a completed annuity application from the insurance company of your choosing.

Any distribution instruction must specify the reason for the distribution. Examples of such reasons are: premature distribution (i.e. distributions before age 59 1/2), rollovers, disability, death, normal (59 1/2 or over), excess

contribution returns and other.

**Distributions After Your Death.** If you die after distributions have commenced to you, the balance of your IRA must be distributed to your designated beneficiary at least as rapidly as under the method of distribution in effect prior to your death.

If you die before the distribution of your interest has begun, the entire balance of the account must be distributed by December 31 of the year in which the 5th anniversary of your death occurs. However, distribution need not be made within this 5-year period if your beneficiary receives payments over a period measured by his or her life or life expectancy beginning no later than December 31 of the year following the year in which you die. If the beneficiary is your spouse, those installment payments don't have to begin until the later of December 31 of the year following the year in which you die or December 31 of the year in which you would have reached age 70 1/2. In addition, a distribution need not be made within 5 years of your death if your spouse is your beneficiary and he or she elects to treat the entire interest in the IRA (or remaining part of such interest if distribution has already begun) as his or her own IRA subject to the regular IRA distribution requirements. In such a case, your spouse will be considered to be the Depositor under the IRA. If you die before the entire IRA has been distributed to you and your spouse is not your beneficiary, no additional cash contributions or rollover contributions may be accepted by the IRA.

#### INCOME AND PENALTY TAXES

**Income Tax Treatment.** Income tax on deductible IRA contributions and earnings on both deductible and nondeductible IRA contributions is generally deferred until you receive distributions. If you have made both deductible and nondeductible contributions to IRAs you maintain, a portion of each distribution you receive from any IRA (whether it is the one to which you made nondeductible contributions) will be considered to be a return of nondeductible contributions and therefore not included in your income for tax purposes. The balance of each distribution will be taxed as ordinary income regardless of its original source. The amount of any distribution which is considered to be a return of nondeductible contributions (and therefore not taxed) is determined by multiplying the amount of the distribution by a fraction. The numerator of the fraction is the aggregate amount of nondeductible contributions you have made to all of your IRAs over the years and the denominator is the balance in all your IRAs at the end of the year (after adding back any distributions you received during the year). The aggregate amount which can be excluded from income for all years cannot exceed the amount of nondeductible contributions that you made in those years.

Taxable distributions from your account are taxed as ordinary income regardless of their original source. They are not eligible for special tax treatment that may apply to lump sum distributions from qualified employer plans. A distribution from your account after you attain age 65 is eligible for the retirement income credit.

**Penalty Tax for Premature Distributions.** Your IRA is intended to provide



income for you upon retirement. Accordingly, the law generally imposes a penalty on premature distributions. If you receive a taxable distribution from the IRA before reaching age 59 1/2 a nondeductible 10% tax penalty will be imposed on the portion of the distribution which is included in your gross income. This penalty is in addition to any income tax you must pay on the distribution itself. The penalty does not apply to the extent that the distribution is considered a return of nondeductible contributions or a return of an excess contribution which is permitted tax-free (See below). The penalty also will not apply if the distribution is made due to your permanent disability or death, if the distribution is one of a series of substantially equal periodic payments made over your life (or life expectancy) or over the joint lives (or life expectancies) of you and your beneficiary. Further, the penalty does not apply in the case of a qualifying rollover distribution.

Penalty Tax for Excess Contributions. Contributions to an IRA above the permissible limits are nondeductible and are subject to annual nondeductible excise tax of 6% of the amount of such excess contributions for each year that the excess is not withdrawn or eliminated. The tax is paid by the person to whom a deduction is allowed or in the case of a Rollover IRA, by the person for whose benefit it is established. If the person who contributed the excess takes no deduction for it and withdraws the excess amount plus the net earnings attributable to such excess on or before the due date (including extensions) for filing the Federal income tax return for the year for which the contribution was made, the 6% excise tax will not be applied but the 10% tax on premature distributions will be applied to the amount of net earnings. Generally, if the excess is withdrawn after the due date (including extensions) for filing the tax return for the year for which the contribution was made, not only will the excess contribution be subject to the 6% excise tax, but the amount of such excess and the net income attributable to it will also be includible in income; and if you have not attained the age of 59 1/2, or are not disabled, you will also be subject to the previously mentioned 10% penalty tax on premature distributions. The law provides, however, that if an individual has made a contribution to an IRA for a year which does not exceed \$2,250 (excluding rollover amounts) all or part of which is an excess contribution for which he did not claim a deduction, and he does not correct the excess contribution prior to the due date (including extensions) for filing his tax return for the year,

he nevertheless may withdraw the excess amount contributed (without the net income attributable thereto) at any time without incurring the 10% penalty tax on premature distributions or being required to include the amount withdrawn in income. The 6% excise tax will be imposed even in this special situation for the year of the excess contribution and each subsequent year until the excess is withdrawn or eliminated.

