

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-2

Initial filing of a registration statement on Form N-2 for closed-end investment companies

Filing Date: **1996-08-26**  
SEC Accession No. **0000912057-96-018880**

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### FILER

#### **BEA INCOME FUND INC**

CIK: **810766** | IRS No.: **232451535** | State of Incorporation: **MD** | Fiscal Year End: **1231**  
Type: **N-2** | Act: **33** | File No.: **333-10851** | Film No.: **96621005**

Mailing Address  
*73 TREMONT ST  
8TH FL  
BOSTON MA 02108*

Business Address  
*153 EAST 53RD ST  
NEW YORK NY 10022  
6175578742*

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

FORM N-2

/X/ REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
 / / PRE-EFFECTIVE AMENDMENT NO. \_\_\_\_\_  
 / / POST-EFFECTIVE AMENDMENT NO. \_\_\_\_\_

/X/ REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940  
 /X/ AMENDMENT NO. 5

BEA INCOME FUND, INC.  
 (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

153 East 53rd Street  
 New York, New York 10022  
 (Address of principal executive offices)  
 (212) 832-2626

(Registrant's telephone number, including area code)

Daniel H. Sigg  
 Chief Executive Officer  
 BEA Income Fund, Inc.  
 153 East 53rd Street  
 New York, New York 10022  
 (Name and address of agent for service)

WITH COPIES TO:

DANIEL SCHLOENDORN, ESQ.  
 WILLKIE FARR & GALLAGHER  
 ONE CITICORP CENTER  
 153 EAST 53RD STREET  
 NEW YORK, NEW YORK 10022

TOM DECAPO, ESQ.  
 SKADDEN, ARPS, SLATE, MEAGHER & FLOM  
 1 BEACON STREET  
 BOSTON, MA 02108

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. /X/

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

/ / when declared effective pursuant to Section 8(c)

If appropriate, check the following box:

/ / This amendment designates a new effective date for a previously filed registration statement.

/ / This Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration statement number of the earlier effective registration statement for the same offering is \_\_\_\_\_.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

TITLE OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRAT ION FEE(2)
Shares of Common Stock, par value \$.001 per share.....	10,160,570	\$8.31	\$84,434,336.70	\$29,115.29

(1) As calculated pursuant to Rule 457(c) under the Securities Act of 1933, as amended. Based on the average of the high and low sales prices reported on the New York Stock Exchange on August 21, 1996.

(2) \$29,115.29 was wired to the Securities and Exchange Commission's account at Mellon Bank in payment of the required registration fee due in connection

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 THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

BEA INCOME FUND, INC.  
FORM N-2  
CROSS-REFERENCE SHEET  
PARTS A AND B OF PROSPECTUS

ITEM NO. -----	CAPTION -----	LOCATION IN PROSPECTUS -----
<b>PART A - Information Required in a Prospectus</b>		
1.	Outside Front Cover . . . . .	Front Cover Page
2.	Inside Front and Outside Back Cover Page . . . . .	Front Cover Page
3.	Fee Table and Synopsis. . . . .	Prospectus Summary; Fee Table
4.	Financial Highlights. . . . .	Financial Highlights
5.	Plan of Distribution. . . . .	Front Cover Page; Prospectus Summary; The Offer; Distribution Arrangements
6.	Selling Shareholders. . . . .	Not Applicable
7.	Use of Proceeds . . . . .	Use of Proceeds
8.	General Description of the Registrant. . . . .	Front Cover Page; Prospectus Summary; The Fund; Investment Objective and Policies; Risk Factors and Special Considerations; Common Stock; Net Asset Value
9.	Management. . . . .	Management of the Fund; Portfolio Transactions; Custodian and Transfer and Dividend-Paying Agent and Registrar
10.	Capital Stock, Long-Term Debt and Other Securities. . . . .	The Offer; Common Stock; Dividends and Distributions; Dividend Reinvestment and Cash Purchase Plan; Net Asset Value; Taxation
11.	Defaults and Arrears on Senior Securities . . . . .	Not Applicable
12.	Legal Proceedings . . . . .	Not Applicable
13.	Table of Contents of the Statement of Additional Information . . . . .	Table of Contents of the Statement of Additional Information
<b>PART B - Information required in a Statement of Additional Information</b>		
14.	Cover Page. . . . .	Front Cover Page
15.	Table of Contents . . . . .	Front Cover Page
16.	General Information and History . .	General Information
17.	Investment Objective and Policies .	Investment Objective and Policies; Investment Restrictions
18.	Management. . . . .	Management of the Fund

19. Control Persons and Principal Holders of Securities . . . . .	Common Stock
20. Investment Advisory and Other Services. . . . .	Management of the Fund
21. Brokerage Allocation and Other Practices . . . . .	Portfolio Transactions
22. Tax Status. . . . .	Taxation
23. Financial Statements. . . . .	Financial Statements

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.

SUBJECT TO COMPLETION DATED AUGUST 26, 1996

PROSPECTUS

BEA INCOME FUND, INC.  
8,128,456 SHARES OF COMMON STOCK  
ISSUABLE UPON EXERCISE OF RIGHTS  
TO SUBSCRIBE FOR SUCH SHARES  
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BEA Income Fund, Inc. (the "Fund") is issuing to its shareholders of record ("Record Date Shareholders") as of the close of business on \_\_\_\_\_, 1996 (the "Record Date") non-transferable rights ("Rights") entitling the holders thereof to subscribe for an aggregate of 8,128,456 shares ("Shares") of the Fund's common stock (the "Offer"). Each Record Date Shareholder is being issued one Right for each whole share of the Fund's common stock ("Common Stock") owned on the Record Date. The Rights entitle the Record Date Shareholder to acquire at the Subscription Price (as hereinafter defined) one Share for every three Rights held (one for three). Shareholders who fully exercise their Rights will be entitled to subscribe for additional shares of Common Stock pursuant to an Over-Subscription Privilege, as described herein. The Fund may increase at its discretion the number of shares of Common Stock subject to subscription by up to 25% of the Shares, or 2,032,114 Shares, for an aggregate total of 10,160,570 Shares. Fractional Shares will not be issued upon the exercise of Rights. Accordingly, Shares may be purchased only pursuant to the exercise of Rights in integral multiples of three. The Rights are non-transferable and will not be admitted for trading on the New York Stock Exchange or any other exchange. See "The Offer." THE SUBSCRIPTION PRICE PER SHARE (THE "SUBSCRIPTION PRICE") WILL BE % OF THE LOWER OF (i) THE AVERAGE OF THE LAST REPORTED SALES PRICE OF A SHARE OF THE FUND'S COMMON STOCK ON THE NEW YORK STOCK EXCHANGE ON THE DATE OF THE EXPIRATION OF THE OFFER (THE "PRICING DATE") AND ON THE FOUR PRECEDING BUSINESS DAYS THEREOF AND (ii) THE NET ASSET VALUE PER SHARE AS OF THE CLOSE OF BUSINESS ON THE PRICING DATE.

The Fund announced the Offer after the close of trading on the New York Stock Exchange on August 22, 1996. Shares of the Common Stock trade on that exchange under the symbol "FBF." The last reported net asset value per share of Common Stock at the close of business on August 23, 1996 and \_\_\_\_\_, 1996 was \$8.51 and \$ \_\_\_\_\_, respectively, and the last reported sales price of a share of the Fund's Common Stock on that exchange on those dates was \$8 3/8 and \$ \_\_\_\_\_, respectively.

THE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON \_\_\_\_\_, 1996 (THE "EXPIRATION DATE"), UNLESS EXTENDED AS DESCRIBED HEREIN.

Upon the completion of the Offer, Record Date Shareholders who do not fully exercise their Rights will own a smaller proportional interest in the Fund than would otherwise be the case if the Offer had not been made. In addition, because the Subscription Price per Share will be less than the current net asset value per share, the Offer will result in dilution of net asset value per share for all shareholders. If the Subscription Price per Share were to be substantially less than the current net asset value per share, such dilution would be substantial. Shareholders will have no right to rescind their subscriptions after receipt of their payment for Shares by the Subscription Agent. See "Risk

If you have questions or need further information about the Offer, please call Shareholder Communications Corporation, the Fund's information agent for the Offer (the "Information Agent"), at (800) 733-8481, extension 349.

(CONTINUED ON THE FOLLOWING PAGE)

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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 COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>  
<CAPTION>

	ESTIMATED SUBSCRIPTION PRICE (1)	ESTIMATED SALES LOAD (2)	ESTIMATED PROCEEDS TO THE FUND (3) (4)
<S>	<C>	<C>	<C>
Per Share.....	\$	\$	\$
Total Maximum(5).....	\$	\$	\$

</TABLE>

(FOOTNOTES ON THE FOLLOWING PAGE)

The date of this Prospectus is , 1996

(CONTINUED FROM THE PREVIOUS PAGE)

The Fund is a closed-end, diversified management investment company that seeks current income consistent with the preservation of capital by investing primarily in fixed-income securities. Under normal circumstances, the Fund will invest at least 75% of its total assets in fixed-income securities, such as bonds, debentures and preferred stocks. All or substantially all of the Fund's assets may be invested in securities rated below investment grade and in unrated securities of comparable quality. Securities of this type are subject to greater risk of loss of principal or nonpayment of interest than higher-rated securities and are predominantly speculative. There can be no assurance that the Fund's investment objective will be achieved. See "Investment Objective and Policies." BEA Associates serves as the Fund's investment adviser. The address of the Fund is One Citicorp Center, 57th Floor, 153 East 53rd Street, New York, New York 10022, and the Fund's telephone number is (212) 832-2626.

Investment in lower-rated securities involves certain special considerations not typically associated with investment in higher-rated securities. See "Risk Factors and Special Considerations."

This Prospectus sets forth information about the Fund that a prospective investor ought to know before investing and should be retained for future reference. A Statement of Additional Information dated , 1996 (the "SAI") containing additional information about the Fund has been filed with the Securities and Exchange Commission (the "Commission") and is incorporated by reference in its entirety into this Prospectus. A copy of the SAI, the table of contents of which appears on page 35 of this Prospectus, may be obtained without charge by contacting the Information Agent at the telephone number set forth above.

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(FOOTNOTES FROM THE PREVIOUS PAGE)

(1) Estimated on the basis of % of the market price per share on , 1996. See "The Offer--Subscription Price."

(2) In connection with the Offer, (the "Dealer Manager") and other broker-dealers soliciting the exercise of Rights will receive soliciting fees equal to 2.50% of the Subscription Price per Share for each Share issued upon exercise of the Rights and the Over-Subscription Privilege. The Fund has also agreed to pay the Dealer Manager a fee for financial advisory and marketing services in connection with the Offer equal to 1.25% of the Subscription Price per Share for Shares issued upon exercise of the Rights and the Over-Subscription Privilege and has agreed to indemnify the Dealer Manager against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act").

(3) Before deduction of offering expenses incurred by the Fund, estimated at \$550,000, including an aggregate of up to \$100,000 to be paid to the Dealer Manager as partial reimbursement for its expenses.

(4) Funds received by check prior to the final due date of this Offer will be deposited into a segregated interest bearing account (which interest will be paid to the Fund) pending proration and distribution of Shares.

(5) Assumes all Rights are exercised at the Estimated Subscription Price. Pursuant to the Over-Subscription Privilege, the Fund may at its discretion increase the number of Shares subject to subscription by up to 25% of the Shares offered hereby. If the Fund increases the number of Shares subject to subscription by 25%, the aggregate maximum Estimated Subscription Price, Estimated Sales Load and Estimated Proceeds to the Fund will be \$ \_\_\_\_\_, \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively.

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Unless otherwise specified, all references in this Prospectus to "U.S. dollars," "dollars," "US\$" or "\$" are to United States dollars.

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#### PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION INCLUDED ELSEWHERE IN THIS PROSPECTUS AND THE STATEMENT OF ADDITIONAL INFORMATION ("SAI").

#### PURPOSE OF THE OFFER

The Board of Directors of BEA Income Fund, Inc. (the "Fund") has determined that it would be in the best interest of the Fund and its shareholders to increase the assets of the Fund available for investment, thereby allowing better positioning of the Fund to more fully take advantage of available investment opportunities consistent with the Fund's investment objective of realizing current income. In reaching its decision, the Board of Directors was advised by BEA Associates that the availability of new funds would provide the Fund with additional investment flexibility as well as increase the Fund's ability to take advantage of what BEA Associates believes to be timely opportunities in the high yield bond market as a result of interest rate stability and a strong economy.

The Board of Directors also considered that a well-subscribed rights offering may reduce the Fund's expense ratio, which may be of long-term benefit to shareholders. In addition, the Board of Directors considered that such a rights offering could result in an improvement in the liquidity of the trading market for shares of the Fund's common stock ("Common Stock") on the New York Stock Exchange, where the shares are listed and traded. The Board of Directors also considered the proposed terms of the Offer (as defined below), including the expenses of the Offer, and its dilutive effect, including the effect on non-exercising shareholders of the Fund. After careful consideration, the Fund's Board of Directors unanimously voted to approve the Offer.

The Fund may, in the future and at its discretion, choose to make additional rights offerings from time to time for a number of shares and on terms which may or may not be similar to the Offer. Any such future rights offering will be made in accordance with the Investment Company Act of 1940, as amended (the "1940 Act").

#### TERMS OF THE OFFER

The Fund is issuing to its shareholders of record ("Record Date Shareholders") as of the close of business on \_\_\_\_\_, 1996 (the "Record Date") non-transferable rights ("Rights") to subscribe for an aggregate of 8,128,456 shares ("Shares") of the Fund's Common Stock, par value \$0.001 per share (the "Offer"). Each Record Date Shareholder is being issued one Right for each whole share of Common Stock owned on the Record Date. The Rights entitle the Record Date Shareholder to acquire at the Subscription Price (as hereinafter defined) one Share for every three Rights held (one for three). Rights may be exercised at any time during the offering period (the "Subscription Period"), which commences on \_\_\_\_\_, 1996 and ends at 5:00 p.m., New York City time, on \_\_\_\_\_, 1996 (the "Expiration Date"), unless extended by the Fund until 5:00 p.m., New York City time, on a date no later than \_\_\_\_\_, 1996. The right to acquire one Share for every three Rights held during the Subscription Period at the Subscription Price is hereinafter referred to as the "Primary Subscription."

#### OVER-SUBSCRIPTION PRIVILEGE

Any Record Date Shareholder who fully exercises all Rights issued to such shareholder is entitled to subscribe for Shares which were not otherwise subscribed for by others on Primary Subscription (the "Over-Subscription Privilege"). If sufficient Shares are not available to honor all requests for over-subscriptions, the Fund may, at its discretion, issue shares of Common Stock up to an additional 25% of the Shares available pursuant to the Offer (up to 2,032,114 Shares) in order to satisfy such over-subscription requests. Shares requested pursuant to the Over-Subscription Privilege may be subject to allotment, which is more fully discussed under "The Offer--Over-Subscription Privilege."

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SUBSCRIPTION PRICE

The subscription price per Share (the "Subscription Price") will be % of the lower of (i) the average of the last reported sales price of a share of the Fund's Common Stock on the New York Stock Exchange on the Expiration Date (the "Pricing Date") and on the four preceding business days thereof and (ii) the net asset value per share as of the close of business on the Pricing Date. See "The Offer--Subscription Price."

NON-TRANSFERABILITY OF RIGHTS

The Rights are non-transferable and, therefore, may not be purchased or sold. The Rights will not be admitted for trading on the New York Stock Exchange or any other exchange. However, the Shares to be issued pursuant to the Rights will be admitted for trading on the New York Stock Exchange.

METHOD OF EXERCISE OF RIGHTS

Rights will be evidenced by subscription certificates ("Subscription Certificates") that will be mailed to Record Date Shareholders, or if shares are held by Cede & Co. ("Cede"), the nominee for The Depository Trust Company, or any other depository or nominee, to Cede or such other depository or nominee. Rights may be exercised by completing and signing a Subscription Certificate and delivering it, together with payment, either by means of a notice of guaranteed delivery or a check, to The Chase Manhattan Bank (the "Subscription Agent"). Shareholders who exercise their Rights will have no right to rescind their subscription after the Subscription Agent has received payment. See "The Offer--Subscription Agent" and "The Offer--Method of Exercise of Rights."

FOREIGN RESTRICTIONS

Subscription Certificates will not be mailed to Record Date Shareholders whose record addresses are outside the United States (for these purposes the United States includes its territories and possessions and the District of Columbia) ("Foreign Record Date Shareholders"). The Rights to which such Subscription Certificates relate will be held by the Subscription Agent for such Foreign Record Date Shareholder's accounts until instructions are received to exercise the Rights. If no instructions are received prior to the Expiration Date, such Rights will expire.

IMPORTANT DATES TO REMEMBER

<TABLE>

<CAPTION>

EVENT	DATE
Record Date.....	, 1996
Subscription Period.....	, 1996 to , 1996*
Payment for Shares or Notice of Guaranteed Delivery Due.....	, 1996*
Expiration and Pricing Date.....	, 1996*
Payment for Guarantees of Delivery Due.....	, 1996*
Confirmation to Participants.....	, 1996*
Final Payment for Shares.....	, 1996*

</TABLE>

\* Unless the Offer is extended to a date not later than , 1996.

INFORMATION AGENT

The Information Agent for the Offer (the "Information Agent") is:

Shareholder Communications Corporation

Toll Free: (800) 733-8481, Extension 349.

Shareholders calling from outside the United States may call collect (212) 805-7000.

DISTRIBUTION ARRANGEMENTS

(the "Dealer Manager") will act as the dealer manager for the Offer. The Fund has agreed to pay the Dealer Manager a fee for its financial advisory and marketing services equal to 1.25% of the Subscription Price per Share for Shares issued upon exercise of the Rights and the Over-Subscription

Privilege, and to pay broker-dealers, including the Dealer Manager, fees for their soliciting efforts equal to 2.50% of the Subscription Price per Share for each Share issued upon exercise of the Rights and the Over-Subscription Privilege. See "Distribution Arrangements."

The Fund has been engaged in business as a closed-end, diversified management investment company since March 23, 1987. The Fund's investment objective is current income consistent with the preservation capital. The Fund seeks to achieve this objective primarily through investment in fixed-income securities, such as bonds, debentures and preferred stocks. Under normal circumstances, at least 75% of the Fund's total assets will be invested in fixed-income securities. The Fund's investments in fixed-income securities are not subject to any rating quality limitation and, accordingly, a substantial portion or all of the Fund's portfolio may be invested in securities that are rated below investment grade by a nationally recognized rating service or unrated and of comparable quality in the opinion of BEA Associates. Lower-rated securities generally provide yields superior to those of more highly rated securities, but involve greater risks and are speculative in nature ("high yield securities"). See "Risk Factors and Special Considerations--Low-Rated Securities." The Fund may also invest up to 25% of its assets in money market instruments such as certificates of deposit, commercial paper, bankers' acceptances and repurchase agreements. There can be no assurance that the Fund's investment objective will be achieved. See "Investment Objective and Policies." BEA Associates anticipates that investment of the net proceeds of the Offer, in accordance with the Fund's investment objective and policies, will take up to one month from their receipt by the Fund, depending on market conditions and the availability of appropriate securities. See "Use of Proceeds." The Common Stock is listed and traded on the New York Stock Exchange under the symbol "FBF." As of June 30, 1996, the net assets of the Fund were approximately \$208 million.

#### INVESTMENT ADVISER AND ADMINISTRATORS

BEA Associates, a U.S. investment counseling firm ("BEA Associates"), serves as the Fund's investment adviser. BEA Associates emphasizes a global investment strategy and, as of June 30, 1996, acted as adviser for assets in excess of \$28.7 billion, including as of that date approximately \$10.9 billion of assets invested in fixed-income securities and money market instruments.

Chase Global Funds Services Company serves as the Fund's administrator (the "Administrator"). See "Management of the Fund."

#### ADVISORY, ADMINISTRATIVE AND CONSULTING FEES

The aggregate annual fees payable by the Fund for investment advice equal 0.50% of the Fund's average weekly net assets. See "Management of the Fund."

For administrative services, the Fund pays the Administrator a fee at an annual rate of 0.15% of the first \$100 million of the Fund's average weekly net assets, 0.10% of the Fund's next \$300 million of average weekly net assets and 0.05% of the Fund's average weekly net assets in excess of \$400 million.

Since the Fund's investment adviser's and administrator's fees are based on the net assets of the Fund, the Fund's investment adviser and administrator will benefit from an increase in the Fund's assets resulting from the Offer. In addition, one director who is an "interested person" (as such term is defined under the 1940 Act) of the Fund because of his position as a director and officer of BEA Associates could benefit indirectly from the Offer because of such director's affiliation. See "The Offer--Certain Impact on Fees."

#### RISK FACTORS AND SPECIAL CONSIDERATIONS

The following summarizes certain matters that should be considered, among others, in connection with an exercise of Rights and an additional investment in the Fund.

**CERTAIN EFFECTS OF THE OFFER.** Upon the completion of the Offer, shareholders who do not fully exercise their Rights will own a smaller proportional interest in the Fund than would be the case if the Offer had not been made. In addition, an immediate dilution of the net asset value per share will be experienced by all shareholders as a result of the Offer because the Subscription Price will be less than the then current net asset value per share, the Fund will bear the expenses of the Offer and the number of shares outstanding

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after the Offer will have increased proportionately more than the increase in the size of the Fund's net assets. Although it is not possible to state precisely the amount of such a decrease in net asset value, because it is not known at this time how many Shares will be subscribed for or what the Subscription Price will be, such dilution might be substantial. See "Risk Factors and Special Considerations."

**RISKS ASSOCIATED WITH INVESTMENTS IN FIXED-INCOME SECURITIES.** Bond prices generally vary inversely in relation to changes in the level of interest rates, as well as in response to other market factors and changes in the creditworthiness of the issuers of the securities. Government securities are considered to be of the highest credit quality available. Government securities,



however, will be affected by general changes in interest rates. The price volatility of a Fund share where the Fund invests in intermediate maturity bonds will be substantially less than where it invests in long-term bond. An intermediate maturity bond will generally have a lower yield than a long-term bond. Longer-term securities in which the Fund may invest generally offer a higher current yield than is offered by shorter-term securities, but also generally involve greater volatility of price and risk of capital than shorter-term securities. See "Risk Factors and Special Considerations."

**LOWER-RATED SECURITIES.** At any time, all or substantially all of the Fund's portfolio may be invested in medium-grade or below investment grade fixed-income securities as determined by a nationally recognized rating service. Investment in lower-rated securities typically involves risks not associated with higher-rated securities, including, among others, overall greater risk that timely and ultimate payment of interest and principal will not occur, potentially greater sensitivity to general economic conditions, greater market price volatility and relative illiquidity. In addition, ratings are relative and subjective and not absolute standards of quality. See "Risk Factors and Special Considerations."

**NON PUBLICLY-TRADED SECURITIES; RULE 144A SECURITIES.** The Fund may purchase securities that are not registered under the Securities Act but that can be sold to "qualified institutional buyers" in accordance with Rule 144A under the Securities Act ("Rule 144A Securities"). Non publicly-traded securities, including Rule 144A Securities, may involve a high degree of business and financial risk and may result in substantial losses. These securities may be less liquid than publicly-traded securities, and the Fund may take longer to liquidate these positions than would be the case for publicly-traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the Fund. Further, companies whose securities are not publicly-traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly-traded. A Fund's investment in illiquid securities is subject to the risk that, should the Fund desire to sell any of these securities when a ready buyer is not available at a price that is deemed to be representative of their value, the value of the Fund's net assets could be adversely affected. See "Risk Factors and Special Considerations."

**RISKS ASSOCIATED WITH MORTGAGE-BACKED SECURITIES.** The Fund may invest a substantial portion of its total assets in mortgage-backed securities. The value of mortgaged-backed securities is subject to change due to shifts in the market's perception of issuers, and regulatory or tax changes may adversely affect the mortgage securities market as a whole. Foreclosures and prepayments, which occur when unscheduled or early payments are made on the underlying mortgages, may shorten the effective maturities on these securities. The Fund's yield may be affected by reinvestment of prepayments at higher or lower rates than the original investment. Prepayments may tend to increase due to refinancing of mortgages as interest rates decline. In addition, like other debt securities, the values of mortgage-backed securities will generally fluctuate in response to interest rates. See "Risk Factors and Special Considerations."

**SHORT SALES.** The Fund's investment policies may include short selling. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Fund's portfolio. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security which could result in an inability to cover the short position or the theoretically unlimited loss. There can be no assurance that securities necessary to cover the short position will be available for purchase. The Fund, however, is restricted from engaging in uncovered short selling. See "Investment Objective and Policies-- Short Sales" below and "Investment Restrictions" in the SAI.

**RISKS OF TRANSACTIONS IN INTEREST RATE FUTURES CONTRACTS.** The Fund may, for bona fide hedging purposes, purchase and sell interest rate futures contracts and options thereon that are traded on U.S. futures exchanges. There are several risks in connection with the use of interest rate futures contracts as a hedge for transactions and anticipated transactions, including the risk of unlimited loss. Due to the imperfect correlation between movements in the prices of interest rate futures contracts and movements in the prices of the underlying securities, the price of a futures contract may move more than or less than the price of the securities being hedged. The market prices of futures contracts may also be affected by various other factors which can result in significant price distortions. In addition, there is the risk that movements in the prices of interest rate futures contracts will not correlate with interest rate movements. Although the Fund intends to purchase or sell interest rate futures contracts only on exchanges or boards of trade where there appears to be an active market for such contracts, there is no assurance that a liquid market on an exchange or board of trade will exist for any particular contract or at any particular time. See "Risk Factors and Special Considerations."

**RISKS OF TRANSACTIONS IN OPTIONS ON INTEREST RATE FUTURES CONTRACTS.** In addition to the risks which apply to all options transactions and the risks that apply to futures contracts, there are several special risks relating to options

on interest rate futures contracts. The ability to establish and close out positions on such options is subject to the maintenance of a liquid secondary market. The Fund will only purchase or write options on futures contracts traded in sufficiently developed markets such that the risks in connection with such options are not greater than the risks in connection with transactions in the underlying interest rate futures contracts. See "Risk Factors and Special Considerations."

**RISKS ASSOCIATED WITH REPURCHASE AGREEMENTS.** The Fund may invest in repurchase agreements collateralized by U.S. Government securities, certificates of deposit and certain bankers' acceptances for the purpose of realizing additional income. The use of repurchase agreements involves certain risks not associated with direct investment in securities. For example, if the seller of securities under an agreement defaults on its obligation to repurchase the underlying securities at the agreed upon repurchase price at a time when the value of these securities has declined, the Fund may incur a loss upon their disposition. If such a defaulting seller were to become insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, disposition of the underlying securities could involve certain costs or delays pending court action. Finally, it is not certain whether the Fund would be entitled, as against a claim of the seller or its receiver, trustee in bankruptcy or creditors, to retain the underlying securities. While BEA Associates acknowledges these risks, it is expected that they can be controlled by limiting the institutions with which the Fund will enter into repurchase agreements to the Federal Reserve Bank, Reporting Government Securities Dealers and member banks of the Federal Reserve System and by carefully monitoring the creditworthiness of such institutions, other than the Federal Reserve Bank, by BEA Associates. See "Risk Factors and Special Considerations."

**MARKET VALUE AND NET ASSET VALUE.** Shares of closed-end investment companies frequently trade at a discount to net asset value. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that the Fund's net asset value may decrease. The Fund cannot predict whether its shares will trade at, below or above net asset value. In addition, changes in market yields will affect the Fund's net asset value as prices of fixed-income securities generally increase when interest rates decline and decrease when interest rates rise. Since the commencement of the Fund's operations, the Fund's shares have generally traded in the market at a discount to net asset value. See "Net Asset Value" and "Common Stock."

FEE TABLE

The following table sets forth certain fees and expenses of the Fund.

<TABLE>	
<S>	
SHAREHOLDER TRANSACTION EXPENSES	
Sales Load (as a percentage of the Subscription Price per Share) (1).....	3.75%
ANNUAL EXPENSES (as a percentage of net assets)	
Management Fees (2).....	.50%
Other Expenses (3).....	.31%
TOTAL ANNUAL EXPENSES (2).....	.81%
</TABLE>	

<TABLE>  
<CAPTION>

EXAMPLE	1 YEAR	3 YEARS	5 YEARS	10 YEARS
-----				
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a \$1,000 investment assuming a 5% annual return(4).....	\$45	\$62	\$81	\$134
</TABLE>				

- 
- (1) The Dealer Manager and the other broker-dealers soliciting the exercise of Rights will receive soliciting fees equal to 2.50% of the Subscription Price per Share for each Share issued upon exercise of the Rights and the Over-Subscription Privilege. The Fund has also agreed to pay the Dealer Manager a fee for financial advisory and marketing services in connection with the Offer equal to 1.25% of the Subscription Price per Share for Shares issued upon exercise of the Rights and the Over-Subscription Privilege. These fees will be borne by the Fund and indirectly by all of the Fund's shareholders, including those shareholders who do not exercise their Rights.
  - (2) Based on net assets of the Fund after giving effect to the anticipated net proceeds of the Offer including proceeds from the issuance of up to 25% of the Shares pursuant to the Over-Subscription Privilege.
  - (3) Based upon estimated amounts for the current fiscal year and on the net assets of the Fund after giving effect to the anticipated net proceeds of the Offer including proceeds from the issuance of up to 25% of the Shares

pursuant to the Over-Subscription Privilege. Does not include expenses of the Fund incurred in connection with the Offer, estimated at \$550,000.

(4) The example reflects the Sales Load and other expenses of the Fund incurred in connection with the Offer and assumes that all of the Rights are exercised.

THE PURPOSE OF THE FOREGOING TABLE AND EXAMPLE IS TO ASSIST RIGHTS HOLDERS IN UNDERSTANDING THE VARIOUS COSTS AND EXPENSES THAT AN INVESTOR IN THE FUND BEARS, DIRECTLY OR INDIRECTLY, BUT SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR RATE OF RETURN. THE ACTUAL EXPENSES OF THE FUND MAY BE GREATER OR LESSER THAN THOSE SHOWN. The figures provided under "Other Expenses" are based upon estimated amounts for the current fiscal year and assume that all of the Rights are exercised and the Fund increases the number of Shares subject to subscription by 25%. For more complete descriptions of certain of the Fund's costs and expenses, see "Management of the Fund" below and in the SAI.

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FINANCIAL HIGHLIGHTS

The table below sets forth selected financial data for a share of Common Stock outstanding throughout each period presented. The per share operating performance and ratios for each of the periods, other than the six-month period ended June 30, 1996, have been derived from financial statements audited by Price Waterhouse LLP, the Fund's independent accountants, as stated in their report which is incorporated by reference into the SAI. The following information should be read in conjunction with the Financial Statements and Notes thereto, which are incorporated by reference into the SAI.

PER SHARE OPERATING PERFORMANCE  
FOR A FUND SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	SIX MONTHS ENDED 6/30/96 (1)	YEAR ENDED 12/31/95 (2)	YEAR ENDED 12/31/94	YEAR ENDED 12/31/93	YEAR ENDED 12/31/92
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period.....	\$ 8.63	\$ 8.05	\$ 9.00	\$ 8.42	\$ 8.28
Offering Costs.....	--	--	--	--	--
Net Investment Income.....	0.40	0.86	0.83	0.91	0.89
Net Realized and Unrealized Gains or Losses on Investments.....	0.02	0.48	(1.06)	0.57	0.08
Total from Investment Activities.....	0.42	1.34	(0.23)	1.48	0.97
Distributions:					
From Net Investment Income.....	(0.54)	(0.76)	(0.72)	(0.90)	(0.83)
From Realized Gain.....	--	--	--	--	--
From Capital Surplus.....	--	--	--	--	--
Total Distribution.....	--	--	--	--	--
Net Asset Value, End of Period.....	\$ 8.51	\$ 8.63	\$ 8.05	\$ 9.00	\$ 8.42
Per Share Market Value, End of Period.....	\$ 7.88	\$ 7.88	\$ 7.00	\$ 8.50	\$ 8.38
Total Investment Return					
Net Asset Value(4).....	5.06%	17.41%	(2.67)%	18.47%	11.95%
Market Value.....	6.83%	24.34%	(9.48)%	12.46%	12.09%

	YEAR ENDED 12/31/91	YEAR ENDED 12/31/90	YEAR ENDED 12/31/89	YEAR ENDED 12/31/88	PERIOD FROM 3/23/87 (3) THROUGH 12/31/87
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period.....	\$ 7.25	\$ 8.32	\$ 8.58	\$ 8.71	\$ 9.30
Offering Costs.....	--	--	--	--	(0.01)
Net Investment Income.....	0.89	0.87	0.92	0.87	0.59
Net Realized and Unrealized Gains or Losses on					

Investments.....	1.04	(1.04)	(0.28)	(0.10)	(0.51)
Total from Investment Activities.....	1.93	(0.17)	(0.64)	(0.77)	0.08
Distributions:					
From Net Investment Income.....	(0.90)	(0.90)	(0.90)	(0.90)	(0.59)
From Realized Gain.....	--	--	--	--	(0.01)
From Capital Surplus.....	--	--	--	--	(0.06)
Total Distribution.....	--	--	--	--	(0.66)
Net Asset Value, End of Period.....	\$ 8.28	\$ 7.25	\$ 8.32	\$ 8.58	\$ 8.71
Per Share Market Value, End of Period.....	\$ 8.38	\$ 6.38	\$ 7.88	\$ 7.88	\$ 8.325
Total Investment Return					
Net Asset Value(4).....	27.71%	(2.06)%	7.69%	9.14%	1.01%
Market Value.....	50.81%	(6.12)%	13.58%	7.80%	(10.91)%

</TABLE>

RATIOS/SUPPLEMENTAL DATA

	SIX MONTHS					
	ENDED 6/30/96(1)	YEAR ENDED 12/31/95(2)	YEAR ENDED 12/31/94	YEAR ENDED 12/31/93	YEAR ENDED 12/31/92	YEAR ENDED 12/31/91
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Assets, End of Period (thousands).....	\$207,551	\$210,441	\$196,379	\$219,355	\$203,846	\$199,857
Ratio of Expenses to Average Net Assets.....	0.98%(5)	0.92%	0.83%	0.88%	0.86%	0.87%
Ratio of Net Investment Income to						
Average Net Assets.....	9.44%(5)	10.22%	9.75%	10.34%	10.38%	11.12%
Portfolio Turnover.....	44.1%(6)	44.1%	70.6%	117.5%	115.2%	53.3%

<CAPTION>

	PERIOD FROM			
	YEAR ENDED 12/31/90	YEAR ENDED 12/31/89	YEAR ENDED 12/31/88	3/23/87(3) THROUGH 12/31/87
<S>	<C>	<C>	<C>	<C>
Net Assets, End of Period (thousands).....	\$175,390	\$201,297	\$207,293	\$209,060
Ratio of Expenses to Average Net Assets.....	0.89%	0.92%	0.91%	0.77%(5)
Ratio of Net Investment Income to				
Average Net Assets.....	11.26%	10.67%	9.96%	9.4%(5)
Portfolio Turnover.....	61.4%	95.8%	113.5%	42.0%

</TABLE>

- <TABLE>
- <S> <C>
- (1) Unaudited.
  - (2) BEA Associates replaced CS First Boston Investment Management Corporation ("CSIM") as the Fund's investment adviser effective June 13, 1995.
  - (3) Commencement of investment operations.
  - (4) Total investment return based on per share net asset value reflects the effects of change in net asset value on the performance of the Fund during each period, and assumes dividends and capital gains distributions, if any, were reinvested. These percentages are not an indication of the performance of a shareholder's investment in the Fund based on market value due to differences between the market value of the stock and the net asset value of the Fund.
  - (5) Annualized.

THE OFFER

PURPOSE OF THE OFFER

The Board of Directors of the Fund has determined that it would be in the best interest of the Fund and its shareholders to increase the assets of the Fund available for investment, thereby allowing better positioning of the Fund to more fully take advantage of available investment opportunities consistent with the Fund's investment objective of realizing current income. In reaching its decision, the Board of Directors was advised by BEA Associates that the availability of new funds would provide the Fund with additional investment flexibility as well as increase the Fund's ability to take advantage of what BEA Associates believes to be timely opportunities in the high yield bond market as a result of interest rate stability and a strong economy.

The Board of Directors also considered that a well-subscribed rights offering may reduce the Fund's expense ratio, which may be of long-term benefit to shareholders. In addition, the Board of Directors considered that such a rights offering could result in an improvement in the liquidity of the trading market for shares of the Fund's Common Stock on the New York Stock Exchange, where the shares are listed and traded. The Board of Directors also considered the proposed terms of the Offer, including the expenses of the Offer, and its dilutive effect, including the effect on non-exercising shareholders of the Fund. After careful consideration, the Fund's Board of Directors unanimously voted to approve the Offer.

The Fund may, in the future and at its discretion, choose to make additional rights offerings from time to time for a number of shares and on terms which may or may not be similar to the Offer. Any such future rights offering will be made in accordance with the 1940 Act.

TERMS OF THE OFFER

The Fund is issuing to Record Date Shareholders Rights to subscribe for Shares pursuant to the exercise of such Rights. Each Record Date Shareholder is being issued one Right for each whole share of Common Stock owned on the Record Date. The Rights entitle the Record Date Shareholder to acquire at the Subscription Price one Share for every three Rights held (one for three). Fractional Shares will not be issued upon the exercise of Rights. Accordingly, Shares may be purchased only pursuant to the exercise of Rights in integral multiples of three. Rights may be exercised at any time during the Subscription Period, which commences on \_\_\_\_\_, 1996 and ends at 5:00 p.m., New York City time, on \_\_\_\_\_, 1996, unless extended by the Fund until 5:00 p.m., New York City time, to a date not later than \_\_\_\_\_, 1996. A Record Date Shareholder's right to acquire one Share for every three Rights held during the Subscription Period at the Subscription Price is hereinafter referred to as the "Primary Subscription." The Rights are evidenced by Subscription Certificates, which will be mailed to Record Date Shareholders, except as discussed below under "Foreign Restrictions."

Any Record Date Shareholder who fully exercises all Rights issued to such shareholder will be entitled to subscribe for additional Shares pursuant to the Over-Subscription Privilege. Shares requested pursuant to the Over-Subscription Privilege are subject to allotment and may be subject to increase, which is more fully discussed below under "--Over-Subscription Privilege." For purposes of determining the maximum number of Shares a Record Date Shareholder may acquire pursuant to the Offer, shareholders whose shares are held of record by Cede, the nominee for The Depository Trust Company, or by any other depository or nominee will be deemed to be the holders of the Rights that are issued to Cede or such other depository or nominee on their behalf.

As fractional Shares will not be issued, Record Date Shareholders who receive or have remaining fewer than three Rights will be unable to purchase Shares upon the exercise of such Rights and will not be entitled to receive any cash in lieu thereof. Such shareholders, however, may subscribe for Shares pursuant to the Over-Subscription Privilege provided such shareholders have fully exercised the Rights issued to them. Shareholders will have no right to rescind their subscriptions after receipt of their payment for Shares by the Subscription Agent.

OVER-SUBSCRIPTION PRIVILEGE

To the extent Record Date Shareholders do not exercise all of the Rights issued to them, the underlying Shares represented by such Rights will be offered by means of the Over-Subscription Privilege to Record

Date Shareholders who have exercised all the Rights issued to them pursuant to the Primary Subscription and who desire to acquire additional Shares. Only

Record Date Shareholders who exercise all such Rights may indicate on the Subscription Certificate the number of additional Shares desired pursuant to the Over-Subscription Privilege. If sufficient Shares remain as a result of unexercised Rights, all over-subscriptions may be honored in full. If sufficient Shares are not available to honor all requests for over-subscriptions, the Fund may, at its discretion, issue shares of Common Stock up to an additional 25% of the Shares available pursuant to the Offer (up to 2,032,114 Shares) in order to satisfy such over-subscription requests. Regardless of whether the Fund issues such additional Shares, to the extent Shares are not available to honor all over-subscriptions, the available Shares will be allocated among those who over-subscribe based on the number of Rights originally issued to them by the Fund, so that the number of Shares issued to Record Date Shareholders who subscribe pursuant to the Over-Subscription Privilege will generally be in proportion to the number of shares owned by them in the Fund on the Record Date. The allocation process may involve a series of allocations in order to assure that the total number of Shares available for over-subscriptions is distributed on a pro rata basis.

The Fund will not sell any Shares that are not subscribed for pursuant to the Primary Subscription or the Over-Subscription Privilege.

#### SUBSCRIPTION PRICE

The Subscription Price for each Share to be issued pursuant to the Rights will be % of the lower of (i) the average of the last reported sales price of a share of the Fund's Common Stock on the New York Stock Exchange on the Pricing Date and on the four preceding business days thereof and (ii) the net asset value per share as of the close of business on the Pricing Date. For example, if the average of the last reported sales price on the New York Stock Exchange on the Pricing Date and on the four preceding business days thereof of a share of the Fund's Common Stock is \$ , and the net asset value as of the close of business on the Pricing Date is \$ , the Subscription Price will be \$ ( % of \$ ). If, however, the average of the last reported sales price of a share on that exchange on the Pricing Date and on the four preceding business days thereof is \$ , and the net asset value as of the close of business on the Pricing Date is \$ , the Subscription Price will be \$ ( % of \$ ). See "Common Stock."

The Fund announced the Offer after the close of trading on the New York Stock Exchange on August 22, 1996. The last reported net asset value per share of Common Stock at the close of business on August 23, 1996 and 1996 was \$8.51 and \$ , respectively, and the last reported sales price of a share of the Fund's Common Stock on the New York Stock Exchange on those dates was \$8 3/8 and \$ , respectively.

#### NON-TRANSFERABILITY OF RIGHTS

The Rights are non-transferable and, therefore, may not be purchased or sold. The Rights will not be admitted for trading on the New York Stock Exchange or any other exchange. However, the Shares to be issued pursuant to the Rights will be admitted for trading on the New York Stock Exchange.

#### EXPIRATION OF THE OFFER

The Offer will expire at 5:00 p.m., New York City time, on , 1996, unless extended by the Fund until 5:00 p.m., New York City time, to a date not later than , 1996. Rights will expire on the Expiration Date and thereafter may not be exercised. Since the Expiration Date and the Pricing Date will be the same date, Record Date Shareholders who decide to acquire Shares during the Primary Subscription or pursuant to the Over-Subscription Privilege will not know, when they make such decision, the purchase price for such Shares. Any extension of the Offer will be followed as promptly as practical by an announcement thereof. Without limiting the manner in which the Fund may choose to make such announcement, the Fund will not, unless otherwise required by law, have any obligation to publish, advertise or otherwise communicate any such announcement other than by making a release to the Dow Jones News Service or such other means of announcement as the Fund deems appropriate.

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#### SUBSCRIPTION AGENT

The Subscription Agent is The Chase Manhattan Bank ("Chase Manhattan"), 770 Broadway, New York, New York, which will receive, for its administrative, processing, invoicing and other services as subscription agent, a fee estimated to be \$15,000, plus reimbursement for its out-of-pocket expenses related to the Offer. The Subscription Agent is also the Fund's Transfer Agent, Dividend-Paying Agent and Registrar with respect to the Common Stock. An affiliate of the Subscription Agent also acts as the Fund's administrator. SIGNED SUBSCRIPTION CERTIFICATES TOGETHER WITH PAYMENT OF THE ESTIMATED SUBSCRIPTION PRICE MUST BE SENT TO CHASE MANHATTAN by one of the methods described below. The Fund will accept only Subscription Certificates actually received on a timely basis at the address listed below:

<TABLE>

<S> <C>  
(1) BY FIRST CLASS MAIL/HAND/OVERNIGHT COURIER:  
The Chase Manhattan Bank  
770 Broadway  
7th Floor  
New York, New York 10003  
  
(2) BY FACSIMILE (TELECOPY):  
FOR NOTICE OF GUARANTEED DELIVERY ONLY  
  
(212) 473-2592 with the original Subscription Certificate to be sent  
by one of the three methods above. Confirm facsimile by telephone at  
(800) 774-4365.