The rules discussed above generally apply to SEP-IRAs as well. The law also allows you to withdraw tax-free and without penalty an excess contribution, regardless of the amount, made with respect to a rollover contribution (including an attempted rollover contribution), if the excess contribution

occurred because you reasonably relied on erroneous information required to be supplied by the plan, trust, or institution making the distribution that was the subject of the rollover.

As an alternative to withdrawing excess contributions made to an IRA, such amounts may be eliminated by making reduced contributions; however, you will be required to pay the 6% excise tax on the amount of the excess for the year of the contribution and for each subsequent year until the amount of the excess is deducted in a later year for which you have not contributed the maximum deductible amount. If a contribution is made to your account in an amount less than the permissible limit in order to correct an excess contribution for a previous year for which you did not claim a deduction, under certain circumstances, taking into account the limits on contributions, you may be allowed to treat the amount of the reduction in the current year's contribution as an additional contribution for the current taxable year.

**Penalty Tax for Under Distribution.** If after April 1st following the year in which you attain age 70 1/2, the amount distributed is less than the minimum amount required by law to be distributed, a 50% excise tax may be imposed on any such deficiency. The Internal Revenue Service may waive this penalty if the deficiency was due to reasonable error and reasonable steps are being taken to correct the deficiency.

**Penalty Tax for Excess Distributions.** A 15% penalty tax is imposed on annual distributions from retirement arrangements (including IRAs) to the extent that such distributions in a year are considered "excess distributions". A distribution is an "excess distribution" if it exceeds \$150,000 (or such higher amount as may be specified by the IRS) during any calendar year. This \$150,000 amount will be \$112,500 if you elect to have your distribution governed under certain tax rules. You should discuss how this rule applies to you and how you make this election with your tax advisor.

**Prohibited Transactions and Pledging Account Assets.** If during any taxable year you engage in a so-called "prohibited transaction" with respect to your IRA the account will lose its tax-exempt status. In this event, the fair market value of all account assets, valued as of the first day of such taxable year will be deemed distributed to you and includible in your gross income. These prohibited transactions would include borrowing money from your account. If you pledge your account or any portion thereof as security for a loan, such pledged portion will be deemed distributed to you and, to the extent that it does not represent a return of nondeductible contributions, includible in your gross income. If you have not yet attained age 59 1/2, an additional tax equal to 10% of the amount pledged will be imposed on such funds includible in gross income. If your spouse engages in a prohibited transaction with respect to his or her account, the results will be the same.

## MISCELLANEOUS

**Federal Income Tax Withholding.** Distributions from an IRA to the covered individual or to a beneficiary are subject to Federal income tax withholding unless the covered individual or beneficiary elects to have no withholding apply. The current withholding rate required by the Internal Revenue Code is

10%. Additional information concerning withholding and election forms will be available no later than at the time a distribution is requested.

Federal Estate and Gift Taxes. Generally, your IRA will be included in your estate for Federal estate tax purposes. If your spouse is your beneficiary, your IRA may qualify for a deduction for purposes of that tax. An election under an IRA to have a distribution payable to a beneficiary on the death of the covered individual will not be treated as a gift subject to Federal gift tax.

Reports to the Internal Revenue Service. You are not required to file Form 5329 with the IRS unless you owe one of the IRA penalty taxes. These are the taxes on excess contributions, premature distribution, prohibited transactions and under distributions after age 70 1/2.

Financial Information. The growth in value of the mutual fund shares held in your account can neither be guaranteed nor projected.

Custodian Charges. State Street Bank and Trust Co. as the Custodian of your IRA currently charges an acceptance fee of \$5.00 per IRA application, and an annual maintenance fee of \$10.00 per taxpayer for all Gabelli Fund accounts in which you have an investment. An additional \$10.00 fee is charged for each disbursement, other than an automatic installment payout. In the case of a payroll deduction IRA, the acceptance fee and the annual maintenance fee may not be imposed if your employer supplies the initial and subsequent information required by the Custodian on compatible magnetic tape.

The Custodian may change any of the above fees from time to time. Further information regarding charges in connection with the administration of your IRA is contained in the Application and Fund prospectus.

IRS Approval Status. Your IRA has been approved by the Internal Revenue Service but this determination relates only to form and not to the merits of your account. Further information concerning IRAs can be obtained from any district office of the IRS.

THE GABELLI FUNDS  
Individual Retirement Custodial Account  
Under Section 408(A) of the  
Internal Revenue Code

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This agreement is equivalent to form 5305-A (Rev. Dec. 1987), Department of the Treasury, Internal Revenue Service. (Note: Depositor should complete the section below, but need not return it. The completed application form contains the same information.)

STATE OF

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COUNTY OF

-----

Depositor's Name

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Address

-----

Depositor's Soc. Sec. #

-----

Depositor's Date of Birth

-----

Custodian:

STATE STREET BANK AND TRUST COMPANY

P.O. BOX 8308

BOSTON, MA 02266-8308

The Depositor whose name appears above is establishing an individual retirement account (under section 408(a) of the Internal Revenue Code) to provide for his or her retirement and for the support of his or her beneficiaries after death. The Custodian named above has given the Depositor the disclosure statement required under the Income Tax Regulations under section 408(i) of the Code.