</TABLE>

DELIVERY TO AN ADDRESS OTHER THAN THOSE SET FORTH ABOVE DOES NOT CONSTITUTE  
GOOD DELIVERY.

#### METHOD OF EXERCISE OF RIGHTS

Rights will be evidenced by Subscription Certificates that will be mailed to  
Record Date Shareholders, or if shares are held by Cede or any other depository  
or nominee, to Cede or such other depository or nominee except as discussed  
under "Foreign Restrictions" below. Rights may be exercised by completing and  
signing the Subscription Certificate and mailing it in the envelope provided, or  
otherwise delivering the completed and signed Subscription Certificate, together  
with payment for the Shares as described below under "--Payment for Shares," to  
the Subscription Agent. Rights may also be exercised by contacting your broker,  
banker or trust company, which can arrange, on your behalf, to guarantee  
delivery of payment and of a properly completed and executed Subscription  
Certificate. A fee may be charged for this service. Fractional Shares will not  
be issued, and shareholders who receive, or who have remaining, fewer than three  
Rights will not be able to purchase any Shares upon the exercise of such Rights.  
Such shareholders may, however, subscribe for Shares pursuant to the  
Over-Subscription Privilege provided such shareholders have fully exercised the  
Rights issued to them. Completed Subscription Certificates or Notices of  
Guaranteed Delivery must be received by the Subscription Agent prior to 5:00  
p.m., New York City time, on the Expiration Date at the office of the  
Subscription Agent at the address set forth above.

SHAREHOLDERS WHO ARE RECORD OWNERS. Shareholders who are record owners can  
choose between either option set forth under "Payment for Shares" below. If time  
is of the essence, option (2) will permit delivery of the completed Subscription  
Certificate and payment after the Expiration Date.

INVESTORS WHOSE SHARES ARE HELD BY A NOMINEE. Shareholders whose shares are  
held by a nominee, such as a broker or trustee, must contact that nominee to  
exercise their Rights. In that case, the nominee will complete the Subscription  
Certificate on behalf of the investor and arrange for proper payment by one of  
the methods set forth under "Payment for Shares" below.

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

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#### FOREIGN RESTRICTIONS

Subscription Certificates will not be mailed to Record Date Shareholders  
whose record addresses are outside the United States (for these purposes the  
United States includes its territories and possessions and the District of  
Columbia). The Rights to which those Subscription Certificates relate will be  
held by the Subscription Agent for such Foreign Record Date Shareholders'  
accounts until instructions are received to exercise the Rights. If no  
instructions are received prior to the Expiration Date, such Rights will expire.

#### INFORMATION AGENT

Any questions or requests for assistance may be directed to the Information  
Agent at its telephone number listed below:

THE INFORMATION AGENT FOR THE OFFER IS:  
Shareholder Communications Corporation  
Toll Free: (800) 733-8481, Extension 349

Shareholders calling from outside the United States may call collect (212)  
805-7000. Shareholders may also contact their brokers or nominees for  
information with respect to the Offer.

The Information Agent will receive a fee estimated to be \$10,000 plus  
reimbursement for its out-of-pocket expenses related to the Offer.

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

(1) A shareholder can send the completed Subscription Certificate together with payment for the Shares acquired during the Primary Subscription and for additional Shares subscribed for pursuant to the Over-Subscription Privilege to the Subscription Agent, calculating the total payment on the basis of an estimated Subscription Price of \$ per Share (the "Estimated Subscription Price"). To be accepted, such payment, together with the properly executed and completed Subscription Certificate, must be received by the Subscription Agent at one of the Subscription Agent's offices at the addresses set forth above prior to 5:00 p.m., New York City time, on the Expiration Date. A PAYMENT PURSUANT TO THIS METHOD MUST BE IN UNITED STATES DOLLARS BY MONEY ORDER OR CHECK DRAWN ON A BANK LOCATED IN THE UNITED STATES OF AMERICA, MUST BE PAYABLE TO BEA INCOME FUND, INC. AND MUST ACCOMPANY AN EXECUTED SUBSCRIPTION CERTIFICATE FOR SUCH SUBSCRIPTION CERTIFICATE TO BE ACCEPTED.

(2) Alternatively, a subscription will be accepted by the Subscription Agent, if, prior to 5:00 p.m., New York City time, on the Expiration Date, the Subscription Agent has received a Notice of Guaranteed Delivery by facsimile (teletype) or otherwise from a bank, trust company, or New York Stock Exchange member guaranteeing delivery to the Subscription Agent of (i) payment of the full Subscription Price for the Shares subscribed for during the Primary Subscription and any additional Shares subscribed for pursuant to the Over-Subscription Privilege, and (ii) a properly completed and executed Subscription Certificate. The Subscription Agent will not honor a Notice of Guaranteed Delivery if a properly completed and executed Subscription Certificate, together with payment, is not received by the Subscription Agent by the close of business on the third business day after the Expiration Date.

Within ten business days following the Pricing Date (the "Confirmation Date"), a confirmation will be sent by the Subscription Agent to each Record Date Shareholder (or, if the shareholder's shares are held by Cede or any other depository or nominee, to Cede or such depository or nominee), showing (i) the number of Shares acquired pursuant to the Primary Subscription, (ii) the number of Shares, if any, acquired pursuant to the Over-Subscription Privilege, (iii) the per Share and total purchase price for the Shares, and (iv) any additional amount payable by such shareholder to the Fund or any excess to be refunded by the Fund to such shareholder, in each case based on the Subscription Price as determined on the Pricing Date. Any additional payment required from a shareholder must be received by the Subscription Agent within ten business days

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after the Confirmation Date. Any excess payment to be refunded by the Fund to a shareholder will be mailed by the Subscription Agent to such shareholder as promptly as possible. No interest shall be paid by the Fund on any such excess payment. All payments by a shareholder must be in U.S. Dollars by money order or check drawn on a bank located in the United States of America and payable to BEA INCOME FUND, INC.

The Subscription Agent will deposit all checks received by it prior to the final due date into a segregated interest bearing account (which interest will accrue to the benefit of the Fund) pending distribution of the Shares.

Whichever of the two payment methods described above is used, issuance and delivery of certificates for the Shares purchased are subject to collection of checks and actual payment pursuant to any Notice of Guaranteed Delivery.

SHAREHOLDERS WILL HAVE NO RIGHT TO RESCIND THEIR SUBSCRIPTION AFTER RECEIPT OF THEIR PAYMENT FOR SHARES BY THE SUBSCRIPTION AGENT.

If a shareholder who acquires Shares pursuant to the Primary Subscription or the Over-Subscription Privilege does not make payment of any additional amounts due, the Fund reserves the right to take any or all of the following actions: (i) sell such subscribed and unpaid-for Shares to other shareholders, (ii) apply any payment actually received by it toward the purchase of the greatest whole number of Shares which could be acquired by such holder upon exercise of the Primary Subscription and/or Over-Subscription Privilege, and/or (iii) exercise any and all other rights or remedies to which it may be entitled, including, without limitation, set-offs against payments actually received by it with respect to such subscribed Shares and/or to enforce the relevant guaranty of payment.

All questions concerning the timeliness, validity, form and eligibility of any exercise of Rights will be determined by the Fund, whose determinations will be final and binding. The Fund in its sole discretion may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported exercise of any Right. Subscriptions will not be deemed to have been received or accepted until all



irregularities have been waived or cured within such time as the Fund determines in its sole discretion. The Fund will not be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

#### DELIVERY OF STOCK CERTIFICATES

Except as noted below in this paragraph, stock certificates for all Shares acquired during the Primary Subscription and pursuant to the Over-Subscription Privilege will be mailed promptly after the Confirmation Date and after payment for the Shares subscribed for has cleared. Participants in the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan") will have any Shares acquired during the Primary Subscription or pursuant to the Over-Subscription Privilege credited to their accounts in the Plan. Stock certificates will not be issued for Shares credited to Plan accounts. Shareholders whose shares of Common Stock are held of record by Cede or by any other depository or nominee on their behalf or their broker-dealers' behalf will have any Shares acquired during the Primary Subscription or pursuant to the Over-Subscription Privilege credited to the account of Cede or such other depository or nominee.

#### FEDERAL INCOME TAX CONSEQUENCES

For United States federal income tax purposes, neither the receipt nor the exercise of the Rights by Record Date Shareholders will result in taxable income to holders of Common Stock, and no loss will be realized if the Rights expire without exercise. A shareholder's holding period for a Share acquired upon exercise of a Right begins with the date of exercise. A shareholder's basis for determining gain or loss upon the sale of a Share acquired upon the exercise of a Right will be equal to the sum of the Subscription Price per Share, any servicing fee charged to the shareholder by the shareholder's broker, bank or trust company and the shareholder's basis, if any, in the Rights exercised (as discussed below). A shareholder's gain or loss recognized upon a sale of a Share acquired upon the exercise of a Right will be a capital gain or loss (assuming the Share is held as a capital asset at the time of sale) and will be a long-term capital gain or loss if the Share has been held at the time of sale for more than one year.

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If the fair market value of the Rights on the date of distribution is less than 15% of the fair market value of the shares of Common Stock with respect to which they are issued, on that date the basis of a Right will be zero unless a Record Date Shareholder elects to allocate his basis in those shares of the Fund which he originally owned between such shares and the Rights issued in the Offer. This allocation is based upon the relative fair market value of such shares and the Rights as of the date of distribution of the Rights. Thus, if such an election is made, the shareholder's basis in the shares originally owned will be reduced by an amount equal to the basis allocated to the Rights. This election must be made in a statement attached to the shareholder's federal income tax return for the year in which the Offer occurs. If the fair market value of the Rights on the date of distribution is equal to or greater than 15% of the fair market value of the shares of Common Stock with regard to which they are issued, a Record Date Shareholder will allocate his basis in those shares of the Fund which he originally owned between such shares and the Rights issued in the Offer based upon their relative fair market values on the date of distribution. However, if a shareholder does not exercise the Rights, no loss will be recognized and no portion of the shareholder's basis in the shares will be allocated to the unexercised Rights. If a shareholder exercises the Rights, the basis of any Shares acquired through exercise of the Rights will be increased by the basis allocated to such Rights. Accordingly, shareholders should consider the advisability of making the election described above if the shareholder intends to exercise the Rights.

The foregoing is a general summary of the material United States federal income tax consequences of the receipt and exercise of Rights by a Record Date Shareholder. The discussion is based upon applicable provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations and other authorities currently in effect, and does not cover state, local or foreign taxes. The Code and regulations are subject to change by legislative or administrative action. Shareholders should consult their tax advisors regarding specific questions as to federal, state, local or foreign taxes. See "Taxation" in the SAI.

#### EMPLOYEE BENEFIT PLAN CONSIDERATIONS

Shareholders that hold their shares through employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (including corporate savings and 401(k) plans, Keogh Plans of self-employed individuals and Individual Retirement Accounts (collectively, "Benefit Plans")) should be aware of the complexity of the rules and regulations governing Benefit Plans and the penalties for noncompliance, and should consult their counsel and tax advisors regarding the consequences under ERISA and the Code of their exercise of the Rights.

#### CERTAIN EFFECTS OF THE OFFER

Upon the completion of the Offer, shareholders who do not fully exercise their Rights will own a smaller proportional interest in the Fund than would be the case if the Offer had not been made. In addition, because the Subscription Price per Share will be less than the then current net asset value per share of the Fund's Common Stock, the Offer will result in a dilution of net asset value per share for all shareholders, which will disproportionately affect shareholders who do not exercise their Rights. Although it is not possible to state precisely the amount of such decrease in net asset value because it is not known at the date of this Prospectus how many Shares will be subscribed for, or what the Subscription Price will be, such dilution might be substantial. For example, assuming all Rights are exercised at the Estimated Subscription Price, including up to an additional 25% of the Shares which may be issued to satisfy over-subscriptions, the Fund's current net asset value of \$ per share would be reduced by approximately \$ or %, taking into account the expenses of the Offer.

It is expected that no dividends or other distributions will be payable with respect to the Shares offered hereby until November 1996.

CERTAIN IMPACT ON FEES

The Fund's investment adviser and administrator will benefit from the Offer because the investment advisory and administration fees are based on the net assets of the Fund. See "Management of the Fund." It is not possible to state precisely the amount of additional compensation the Fund's investment adviser or administrator will receive as a result of the Offer because it is not known how many Shares will be subscribed for and because the proceeds of the Offer will be invested in additional portfolio securities which will

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fluctuate in value. However, assuming all Rights are exercised at the Estimated Subscription Price, including up to an additional 25% of the Shares which may be issued to satisfy over-subscriptions, the annual compensation to be received by the Fund's investment adviser and administrator would be increased by approximately \$ and \$ , respectively. One of the Fund's directors who voted to authorize the Offer is an "interested person" of the Fund within the meaning of the 1940 Act because of his position as a director and an officer of BEA Associates. This director could benefit indirectly from the Offer because of his affiliation. The other three directors are not "interested persons" of the Fund. See "Management of the Fund" in the SAI.

IMPORTANT DATES TO REMEMBER

<TABLE>

<CAPTION>

EVENT	DATE
Record Date.....	, 1996
Subscription Period.....	, 1996 to , 1996*
Payment for Shares or Notices of Guaranteed Delivery Due.....	, 1996*
Expiration and Pricing Date.....	, 1996*
Payment for Guarantees of Delivery Due.....	, 1996*
Confirmation to Participants.....	, 1996*
Final Payment for Shares.....	, 1996*

</TABLE>

\* Unless the Offer is extended to a date not later than , 1996.

THE FUND

The Fund, incorporated in Maryland on February 10, 1987, is a diversified, closed-end management investment company registered under the 1940 Act. The Fund's Common Stock is traded on the New York Stock Exchange under the symbol "FBF."

The Fund commenced operations on March 23, 1987 after an initial public offering of 24,000,000 shares of the Common Stock, the net proceeds to the Fund of which were approximately \$222,715,000.

The Fund's investment objective is current income consistent with the preservation of capital. The Fund seeks to achieve its objective by investing primarily in fixed-income securities, such as bonds, debentures and preferred stocks. Under normal circumstances, the Fund will invest at least 75% of its total assets in fixed-income securities. The Fund may also invest up to 25% of its assets in money market instruments, such as certificates of deposit, commercial paper, bankers' acceptances and repurchase agreements. The Fund may hold securities deemed to be Temporary Investments (as defined below).

At June 30, 1996, the Fund's portfolio of investments was composed as follows (as a percentage of net assets): corporate obligations (78.5%); government and agency securities (8.4%); collateralized securities (3.7%); asset

backed obligations (3.3%); common stocks (1.8%); preferred stocks (0.8%); warrants (0.3%); rights (0.0%) and units (2.1%). At the same date, 67.2% of the Fund's net assets were invested in high yield fixed-income securities.

The table below sets forth the percentages of the Fund's assets invested during the fiscal year ended December 31, 1995 in the various Standard & Poor's Rating Group ("S&P") and Moody's Investors Service, Inc. ("Moody's") rating categories and in unrated securities determined by BEA Associates to be of

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comparable quality. The percentages are based on the dollar-weighted average of credit ratings of all securities held by the Fund during the 1995 fiscal year, computed on a monthly basis. For information regarding the various ratings of Moody's and S&P, see the Appendix to this Prospectus.

<TABLE>  
<CAPTION>

RATING CATEGORY	YEAR ENDED DECEMBER 31, 1995	
	RATED SECURITIES AS A PERCENTAGE OF PORTFOLIO VALUE	UNRATED SECURITIES OF COMPARABLE QUALITY AS A PERCENTAGE OF PORTFOLIO VALUE
<S>	<C>	<C>
AAA/Aaa.....		
AA/Aa.....		
A/A.....		
BBB/Baa.....		
BB/Ba.....		
B/B.....		
CCC/Caa.....		
CC/Ca.....		
C/C.....		
D.....		
Percentage of Rated and Unrated Securities.....	%	%

The percentage of the Fund's assets invested in securities of various grades may from time to time vary substantially from those set forth above.

At June 30, 1996 the Fund's assets were invested in the following industries and financial instruments:

<TABLE>  
<CAPTION>

INDUSTRY	% OF FUND'S NET ASSETS
<S>	<C>
Communications	21.32%
Services	11.51%
Industrial Goods & Materials	10.99%
Manufacturing	10.92%
Finance	10.03%
U.S. Gvts.	8.42%
CMOs & Asset Backed Securities	6.99%
Consumer Products	6.10%
Retail Trade	5.67%
Transportation	2.64%
Rights, Warrants & Units	2.49%
Oil, Gas Electric	1.81%
Total Investments	98.89%
Net Other Assets	1.11%
Net Assets	100.00%

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The Fund's ten largest holdings at June 30, 1996 (as a percentage of net assets) were:

<TABLE>  
<CAPTION>

POSITION	% OF FUND'S NET ASSETS
<S>	<C>
1) Drexel, Burnham & Lambert Trust Remic-PAC Series S, Class 2, 9.00%, 8/01/18	3.12%

2)	U.S. Treasury Note 5.375%, 5/31/98	2.92%
3)	Federal National Mortgage Association Remic-PAC Series 1989-23, Class D, 10.20%, 9/25/18	1.98%
4)	American Express Co. Eurobond Zero Coupon, 12/12/00	1.79%
5)	Ferrovie dello Stato Notes 9.125%, 7/6/09	1.64%
6)	Meditrust Convertible Debentures 7.50%, 3/01/01	1.45%
7)	Goldman Sachs Group L.P. MTN 6.20%, 2/15/01	1.40%
8)	U.S. Treasury Note 7.25%, 5/15/04	1.30%
9)	Household Affinity Credit Card Master Trust I Series 1993-S, Class B, 4.95%, 3/15/99	1.20%
10)	Merrill Lynch Home Equity Acceptance Trust Series 1994-A, Class A-2, 6.25%, 7/17/22	0.99%

</TABLE>

#### USE OF PROCEEDS

Assuming all Shares offered pursuant to the Primary Subscription are sold at the Estimated Subscription Price, the net proceeds of the Offer are estimated to be \$ , after payment of the Dealer Manager's fees, the soliciting fees and the estimated offering expenses. These expenses will be borne by the Fund and will reduce the net asset value of the Common Stock. If the Fund increases the number of Shares subject to the Offer by 25%, or 2,032,114 Shares, in order to satisfy over-subscription requests, the additional net proceeds will be approximately \$ . The Fund expects that, subject to market conditions, substantially all of the net proceeds of the Offer will be invested in accordance with the Fund's investment objective within one month from the date of this Prospectus. Pending such investment, the proceeds will be invested in certain short-term debt instruments, as described under "Investment Objective and Policies-- Temporary Investments."

#### RISK FACTORS AND SPECIAL CONSIDERATIONS

Investors should consider the following special considerations associated with an exercise of Rights and an additional investment in the Fund.

#### CERTAIN EFFECTS OF THE OFFER

Upon the completion of the Offer, shareholders who do not fully exercise their Rights will own a smaller proportional interest in the Fund than would be the case if the Offer had not been made. In addition, an immediate dilution of the net asset value per share will be experienced by all shareholders as a result of the Offer because the Subscription Price will be less than the then current net asset value per share, the Fund will bear the expenses of the Offer and the number of shares outstanding after the Offer will have increased proportionately more than the increase in the size of the Fund's net assets. Although it is not possible to state precisely the amount of such a decrease in value, because it is not known at this time how many Shares will be subscribed for or what the Subscription Price will be, such dilution might be substantial. For example, if the Subscription Price per Share is \$ , representing a price that is % of an assumed net asset value per share of \$ , assuming that all Rights are exercised, including an additional 25% of the Shares which may be issued to satisfy over-subscription requests, the Fund's net asset value per share would be

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reduced by approximately \$ per share. If, on the other hand, the Subscription Price represents a price that is less than % of the Fund's then net asset value, which would be the case if the Subscription Price is set at a time when the market price per share is lower than the net asset value per share, the dilution would be greater. For example, if the Subscription Price per Share is \$ , representing a price which is only % of the net asset value per share, assuming that all Rights are exercised, including an additional 25% of the Shares which may be issued to satisfy over-subscription requests, the Fund's net asset value per share would be reduced by approximately \$ per share. The foregoing examples assumed Subscription Prices of \$ and \$ per Share, respectively. However, the actual Subscription Price may be greater or less than such assumed Subscription Price. This dilution of net asset value per share will disproportionately affect shareholders who do not exercise their Rights.

#### RISKS ASSOCIATED WITH INVESTMENTS IN FIXED-INCOME SECURITIES

Bond prices generally vary inversely in relation to changes in the level of interest rates, as well as in response to other market factors and changes in the creditworthiness of the issuers of the securities. Government securities are considered to be of the highest credit quality available. Government securities, however, will be affected by general changes in interest rates. The price volatility of a Fund share where the Fund invests in intermediate maturity bonds

will be substantially less than where it invests in long-term bonds. An intermediate maturity bond will generally have a lower yield than that of a long-term bond. Longer-term securities in which the Fund may invest generally offer a higher current yield than is offered by shorter-term securities, but also generally involve greater volatility of price and risk of capital than shorter-term securities.

#### LOWER-RATED SECURITIES

At any time, a substantial portion of the Fund's assets may be invested in medium-grade or below investment grade fixed-income securities as determined by a nationally recognized rating service. Investment in lower-rated securities typically involves risks not associated with higher-rated securities, including, among others, overall greater risk that timely and ultimate payment of interest and principal will not occur, potentially greater sensitivity to general economic conditions, greater market price volatility and relative illiquidity. In addition, ratings are relative and subjective and not absolute standards of quality. Securities ratings are based largely on the issuer's historical financial condition and the rating agencies' analysis at the time of rating. Consequently, the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition.