The Depositor has deposited with the Custodian (\$ ) in cash.

The Depositor and the Custodian make the following agreement:

ARTICLE I

The Custodian may accept additional cash contributions on behalf of the Depositor for a tax year of the Depositor. The total cash contributions are limited to \$2,000 for the tax year unless the contribution is a rollover contribution described in section 402(a)(5), 402(a)(7), 403(a)(4), 403(b)(8), or 408(d)(3) of the Code or an employer contribution to a simplified employee pension plan as described in section 408(k).

ARTICLE II

The Depositor's interest in the balance in the Custodian Account is nonforfeitable.

ARTICLE III

(1) No part of the custodial funds may be invested in life insurance contracts, nor may the assets of the Custodial Account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5) of the Code).

(2) No part of the custodial funds may be invested in collectibles (within the meaning of section 408(m) of the Code).

ARTICLE IV

(1) The Depositor's entire interest in the Custodial Account must be, or begin to be, distributed by the Depositor's required beginning date, the April 1 following the calendar year end in which the Depositor reaches age 70 1/2. By that date, the Depositor may elect, in a manner acceptable to the Custodian, to have the balance in the Custodial Account distributed in:

(a) A single-sum payment.

(b) An annuity contract that provides equal or substantially equal monthly, quarterly, or annual payments over the life of the Depositor. The payments must begin by April 1 following the calendar year in which the Depositor reaches age 70 1/2.

(c) An annuity contract that provides equal or substantially equal monthly, quarterly, or annual payments over the joint and last survivor lives of the

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Depositor and his or her designated beneficiary. The payments must begin by the April 1 following the calendar year in which the Depositor reaches age 70 1/2.

(d) Equal or substantially equal annual payments over a specified period that may not be longer than the Depositor's life expectancy.

(e) Equal or substantially equal annual payments over a specified period that may not be longer than the joint life and last survivor expectancy of the Depositor and his or her designated beneficiary.

Even if distributions have begun to be made under option (d) or (e), the Depositor may receive a distribution of the balance in the Custodial Account at any time by giving written notice to the Custodian, if the Depositor does not choose any of the methods of distribution described above by the April 1 following the calendar year in which he or she reaches age 70 1/2, distribution to the Depositor will be made on that date by a single sum payment. If the Depositor elects as a means of distributions (b) or (c) above, the annuity contract must satisfy the requirements of section 408(1), (3), and (4) of the Code. If the Depositor elects as a means of distribution (d) or (e) above, the annual payment required to be made by the Depositor's required beginning date is for the calendar year the Depositor reaches age 70 1/2. Annual payments for the subsequent years, including the Depositor's required beginning date occurs, must be made by December 31 of that year.

(2) If the Depositor dies before this or her entire interest in the account is distributed to him or her, the entire remaining interest will be distributed as follows:

- (a) If the Depositor dies on or after the Depositor's required beginning date, distribution must continue to be made in accordance with paragraph 1.
- (b) If the Depositor dies before the Depositor's required beginning date, the entire remaining interest will, at the election of the beneficiary or beneficiaries, either
  - (i) Be distributed by the December 31 of the year containing the fifth anniversary of the Depositor's death, or
  - (ii) Be distributed in equal or substantially equal payments over the life or life expectancy of the designated beneficiary or beneficiaries.

The election of either (i) or (ii) must be made by December 31 of the year following the year of the Depositor's death. If the beneficiary of beneficiaries do not elect either of the distribution options described in (i) or (ii), distribution will be made in accordance with (ii) if the beneficiary is the Depositor's surviving spouse and in accordance with (i) if the beneficiary or beneficiaries are or include any one other than the surviving spouse. In the case of distributions under (ii), distributions must commence by December 31 of the year following the year of the Depositor's death. If the Depositor's spouse is the beneficiary, distributions need not commence until December 31 of the year the Depositor would have attained age 70 1/2, if later.

- (c) If the Depositor dies before his or her entire interest has been distributed and if the beneficiary is other than the surviving spouse, no additional cash contributions or rollover contributions may be accepted in this account.

(3) In the case of distribution over life expectancy in equal or substantially equal annual payments, to determine the minimum annual payments for each year, divide the Depositor's entire interest in the Custodial Account as of the close of business on December 31 of the preceding year by the life expectancy of the Depositor (or the joint life and last survivor expectancy of the Depositor and the Depositor's designated beneficiary, or the life expectancy of the designated beneficiary, whichever applies). In the case of distributions under paragraph (1), determine the initial life expectancy (or joint life and last survivor expectancy) using the attained ages of the Depositor and designated beneficiary as of their birthdays in the year the Depositor reaches age 70 1/2. In the case of distribution in accordance with paragraph (2) (b) (ii), determine life expectancy using the attained age of the designated beneficiary as of the beneficiary's birthday in the year distributions are required to commence. Unless the Depositor (or spouse) elects not to have life expectancy recalculated, the Depositor's life expectancy (and the life expectancy of the Depositor's spouse, if applicable) will be recalculated annually using their attained ages as of their birthdays in the year for which the minimum annual payment is being determined. The life expectancy of the designated beneficiary (other than the spouse) will not be recalculated. The minimum annual payment may be made in a series of installments (e.g. monthly, quarterly, etc.) as long as the total payments for the year made by the date

required are not less than the minimum amounts required.