Securities rated in the lowest investment grade (Baa or BBB) have speculative characteristics and securities rated below investment grade have speculative elements and a greater vulnerability to default than higher-rated securities. Lower-rated and comparable unrated securities (commonly referred to as "junk bonds") (i) will likely have some quality and protective characteristics that, in the judgment of the rating service, are outweighed by large uncertainties or major-risk exposures to adverse economic conditions and (ii) are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. Medium- and lower-rated securities and comparable unrated securities generally present a higher degree of credit risk. The risk of loss due to default by such issuers is significantly greater because medium- and lower-rated securities and unrated securities generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. No assurance can be given that the securities purchased by the Fund will continue to earn yields comparable to those earned historically, nor can any assurance be given that issuers whose obligations the Fund acquires will make payments on such obligations as they become due.

Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. Economic downturns or increases in interest rates may result in higher rates of default for lower-rated securities than for higher-rated securities. The prices of lower-rated securities have been found to be less sensitive to interest rate changes than those of higher-rated securities, but to be more sensitive to adverse economic downturns or individual corporate developments.

The market value of securities in lower-rated categories is more volatile than that of higher-quality securities. The markets in which lower-rated securities are traded are more limited than those in which

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higher-rated securities are traded. Adverse publicity and investors' perceptions, whether or not based on fundamental analyses, may decrease the values and liquidity of lower-rated securities, especially in a thinly traded market. Analysis of the creditworthiness of issuers of lower-rated securities may be more complex than for issuers of higher-rated securities, and the ability of the Fund to achieve its investment objective may, to the extent of investment in lower-rated securities, be more dependent upon such creditworthiness analysis than would be the case if the Fund were investing in higher-rated securities.

The more limited size of the markets in which lower-rated securities are traded may result in reducing the Fund's ability to dispose of certain of its investments. The lack of a liquid secondary market for certain securities may have an adverse impact on the Fund's ability to dispose of particular issues and may make it more difficult for the Fund to obtain accurate market quotations for purposes of valuing the Fund and calculating its net asset value.

In addition, certain of the Fund's investments in high yield securities may be subject to special tax considerations. Interest on high yield securities structured as zero coupon or paid-in-kind securities must be reported as income by the Fund, although no cash is received until such securities' maturity or payment date. Under the Code, the Fund is required to distribute all its investment income. In order to maintain its status as a regulated investment company, the Fund could therefore be required to dispose of portfolio securities or leverage its portfolio to generate cash for distribution. There is no assurance that any such disposition could be made at favorable market conditions.

For a complete description of rating systems of Moody's and S&P, see the Appendix to this Prospectus.

The Fund may purchase securities that are not registered under the Securities Act but that can be sold to "qualified institutional buyers" in accordance with Rule 144A under the Securities Act ("Rule 144A Securities"). Nonpublicly-traded securities, including Rule 144A Securities, may involve a high degree of business and financial risk and may result in substantial losses. These securities may be less liquid than publicly-traded securities, and the Fund may take longer to liquidate these positions than would be the case for publicly-traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the Fund. Further, companies whose securities are not publicly-traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly-traded. A Fund's investment in illiquid securities is subject to the risk that, should the Fund desire to sell any of these securities when a ready buyer is not available at a price that is deemed to be representative of their value, the value of the Fund's net assets could be adversely affected.

#### RISKS ASSOCIATED WITH MORTGAGE-BACKED SECURITIES

The Fund may invest a substantial portion of its total assets in mortgage-backed securities. The value of mortgaged-backed securities is subject to change due to shifts in the market's perception of issuers, and regulatory or tax changes may adversely affect the mortgage securities market as a whole. Foreclosures and prepayments, which occur when unscheduled or early payments are made on the underlying mortgages, may shorten the effective maturities on these securities. The Fund's yield may be affected by reinvestment of prepayments at higher or lower rates than the original investment. Prepayments may tend to increase due to refinancing of mortgages as interest rates decline. In addition, like other debt securities, the values of mortgage-backed securities will generally fluctuate in response to interest rates.

#### SHORT SALES

The Fund's investment policies may include short selling. Short sales can, under certain circumstances, substantially increase the impact of adverse price movements on the Fund's portfolio. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security which could result in an inability to cover the short position or the theoretically unlimited loss. There can be no assurance that securities necessary to cover the short position will be available for purchase. The Fund, however, is restricted from engaging in uncovered short selling. See "Investment Objective and Policies--Short Sales" below and "Investment Restrictions" in the SAI.

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#### RISKS OF TRANSACTIONS IN INTEREST RATE FUTURES CONTRACTS

The Fund may, for bona fide hedging purposes, purchase and sell interest rate futures contracts and options thereon that are traded on U.S. futures exchanges. There are several risks in connection with the use of interest rate futures contracts as a hedge for transactions and anticipated transactions, including the potential risk of unlimited loss. Due to the imperfect correlation between movements in the prices of interest rate futures contracts and movements in the prices of the underlying securities, the price of a futures contract may move more than or less than the price of the securities being hedged. The market prices of futures contracts may also be affected by various other factors which can result in significant price distortions. In addition, there is the risk that movements in the prices of interest rate futures contracts will not correlate with interest rate movements.

In addition to the possibility that there may be an imperfect correlation between movements in prices of interest rate futures contracts and portfolio securities being hedged, the market prices of futures contracts may be affected by certain factors. If participants in the interest rate futures market elect to close out their contracts through offsetting transactions rather than meet margin deposit requirements, distortions in the normal relationship between the debt securities and futures markets could result. Price distortions could also result if investors in futures contracts opt to make or take delivery of underlying securities rather than engage in closing transactions due to the resultant reduction in the liquidity of the interest rate futures market. In addition, due to the fact that, from the point of view of speculators, the deposit requirements in the interest rate futures markets are less onerous than margin requirements in the cash market, increased participation by speculators in the interest rate futures market could cause temporary price distortions. Due to the possibility of price distortions in the interest rate futures market and because of the imperfect correlation between movements in the prices of securities and movements in the prices of interest rate futures contracts, a correct forecast of interest rate trends by BEA Associates may still not result in a successful hedging transaction. If BEA Associates' predictions of movements in the direction of overall interest rate markets are inaccurate, the adverse consequences to the Fund may place the Fund in a worse position than if hedging strategies were not employed.

Positions in interest futures contracts may be closed out only on an exchange or board of trade which provides a market for such interest rate futures contracts. Although the Fund intends to purchase or sell interest rate futures contracts only on exchanges or boards of trade where there appears to be an active market for such contracts, there is no assurance that a liquid market on an exchange or board of trade will exist for any particular contract or at any particular time. In the event a liquid market does not exist, it may not be possible to close an interest rate futures position, and in the event of adverse price movements, the Fund would continue to be required to make daily cash payments of maintenance margin. In addition, limitations imposed by an exchange or board of trade on which interest futures contracts are traded may compel or prevent the Fund from closing out a contract which may result in reduced gain or increased loss to the Fund. The absence of a liquid market in futures contracts might cause the Fund to make or take delivery of the underlying securities at a time when it may be disadvantageous to do so.

#### RISKS OF TRANSACTIONS IN OPTIONS ON INTEREST RATE FUTURES CONTRACTS

In addition to the risks which apply to all options transactions and the risks that apply to futures contracts, there are several special risks relating to options on interest rate futures contracts. The ability to establish and close out positions on such options is subject to the maintenance of a liquid secondary market. The Fund will only purchase or write options on futures contracts traded on sufficiently developed markets such that the risks in connection with such options are not greater than the risks in connection with transactions in the underlying interest rate futures contracts.

Compared to the purchase or sale of interest rate futures contracts, the purchase of call or put options on futures contracts involves less potential risk to the Fund because the maximum amount at risk is the premium paid for the options (plus transaction costs). However, there may be circumstances when the purchase of a call or put option on a futures contract would result in a loss to the Fund when the purchase or sale of an interest rate futures contract would not result in a loss, such as when there is no movement in the prices of the underlying securities.

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Because of an income-tax related limitation on the amount of certain types of short-term gain that the Fund can recognize in any year, there is a risk that the Fund may need to defer closing out certain futures contracts and options thereon in order to continue to qualify for beneficial tax treatment. See "Taxation."

#### RISKS ASSOCIATED WITH REPURCHASE AGREEMENTS

The Fund may invest in repurchase agreements collateralized by U.S. Government securities, certificates of deposit and certain bankers' acceptances for the purpose of realizing additional income. The use of repurchase agreements involves certain risks not associated with direct investment in securities. For example, if the seller of securities under an agreement defaults on its obligation to repurchase the underlying securities at the agreed upon repurchase price at a time when the value of these securities has declined, the Fund may incur a loss upon their disposition. If such a defaulting seller were to become insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, disposition of the underlying securities could involve certain costs or delays pending court action. Finally, it is not certain whether the Fund would be entitled, as against a claim of the seller or its receiver, trustee in bankruptcy or creditors, to retain the underlying securities. While BEA Associates acknowledges these risks, it is expected that they can be controlled by limiting the institutions with which the Fund will enter into repurchase agreements to the Federal Reserve Bank, Reporting Government Securities Dealers and member banks of the Federal Reserve System and by carefully monitoring the creditworthiness of such institutions, other than the Federal Reserve Bank, by BEA Associates.

#### MARKET VALUE AND NET ASSET VALUE

Shares of closed-end investment companies frequently trade at a discount to net asset value. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that the Fund's net asset value will decrease. In addition, changes in market yields will affect the Fund's net asset value as prices of fixed-income securities generally increase when interest rates decline and decrease when interest rates rise. The Fund cannot predict whether its shares will trade at, below or above net asset value. Since the commencement of the Fund's operations, the Fund's shares have generally traded in the market at a discount to net asset value. See "Net Asset Value" and "Common Stock." The risk of purchasing shares of a closed-end fund that might trade at a discount is more pronounced for investors who wish to sell their shares in a relatively short period of time because for those investors, realization of a gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. The Fund's shares are not subject to redemption. Investors desiring liquidity may, subject to applicable securities laws, trade their shares in the Fund on any exchange where such shares are then listed at the then current

market value, which may differ from the then current net asset value. If, at any time, the average discount from net asset value at which shares of the Fund's Common Stock have traded for any fiscal quarter is substantial in the determination of the Board of Directors, the Board of Directors will consider, at its next regularly scheduled quarterly meeting, taking actions designed to eliminate the discount, including periodic repurchases of shares. See "Common Stock."

#### INVESTMENT OBJECTIVE AND POLICIES

##### GENERAL

The Fund's investment objective is current income consistent with the preservation of capital. The Fund seeks to achieve this objective by investing primarily in fixed-income securities, such as bonds, debentures and preferred stock. The Fund's investment portfolio will not be managed for capital appreciation. The Fund's investment objective is a fundamental policy and cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. As used herein, a "majority of the Fund's outstanding voting securities" means the lesser of (a) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (b) more than 50% of the outstanding shares. No assurance can be given that the Fund's investment objective will be achieved. For a more detailed discussion of the Fund's investment objective and policies, see "Investment Objective and Policies" in the SAI.

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##### INVESTMENT POLICIES

Under normal circumstances, the Fund will invest at least 75% of its total assets in fixed-income securities. In January 1992, the Board of Directors removed the requirement that two-thirds of the Fund's fixed-income securities be comprised of investment grade securities. Accordingly, the Fund's investments in fixed-income securities are no longer subject to any rating quality limitation and a substantial portion or all of the Fund's portfolio may consist of securities that are rated below investment grade by a nationally recognized rating service or that are unrated and of comparable quality in the opinion of BEA Associates. Lower-rated securities generally provide yields superior to those of more highly rated securities, but involve greater risks and are speculative in nature. See "Risk Factors and Special Considerations--Lower-Rated Securities." The market value of lower-rated securities may be more volatile than the market value of higher-rated securities and generally tends to reflect the market's perception of the creditworthiness of the issuer and short-term market developments to a greater extent than more highly rated securities, which reflect primarily fluctuations in general levels of interest rates. For a description of the corporate bond ratings of Moody's and S&P, see the Appendix to the Prospectus.

Depending on market conditions, the Fund may also invest a substantial portion of its assets in mortgage-backed securities. Mortgage-backed securities are collateralized by mortgages or interests in mortgages and may be issued by government or non-government entities. Mortgage-backed securities issued by government entities typically provide a monthly payment consisting of interest and principal payments, and additional payments will be made out of unscheduled prepayments of principal. Non-government issued mortgage-backed securities may offer higher yields than those issued by government entities, but may be subject to greater price fluctuations.

Subject to the limitations described under "Other Investment Techniques" below, the Fund may also invest up to 25% of its total assets in money market instruments such as certificates of deposit, commercial paper, bankers' acceptances and repurchase agreements; the Fund, however, currently does not intend to invest more than 5% in such assets. The Fund may also, for bona fide hedging purposes, invest in interest rate futures and related options. It is expected that the average weighted maturity of the Fund investment portfolio will be 8 to 12 years.

The Fund's policy is to diversify its investments among various securities and industries only to the extent such diversification appears to enhance the opportunity to achieve its investment objective. The Fund may not invest in a security if after such investment 25% or more of its total assets, at market value, would be invested in any one industry.

##### OTHER INVESTMENT TECHNIQUES

The Fund may enter into repurchase agreements, lend portfolio securities, purchase securities on a when-issued basis and invest in interest rate futures and related options.

**REPURCHASE AGREEMENTS.** The Fund may invest in repurchase agreements collateralized by U.S. Government securities, certificates of deposit and certain bankers' acceptances for the purpose of realizing additional income. Repurchase agreements are transactions by which the Fund purchases a security and simultaneously commits to resell that security to the seller (a bank or



securities dealer) at an agreed upon price on an agreed upon date (usually within seven days of purchase). Use of repurchase agreements can permit the Fund to keep its assets at work while retaining short-term flexibility in pursuit of investments of a longer-term nature. BEA Associates will continually monitor the value of the underlying securities to ensure that their value always equals or exceeds the repurchase price.

**LENDING OF SECURITIES.** The Fund may lend its portfolio securities to banks, brokers, dealers and other financial institutions who need to borrow securities in order to complete certain transactions, such as covering short sales, avoiding failures to deliver securities or completing arbitrage operations. By lending its portfolio securities, the Fund attempts to increase its income through the receipt of interest on the loan. Any gain or loss in the market price of the securities lent that might occur during the term of the loan would be for the account of the Fund. The Fund may lend its portfolio securities so long as the terms and the structure of such loans are not inconsistent with the 1940 Act or the rules and regulations or interpretations of the

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Securities and Exchange Commission (the "Commission") thereunder. The Fund will not lend portfolio securities if, as a result, the aggregate of such loans exceeds 33 1/3% of the value of the Fund's total assets. Loan arrangements made by the Fund will comply with all other applicable regulatory requirements, including the rules of the New York Stock Exchange. All relevant facts and circumstances, including the creditworthiness of the borrower, will be considered by BEA Associates in making decisions with respect to the lending of securities, subject to review by the Fund's Board of Directors. The creditworthiness of such bank, broker, dealer or other financial institution will be monitored by BEA Associates during the time any securities are loaned. In addition, voting rights may pass with the loaned securities but if a material event were to occur affecting an investment on a loan, the loan must be called and the securities voted by the Fund.

**SHORT SALE.** The Fund may engage in short sales (the sale of securities that it does not own), but only when it owns an equal amount of such securities or securities convertible into or exchangeable, without payment of any further consideration, for securities of the same issue as, and equal in amount to, the securities sold short ("short sales against the box"), and only if not more than 5% of the Fund's net assets (taken at current value) is held as collateral for such sales at any one time.

**INTEREST RATE FUTURES AND RELATED OPTIONS.** The Fund may purchase and sell interest rate futures contracts and options thereon that are traded on U.S. futures exchanges. When the Fund attempts to hedge its portfolio by selling an interest rate futures contract, purchasing a put option thereon, or writing a call option thereon, it will own an amount of U.S. Government securities corresponding to the open futures or option position. The Fund only intends to engage in futures contracts or options for bona fide hedging purposes. In instances where the Fund purchases futures, the Fund will segregate with its custodian an amount of cash, U.S. Government securities or other high-grade, liquid debt securities equal to the market value of the interest rate futures contracts and thereby insure that the use of interest rate futures contracts is unleveraged.

In accordance with the current rules of the Commodity Futures Trading Commission (the "CFTC"), the Fund will not enter into any interest rate futures contract or option thereon if, immediately thereafter, the aggregate initial margin for all existing futures contracts and options thereon and for premiums paid for such options would exceed 5% of the Fund's total assets. The Fund will not enter into any such contract or option thereon, if, as a result thereof, more than 50% of the Fund's total assets would be hedged.

In contrast to the purchase or sale of a security, the full purchase price of the futures contract is not paid or received by the Fund upon its purchase or sale. Instead, the Fund will deposit in a segregated custodial account as initial margin an amount of cash or U.S. Treasury bills equal to approximately 5% of the value of the contract. At any time prior to expiration of the futures contract, the Fund may elect to terminate the position by taking an opposite position. A final determination of variation margin is then made, additional cash is required to be paid by or released to the Fund, and the Fund realizes a loss or gain. No assurance can be given that the Fund will be able to take an opposite position.

The selection of futures and options strategies requires skills different from those needed to select portfolio securities however, BEA Associates does have experience in the use of futures and options.

**DIRECT PLACEMENT.** As noted under "Investment Restrictions" in the SAI, the Fund may invest up to 10% of its assets in securities that are not readily marketable. The portion of the Fund's portfolio that may be invested in such securities (other than in repurchase agreements) will be purchased in placements from the securities' issuer or in the secondary market for such directly placed securities ("Direct Placement Securities"). The purchase of Direct Placement Securities will depend on the relative attractiveness of those securities as

compared to securities which have been publicly offered.

#### TEMPORARY INVESTMENTS

The Fund may, for temporary defensive purposes, invest its assets in money market instruments and interest rate futures and related options without regard to any percentage limitation. The Fund may also, for temporary defensive purposes, invest in short-term (less than twelve months to maturity) debt securities

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rated at least A by Moody's or S&P. Subject to its limitation on investments in money market instruments, the Fund will also invest in short-term debt securities rated at least Baa by Moody's or BBB by S&P to commit overnight cash balances.

#### MANAGEMENT OF THE FUND

##### DIRECTORS AND OFFICERS

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors, and the day to day operations of the Fund are conducted through or under the direction of the officers of the Fund. For certain information regarding the directors and officers of the Fund, see "Management of the Fund--Directors and Officers" in the SAI.

##### BEA ASSOCIATES

BEA Associates serves as the Fund's investment adviser pursuant to an Advisory Agreement with the Fund (the "Advisory Agreement") which became effective on June 13, 1995. Prior to that date, CSIM provided investment advisory services to the Fund.

BEA Associates is a general partnership organized under the laws of the State of New York and, together, with its predecessor firms, has been engaged in the investment advisory business for over 50 years. BEA Associates is located at One Citicorp Center, 57th Floor, 153 East 53rd Street, New York, New York 10022. Credit Suisse Capital Corporation ("CS Capital") is an 80% partner and CS Advisors Corp., a New York corporation and a wholly owned subsidiary of CS Capital, is a 20% partner in BEA Associates. CS Capital is a wholly owned subsidiary of Credit Suisse Investment Corporation, which is a wholly owned subsidiary of Credit Suisse, the second largest Swiss bank, which in turn is a subsidiary of CS Holding, a Swiss corporation. BEA Associates is registered as an investment adviser under the Investment Advisers Act of 1940, as amended.

BEA Associates is a diversified asset manager, handling global equity, balanced, fixed income and derivative securities accounts for private individuals, as well as corporate pension and profit-sharing plans, state pension funds, union funds, endowments and other charitable institutions. As of June 30, 1996, BEA Associates managed in excess of \$28.7 billion of assets.

BEA Associates has sole investment discretion for the Fund with respect to the Fund's portfolio under the supervision of the Fund's Board of Directors and in accordance with the Fund's stated policies. BEA Associates will select investments for the Fund and will place purchase and sale orders on behalf of the Fund. For its services, BEA Associates is paid a quarterly fee computed at an annual rate of 0.50% of the Fund's average weekly net assets.

##### PORTFOLIO MANAGEMENT

Robert Moore, who has been an Executive Director and the Chief Operating Officer of BEA Associates since 1995, is primarily responsible for management of the Fund's assets. Mr. Moore has served the Fund in such capacity since June 1995. Mr. Moore joined BEA Associates in 1987. He is President and Chief Investment Officer of the Fund and is also President and Chief Investment Officer of BEA Strategic Income Fund, Inc.

##### ADMINISTRATOR

Chase Global Funds Services Company, a Delaware corporation, serves as the Fund's administrator pursuant to an agreement with the Fund (the "Administration Agreement"). The Administrator's principal offices are located at 73 Tremont Street, Boston, Massachusetts. Under the Administration Agreement, the Fund pays the Administrator a monthly fee that is computed weekly at an annual rate of 0.15% of the Fund's first \$100 million of average weekly net assets, 0.10% of the Fund's next \$300 million of average weekly net assets and 0.05% of the Fund's average weekly net assets in excess of \$400 million.

The Administrator provides office facilities and personnel adequate to perform services for the Fund, including without limitation the following: oversight of the determination and publication of the Fund's net asset value in accordance with the Fund's policy as adopted from time to time by the Board of Directors;

oversee the maintenance of the books and records of the Fund as required under the 1940 Act; assist in preparation and filing of the Fund's U.S. federal, state and local income tax returns; preparation of financial information for the Fund's proxy statements and semiannual and annual reports to shareholders; and preparation of certain of the Fund's reports to the Securities and Exchange Commission.

#### ESTIMATED EXPENSES

BEA Associates and the Administrator are each obligated to pay expenses associated with providing the services contemplated by the agreements to which they are parties, including compensation of and office space for their respective officers and employees connected with investment and economic research, trading and investment management and administration of the Fund, as well as the fees of all directors of the Fund who are affiliated with those companies or any of their affiliates. The Fund pays all other expenses incurred in the operation of the Fund including, among other things, expenses for legal and independent accountants' services, costs of printing proxies, stock certificates and shareholder reports, charges of the custodians, any sub-custodians and the transfer and dividend-paying agent, expenses in connection with the Plan, Securities and Exchange Commission fees, fees and expenses of unaffiliated directors, accounting and pricing costs, membership fees in trade associations, fidelity bond coverage for the Fund's officers and employees, directors' and officers' errors and omissions insurance coverage, interest, brokerage costs and stock exchange fees, taxes, stock exchange listing fees and expenses, expenses of qualifying the Fund's shares for sale in various states, litigation and other extraordinary or non-recurring expenses and other expenses properly payable by the Fund.

#### PORTFOLIO TRANSACTIONS

The Fund may utilize CS First Boston Corporation and other affiliates of Credit Suisse in connection with the purchase or sale of securities in accordance with rules or exemptive orders adopted by the Securities and Exchange Commission when BEA Associates believes that the charge for the transaction does not exceed usual and customary levels. For a more detailed discussion of the Fund's brokerage allocation practice, see the SAI under "Portfolio Transactions."

#### DIVIDENDS AND DISTRIBUTIONS; DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The Fund's policy is to make distributions of net investment income to shareholders monthly on or about the fifteenth day of each month and to make distributions at least annually of any net capital gains in excess of applicable capital losses, including capital loss carryforwards.

All dividends and distributions, net of any applicable U.S. withholding tax, are automatically reinvested in additional shares of the Fund unless a shareholder has instructed Chase Manhattan, as the Plan Agent (the "Plan Agent"), otherwise in writing. A shareholder whose shares are held by a broker or nominee that does not provide a dividend reinvestment program may be required to have his shares registered in his own name to participate in the Plan. The receipt of dividends and distributions in shares under the Plan will not relieve participants of any income tax (including withholding tax) that may be payable on such dividends or distributions.

Certain distributions of cash attributable to (a) some of the dividends and interest amounts paid to the Fund and (b) certain capital gains earned by the Fund that are derived from securities of certain foreign issuers are subject to taxes payable by the Fund at the time amounts are remitted. Such taxes, if any, will be borne by the Fund and allocated to all shareholders in proportion to their interests in the Fund.

The Plan Agent serves as agent for the shareholders in administering the Plan. If the Board of Directors of the Fund declares an income dividend or a capital gains distribution payable either in Common Stock or in cash, as shareholders may have elected, non-participants in the Plan will receive cash and participants in the Plan will receive Common Stock. Whenever the market price per share on the valuation date equals or exceeds net asset value per share at the time shares are valued for the purpose of determining the number of shares equivalent to the cash dividend or distribution, the Fund will issue new shares to participants valued at

net asset value or, if the net asset value is less than 95% of the market price on that date, then valued at 95% of the market price. If net asset value per share as determined at the time of purchase exceeds the market price per share on that date, or if the Fund should declare a dividend or other distribution payable only in cash, the Plan Agent, as agent for the participants, will buy shares of Common Stock on the open market, on the New York Stock Exchange or

elsewhere, for the participants' accounts. The valuation date generally is the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading day, the next preceding trading day. If the Fund should declare an income dividend or capital gains distribution payable only in cash, the Plan Agent will, as agent for the participants, buy Fund shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts on, or shortly after, the payment date.

Participants in the Plan have the option of making additional cash payments to the Plan Agent, monthly, in any amount from \$100 to \$3,000, for investment in the Fund's Common Stock through purchases on the open market.

There is no charge to participants for reinvesting dividends or capital gains distributions payable in either shares or cash. However, each participant will be charged by the Plan Agent a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with voluntary cash payments made by the participant or the reinvestment of dividends or capital gains distributions payable only in cash. All correspondence concerning the Plan should be directed to The Chase Manhattan Bank, Dividend Reinvestment Department--Retail, 770 Broadway, New York, New York 10003-9598 or by telephone at 1-800-744-4365. For a more complete description of the Plan, see "Dividend Reinvestment and Cash Purchase Plan" in the SAI.

#### TAXATION

The Fund has qualified and intends to continue to qualify and elect to be treated as a regulated investment company for each taxable year under the Code. The Fund pays monthly dividends of net investment income and makes distributions at least annually of any net capital gains in excess of applicable capital losses, including capital loss carryforwards. The Board of Directors of the Fund will determine annually whether to distribute any such net realized long-term capital gains in excess of net realized short-term capital losses (including any capital loss carryovers). The Fund currently expects to distribute any excess annually to its shareholders. However, if the Fund retains for investment an amount equal to its net long-term capital gains in excess of its net short-term capital losses and capital loss carryovers, it will be subject to a corporate tax (currently at a rate of 35%) on the amount retained. In that event, the Fund expects to designate such retained amounts as undistributed capital gains in a notice to its shareholders who (a) will be required to include in income for United States federal income tax purposes, as long-term capital gains, their proportionate shares of the undistributed amount, (b) will be entitled to credit their proportionate shares of the 35% tax paid by the Fund on the undistributed amount against their United States federal income tax liabilities, if any, and to claim refunds to the extent their credits exceed their liabilities, if any, and (c) will be entitled to increase their tax basis, for United States federal income tax purposes, in their shares by an amount equal to 65% of the amount of undistributed capital gains included in the shareholder's income.

Shareholders will be notified annually by the Fund as to the United States federal income tax status of the dividends, distributions and deemed distributions made by the Fund to its shareholders. Furthermore, shareholders will also receive, if appropriate, various written notices after the close of the Fund's taxable year regarding the United States federal income tax status of certain dividends, distributions and deemed distributions that were paid (or that are treated as having been paid) by the Fund to its shareholders during the preceding taxable year. For a more detailed discussion of tax matters affecting the Fund and its shareholders, see "Taxation" in the SAI.

#### NET ASSET VALUE

The net asset value per share is determined as of the close of the New York Stock Exchange on the last business day of each week, by dividing the value of the Fund's net assets (the value of its assets less its

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liabilities, exclusive of capital stock and surplus) by the total number of shares of Common Stock outstanding. Net asset value includes interest on fixed-income securities which is accrued daily. Securities which are traded over-the-counter and on a stock exchange will be valued according to the broadest and most representative market, and it is expected that for bonds and other fixed-income securities this ordinarily will be the over-the-counter market. Notwithstanding the above, bonds and other fixed-income securities may be valued on the basis of prices provided by a pricing service when such prices are believed to reflect the fair market value of such securities. The prices provided by a pricing service are determined without regard to bid or last sale prices but take into account institutional size trading in similar groups of securities and any developments related to specific securities. Securities not priced in this manner are valued at the most recent current quoted bid price, or when stock exchange valuations are used, at the latest quoted sale price on the date of valuation. Short-term debt securities which mature in less than 60 days are valued at amortized cost if their term to maturity from date of purchase by the Fund was less than 60 days, or by amortizing their value on the 61st day if their term to maturity on the date acquired by the Fund was more than 60 days, unless this is determined by the Board of Directors not to represent fair value.

The value of other assets and securities for which no current quotations are readily available are determined in good faith at fair value using methods determined by the Directors.

COMMON STOCK

The authorized capital stock of the Fund is 100,000,000 shares of Common Stock, \$.001 par value per share. All shares of Common Stock have equal rights as to dividends and voting privileges and, when issued, will be fully paid and nonassessable. There are no conversion, preemptive or other subscription rights. In the event of liquidation, each share of Common Stock is entitled to its proportion of the Fund's assets after debts and expenses. Shareholders are entitled to one vote per share and do not have cumulative voting rights.

Set forth below is information with respect to the Common Stock as of July 31, 1996:

<TABLE>  
<CAPTION>

AMOUNT AUTHORIZED	AMOUNT HELD BY FUND FOR ITS OWN ACCOUNT	AMOUNT OUTSTANDING
100,000,000 Shares	0 Shares	24,385,367

</TABLE>

The number of shares outstanding as of July 31, 1996, adjusted to give effect to the issuance of all the Shares pursuant to the Offer, including up to 25% of the Shares available for issuance pursuant to the Over-Subscription Privilege, would be 34,545,937.

The Fund's shares are listed and traded on the New York Stock Exchange. The average weekly trading volume of the Common Stock on the New York Stock Exchange during the year ended December 31, 1995 was 124,877 shares. The following table sets forth for the quarters indicated the high and low sales prices on the New York Stock Exchange per share of Common Stock and the net asset value and the premium or discount from net asset value at which the Common Stock was trading, expressed as a percentage of net asset value, at each of the high and low sales prices provided.

<TABLE>  
<CAPTION>

QUARTER ENDED	MARKET PRICE (1)		NET ASSET VALUE		DISCOUNT AS % OF NAV(2)	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
	<C>	<C>	<C>	<C>	<C>	<C>
March 31, 1994.....	\$ 8.50	\$ 7.75	\$ 9.08	\$ 8.91	6.39%	13.02%
June 30, 1994.....	8.00	7.38	8.67	8.48	7.73	13.03
September 30, 1994.....	7.75	7.00	8.36	8.17	7.30	14.32
December 31, 1994.....	7.25	6.75	8.11	8.11	10.60	16.77
March 31, 1995.....	7.63	7.00	8.24	7.95	7.46	11.95
June 30, 1995.....	7.75	7.25	8.54	8.36	9.25	13.28
September 30, 1995.....	7.75	7.50	8.55	8.59	9.36	12.69
December 31, 1995.....	8.00	7.50	8.63	8.58	7.30	12.59
March 31, 1996.....	8.50	7.88	8.60	8.49	1.16	7.24
June 30, 1996.....	8.25	7.75	8.51	8.53	3.06	9.14
September 30, 1996*.....	8.25	8.00	8.49	8.51	2.83	5.99

</TABLE>

(1) As reported by the New York Stock Exchange.

(2) Based on the Fund's computations.

\* Through August 16, 1996.

The Fund's By-laws provide that if, for a fiscal quarter during or after the fifth year following the initial public offering of the Fund, the average discount from net asset value at which shares of the Fund's Common Stock have traded is substantial in the determination of the Board of Directors, the Board of Directors of the Fund will consider, at its next regularly scheduled quarterly meeting, taking actions designed to eliminate the discount, including periodic repurchases of shares or amendments to the Fund's Articles of Incorporation to convert the Fund to an open-end investment company. Any such amendment would require a favorable vote of a majority of the shares entitled to vote on the matter and the amendment would have to be declared advisable by the Board of Directors prior to its submission to shareholders. Shareholders of an open-end investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of a redemption.

The Fund's Board of Directors has approved a share repurchase program authorizing the Fund from time to time to make open-market purchases of shares of the Fund on the New York Stock Exchange up to 10% of the number of shares of the Fund that were outstanding as of December 11, 1990. There were no repurchases of shares during the year ended December 31, 1995.

#### CUSTODIAN AND TRANSFER AND DIVIDEND-PAYING AGENT AND REGISTRAR

The Chase Manhattan Bank, 770 Broadway, New York, New York 10003, acts as the accounting agent and custodian for the Fund's assets. The Chase Manhattan Bank also acts as the Fund's dividend-paying agent, transfer agent and registrar.

#### DISTRIBUTION ARRANGEMENTS

, located at , will act as Dealer Manager for the Offer. Under the terms and subject to the conditions contained in a Dealer Manager Agreement, the Dealer Manager will provide financial advisory and marketing services in connection with the Offer and will solicit the exercise of Rights by Record Date Shareholders. The Offer is not contingent upon any number of Rights being exercised. The Fund has agreed to pay the Dealer Manager a fee for financial advisory and marketing services equal to 1.25% of the Subscription Price per Share for shares issued upon exercise of the Rights and the Over-Subscription Privilege and to pay broker-dealers, including the Dealer Manager, fees for their soliciting efforts ("Soliciting Fees") of 2.50% of the Subscription Price per Share for each Share issued upon exercise of the Rights and the Over-Subscription Privilege. Soliciting Fees will be paid to the broker-dealer designated on the applicable portion of the Subscription Certificates, or if no broker-dealer is so designated, to the Dealer Manager.

The Fund has also agreed to reimburse the Dealer Manager up to \$100,000 for its reasonable expenses incurred in connection with the Offer.

The Fund and BEA Associates have agreed to indemnify the Dealer Manager for losses arising out of certain liabilities including liabilities under the Securities Act. The Dealer Manager Agreement also provides that the Dealer Manager will not be subject to any liability to the Fund in rendering the services contemplated by the Agreement except in instances involving the bad faith, willful misfeasance, or gross negligence of the Dealer Manager or the reckless disregard by the Dealer Manager of its obligations and duties under the Agreement.

The Fund has agreed, subject to certain exceptions, not to offer or sell, or enter into any agreement to sell, any equity or equity related securities of the Fund or securities convertible into such securities for a period of 180 days after the date of the Dealer Manager Agreement without the prior consent of the Dealer Manager.

#### LEGAL MATTERS

With respect to matters of United States law, the validity of the shares offered hereby will be passed on for the Fund by Willkie Farr & Gallagher, New York, New York. Certain legal matters will be passed on for

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the Dealer Manager by Skadden, Arps, Slate, Meagher & Flom, Boston, Massachusetts. Counsel for the Fund and the Dealer Manager will rely, as to matters of Maryland law, on Venable, Baetjer and Howard, LLP, Baltimore, Maryland.

#### EXPERTS

The financial statements of the Fund as of December 31, 1995 have been incorporated by reference into the SAI in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing. Price Waterhouse LLP is located at 1177 Avenue of the Americas, New York, New York 10036.

#### FURTHER INFORMATION

Further information concerning these securities and their issuer may be found in the Registration Statement of which this Prospectus constitutes a part on file with the Securities and Exchange Commission. The Commission maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains the Prospectus, material incorporated by reference and other information regarding registrants, such as the Fund, that file electronically with the Commission.

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APPENDIX

CORPORATE BOND RATINGS

MOODY'S INVESTORS SERVICE, INC.

<TABLE>

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AAA	Bonds that 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 exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are not likely to impair the fundamentally strong position of such issues.
AA	Bonds that 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 make the long-term risks appear somewhat larger than in Aaa Securities.
A	Bonds that 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 some time in the future.
BAA	Bonds that are rated Baa are considered as medium-grade obligations, (i.e., they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

</TABLE>

Moody's applies numerical modifiers (1, 2, and 3) with respect to the bonds rated "Aa" through "B." The modifier 1 indicates that the bond being rated 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 bond ranks in the lower end of its generic rating category.

<TABLE>

<S>	<C>
BA	Bonds that are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
B	Bonds that are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
CAA	Bonds that are rated Caa are of poor standing. These issues may be in default or there may be present elements of danger with respect to principal or interest.
CA	Bonds that are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
C	Bonds that are rated C are the lowest-rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

</TABLE>

STANDARD & POOR'S RATINGS GROUP

<TABLE>  
 <S> <C>  
 AAA Debt rated AAA has the highest rating assigned by S&P. 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 AAA issues only in small degree.  
 </TABLE>

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<TABLE>  
 <S> <C>  
 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.  
 BBB This is the lowest investment grade. Debt rated BBB has an adequate capacity to pay interest and repay principal. It normally exhibits adequate protection parameters, but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay.  
 </TABLE>

SPECULATIVE GRADE

Debt rated BB, B, CCC, CC and C is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. BB indicates the lowest degree of speculation, and C the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions. Debt rated D is in payment default.

In July 1994, Standard & Poor's initiated an "r" symbol to its ratings. The "r" symbol is attached to derivative, hybrid and certain other obligations that Standard & Poor's believes may experience high variability in expected returns due to non-credit risks created by the terms of the obligation.

MODIFIERS

Standard & Poor's may apply plus (+) or minus (-) modifiers with respect to bonds rated "AA" through "CCC." These modifiers show the bond's relative standing within the major rating categories.

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 NO DEALER, SALESPERSON, OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND, THE FUND'S INVESTMENT ADVISER OR THE DEALER MANAGER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE SHARES OF COMMON STOCK OFFERED BY THIS PROSPECTUS, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SHARES OF COMMON STOCK BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS AS SET FORTH IN THE PROSPECTUS OR IN THE AFFAIRS OF THE FUND SINCE THE DATE HEREOF.

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BEA INCOME FUND, INC.

8,278,456 SHARES OF  
COMMON STOCK ISSUABLE UPON  
EXERCISE OF RIGHTS TO SUBSCRIBE  
TO SUCH SHARES

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P R O S P E C T U S  
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, 1996  
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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 AUGUST 26, 1996

BEA INCOME FUND, INC.

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STATEMENT OF ADDITIONAL INFORMATION

BEA Income Fund, Inc. (the "Fund") is a diversified, closed-end management investment company seeking current income consistent with the preservation of capital. The Fund seeks to achieve this objective primarily through investment in fixed-income securities, such as bonds, debentures and preferred stocks. Under normal circumstances, at least 75% of the Fund's total assets will be invested in fixed-income securities.

This Statement of Additional Information ("SAI") is not a prospectus, but should be read in conjunction with the Prospectus for the Fund dated , 1996 (the "Prospectus"). This SAI does not include all information that a prospective investor should consider before purchasing shares of the Fund, and investors should obtain and read the Prospectus prior to purchasing shares. A copy of the Prospectus may be obtained without charge, by calling (800) 733-8481, extension 349, and from outside the United State, by calling (212) 805-7000. This SAI incorporates by reference the entire Prospectus.

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The Prospectus and this SAI omit certain of the information contained in the registration statement filed with the Securities and Exchange Commission, Washington, D.C. The registration statement may be obtained from the Securities and Exchange Commission upon payment of the fee prescribed, or inspected at the Securities and Exchange Commission's office at no charge.

This Statement of Additional Information is dated

\_\_\_\_\_, 1996.

#### GENERAL INFORMATION

The Fund changed its name from First Boston Income Fund, Inc. to CS First Boston Income Fund, Inc. in June 1994 and to BEA Income Fund, Inc. in June 1995.

#### INVESTMENT OBJECTIVE AND POLICIES

##### INVESTMENT OBJECTIVE

The Fund's investment objective is current income consistent with the preservation of capital. The Fund seeks to achieve this objective by investing primarily in fixed-income securities, such as bonds, debentures and preferred stocks. The Fund's investment portfolio will not be managed for capital appreciation. The Fund's investment objective and the investment limitations described below under the caption "Investment Restrictions" are fundamental and may not be changed without the approval of a majority of the Fund's outstanding voting securities, as such term is defined in the Investment Company Act of 1940 (the "Act"). All other policies and percentage limitations of the Fund as described below may be modified by the Board of Directors if, in the reasonable exercise of the Board's business judgment, modification is determined to be necessary or appropriate to carry out the Fund's investment objective.

##### INVESTMENT POLICIES

Under normal circumstances, the Fund will invest at least 75% of its total assets in fixed-income securities, such as bonds, debentures and preferred stocks. In January 1992, the Board of Directors removed the requirement that two-thirds of the Fund's fixed-income securities be comprised of investment grade securities. Accordingly, the Fund's investments in fixed-income securities are no longer subject to any rating quality limitation and may consist of securities that are rated below investment grade by a nationally recognized rating service or that are unrated and of comparable quality in the opinion of BEA Associates. Lower rated securities generally provide yields superior to those of more highly rated securities, but involve greater risks and are speculative in nature. See "Risk Factors and Special Considerations--Lower-Rated Securities" in the Prospectus. The market value of lower-rated securities may be more volatile than the market value of higher-rated securities and generally tends to reflect the market's perception of the creditworthiness of the issuer and short-term market developments to a greater extent than more highly rated securities, which reflect primarily fluctuations in general levels of interest rates. For a description of the corporate bond ratings of Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P"), see the Appendix to the Prospectus.

Depending on market conditions, the Fund may also invest a substantial portion of its assets in mortgage-backed securities. Mortgage-backed securities are collateralized by mortgages or interests in mortgages and may be issued by government or non-government entities. Mortgage-backed securities issued by government entities typically provide a monthly payment consisting of interest and principal payments, and additional payments will be made out of unscheduled prepayments of principal. Non-government issued mortgage backed securities may offer higher yields than those issued by government entities, but may be subject to greater price fluctuations.

The Fund intends its portfolio, under normal market conditions, to consist principally of fixed-income securities. Subject to the limitations described under "Other Investment Techniques" below, the Fund may also invest up to 25% of its total assets in money market instruments such as certificates of deposit, commercial paper, bankers' acceptances and repurchase agreements; the

Fund, however, currently does not intend to invest more than 5% in such assets. The Fund may also, for bona fide hedging purposes, invest in interest rate futures and related options. It is expected that the average weighted maturity of the Fund's investment portfolio will be 8 to 12 years.

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The Fund's policy is to diversify its investments among various securities and industries only to the extent such diversification appears to enhance the opportunity to achieve its investment objective. The Fund may not invest in a security if after such investment 25% or more of its total assets, at market value, would be invested in any one industry.

Under the 1940 Act, the Fund is restricted in its ability to purchase any security of which BEA Associates or any of its affiliate is a principal underwriter during the public offering of such security.

#### OTHER INVESTMENT TECHNIQUES

The Fund may enter into repurchase agreements, lend portfolio securities, purchase securities on a when-issued basis and invest in interest rate futures and related options.

**REPURCHASE AGREEMENTS.** The Fund may invest in repurchase agreements collateralized by U.S. Government securities, certificates of deposit and certain bankers' acceptances for the purpose of realizing additional income. Repurchase agreements are transactions by which the Fund purchases a security and simultaneously commits to resell that security to the seller (a bank or securities dealer) at an agreed upon price on an agreed upon date (usually within seven days of purchase). 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. In these transactions, the seller is required to deliver additional securities to the Fund, if necessary, so that the current total market value of the securities subject to the repurchase agreement will be at all times in excess of the agreed upon repurchase price including any accrued interest earned on the repurchase agreement. Securities subject to such repurchase agreements will be held by the Fund's custodian bank until repurchased. Use of repurchase agreements can permit the Fund to keep its assets at work while retaining short-term flexibility in pursuit of investments of a longer-term nature. BEA Associates will continually monitor the value of the underlying securities to ensure that their value always equals or exceeds the repurchase price.