#### ARTICLE V

Unless the Depositor dies, is disabled (as defined in section 72(m) of the Code), or reaches age 59 1/2 before any amount is distributed from the Custodial Account, the Custodian must receive from the Depositor a statement explaining how he or she intends to dispose of the amount distributed.

#### ARTICLE VI

(1) The Depositor agrees to provide the Custodian with information necessary for the Custodian to prepare any reports required under section 408(i) of the Code and the related regulations.

(2) The Custodian agrees to submit reports to the Internal Revenue Service and the Depositor prescribed by the Internal Revenue Service.

#### ARTICLE VII

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any

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additional articles that are not consistent with section 408(a) of the Code and related regulations will be invalid.

#### ARTICLE VIII

This Agreement will be amended from time to time to comply with the provisions of the Code and related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the application.

#### ARTICLE IX

(1) All contributions to the Custodial Account made by or on behalf of the Depositor shall be invested in accordance with proper instructions received from time to time from the Depositor and shall be applied to purchase full and fractional shares ("Fund Shares") of any mutual fund managed by Gabelli Funds, Inc. and chosen by you in writing (hereinafter referred to as the Fund or the Mutual Fund) with respect to which State Street Bank and Trust Co. is the transfer agent. Custodian may perform any of its administrative duties through other persons designated by Custodian from time to time, except that Mutual Fund shares or other investments must be registered as stated in paragraph 3 of this Article IX; and Custodian may delegate all such duties to a subsidiary which is partially owned by Custodian's parent company; but no such delegation or future change therein shall be considered as an amendment to this Agreement.

(2) Except in the case of a rollover contribution or a contribution to a

Simplified Employee Pension Plan referred to in Article I, the Depositor shall not for any taxable year of the Depositor contribute to the Custodial Account an amount in excess of the lesser of 100% of his compensation or \$2,000, and the Depositor shall be fully and solely responsible for all taxes, interest and penalties which might accrue or be assessed by reason of any excess deposit, and interest, if any, earned thereon. Any contributions made by or on behalf of the Depositor in respect of a taxable year of the Depositor shall be made by or on behalf of the Depositor to the Custodian for a deposit in the Custodial Account within the time period for claiming a Federal income tax deduction for such contributions for such taxable year. Contributions must be made no later than the due date for filing the Depositor's tax return for the tax year (excluding extensions) or by such other date as from time to time provided by law. If a contribution is intended to be a rollover contribution referred to in Article I, the Depositor certifies that the source of the contribution qualifies the contribution as such, that no portion thereof consists of any amount considered to have been previously contributed by the Depositor as an employee (other than "deductible employee contributions" as defined in section 72(o)(5) of the Code), that the contribution is being made to the Custodial Account no later than 60 days after receipt by the Depositor of the distribution giving rise to the rollover contribution, and that no previous rollover contribution has been made by the Depositor to or from another individual retirement account or individual retirement annuity within one (1) year of the date of the rollover contribution and that the rollover is in all respects permitted by law. It shall be the sole responsibility of the Depositor to determine the amount of the contributions to be made hereunder. The Depositor shall execute such forms as the Custodian may require in connection with any contribution hereunder.

(3) Fund Shares held in the Custodial Account shall be registered in the name of the Custodian or its nominee. The Depositor shall be the beneficial owner of all mutual fund shares held in the Custodial Account. All dividends and capital gains distributions received on Fund Shares held in the Depositor's account shall, unless received in additional shares, be reinvested in shares of the Fund paying such dividends and distributions which Fund Shares shall be credited to such account, if any distributions of the Fund may be received at the election of the Depositor in additional shares or in cash or other property, the Custodian shall elect to receive additional shares.

(4) The Custodian shall forward to the Depositor any notices, prospectuses, financial statements, proxies and proxy soliciting material relating to any such shares. The Custodian shall not vote any such shares except in accordance with the written instructions of the Depositor.

#### ARTICLE X

The Custodian shall, from time to time, subject to the provisions of Article IV and V, make distributions out of the Custodial Account to the Depositor, in such manner and amounts as may be specified in written instructions of the Depositor. All such instructions shall be deemed to constitute a certification by the Depositor that the distribution so directed is one that the Depositor is permitted to receive. Notwithstanding the foregoing, upon the Depositor's death the distribution rules set forth in Article IV will not apply if the Depositor's spouse is the beneficiary and he or she elects to



treat the account as his or her own IRA. In such case the spouse will be deemed to be the Depositor under this Agreement. A declaration of the Depositor's intention as to the disposition of an amount distributed pursuant to Article V hereof shall be in writing and given to the Custodian. The Custodian shall have no liability with respect to any contribution to the Custodial Account, any investment of assets in the Custodian Account or any distribution therefrom pursuant to instructions received from the Depositor or for any consequences to the Depositor arising from such contributions, investments or distributions including, but not limited to, excise and other taxes and penalties which might accrue or be assessed by reason thereof, nor shall the Custodian be under any duty to make any inquiry or investigation with respect thereto.

#### ARTICLE XI

If the Depositor is disabled (as defined in section 72(m) of the Code), the balance in the Custodial Account, or any portion thereof, may be distributed to him/her as soon as practicable after the Custodian receives a written notice of the Depositor's disability and a written request for distribution. The Custodian

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may require such proof of disability as it deems necessary prior to the time that amounts are distributed to the Depositor on account of such disability.

#### ARTICLE XII

The Depositor may designate and redesignate his/her beneficiary or beneficiaries on a form satisfactory to the Custodian and provided by the Fund for such purpose. To be effective, such designation must be received by the Custodian prior to the death of the Depositor. Such beneficiary or beneficiaries shall be entitled to the balance in the Custodial Account of the Depositor as provided in Paragraph 2 of Article IV. Unless otherwise provided in the designation of beneficiary form amounts payable by reason of Depositor's death will be paid to only the primary beneficiary or beneficiaries who survive the Depositor in equal shares, or, if no primary beneficiary or beneficiaries survive the Depositor, to the contingent beneficiary or beneficiaries who survive the Depositor in equal shares. If some but not all primary or contingent beneficiaries, as applicable, do not survive the Depositor, any amounts that such nonsurviving beneficiaries shall have been entitled to receive hereunder shall be divided among the surviving primary or contingent beneficiaries, as applicable, in proportion to the relative interests of the surviving primary or contingent beneficiaries. If no designation or beneficiary is in effect at the time of the Depositor's death or if no designated beneficiary survives the Depositor, the balance in the Custodial Account of the Depositor shall be paid to the legal representative of the estate of the Depositor.

#### ARTICLE XIII

The Depositor acknowledges he/she has read the information distributed to him/her by the Custodian and agrees to assume full responsibility for all

decisions as to deposits and withdrawals. The Depositor indemnifies the Custodian and saves it free and harmless from any and all claims arising out of any adverse consequences experienced by the Depositor as a result of his/her own decision, including but not limited to excise taxes and penalties. Any taxes which may be imposed upon the Custodial Account or the income thereof, but not excise taxes imposed upon the Depositor, may, in the discretion of the Custodian, be deducted from and charged against the Custodial Account.

#### ARTICLE XIV

If, within 180 days after the mailing by the Custodian to the Depositor of a Fund transaction advice and/or Fund statement with respect to his/her account, the Depositor has not given the Custodian written notice of any exception or obligation thereto, such transaction advice and/or statement shall be deemed to have been approved in its entirety. In such case, or upon written approval of the Depositor, the Custodian shall be released, relieved and discharged with respect to all matters and statements set forth therein as though the report had been settled by judgment or decree of a court of competent jurisdiction.

#### ARTICLE XV

The Custodian shall have no duties whatsoever except such duties as it specifically agrees to in writing, and no implied covenants or obligations shall be read into the Agreement against the Custodian. The Custodian shall not be liable under this Agreement, except for its own bad faith, gross negligence or willful misconduct. In performing its duties under this Agreement, the Custodian may hire agents, experts, and attorneys and delegate discretionary powers to, and rely upon information by such agents, experts, and attorneys.

#### ARTICLE XVI

No interest, right, or claim in or any part of the Custodial Account or any payment therefrom shall be assignable, transferable, or subject to sale, mortgage, pledge, hypothecation, commutation, anticipation, garnishment, attachment, execution, or levy of any kind and the Custodian shall not recognize any attempt to assign, transfer, sell, mortgage, pledge, hypothecate, commute, or anticipate the same, except as required by law.

#### ARTICLE XVII

Except for any excise taxes required by the Code to be paid by the Depositor, any income tax or other taxes of any kind whatsoever that may be levied or assessed upon or in respect to the Custodial Account shall be paid from the assets of the Custodial Account. Any transfer taxes incurred in connection with the investment and reinvestment of the assets of the Custodial Account, all other administrative expenses incurred by the Custodian in the performance of its duties, including fees for legal services rendered to the Custodian, shall be paid from the assets of the Custodial Account.

The Custodian shall be entitled to receive and may charge against the Depositor's Custodial Account such reasonable compensation for its services in accordance with its fee schedule as from time to time in effect, and shall also

be entitled to reimbursement of its expenses as Custodian under this agreement. The Custodian will notify the Depositor in writing of any change in its fee schedule.