**LENDING OF SECURITIES.** The Fund may lend its portfolio securities to banks, brokers, dealers and other financial institutions who need to borrow securities in order to complete certain transactions, such as covering short sales, avoiding failures to deliver securities or completing arbitrage operations. By lending its portfolio securities, the Fund attempts to increase its income through the receipt of interest on the loan. Any gain or loss in the market price of the securities lent that might occur during the term of the loan would be for the account of the Fund. The Fund may lend its portfolio securities so long as the terms and the structure of such loans are not inconsistent with the 1940 Act or the rules and regulations or interpretations of the Securities and Exchange Commission (the "Commission") thereunder, which currently require that (a) the borrower pledge and maintain with the Fund collateral consisting of cash, a letter of credit issued by a domestic U.S. bank, or securities issued or guaranteed by the United States Government or its agencies having a value at all times not less than 102% of the value of the securities lent, (b) the borrower adds to such collateral whenever the price of the securities lent rises (i.e., the borrower "marks to the market" on a daily basis), (c) the loan be made subject to termination by the Fund at any time and (d) the Fund receives reasonable interest on the loan (which may include the Fund's investing any cash collateral in interest-bearing short-term investments), any distribution on the securities lent and any increase in their market value. The Fund will not lend portfolio securities if, as a result, the aggregate of such loans exceeds 33 1/3% of the value of the Fund's total assets. Loan arrangements made by the Fund will comply with all other applicable regulatory requirements, including the rules of the New York Stock Exchange, which rules presently require the borrower, after notice, to redeliver the securities within the normal settlement time of three business days. All relevant facts and circumstances, including the creditworthiness of the borrower, will be considered by BEA Associates in making decisions with respect to the lending of securities, subject to review by the Fund's Board of Directors. The creditworthiness of such bank, broker, dealer or other financial institution will be monitored by the Adviser during the time any securities are loaned. In addition, voting rights may pass with the loaned securities but if a material event were to occur affecting an investment on a loan, the loan must be called and the securities voted by the Fund.

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SHORT SALE. The Fund may engage in short sales (the sale of securities that it does not own), but only when it owns an equal amount of such securities or securities convertible into or exchangeable, without payment of any further consideration, for securities of the same issue as, and equal in amount to, the securities sold short ("short sales against the box"), and only if not more than 5% of the Fund's net assets (taken at current value) is held as collateral for such sales at any one time.

INTEREST RATE FUTURES AND RELATED OPTIONS. The Fund may purchase and sell interest rate futures contracts and options thereon that are traded on U.S. futures exchanges. When the Fund attempts to hedge its portfolio by selling an interest rate futures contract, purchasing a put option thereon, or writing a call option thereon, it will own an amount of U.S. Government securities corresponding to the open futures or option position. Futures contracts are commodities contracts that obligate the buyer to take and the seller to make delivery at a future date of a specified quantity of the underlying financial instrument. However, some interest rate futures contracts provide for settlement in cash rather than by delivery of the securities underlying the contract. Each futures contract is traded on a commodity exchange that has been designated a "contract market" by the Commodity Futures Trading Commission (the "CFTC"). A call option for a futures contract is a short term contract (having a duration of nine months or less) pursuant to which a purchaser, in return for a premium paid, has the right to buy the futures contract underlying the option at a specified exercise price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation, upon exercise of the option, to deliver the underlying futures contract against payment of the exercise price. A put option for a futures contract is a similar contract which gives the purchaser, in return for a premium, the right to sell the underlying futures contract at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy the underlying futures contract, upon exercise, at the exercise price. The Fund only intends to engage in futures contracts or options for bona fide hedging purposes. In instances where the Fund purchases futures, the Fund will segregate with its custodian an amount of cash, U.S. Government securities or other high-grade, liquid debt securities equal to the market value of the interest rate futures contracts and thereby insure that the use of interest rate futures contracts is unleveraged.

In accordance with current CFTC rules, the Fund will not enter into any interest rate futures contract or option thereon if, immediately thereafter, the aggregate initial margin for all existing futures contracts and options thereon and for premiums paid for such options would exceed 5% of the Fund's total assets. The Fund will not enter into any such contract or option thereon, if, as a result thereof, more than 50% of the Fund's total assets would be hedged.

In contrast to the purchase or sale of a security, the full purchase price of the futures contract is not paid or received by the Fund upon its purchase or sale. Instead, the Fund will deposit in a segregated custodial account as an initial margin an amount of cash or U.S. Treasury bills equal to approximately 5% of the value of the contract. The nature of initial margin in futures transactions is different from that of margin in security transactions in that futures contract margin does not involve the borrowing of funds by the customer to finance the transactions. Rather, the initial margin is in the nature of a performance bond or good faith deposit on the contract which is returned to the Fund upon termination of the futures contract assuming all contractual obligations have been satisfied. Subsequent payments to and from the broker, called variation margin, will be made on a daily basis as the price of the underlying security fluctuates making the long and short positions in the futures contract more or less valuable, a process known as "mark to the market." For example, when the Fund has purchased an interest rate futures contract and the price of the underlying security has risen, that position will have increased in value and the Fund will receive from the broker a variation margin payment equal to that increase in value. Conversely, where the Fund has purchased an interest rate futures contract and the price of the underlying security has declined, the position would be less valuable and the Fund would be required to make a variation margin payment to the broker. At any time prior to expiration of the futures contract, the Fund may elect to terminate the position by taking an opposite position. A final determination of variation margin is then made, additional cash is required to be paid by or released to the Fund, and the Fund realizes a loss or gain. No assurance can be given that the Fund will be able to take an opposite position.

Interest rate futures contracts are currently available on several types of fixed-income securities, including U.S. Treasury Bonds, U.S. Treasury Notes and GNMA securities on The Chicago Board of

Trade, and on U.S. Treasury Bills on the International Monetary Market Division of The Chicago Mercantile Exchange. The Fund may enter into interest rate futures contracts consistent with the Fund's investment objectives and in compliance with applicable regulations of the CFTC.

The purpose of selling an interest rate futures contract is to protect the Fund's portfolio from fluctuations in asset value resulting from interest rate changes. Selling a futures contract has an effect similar to selling a portfolio of the Fund's portfolio securities. If interest rates were to increase, the value of the securities in the portfolio would decline, but the value of the Fund's futures contracts would increase, thereby keeping the net asset value of the Fund from declining as much as it otherwise might have. In this way, selling futures contracts acts as a hedge against the effects of rising interest rates. However, a decline in interest rates resulting in an increase in the value of portfolio securities tends to be offset by a decrease in the value of the corresponding futures contracts.

Similarly, when interest rates are expected to decline, futures contracts may be purchased to hedge against anticipated subsequent purchases of portfolio securities at higher prices. By buying futures, the Fund could effectively hedge against an increase in the price of the securities it intends to purchase at a later date in order to permit the purchase to be effected in an orderly manner. At that time, the futures contracts could be liquidated at a profit if rates had in fact declined as expected, and the Fund's cash position could be used to purchase securities.

Although most interest rate futures contracts call for making or taking delivery of the underlying securities, these obligations are typically canceled or closed out before the scheduled settlement date. The closing is accomplished by purchasing (or selling) an identical futures contract to offset a short (or long) position. Such an offsetting transaction cancels the contractual obligations established by the original futures transaction. Other financial futures contracts call for cash settlements rather than delivery of securities.

If the price of an offsetting futures transaction varies from the price of the original futures transaction, the Fund will realize a gain or loss corresponding to the difference. That gain or loss will tend to offset the unrealized loss or gain on the hedged securities transaction, but may not always or completely do so.

The selection of futures and option strategies requires skills different than those needed to select portfolio securities, however, BEA Associates does have experience in the use of futures and options.

**DIRECT PLACEMENT.** As noted under "Investment Restrictions," the Fund may invest up to 10% of its assets in securities that are not readily marketable. The portion of the Fund's portfolio that may be invested in such securities (other than in repurchase agreements) will be purchased in placements from the securities' issuer or in the secondary market for such directly placed securities ("Direct Placement Securities"). The purchase of Direct Placement Securities will depend on the relative attractiveness of those securities as compared to securities which have been publicly offered.

Direct Placement Securities have frequently resulted in higher yields and restrictive covenants providing greater protection for the purchaser, such as longer call or refunding protection, than typically would be available with publicly offered securities of the same type. An issuer is often willing to create more attractive features in its securities issued privately, because it has avoided the expense and delay involved in a public offering of its securities. For various reasons, an issuer may prefer or be required as a practical matter to obtain private financing. At certain times adverse conditions in the public securities markets may preclude a public offering of an issuer's securities.

On the other hand, Direct Placement Securities are subject to statutory or contractual restrictions and delays on resale. They are, therefore, often referred to as "restricted securities." Restricted securities may generally be resold only in a privately negotiated transaction with a limited number of purchasers or in a public offering registered under the Securities Act of 1933. Such securities are therefore unlike securities which are traded in the open market and which can be expected to be sold immediately if the market is adequate.

#### TEMPORARY INVESTMENTS

The Fund may, for temporary defensive purposes, invest its assets in money market instruments and interest rate futures and related options without regard to any percentage limitation. The Fund may also, for temporary defensive purposes, invest in short-term (less than twelve months to maturity) debt securities rated at least A by Moody's or S&P. Subject to its limitation on investments in money market instruments, the Fund will also invest in short-term debt securities rated at least Baa by Moody's or BBB by S&P to commit overnight cash balances.

The Fund has no restrictions on portfolio turnover, but it is not the Fund's policy to engage in transactions with the objective of seeking profits from short-term trading. It is anticipated that the Fund's annual portfolio turnover will not exceed 100%. For information regarding the Fund's portfolio turnover rate, see "Financial Highlights" in the Prospectus. This rate is calculated by dividing the lesser of sales or purchases of portfolio securities for any given year by the average monthly value of the Fund's portfolio securities for such year. For purposes of this calculation, portfolio securities exclude purchase and sales of debt securities having a maturity at the date of purchase of one year or less. The rate of portfolio turnover will not be a limiting factor when BEA Associates deems it appropriate to purchase or sell securities for the Fund. Portfolio turnover, however, directly affects the amount of transaction costs that will be borne by the Fund. In addition, the sale of securities held by the Fund for not more than one year will give rise to short-term capital gain or loss for U.S. federal income tax purposes. The U.S. federal income tax requirement that the Fund derive less than 30% of its gross income from the sale or other disposition of stock or securities held less than three months may limit the Fund's ability to dispose of its securities. See "Taxation--United States Federal Income Taxes."

#### INVESTMENT RESTRICTIONS

The Fund is subject to the following restrictions which may not be changed without the approval of at least a majority of the outstanding voting securities of the Fund, as defined in the 1940 Act. The Fund will not (1) invest more than 5% of the value of its total assets in the securities of any one issuer, excluding obligations of the U.S. Government or any agency or instrumentality thereof and except that up to 25% of the value of its total assets may be invested without regard to this limitation; (2) own more than 10% of the outstanding voting stock or other securities (other than securities of the U.S. Government or any agency or instrumentality thereof), or both, of any one issuer; (3) purchase shares of other investment companies except as part of a plan of reorganization, merger, consolidation or an offer of exchange; (4) borrow money except as a temporary measure for extraordinary or emergency purposes, and in no event in excess of 10% of the lower of the market value or cost of its total assets, except that for the purpose of this restriction, short-term credits necessary for settlement of securities transactions are not considered borrowings (the Fund will not purchase any securities at any time while such borrowings exceed 5% of total assets); (5) purchase securities on margin; (6) sell securities short unless at all times when a short position is open it owns an equal amount of such securities or securities convertible into or exchangeable, with payment of any further consideration, for securities of the same issue as, and equal in amount, to the securities sold short, and unless not more than 5% of the Fund's net assets (taken at current value) are held as collateral for such sales at any one time; (7) invest in the aggregate more than 5% of the value of its total assets in securities denominated in a currency other than the United States dollar; (8) invest for the purpose of exercising control over management of any company; (9) make loans, except (i) by purchasing bonds, debentures or similar obligations (including repurchase agreements, subject to the limitation described in (11) below), which are either publicly distributed or customarily purchased by institutional investors, and (ii) by lending its securities to banks, brokers, dealers and other financial institutions so long as such loans are not inconsistent with the 1940 Act or the rules and regulations or interpretations of the Commission thereunder; (10) underwrite the securities of other issuers, except to the extent that in connection with the disposition of portfolio securities the Fund may be deemed to be an underwriter; (11) invest more than 10% of its total assets in securities subject to legal or contractual restrictions on resale or in securities which are not readily marketable, including repurchase agreements having maturities of more than 7 days and Direct

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Placement Securities (as defined under Investment Objective and Policies--Other Investment Techniques; (12) except as described under "Investment Objective and Policies", purchase real estate, commodities or commodity contracts, although the Fund may purchase or sell securities of companies which deal in real estate or interests therein; (13) except as described under "Investment Objective and Policies", invest in or write put, call, straddle or spread options; (14) invest directly in interests in oil, gas or other mineral exploration development programs; or (15) invest in non-dividend paying equity securities if after such investment, total non-dividend paying equity securities would comprise more than 10% of the Fund's total assets. The deposit of initial and variation margin in connection with interest rate futures contracts and related options shall not be deemed to be in violation of any of the foregoing investment restrictions.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time a transaction is effected, later changes in percentages resulting from changing values will not be considered a violation.

Under the 1940 Act, the Fund may neither invest more than 5% of its

total assets in the securities of any one investment fund, nor acquire more than 3% of the outstanding voting securities of any such fund. In addition, the Fund may not invest more than 10% of its total assets in securities issued by all investment funds. As a shareholder in any investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's advisory, sub-advisory and administrative fees with respect to assets so invested. See "Taxation--United States Federal Income Taxes."

MANAGEMENT OF THE FUND

DIRECTORS AND OFFICERS

The names of the directors and principal officers of the Fund are set forth below, together with their positions and their principal occupations during the past five years.

Name, Address and Age -----	Position with the Fund -----
Daniel H. Sigg (40) . . . . . One Citicorp Center 153 East 53rd Street New York, New York 10022	Director, Chairman of the Board and Chief Executive Officer
Prof. Enrique R. Arzac (54) . . . . . Columbia University Graduate School of Business New York, New York 10027	Director
Lawrence J. Fox (52) . . . . . 110 PNB Building Broad and Chestnut Streets Philadelphia, Pennsylvania 19107	Director
James S. Pasman, Jr. (65) . . . . . 29 The Trillium Pittsburgh, Pennsylvania 15238	Director
Robert Moore (39) . . . . . One Citicorp Center 153 East 53rd Street New York, New York 10022	President and Chief Investment Officer
Richard J. Lindquist (35) . . . . . One Citicorp Center 153 East 53rd Street New York, New York 10022	Vice President
Paul P. Stamler (35) . . . . . One Citicorp Center 153 East 53rd Street New York, New York 10022	Treasurer
Michael A. Pignataro (36) . . . . . One Citicorp Center 153 East 53rd Street New York, New York 10022	Secretary

\* Mr. Sigg is an "interested person" of the Fund within the meaning of the 1940 Act by virtue of his position as a director and officer of BEA Associates.

Daniel H. Sigg is a member of the Executive Committee, Chief Financial Officer, and an Executive Director of BEA Associates (since May 1995). From February 1992 to April 1995, Mr. Sigg was a member of the Executive Committee and a Managing Director of BEA Associates. He was Vice President of Marketing of BEA Associates from January 1991 to January 1992. Mr. Sigg has been President of Credit Suisse Advisors Corporation since December 1995 and President of Credit Suisse Capital Corporation since December 1994. He was Director and Vice President of Credit Suisse Capital Corporation from December 1990 to November 1994. From 1987 to December 1990, Mr. Sigg was Vice President and Head of International Equity Sales and Trading at Swiss American Securities. Mr. Sigg is also a Director and Senior Vice President of The Brazilian Equity Fund, Inc., The Latin America Investment Fund, Inc., The Latin America Equity Fund, Inc.,

The Portugal Fund, Inc., The Indonesia Fund, Inc., The Chile Fund, Inc., The Emerging Markets Telecommunications Fund, Inc., The First Israel Fund, Inc. and The Emerging Markets Infrastructure Fund, Inc. and is Chairman of the Board, Chief Executive Officer and a Director of BEA Strategic Income Fund, Inc.

Prof. Enrique R. Arzac is Professor of Finance and Director of the Financial Management Program at the Graduate School of Business of Columbia University (since 1971). He is also a Director of The Adam Express Company and Petroleum and Resources Corp. Dr. Arzac is also a director of The Brazilian Equity Fund, Inc., The Latin America Investment Fund, Inc., The Latin America Equity Fund, Inc., The Portugal Fund, Inc., The Chile Fund, Inc., The Emerging Markets Telecommunications Fund, Inc., The First Israel Fund, Inc., The Emerging Markets Infrastructure Fund, Inc. and BEA Strategic Income Fund, Inc.

Lawrence J. Fox is Managing Partner and Chairman of Professional Responsibility Committee of the law firm of Drinker Biddle & Reath (since January 1992). He has been a partner of Drinker Biddle & Reath since 1976. He is a director of BEA Strategic Income Fund, Inc.

James S. Pasman, Jr. was the President and Chief Operating Officer of National InterGroup, Inc. from April 1989 to March 1991. He is a director of BEA Strategic Income Fund, Inc. and of ADT, Ltd.

Robert Moore is a member of the Executive Committee, Executive Director and Chief Operating Officer of BEA Associates (since December 1995). From February 1992 to December 1995, Mr. Moore was a Managing Director and Portfolio Manager of BEA Associates, and from December 1990 to January 1992 he was Vice President and Portfolio Manager of BEA Associates.

Richard J. Lindquist is a Managing Director of BEA Associates (since April 1995) and a Vice President of BEA Strategic Income Fund, Inc.. From March 1993 to March 1995, he was Chief Compliance Officer of CS First Boston Investment Management Corporation ("CSIM"). He was director of CSIM from April 1992 to February 1993 and Vice President of CSIM from July 1989 to March 1992.

Paul P. Stamler is a Vice President of BEA Associates (since June 1993) and a Vice President of BEA Strategic Income Fund, Inc.. From April 1992 to May 1993, Mr. Stamler was self-employed as a certified public accountant. From June 1988 to March 1992, Mr. Stamler was Vice President of Bear, Stearns & Co. Inc. Mr. Stamler is also a Senior Vice President of The Brazilian Equity Fund, Inc., The Latin America Investment Fund, Inc., The Latin America Equity Fund, Inc., The Portugal Fund, Inc., The Indonesia Fund, Inc., The Chile Fund, Inc., The Emerging Markets Telecommunications Fund, Inc., The First Israel Fund, Inc. and The Emerging Markets Infrastructure Fund, Inc. and Treasurer of BEA Strategic Income Fund, Inc.

Michael A. Pignataro has been Vice President of BEA Associates since December 1995. He was Assistant Vice President and Chief Administrative Officer for Investment Companies of BEA Associates from September 1989 to December 1995. Mr. Pignataro is also the Chief Financial Officer and Secretary of The Brazilian Equity Fund, Inc., The Latin America Investment Fund, Inc., The Latin America Equity Fund, Inc., The Portugal Fund, Inc., The Chile Fund, Inc., The Emerging Markets Telecommunications Fund, Inc., The First Israel Fund, Inc. and The Emerging Markets Infrastructure Fund, Inc. and Chief Financial Officer and Assistant Secretary of The Indonesia Fund, Inc. and Secretary of BEA Strategic Income Fund, Inc.

The Fund pays each of its directors who is not a director, officer or employee of BEA Associates or any affiliate thereof an annual fee of \$10,000 plus \$500 for each Board of Directors meeting attended. In addition, the Fund will reimburse those directors for travel and out-of-pocket expenses incurred in connection with Board of Directors meetings. The aggregate remuneration paid to all such unaffiliated directors by the Fund during the fiscal year ended December 31, 1995 was \$39,358.

The following table shows certain compensation information for the directors of the Fund for the fiscal year ended December 31, 1995. None of the Fund's executive officers or directors who are also

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officers or directors of BEA Associates received any compensation from the Fund for such period. The Fund has no bonus, profit sharing, pension or retirement plans.

<TABLE>  
<CAPTION>

Total Number of  
Boards of BEA  
Associates

Total



Name of Director	Aggregate Compensation from Fund	Pension or Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	Compensation From Fund and Fund Complex Paid to Directors	Advised Investment Companies Served
<S>	<C>	<C>	<C>	<C>	<C>
Enrique R. Arzac *	\$26,000	0	0	\$26,000	10
Lawrence J. Fox	\$13,000	0	0	\$26,000	2
James S. Pasman, Jr.	\$13,000	0	0	\$26,000	2

</TABLE>

\* On February 13, 1996, Prof. Arzac was elected as a director of eight other BEA Associates-advised investment companies. Because the election took place after the 1995 fiscal year-end, Prof. Arzac did not receive any compensation with respect to these BEA-advised investment companies for the year ended December 31, 1995.

The Articles of Incorporation and Bylaws of the Fund provide that the Fund will indemnify directors, officers, employees and agents of the Fund against liabilities and expenses incurred in connection with litigation in which they may be involved because of their positions with the Fund to the fullest extent permitted by law. In addition, the Fund's Articles of Incorporation provide that the Fund's directors and officers will not be liable to the shareholders for money damages, except in limited instances. However, nothing in the Articles of Incorporation or the Bylaws of the Fund protects or indemnifies a director, officer, employee or agent 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 such person's office.

#### ADVISORY ARRANGEMENTS

BEA Associates act as the Fund's investment adviser pursuant to an Advisory Agreement with the Fund (the "Advisory Agreement") which became effective on June 13, 1995. Prior to this date, CSIM provided investment advisory services to the Fund under substantially the same terms, conditions and fees.

The Advisory Agreement provides that BEA Associates 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 the Advisory Agreement relates, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services (in which case any award of damages shall be limited to the period and the amount set forth in Section 36(b)(3) of the 1940 Act) or a loss resulting from willful misfeasance, bad faith or gross negligence on the part of BEA Associates in the performance of its duties or from reckless disregard of its obligations and duties under the Advisory Agreement.