#### ARTICLE XVIII

The Depositor hereby delegates to the Custodian and to the Fund the power to amend this Agreement from time to time as it deems appropriate, and hereby consents to all such amendments, provided, however, that all such amendments are in compliance with the provisions of the Code and the regulations promulgated thereunder. No amendment by the Custodian or the Fund shall cause or permit any part of the assets of the Custodial Account to be diverted to purposes other than for the exclusive benefit of the Depositor or his beneficiaries. All such amendments shall be effective as of the date specified in a written notice of amendment which will be sent to the Depositor.

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#### ARTICLE XIX

(1) The Fund at any time may remove the Custodian upon thirty days written notice to that effect delivered to the Custodian, which notice shall also designate a successor custodian. The successor custodian shall satisfy the requirements of section 408(h) of the Code, in that it shall be a bank (as defined in section 408(h) of the Code) or other person who demonstrates, to the satisfaction of the Secretary of the Treasury or his delegate, that the manner in which such person will hold the assets of the Custodial Account will be consistent with the requirements of section 408(h) of the Code. Upon receipt by the Custodian of written acceptance of such appointment by the successor custodian, the removal of the Custodian shall be effective, and the Custodian shall within thirty days of the effective date of the successor custodian's appointment, transfer and deliver to such successor custodian the assets of the Custodial Account and such records pertaining thereto as may be required in writing by the successor custodian. The Custodian may, however, reserve such assets of the Custodial Account as it may deem advisable for the payment of all its fees, compensation, costs and expenses and for the payment of all other liabilities which are a charge on or against the assets of the Custodial Account or on or against the Custodian, and where necessary for this purpose may liquidate reserved Fund Shares. Any balance of such reserve remaining after the payment of all such items shall be paid over to the successor custodian.

(2) The Custodian may resign at any time as custodian under this Agreement without liability, cost or expense of any kind upon thirty days' written notice to that effect delivered to the Depositor and the Fund. Upon receiving such notice of resignation, the Depositor or the Fund shall forthwith appoint a successor custodian which satisfies the requirements of section 408(h) of the Code. Upon receipt by the Custodian of written acceptance by the successor custodian of such appointment, the custodian is authorized to act in the same manner as provided for in paragraph 1 of this Article as regards the transfer of assets to the successor custodian and the payments of the items referred to

therein. In the event the Depositor or the Fund fail to appoint a successor custodian which has accepted its appointment within thirty days after receipt of the Custodian's notice of resignation, or removal, the Custodian shall terminate the Account and distribute the balance thereof to the Depositor, provided that the custodian may retain a reserve as set forth in this Article and shall follow the procedures set forth therein with respect to such reserve.

(3) The Depositor may terminate the Custodial Account at any time, by delivering to the custodian a signed notice of termination. Upon such termination, and subject to a reservation of assets in the same manner as provided for in paragraph 1 of this Article, any and all assets remaining in the Custodial Account as of the date of termination shall be distributed to the Depositor, in cash, or in kind as directed by the Depositor. This Agreement shall terminate upon the complete distribution of all the assets of the Custodial Account.

The Custodian, upon written direction of the Depositor and after submission to the Custodian of such documents as it may reasonable require, including a written acceptance by the new trustee or custodian, shall transfer the assets held under the Agreement (reduced by any amounts referred to in Article XVII and subject to the custodian's right to retain a reserve in accordance with the provisions of paragraph 1 hereof, to the Trustee or Custodian under any individual retirement account or under any Plan qualified under Section 401(a) of the Code. The giving of such instructions by the Depositor shall constitute a certification of the Custodian that such individual retirement account, or qualified plan, is a plan qualified under the appropriate provisions of the Code.

#### ARTICLE XX

The provisions of the Agreement shall apply to any successor custodian from the effective date of its appointment as such with the same force and effect as if such successor was the initial custodian hereunder.

#### ARTICLE XXI

(1) If, because of an erroneous assumption as to compensation, or of any other reason a contribution which is an excess contribution within the meaning of section 408(d)(4) is made on behalf of the Depositor for any year, adjustment of such excess contribution shall be made by the distribution in cash or in kind to the Depositor, upon written notice to the Custodian from the Depositor which states the amount of such excess contribution, or the full amount of such excess and any net income attributable thereto.

(2) The Custodian shall have no liability with respect to any contribution to the Custodian Account, any investment of the assets in the Custodian Account, or any distribution therefrom pursuant to instructions received from the Depositor or in accordance with this Agreement, or for any consequences to the Depositor arising from such contributions. Investments or distributions including, but not limited to, excise in other tax penalties which might accrue or be assessed by reason thereof, nor shall the Custodian be under any duty to make any inquiry or investigation with respect thereto. The Depositor

indemnifies the Custodian and saves it free and harmless from any and all claims, liability, cost, and expense (including reasonable attorney's fees) arising out of any adverse consequences experienced by the Depositor as a result of Depositor's decisions including, but not limited to, excise taxes and penalties.

(3) The Custodian shall not be responsible for the purpose or propriety of any distribution made pursuant thereto. The Custodian may conclusively rely upon, be entitled to assume the truth of, and be protected in acting upon any written statement, order, direction, notice, instruction or other written instrument of or received from the Depositor in connection with this Agreement and believed by the Custodian to be genuine and to have been properly executed, and shall, so long as it acts in good faith, have no liability in taking or omitting to take any action based thereon. The Custodian shall be under no duty of inquiry with respect to any such writing, but in its discretion may request

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any tax waivers, proof of signatures, or other evidence which it reasonably deems necessary for its protection. The Depositor and the successors of the Depositor, as appropriate, including any executor or administrator of the Depositor shall, to the extent permitted by law, indemnify against and save harmless the Custodian and its successors and assigns from any and all claims, actions or liabilities of the Custodian to the Depositor or the successors of the Depositor whatsoever (including all reasonable expenses incurred in defending against any of the foregoing) which may arise in connection herewith, except such as may arise from the Custodian's own bad faith, gross negligence or willful misconduct. The Custodian shall not be under any duty to take any action other than as herein specified with respect hereto, unless the Depositor shall furnish it with instruction in proper form and such instructions shall have been specifically agreed to by the Custodian, or to defend or engage in any suit with respect hereto unless it shall have first agreed in writing to do so and shall have been fully indemnified to its satisfaction.

#### ARTICLE XXII

The Depositor shall be fully and solely responsible for all taxes and penalties which might accrue or be assessed for having failed to make the annual minimum withdrawal commencing no later than April 1st following the calendar year in which he/she attains the age of seventy and one-half (70 1/2) or for any year thereafter.

#### ARTICLE XXIII

The Custodian and the Depositor hereby waive and agree to waive the right to trial by jury in an action or proceeding instituted in respect to the Custodial Account. The Depositor further agrees that the venue of any litigation between the Depository and the Custodian with respect to the Custodial Account shall be in the Commonwealth of Massachusetts.

The Agreement and the Custodian Account created hereby shall be subject to the applicable laws, rules and regulations, as the same may from time to time be amended, of the Federal government and the Commonwealth of Massachusetts and the agencies and instrumentalities thereof, and shall be governed by and construed, administered and enforced according to the laws of the Commonwealth of Massachusetts. All contributions to the Custodial Account shall be deemed to take place in the Commonwealth of Massachusetts.

#### ARTICLE XXIV

Any notice herein required or permitted to be given to the Custodian or the Fund shall be deemed to have been given if mailed to and actually received by the Custodian or the Fund at 1) State Street Bank and Trust Co., c/o National Financial Data Services, P.O. Box 419732, Kansas City, MO, 64141-6732 or 2) by registered or certified mail at National Financial Data Services, 1100 Main Street, Suite 402, Kansas City, MO 64105 or other such address as the Custodian shall provide the Depositor from time to time. Any notice herein required or permitted to be given to the Depositor shall be deemed to have been given when mailed to the Depositor at the Depositor's last address of record provided to the Custodian.

#### ARTICLE XXV

Words in the masculine include the feminine, the singular includes the plural, and vice versa, unless qualified by the context.

FORM OF  
PLAN OF DISTRIBUTION PURSUANT TO RULE 12b-1

THE GABELLI GLOBAL GOVERNMENTS FUND

The Gabelli Global Governments Fund (the "Fund") intends to engage in business as a separate series of Gabelli Income Series Funds, Inc. (the "Company"), which is an open-end management investment company registered as such under the Investment Company Act of 1940, as amended (the "1940 Act"). The Company intends to employ Gabelli & Company, Inc. and/or others as the principal underwriter and distributor (the "Distributor") of the shares of the Fund pursuant to a written distribution agreement and desires to adopt a plan of distribution pursuant to Rule 12b-1 under the 1940 Act to assist in the distribution of shares of the Fund.

Pursuant to the Board of Directors (the "Board") of the Company having determined that a plan of distribution containing the terms set forth herein is reasonably likely to benefit the Fund and its shareholders, the Company hereby adopts a plan of distribution (the "Plan") pursuant to Rule 12b-1 under the 1940 Act on the following terms and conditions:

1. The Company is hereby authorized to pay as distribution payments (the "Payments") in connection with the distribution of shares of the Fund an aggregate amount at a rate determined from time to time by the Board not in excess of 0.25% per year of the average daily net assets of the Fund. Such Payments shall be accrued daily and paid monthly in arrears or shall be accrued and paid at such other intervals as the Board shall determine. If qualifying expenses are submitted in excess of the amount specified above, the Board shall determine by Disinterested Director Approval (as defined below) the manner in which Payments shall be prorated or allocated.