For the fiscal period from June 13, 1995 (effective date of the Advisory Agreement) through December 31, 1995, BEA Associates was paid \$568,039 for advisory services rendered to the Fund. For the fiscal period from January 1, 1995 through June 12, 1995 and the fiscal years ended December 31, 1994 and December 31, 1993, CSIM was paid for advisory services rendered to the Fund \$458,394, \$1,032,360 and \$1,066,979, respectively.

#### ADMINISTRATIVE ARRANGEMENT

Chase Global Funds Services Company (the "Administrator") serves as the Fund's administrator pursuant to an agreement with the Fund (the "Administration Agreement").

#### DURATION AND TERMINATION; NON-EXCLUSIVE SERVICES

The Advisory Agreement became effective on June 13, 1995. Unless earlier terminated as described below, the Advisory Agreement remains in effect if approved annually (a) by the Board of Directors

of the Fund or by the holders of a majority of the Fund's outstanding voting securities (as defined in the 1940 Act) and (b) by a majority of the directors who are not parties to the Advisory Agreement or "interested persons" (as defined in the 1940 Act) of any such party. The Advisory Agreement terminates on its assignment by any party and may be terminated without penalty on 60 days' written notice at the option of the Board of Directors of the Fund or by the vote of the majority of the holders of the Fund's shares, or upon 90 days'

written notice, by BEA Associates.

The Administration Agreement is terminable upon 60 days' notice by either party.

The services of BEA Associates and the Administrator are not deemed to be exclusive, and nothing in the relevant service agreements will prevent any of them or their affiliates from providing similar services to other investment companies and other clients (whether or not such clients' investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

#### PORTFOLIO TRANSACTIONS

Decisions to buy and sell securities for the Fund are made by BEA Associates, subject to the overall review of the Fund's Board of Directors. Portfolio securities transactions for the Fund are placed on behalf of the Fund by persons authorized by BEA Associates. BEA Associates manages other investment companies and accounts (the "BEA Accounts") that invest in fixed-income securities. Although investment decisions for the Fund are made independently from those of the other BEA Accounts, investments of the type the Fund may make may also be made on behalf of the BEA Accounts. When the Fund and one or more of the BEA Accounts is prepared to invest in, or desires to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by BEA Associates to be equitable to each. In some cases, this procedure may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund. The Fund may utilize CS First Boston Corporation and other affiliates of Credit Suisse in connection with the purchase or sale of securities in accordance with rules or exemptive orders adopted by the Securities and Exchange Commission when BEA Associates believes that the charge for the transaction does not exceed usual and customary levels.

Transactions on U.S. and some foreign stock exchanges involve the payment of negotiated brokerage commissions, which may vary among different brokers. The cost of securities purchased from underwriters includes an underwriter's commission or concession, and the prices at which securities are purchased from and sold to dealers in the over-the-counter markets include a dealer's mark-up or mark-down, which normally is not disclosed. Fixed-income securities are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission, although the price of the security will likely include a profit to the dealer.

In selecting brokers or dealers to execute portfolio transactions on behalf of the Fund, BEA Associates will seek the best overall terms available. In addition, unless otherwise directed by the Board of Directors of the Fund, the Advisory Agreement authorizes BEA Associates, in selecting brokers or dealers to execute a particular transaction and in evaluating the best overall terms available, to consider the brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) and cause the Fund to pay a broker-dealer which furnishes such services a higher commission than that which might be charged by another broker-dealer for effecting the same transaction, provided that such commission is deemed reasonable in terms of either that particular transaction or the overall responsibilities of BEA Associates to the Fund. The fees payable under the Advisory Agreement are not reduced as a result of BEA Associates' receiving such brokerage and research services.

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It is currently the Fund's policy that BEA Associates may at times pay higher commissions than might otherwise be obtainable in recognition of brokerage services felt necessary for the achievement of best available price and most favorable execution of certain securities transactions. BEA Associates will only pay such higher commissions if it believes this to be in the best interest of the Fund. Some brokers or dealers who may receive such higher commissions in recognition of brokerage services related to execution of securities transactions are also providers of research information to BEA Associates and/or the Fund. Subject to the primary objective set forth above, BEA Associates has informed the Fund that it may pay higher commission rates specifically for the purpose of obtaining research services. The Fund will not pay to any affiliates of BEA Associates a higher commission rate specifically for the purpose of obtaining research services.

The Fund paid no affiliated brokerage commissions in any of the fiscal years ended December 31, 1995, December 31, 1994 and December 31, 1993.

#### DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

Pursuant to the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), each shareholder will be deemed to have elected, unless The Chase Manhattan Bank ("Chase Manhattan") as the Plan Agent (the "Plan Agent"), is otherwise instructed by the shareholder in writing, to have all distributions, net of any applicable U.S. withholding tax, automatically reinvested in

additional shares of the Fund. Shareholders who do not participate in the Plan will receive all dividends and distributions in cash, net of any applicable U.S. withholding tax, paid in dollars by check mailed directly to the shareholder by the Plan Agent, as dividend-paying agent. Shareholders who do not wish to have dividends and distributions automatically reinvested should notify Chase Manhattan, as the Plan Agent for BEA Income Fund, Inc., Dividend Reinvestment Department - Retail, 770 Broadway, New York, New York 10003-9598 or by telephone at 1-800-774-4365. Dividends and distributions with respect to shares registered in the name of a broker-dealer or other nominee (i.e., in "street name") will be reinvested under the Plan unless such service is not provided by the broker or nominee or the shareholder elects to receive dividends and distributions in cash. A shareholder whose shares are held by a broker or nominee that does not provide a dividend reinvestment program may be required to have his shares registered in his own name to participate in the Plan. Investors who own shares of the Fund's Common Stock registered in street name should contact the broker or nominee for details concerning participation in the Plan.

Certain distributions of cash attributable to (a) some of the dividends and interest amounts paid to the Fund and (b) certain capital gains earned by the Fund that are derived from securities of certain foreign issuers are subject to taxes payable by the Fund at the time amounts are remitted. Such taxes, if any, will be borne by the Fund and allocated to all shareholders in proportion to their interests in the Fund.

The Plan Agent serves as agent for the shareholders in administering the Plan. If the Board of Directors of the Fund declares an income dividend or a capital gains distribution payable either in the Fund's common stock or in cash, as shareholders may have elected, nonparticipants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares of the Fund valued at the lower of market price or net asset value as determined at the time of purchase (generally on the payable date of the dividend) as set forth below. Whenever market price is equal to or exceeds net asset value at the time shares are valued for the purpose of determining the number of shares equivalent to the cash dividend or distribution, participants will be issued shares of the Fund at a price equal to net asset value but not less than 95% of the then current market price of the Fund shares. The Fund will not issue shares under the Plan below net asset value. If net asset value determined as at the time of purchase exceeds the market price of Fund shares at such time, or if the Fund should declare a dividend or other distribution payable only in cash (i.e., if the Board of Directors should preclude reinvestment at net asset value), the Agent will, as agent for the participants, endeavor to buy Fund shares in the open market, on the New York Stock Exchange or elsewhere, on behalf of all participants, and will

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allocate to each shareholder its pro rata portion based on the average price paid (including brokerage commissions) for all shares purchased. Shares acquired on behalf of participants in the open market will be purchased at the prevailing market price. If, before the Agent has completed its purchases, the market price exceeds the net asset value of a Fund share, the average per share purchase price paid by the Agent may exceed the net asset value of the Fund's shares, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. For all purposes of the Plan, (a) the market price of the Common Stock on a dividend payment date shall be the last sale price on the New York Stock Exchange on that date, or, if there is no such sale, then the mean between the closing bid and asked quotations for such stock, and (b) net asset value per share of the Common Stock on a particular date shall be as determined by or on behalf of the Fund.

Participants in the Plan have the option of making additional cash payments to the Plan Agent, monthly, in any amount from \$100 to \$3,000, for investment in the Fund's Common Stock. Cash contributions are used to purchase shares of Common Stock in the open market regardless of whether such shares are selling above, at or below the net asset value of the Fund. As a result, shareholders may be purchasing shares at a market price that reflects a premium to the Fund's net asset value. Voluntary cash payments received after five business days before the dividend payment date will be invested by the Plan Agent on the next succeeding dividend payment date. Dividend payment dates are expected to be the 15th (or next business day) of each month. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than 48 hours before the next succeeding dividend payment. A participant's tax basis in his shares acquired through this optional investment right will equal his cash payments to the Plan, including any cash payments used to pay brokerage commissions allocable to his acquired shares.

The Plan Agent maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in the account, including information needed by shareholders for personal and tax records. Shares in the account of each Plan participant will be held by the Plan Agent in the name of the participant and each shareholder's proxy will include those shares purchased pursuant to the Plan.

In the case of a shareholder, such as a bank, broker or nominee, that holds shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the shareholder as representing the total amount registered in the shareholder's name and held for the account of beneficial owners who are to participate in the Plan.

There is no charge to participants for reinvesting dividends or capital gains distributions payable in either stock or cash. The Plan Agent's fees for the handling of reinvestment of such dividends and capital gains distributions will be paid by the Fund. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in stock or in cash. However, each participant will be charged by the Plan Agent a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with voluntary cash payments made by the participant or the reinvestment of dividends or capital gains distributions. Brokerage charges for purchasing small amounts of stock for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions because the Plan Agent will be purchasing stock for all participants in blocks and prorating the lower commission thus obtainable. Brokerage commissions will vary based on, among other things, the broker selected to effect a particular purchase and the number of participants on whose behalf such purchase is being made. The Fund cannot predict, therefore, whether the cost to a participant who makes a voluntary cash payment will be less than if a participant were to make an open market purchase of the Fund's Common Stock on his own behalf.

The receipt of dividends and distributions in stock under the Plan will not relieve participants of any income tax (including withholding tax) that may be payable on such dividends or distributions.

The Fund reserves the right to terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to notice of the termination sent to the members of the Plan at least 30 days before the record date for such dividend or distributions. The Plan also may be amended

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by the Fund or the Plan Agent, but (except when necessary or appropriate to comply with applicable law, rules or policies of a regulatory authority) only by at least 30 days' written notice to members of the Plan. All correspondence concerning the Plan should be directed to The Chase Manhattan Bank, Dividend Reinvestment Department - Retail, 770 Broadway, New York, New York 10003-9598.

#### TAXATION

The following is a summary of the material United States federal income tax considerations, regarding the purchase, ownership and disposition of shares in the Fund. Each prospective shareholder is urged to consult his own tax adviser with respect to the specific federal, state, local and foreign tax consequences of investing in the Fund. The summary is based on the laws in effect on the date of this SAI, which are subject to change.

#### UNITED STATES FEDERAL INCOME TAXES

THE FUND AND ITS INVESTMENTS. The Fund has qualified and intends to continue to qualify and elect to be treated as a regulated investment company for each taxable year under the Code. To so qualify, the Fund must, among other things: (a) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of stock or securities or foreign currencies, or other income (including, but not limited to, gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies; (b) derive less than 30% of its gross income in each taxable year from the sale or other disposition of (i) stock or securities held for less than three months, (ii) options, futures or forward contracts (other than options, futures or forward contracts on foreign currencies) held for less than three months and (iii) foreign currencies (or options, futures or forward contracts on such foreign currencies) held for less than three months but only if such currencies (or options, futures or forward contracts) are not directly related to the Fund's principal business of investing in stock or securities (or options or futures with respect to stock or securities); and (c) diversify its holdings so that, at the end of each quarter of the Fund's taxable year, (i) at least 50% of the market value of the Fund's assets is represented by cash, securities of other regulated investment companies, United States government securities and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the Fund's assets and not greater than 10% of the outstanding voting securities of such issuer and (ii) not more than 25% of the value of its assets is invested in the securities (other than United States government securities or securities of other regulated investment companies) of any one issuer or any two or more

issuers that the Fund controls and are determined to be engaged in the same or similar trades or businesses or related trades or businesses. The Fund expects that all of its foreign currency gains will be directly related to its principal business of investing in stocks and securities.

Although legislation that would repeal the 30% limitation on a regulated investment company's ability to make short-term investments has been proposed in Congress, it is unclear when, if ever, such legislation will be enacted or the form of such legislation if enacted.

As a regulated investment company, the Fund will not be subject to United States federal income tax on its net investment income (i.e., income other than its net realized long- and short-term capital gains) and its net realized long- and short-term capital gains, if any, that it distributes to its shareholders, provided that an amount equal to at least 90% of the sum of its investment company taxable income (i.e., 90% of its taxable income minus the excess, if any, of its net realized long-term capital gains over its net realized short-term capital losses (including any capital loss carryovers), plus or minus certain other adjustments as specified in section 852 of the Code) and its net tax-exempt income for the taxable year is distributed, but will be subject to tax at regular corporate rates on any taxable income or gains that it does not distribute. Furthermore, the Fund will be subject to a United States corporate income tax with respect to such distributed amounts in any year that it fails to qualify as a regulated investment company or fails to meet this distribution requirement. Any dividend declared by the Fund in October, November or December of any calendar year and payable to shareholders of record on a specified date in such a month shall be deemed to have been received by

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each shareholder on December 31 of such calendar year and to have been paid by the Fund not later than such December 31, provided that such dividend is actually paid by the Fund during January of the following calendar year.

The Fund pays dividends of net investment income monthly and makes distributions at least annually of any net capital gains in excess of applicable capital losses, including capital loss carryforwards. The Board of Directors of the Fund will determine annually whether to distribute any such net realized long-term capital gains in excess of net realized short-term capital losses (including any capital loss carryovers). The Fund currently expects to distribute any excess annually to its shareholders. However, if the Fund retains for investment an amount equal to all or a portion of its net long-term capital gains in excess of its net short-term capital losses and capital loss carryovers, it will be subject to a corporate tax (currently at a rate of 35%) on the amount retained. In that event, the Fund expects to designate such retained amounts as undistributed capital gains in a notice to its shareholders who (a) will be required to include in income for United States federal income tax purposes, as long-term capital gains, their proportionate shares of the undistributed amount, (b) will be entitled to credit their proportionate shares of the 35% tax paid by the Fund on the undistributed amount against their United States federal income tax liabilities, if any, and to claim refunds to the extent their credits exceed their liabilities, if any, and (c) will be entitled to increase their tax basis, for United States federal income tax purposes, in their shares by an amount equal to 65% of the amount of undistributed capital gains included in the shareholder's income.

The Code imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year at least 98% of its net investment income for that year and 98% of the net amount of its capital gains (both long- and short-term) for the one-year period ending, as a general rule, on October 31 of that year. For this purpose, however, any income or gain retained by the Fund that is subject to corporate income tax will be considered to have been distributed by year-end. In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any underdistribution or overdistribution, as the case may be, from the previous year. The Fund anticipates that it will pay such dividends and will make such distributions as are necessary in order to avoid the application of this tax.

If, in any taxable year, the Fund fails to qualify as a regulated investment company under the Code, the Fund would be taxed in the same manner as an ordinary corporation and distributions to its shareholders would not be deductible by the Fund in computing its taxable income. In addition, in the event of a failure to qualify, the Fund's distributions, to the extent derived from the Fund's current or accumulated earnings and profits, would constitute dividends (eligible for the corporate dividends-received deduction) which are taxable to shareholders as ordinary income, even though those distributions might otherwise (at least in part) have been treated in the shareholders' hands as long-term capital gains. If the Fund fails to qualify as a regulated investment company in any year, it must pay out its earnings and profits accumulated in that year in order to qualify again as a regulated investment company. In addition, if the Fund failed to qualify as a regulated investment company for a period greater than one taxable year, the Fund may be required to

recognize any net built-in gains (the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized if it had been liquidated) in order to qualify as a regulated investment company in a subsequent year.

The Fund's transactions in options and futures contracts will be subject to special provisions of the Code that, among other things, may affect the character of gains and losses realized by the Fund (i.e., may affect whether gains or losses are ordinary or capital), accelerate recognition of income to the Fund and defer Fund losses. These rules could therefore affect the character, amount and timing of distributions to shareholders. These provisions also (a) will require the Fund to mark-to-market certain types of the positions in its portfolio (i.e., treat them as if they were closed out) and (b) may cause the Fund to recognize income without receiving cash with which to pay dividends or make distributions in amounts necessary to satisfy the distribution requirements for avoiding income and excise taxes. The Fund will monitor its transactions, will make the appropriate tax elections and will make the appropriate entries in its books and records when it acquires any

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option, futures contract or hedged investment in order to mitigate the effect of these rules and prevent disqualification of the Fund as a regulated investment company.

**DIVIDENDS AND DISTRIBUTIONS.** Dividends of net investment income and distributions of net realized short-term capital gains are taxable to a United States shareholder as ordinary income, whether paid in cash or in shares. Distributions of net long-term capital gains, if any, that the Fund designates as capital gains dividends are taxable as long-term capital gains, whether paid in cash or in shares and regardless of how long a shareholder has held shares of the Fund. Dividends and distributions paid by the Fund (except for the portion thereof, if any, attributable to dividends on stock of U.S. corporations received by the Fund) will not qualify for the deduction for dividends received by corporations. Distributions in excess of the Fund's current and accumulated earnings and profits will, as to each shareholder, be treated as a tax-free return of capital, to the extent of a shareholder's basis in his shares of the Fund, and as a capital gain thereafter (if the shareholder holds his shares of the Fund as capital assets).

Shareholders receiving dividends or distributions in the form of additional shares pursuant to the Plan should be treated for United States federal income tax purposes as receiving a distribution in the amount equal to the amount of money that the shareholders receiving cash dividends or distributions will receive, and should have a cost basis in the shares received equal to such amount.

Investors considering buying shares just prior to a dividend or capital gain distribution should be aware that, although the price of shares just purchased at that time may reflect the amount of the forthcoming distribution, such dividend or distribution may nevertheless be taxable to them.

If the Fund is the holder of record of any stock on the record date for any dividends payable with respect to such stock, such dividends are included in the Fund's gross income not as of the date received but as of the later of (a) the date such stock became ex-dividend with respect to such dividends (i.e., the date on which a buyer of the stock would not be entitled to receive the declared, but unpaid, dividends) or (b) the date the Fund acquired such stock. Accordingly, in order to satisfy its income distribution requirements, the Fund may be required to pay dividends based on anticipated earnings, and shareholders may receive dividends in an earlier year than would otherwise be the case.

**SALES OF SHARES.** Upon the sale or exchange of his shares, a shareholder will realize a taxable gain or loss equal to the difference between the amount realized and his basis in his shares. Such gain or loss will be treated as capital gain or loss, if the shares are capital assets in the shareholder's hands, and will be long-term capital gain or loss if the shares are held for more than one year and short-term capital gain or loss if the shares are held for one year or less. Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced, including replacement through the reinvesting of dividends and capital gains distributions in the Fund under the Plan, within a 61-day period beginning 30 days before and ending 30 days after the disposition of the shares. In such a case, the basis of the shares acquired will be increased to reflect the disallowed loss. Any loss realized by a shareholder on the sale of a Fund share held by the shareholder for six months or less will be treated for United States federal income tax purposes as a long-term capital loss to the extent of any distributions or deemed distributions of long-term capital gains received by the shareholder with respect to such share.

**BACKUP WITHHOLDING.** The Fund may be required to withhold, for United

States federal income tax purposes, 31% of the dividends and 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. Corporate shareholders and certain other shareholders are or may be exempt from backup withholding. Backup withholding is not an additional tax and any amount withheld may be credited against a shareholder's United States federal income tax liabilities. Additional tax withholding requirements which apply with respect to foreign investors are discussed below.

**FOREIGN SHAREHOLDERS.** Taxation of a shareholder who, as to the United States, is a foreign investor (such as a nonresident alien individual, a foreign trust or estate, a foreign corporation or a foreign

partnership) depends, in part, on whether the shareholder's income from the Fund is "effectively connected" with a United States trade or business carried on by the shareholder.

If the foreign investor is not a resident alien and the income from the Fund is not effectively connected with a United States trade or business carried on by the foreign investor, distributions of net investment income and net realized short-term capital gains will be subject to a 30% (or lower treaty rate) United States withholding tax. Furthermore, foreign investors may be subject to an increased United States tax on their income resulting from the Fund's election (described above) to "pass-through" amounts of foreign taxes paid by the Fund, but may not be able to claim a credit or deduction with respect to the foreign taxes treated as having been paid by them. Distributions to a non-resident alien of net realized long-term capital gains, amounts retained by the Fund which are designated as undistributed capital gains, and gains realized upon the sale of shares of the Fund generally will not be subject to United States tax unless the foreign investor who is a nonresident alien individual is physically present in the United States for more than 182 days during the taxable year and, in the case of gain realized upon the sale of Fund shares, unless (a) such gain is attributable to an office or fixed place of business in the United States or (b) such nonresident alien individual has a tax home in the United States and such gain is not attributable to an office or fixed place of business located outside the United States. However, a determination by the Fund not to distribute long-term capital gains will cause the Fund to incur a U.S. federal tax liability with respect to retained long-term capital gains, thereby reducing the amount of cash held by the Fund that is available for investment, and the foreign investor may not be able to claim a credit or deduction with respect to such taxes.

In general, if a foreign investor is a resident alien or if dividends or distributions from the Fund are effectively connected with a United States trade or business carried on by the foreign investor, then dividends of net investment income, distributions of net short-term and long-term capital gains, amounts retained by the Fund that are designated as undistributed capital gains and any gains realized upon the sale of shares of the Fund will be subject to United States income tax at the rates applicable to United States citizens or domestic corporations. If the income from the Fund is effectively connected with a United States trade or business carried on by a foreign investor that is a corporation, then such foreign investor may also be subject to the 30% (or lower treaty rate) branch profits tax.

The tax consequences to a foreign shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described in this section. Shareholders may be required to provide appropriate documentation to establish their entitlement to the benefits of such a treaty. Foreign investors are advised to consult their own tax advisers with respect to (a) whether their income from the Fund is or is not effectively connected with a United States trade or business carried on by them, (b) whether they may claim the benefits of an applicable tax treaty, and (c) any other tax consequences to them of an investment in the Fund.