2. Payments may be made by the Company under this Plan for the purpose of financing or assisting in the financing of any activity which is primarily intended to result in the sale of shares of the Fund. The scope of the foregoing shall be interpreted by the Board, whose

decision shall be conclusive except to the extent it contravenes established legal authority. Without in any way limiting the discretion of the Board, the following activities are hereby declared to be primarily intended to result in the sale of shares of the Fund: advertising the Fund or the Fund's investment adviser's mutual fund activities; compensating underwriters, dealers, brokers,

banks and other selling entities and sales and marketing personnel of any of them for sales of shares of the Fund, whether in a lump sum or on a continuous, periodic, contingent, deferred or other basis; compensating underwriters, dealers, brokers, banks and other servicing entities and servicing personnel (including the Fund's investment adviser and its personnel) of any of them for providing services to shareholders of the Fund relating to their investment in the Fund, including assistance in connection with inquiries relating to shareholder accounts; the production and dissemination of prospectuses (including statements of additional information) of the Fund and the preparation, production and dissemination of sales, marketing and shareholder servicing materials; and the ordinary or capital expenses, such as equipment, rent, fixtures, salaries, bonuses, reporting and recordkeeping and third party consulting or similar expenses relating to any activity for which Payment is authorized by the Board; and the financing of any activity for which Payment is authorized by the Board.

3. If the Board so authorizes by Board Approval (as defined below) and Disinterested Director Approval, the Company may make Payments under and within the limitations of this Plan in a subsequent year with respect to activities which occurred in a prior year and for which Payments were not previously made.

4. The Company is hereby authorized and directed to enter into appropriate written agreements with the Distributor and each other person to whom the Company intends to make any Payment, and the Distributor is hereby authorized and directed to enter into appropriate written agreements with each person to whom the Distributor intends to make any payments in the nature of a Payment. The foregoing requirement is not intended to apply to any agreement or arrangement with respect to which the party to whom Payment is to be made does not have the purpose set forth in Section 2 above (such as the printer in the case of the printing of a prospectus

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or a newspaper in the case of an advertisement) unless the Board determines that such an agreement or arrangement should be treated as a "related" agreement for purposes of Rule 12b-1 under the 1940 Act.

5. Each agreement required to be in writing by Section 4 must contain the provisions required by Rule 12b-1 under the 1940 Act and must be approved by a majority of the Board ("Board Approval") and by a majority of the directors ("Disinterested Director Approval") who are not interested persons of the Company and have no direct or indirect financial interest in the operation of the Plan or any such agreement, by vote cast in person at a meeting called for the purposes of voting on such agreement.

6. The officers, investment adviser or distributor of the Fund, as appropriate, shall provide to the Board and the Board shall review, at least quarterly, a written report of the amounts expended pursuant to this Plan and



the purposes for which such Payments were made.

7. To the extent any activity is covered by Section 2 and is also an activity which the Company may pay for on behalf of the Fund without regard to the existence or terms and conditions of a plan of distribution under Rule 12b-1 of the 1940 Act, this Plan shall not be construed to prevent or restrict the Company from paying such amounts outside of this Plan and without limitation hereby and without such payments being included in calculation of Payments subject to the limitation set forth in Section 1.

8. This Plan shall not take effect until it has been approved by a vote of at least a majority of the outstanding voting securities of the Fund. This Plan may not be amended in any material respect without Board Approval and Disinterested Director Approval and may not be amended to increase the maximum level of Payments permitted hereunder without such approvals and further approval by a vote of at least a majority of the outstanding voting securities of the Fund. This Plan may continue in effect for longer than one year after its approval by the shareholders of the Fund only as long as such continuance is specifically approved at least annually by Board Approval and by Disinterested Director Approval.

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9. This Plan may be terminated at any time by a vote of the directors who are not interested persons of the company and have no direct or indirect financial interest in the operation of the Plan or any agreement hereunder, cast in person at a meeting called for the purposes of voting on such termination, or by a vote of at least a majority of the outstanding voting securities of the Fund.

10. For purposes of this Plan the terms "interested person" and "related agreement" shall have the meanings ascribed to them in the 1940 Act and the rules adopted by the Securities and Exchange Commission thereunder and the term "vote of a majority of the outstanding voting securities" of the Fund shall mean the vote, at the annual or a special meeting of the security holders of the Fund duly called, (a) of 67% or more of the voting securities present at such meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or, if less, (b) more than 50% of the outstanding voting securities of the Fund.

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## GABELLI INCOME SERIES FUNDS, INC.

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose name appears below constitutes and appoints Mario J. Gabelli, Bruce N. Alpert and J. Hamilton Crawford, Jr. and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be executed in multiple counterparts, each of which shall be deemed an original, but which taken together shall constitute one instrument.

Signature -----	Title -----	Date ----
/S/ Mario J. Gabelli ----- Mario J. Gabelli	Chairman	MAY 9, 1995
----- Anthony J. Covalita	Director	
----- Karl Otto Pohl	Director	
----- Werner J. Roeder	Director	
----- Anthonie C. van Ekris	Director	
/S/ Bruce N. Alpert ----- Bruce N. Alpert	President & Treasurer	MAY 9, 1995
/S/ J. Hamilton Crawford	Secretary	MAY 9, 1995

J. Hamilton Crawford, Jr.

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----- Karl Otto Pohl	Director	
----- Werner J. Roeder	Director	
----- Anthonie C. van Ekris	Director	

President &  
Treasurer

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----- Director  
Anthonie C. van Ekris

----- President &  
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- ----- Director

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- ----- Director

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MAY 9, 1995