**NOTICES.** Shareholders will be notified annually by the Fund as to the United States federal income tax status of the dividends, distributions and deemed distributions made by the Fund to its shareholders. Furthermore, shareholders will also receive, if appropriate, various written notices after the close of the Fund's taxable year regarding the United States federal income tax status of certain dividends, distributions and deemed distributions that were paid (or that are treated as having been paid) by the Fund to its shareholders during the preceding taxable year.

**OTHER TAXATION.** Distributions also may be subject to additional state, local and foreign taxes depending on each shareholder's particular situation.

THE FOREGOING IS ONLY A SUMMARY OF CERTAIN MATERIAL TAX CONSEQUENCES AFFECTING THE FUND AND ITS SHAREHOLDERS. SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM

## NET ASSET VALUE

The net asset value per share is determined as of the close of the New York Stock Exchange on the last business day of each week, by dividing the value of the Fund's net assets (the value of its assets less its liabilities, exclusive of capital stock and surplus) by the total number of shares of Common Stock outstanding. Net asset value includes interest on fixed-income securities which is accrued daily. Securities which are traded over-the-counter and on a stock exchange will be valued according to the broadest and most representative market, and it is expected that for bonds and other fixed income securities this ordinarily will be the over-the-counter market. Notwithstanding the above, bonds and other fixed-income securities may be valued on the basis of prices provided by a pricing service when such prices are believed to reflect the fair market value of such securities. The prices provided by a pricing service are determined without regard to bid or last sale prices but take into account institutional size trading in similar groups of securities and any developments related to specific securities. Securities not priced in this manner are valued at the most recent current quoted bid price, or when stock exchange valuations are used, at the latest quoted sale price on the date of valuation. Short-term debt securities which mature in less than 60 days are valued at amortized cost if their term to maturity from date of purchase by the Fund was less than 60 days, or by amortizing their value on the 61st day if their term to maturity on the date acquired by the Fund was more than 60 days, unless this is determined by the Board of Directors not to represent fair value. The value of other assets and securities for which no current quotations are readily available are determined in good faith at fair value using methods determined by the Directors.

## COMMON STOCK

The authorized capital stock of the Fund is 100,000,000 shares of Common Stock. The Fund has no present intention of offering additional shares other than pursuant to the Offer, except that additional shares may be issued under the Plan. See "Dividend Reinvestment and Cash Purchase Plan." Other offerings of shares, if made, will require approval of the Fund's Board of Directors. Any additional offering will be subject to the requirement of the 1940 Act that shares not be sold at a price below the then current net asset value (exclusive of underwriting discounts and commissions) except in connection with an offering to existing shareholders or with the consent of the holders of a majority of the Fund's outstanding voting securities, as such term is defined under the 1940 Act.

## BENEFICIAL OWNER

There are no persons known to the Fund who may be deemed beneficial owners of 5% or more of the shares of the Fund's Common Stock because they possessed or shared voting or investment power with respect to shares of the Fund's Common Stock. The officers and directors of the Fund, in the aggregate, own less than 1% of the outstanding shares of the Fund's Common Stock.

## FINANCIAL STATEMENTS

The Fund's Annual Report for the fiscal year ended December 31, 1995 and its Semi-Annual Report for the fiscal period ended June 30, 1996 (the "Reports"), which either accompany this SAI or have previously been provided to the person to whom this Prospectus is being sent, are incorporated herein by reference with respect to all information other than the information set forth in the Letter to Shareholders included therein. The Fund will furnish, without charge, a copy of its Reports upon request to Shareholder Relations at BEA Associates, One Citicorp Center, 153 East 53rd Street, New York, New York 10022, (800)293-1232.

## PART C

## OTHER INFORMATION

## ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS

- (1) Financial Statements
  - (i)\* -- Schedule of Investments as of December 31, 1995
  - (ii)\* -- Statement of Assets and Liabilities as of December 31, 1995
  - (iii)\* -- Statement of Operations for the fiscal year ended December 31, 1995
  - (iv)\* -- Statement of Changes in Net Assets for the fiscal year



- (v) \* -- ended December 31, 1995  
Selected Per Share Data and Ratios for the fiscal year  
ended December 31, 1995
- (vi) \* -- Notes to Financial Statements for the fiscal year  
ended December 31, 1995
- (vii) \* -- Report of Independent Accountants

\* Incorporated by reference to filing made with the Commission.

(2) Exhibits

- (a) -- Articles of Incorporation of the Fund
- (b) \* -- By-Laws of the Fund
- (c) -- Not applicable
- (d) (1) \* -- Specimen certificate for Common Stock, par value \$.001  
per share
- (2) \* -- Form of Subscription Certificate
- (3) \* -- Form of Notice of Guaranteed Delivery
- (4) \* -- Form of DTC Participant Over-Subscription Certificate
- (5) \* -- Form of Nominee Holder Over-Subscription Certificate
- (6) \* -- Form of Beneficial Listing
- (7) \* -- Form of Subscription Agency Agreement
- (e) \* -- Dividend Reinvestment and Cash Purchase Plan
- (f) -- Not applicable
- (g) -- Investment Advisory Agreement between the Fund and BEA  
Associates ("BEA")
- (h) (1) \* -- Dealer Manager Agreement between the Fund, BEA and
- (2) \* -- Form of Soliciting Dealer Agreement
- (i) -- Not applicable
- (j) -- Mutual Fund Custody Agreement between the Fund and The  
Chase Manhattan Bank
- (k) (1) \* -- Transfer Agency Services Agreement between the Fund  
and The Chase Manhattan Bank
- (2) \* -- Administration Agreement between the Fund and Chase  
Global Funds Services Company
- (3) -- Credit Agreement among the Fund, the First National  
Bank of Boston and certain other funds
- (l) (1) \* -- Opinion and consent of Willkie Farr & Gallagher
- (2) \* -- Opinion and consent of Venable, Baetjer and Howard,  
LLP
- (m) -- Not applicable
- (n) -- Consent of Price Waterhouse LLP
- (o) -- Not applicable
- (p) \* -- Purchase Agreement between the Fund and CS First  
Boston

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- (q) -- Not applicable
- (r) -- Financial Data Schedule

\* To be filed by amendment.

ITEM 25. MARKETING ARRANGEMENTS

Not applicable.

ITEM 26. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated expenses to be incurred  
in connection with the Offer described in this Registration Statement:

Registration fees. . . . .	\$ 29,115.29
New York Stock Exchange listing fee. . . . .	38,500.00
Printing (other than stock certificates) . . . . .	100,000.00
Engraving and printing stock certificates. . . . .	12,000.000
Fees and expenses of qualification under state securities laws (including fees of counsel) . . . . .	20,000.00
Accounting fees and expenses . . . . .	15,000.00
Legal fees and expenses. . . . .	100,000.00
Dealer Manager's expenses. . . . .	100,000.00
Information Agent's fees and expenses. . . . .	10,000.00
Subscription Agent's fees and expenses . . . . .	15,000.00
NASD fees. . . . .	9,000.00
Postage. . . . .	50,000.00
Miscellaneous. . . . .	\$ 15,385.00
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Total. . . . .	\$550,000.00

ITEM 27. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT

None.

ITEM 28. NUMBER OF HOLDERS OF SECURITIES

Common Stock, par value \$.001 per share: 4,630 record holders as of August 7, 1996.

ITEM 29. INDEMNIFICATION

Section 2-418 of the General Corporation Law of the State of Maryland, Article VIII of the Fund's Articles of Incorporation, Article VII of the Fund's Bylaws and the Dealer Manager Agreement to be filed as Exhibit (h)(1) provide for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act"), may be permitted to directors, officers and controlling persons of the Fund, pursuant to the foregoing provisions or otherwise, the Fund has been advised that in the opinion of the Securities and Exchange Commission (the "SEC") 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

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the Fund of expenses incurred or paid by a director, officer or controlling person of the Fund in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Fund 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 30. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER

Registrant is fulfilling the requirement of this Item 30 to provide a list of the officers and directors of its investment adviser, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by that entity or those of its officers and directors during the past two years, by incorporating by reference the information contained in the Form ADV filed with the SEC pursuant to the Investment Advisers Act of 1940 by BEA Associates (SEC File No. 801-37170).

ITEM 31. LOCATION OF ACCOUNTS AND RECORDS

BEA Income Fund, Inc.  
c/o BEA Associates  
One Citicorp Center, 57th Floor  
153 East 53rd Street  
New York, New York 10022

(Registrant's Articles of Incorporation and By-Laws)

BEA Associates  
One Citicorp Center, 57th Floor  
153 East 53rd Street  
New York, New York 10022

(with respect to its services as investment adviser)

Chase Global Funds Services Company  
73 Tremont Street  
Boston, Massachusetts 02108

(with respect to its services as Administrator)

The Chase Manhattan Bank  
770 Broadway  
10th Floor  
New York, New York 10003

(with respect to its services as Custodian for the Fund's assets)

The Chase Manhattan Bank  
770 Broadway  
7th Floor  
New York, New York 10003

(with respect to its services as dividend-paying agency, transfer agent and registrar)

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ITEM 32. MANAGEMENT SERVICES

Not applicable.

ITEM 33. UNDERTAKINGS

(a) Registrant undertakes to suspend offering its shares until it amends its prospectus contained herein if (1) subsequent to the effective date of its Registration Statement, the net asset value per share declines more than 10 percent from its net asset value per share as of the effective date of this Registration Statement, or (2) the net asset value per share increases to an amount greater than its net proceeds as stated in the prospectus contained herein.

(b) Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; or

(ii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) that, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(c) Registrant hereby undertakes to send by, first class mail or other means designed to ensure equally prompt delivery, within two business days of receipt of a written or oral request, any Statement of Additional Information.

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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 Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the 26th day of August, 1996.

BEA INCOME FUND, INC.

By: /s/ Daniel H. Sigg

-----  
Daniel H. Sigg  
Chairman of the Board and  
Chief Executive Officer

Each person whose signature appears below hereby constitutes and appoints Paul P. Stamler and Michael A. Pignataro, and each of them, his true and lawful attorneys-in-fact and agents 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, and hereby grants to such 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, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

SIGNATURE -----	TITLE -----	DATE ----
/s/ Daniel H. Sigg ----- Daniel H. Sigg	Chairman of the Board and Chief Executive Officer	August 26, 1996
/s/ Paul P. Stamler ----- Paul P. Stamler	Treasurer	August 26, 1996
/s/ Enrique R. Arzac ----- Enrique R. Arzac	Director	August 26, 1996
/s/ James S. Pasman, Jr. ----- James S. Pasman, Jr.	Director	August 26, 1996
----- Lawrence J. Fox	Director	

EXHIBIT INDEX

PAGE IN  
SEQUENTIAL  
NUMBERING  
SYSTEM  
-----

(a)	--	Articles of Incorporation of the Fund . . . . .	
(b)*	--	By-Laws of the Fund . . . . .	
(d) (1)*	--	Specimen certificate for Common Stock, par value \$.001 per share. . . . .	
(2)*	--	Form of Subscription Certificate. . . . .	
(3)*	--	Form of Notice of Guaranteed Delivery . . . . .	
(4)*	--	Form of DTC Participant Over-Subscription Certificate . . . . .	
(5)*	--	Form of Nominee Holder Over-Subscription Certificate. . . . .	
(6)*	--	Form of Beneficial Listing. . . . .	
(7)*	--	Form of Subscription Agency Agreement . . . . .	
(e)*	--	Dividend Reinvestment and Cash Purchase Plan. . . . .	
(g)	--	Investment Advisory Agreement between the Fund and BEA Associates ("BEA") . . . . .	
(h) (1)*	--	Dealer Manager Agreement between the Fund, BEA and. . . . .	
(2)*	--	Form of Soliciting Dealer Agreement . . . . .	
(j)	--	Mutual Fund Custody Agreement between the Fund and The Chase Manhattan Bank . . . . .	
(k) (1)*	--	Transfer Agency Services Agreement between the Fund and The Chase Manhattan Bank. . . . .	
(2)*	--	Administration Agreement between the Fund and Chase Global Funds Services Company. . . . .	
(3)	--	Credit Agreement among the Fund, the First National Bank of Boston and certain other funds. . . . .	
(l) (1)*	--	Opinion and consent of Willkie Farr & Gallagher . . . . .	
(2)*	--	Opinion and consent of Venable, Baetjer and Howard, LLP . . . . .	
(n)	--	Consent of Price Waterhouse LLP . . . . .	
(p)*	--	Purchase Agreement between the Fund and CS First Boston . . . . .	
(r)	--	Financial Data Schedule . . . . .	

\* To be filed by amendment.

AMENDED ARTICLES OF INCORPORATION  
OF  
FIRST BOSTON QUALITY INCOME FUND, INC.

Article I.

I, the incorporator, Warren J. Olsen, whose post office address is 250 Park Avenue, New York, New York 10177, being at least eighteen years of age, am, under and by virtue of the General Laws of the State of Maryland authorizing the formation of corporations, forming a corporation.

Article II.

The name of the corporation (hereinafter called the "Corporation") is FIRST BOSTON INCOME FUND, INC.

Article III  
PURPOSES

The purpose for which the Corporation is formed is to act as a closed-end, diversified investment company of the management type registered as such with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 and to exercise and generally to enjoy all of the powers, rights and privileges granted to, or conferred upon, corporations by the General Laws of the State of Maryland now or hereafter in force.

Article IV.

ADDRESS IN MARYLAND

The post office address of the place at which the principal office of the Corporation in the State of Maryland is located is c/o The Corporation Trust Incorporated, 32 South Street, Baltimore, Maryland 21202.

The name of the Corporation's resident agent is the Corporation Trust Incorporated, and its post office address is 32 South Street, Baltimore, Maryland 21202. Said resident agent is a corporation of the State of Maryland.

Article V.

COMMON STOCK

Section 1. The total number of shares of stock which the Corporation has authority to issue is 100,000,000 shares of common stock of the par value of \$0.001 each, all of one class, having an aggregate par value of \$100,000.

Section 2. The presence in person or by proxy of the holders of record of one-third of the shares of common stock issued and outstanding and entitled to vote thereat shall constitute a quorum for the transaction of any business at all meetings of the stockholders except as otherwise provided by law or in these Articles of Incorporation.

Section 3. Notwithstanding any provision of the General Laws of the State of Maryland requiring action to be

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taken or authorized by the affirmative vote of the holders of a designated proportion greater than a majority of the shares of common stock, such action shall be valid and effective if taken or authorized by the affirmative vote of the holders of a majority of the total number of shares of common stock outstanding and entitled to vote thereupon pursuant to the provisions of these Articles of Incorporation.

Section 4. No holder of shares of common stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any shares of the common stock of the Corporation of any class which it may issue or sell.

Section 5. All persons who shall acquire common stock in the Corporation shall acquire the same subject to the provisions of these Articles of Incorporation.

## Article VI.

### DIRECTORS

The initial number of directors of the Corporation shall be three, and the names of those who shall act as such until the first annual meeting and until their successors are duly elected and qualify are as follows: Michael F. Holland, Robert M. Baylis and James L. Freeman. However, the By-Laws of the Corporation may fix the number of directors at a number other

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than three and may authorize the Board of Directors, by the vote of a majority of the entire Board of Directors, to increase or decrease the number of directors within a limit specified in the By-Laws, provided that in no case shall the number of directors be less than three, and to fill the vacancies created by any such increase in the number of directors. Unless otherwise provided by the By-Laws of the Corporation, the directors of the Corporation

need not be stockholders.

The By-Laws of the Corporation may divide the Directors of the Corporation into classes and prescribe the tenure of office of the several classes; but no class shall be elected for a period shorter than that from the time of the election of such class until the next annual meeting and thereafter for a period shorter than the interval between annual meetings or for a longer period than five years, and the term of office of at least one class shall expire each year.

## Article VII.

### MANAGEMENT OF THE AFFAIRS OF THE CORPORATION

Section 1. All corporate powers and authority of the Corporation (except as at the time otherwise provided by statute, by these Articles of Incorporation or by the By-Laws) shall be vested in and exercised by the Board of Directors.

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Section 2. The Board of Directors shall have the power to adopt, alter or repeal the By-Laws of the Corporation except to the extent that the By-Laws otherwise provide.

Section 3. The Board of Directors shall have the power from time to time to determine whether and to what extent, and at what times and places and under what conditions and regulations, the accounts and books of the Corporation (other than the stock ledger) or any of them shall be open to the inspection of stockholders; and no stockholder shall have any right to inspect any account, book or document of the Corporation except to the extent permitted by statute or the By-Laws.

Section 4. The Board of Directors shall have the power to determine, as provided herein, or if provision is not made herein, in accordance with generally accepted accounting principles, what constitutes net income, total assets and the net asset value of the shares of Common Stock of the Corporation.

Section 5. The Board of Directors shall have the power to distribute dividends from funds legally available therefor in such amounts, if any, and in such manner to the stockholders of record as of such date, as the Board of Directors may determine.

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## Article VIII.

Section 1. Provided that reasonable care has been exercised in the selection of the officers, other employees, investment advisors and managers, distributors, underwriters, selling agents, custodians, dividend disbursing agents, transfer agents and registrars, legal counsel, auditors, and other agents of the Corporation, no director of the Corporation shall be responsible or liable in any event for any neglect or wrong-doing of any of the same, nor shall any director be responsible or liable for the act or omission to act of any other director.

Section 2. Each officer or director or member of any committee designated by the Board of Directors shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account of or reports made to the Corporation by any of its officials or by an independent public accountant or by an appraiser selected with reasonable care by the Board of Directors or by any such committee and in relying in good faith upon other records of the Corporation.

Section 3. The Corporation shall indemnify its directors and officers to the fullest extent allowed, and in the manner provided by Maryland law, including the advancing of expenses incurred in connection therewith. Such indemnification shall be in addition to any other right or claim to which any director or officer may otherwise be

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entitled. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or who, while a director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan, against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the Corporation would have had the power to indemnify such liability.

Section 4. Nothing in this Article protects or purports to protect, any director or officer against any liability to the Corporation or its security holders to which he or she 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 or her office.

Section 5. Each section or portion thereof of this Article shall be deemed severable from the remainder, and the invalidity of any such section or portion shall not affect the validity of the remainder of this Article.



Article IX.

The duration of the Corporation shall be perpetual.

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Article X.

AMENDMENTS

From time to time any of the provisions of these Articles of Incorporation may be amended, altered or repealed (including any amendment that changes the terms of any of the outstanding stock by classification, reclassification or otherwise), and other provisions that may, under the statutes of the State of Maryland at the time in force, be lawfully contained in articles of incorporation may be added or inserted, upon the vote of the holders of a majority of the shares of common stock of the Corporation at the time outstanding and entitled to vote, and all rights at any time conferred upon the stockholders of the Corporation by these Articles of Incorporation are subject to the provisions of this Article X.

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The term "Articles of Incorporation" as used herein and in the By-Laws of the Corporation shall be deemed to mean these Articles of Incorporation as from time to time amended and restated.

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I acknowledge this document to be my act, and state under the penalties of perjury that with respect to all matters and facts herein, to the best of my knowledge, information and belief such matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

March 9, 1987

/s/Warren J. Olsen

-----  
Warren J. Olsen

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STATE OF NEW YORK )

: ss.:

COUNTY OF NEW YORK )

THIS IS TO CERTIFY that on this 9th day of March, 1987 before me, the subscriber a Notary Public in and for the State of New York, personally appeared WARREN J. OLSEN and acknowledged the foregoing Amended Articles of Incorporation of First Boston Income Fund, Inc. to be his act and deed and that the facts therein stated are truly set forth.

WITNESS my hand and Notarial Seal the day and year last above written.

/s/Mary McMillan

-----

Notary Public

Articles of Amendment of  
Articles of Incorporation  
of  
FIRST BOSTON INCOME FUND, INC.

FIRST BOSTON INCOME FUND, INC., a Maryland corporation (the "Corporation"), having its principal office in Baltimore, Maryland, hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The Corporation's Articles of Incorporation are hereby amended as follows:

1. Article EIGHTH, Section 3 is hereby amended by deleting it in its entirety and replacing it with the following:

The Fund shall indemnify to the fullest extent permitted by law (including the Investment Company Act of 1940) as currently in effect or as may hereafter be amended, any person made or threatened to be made a party to any action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a Director or Officer. To the fullest extent permitted by law (including the Investment Company Act of 1940) as currently in effect or as the same may hereafter be amended, expenses incurred by any such person in defending any such action, suit or proceeding shall be paid or reimbursed by the Fund promptly upon receipt by it of an undertaking of such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by the Fund. Before the Fund may advance such expenses, one of the following provisions must be satisfied: 1) such Director or Officer shall provide a security for his undertaking, 2) the Fund shall be insured against losses arising by reason of any lawful

advances, or 3) a majority of a quorum of disinterested, non-party directors of the

Fund, or an independent legal counsel in a written opinion, shall determine, based on a review of readily available facts, that there is reason to believe that such Director or Officer ultimately will be found entitled to indemnification. The rights provided to any person by this Section of this Article shall be enforceable against the Fund by such person who shall be presumed to have relied upon it in serving or continuing to serve as a Director or Officer as provided above. No amendment of this Section of this Article shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment. For purposes of this Section of this Article, the term "Fund" shall include any predecessor of the Fund and any constituent corporation (including any constituent of a constituent) absorbed by the Fund in a consolidation or merger; the term "other enterprise" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Fund" shall include service as a Director or Officer of the Fund which imposes duties on, or involves services by, such Director or Officer with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to any employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Fund.

2. Article EIGHTH is hereby amended by adding the following  
Section 5:

Section 5. A Director or Officer of the Fund shall not be liable to the Fund or its stockholders for monetary damages for breach of fiduciary duty as a Director or Officer, except to the extent such exemption from liability or limitation thereof is not permitted by law (including the Investment Company Act of 1940 and rules or regulations thereunder or any releases issued by the Securities and Exchange Commission or its staff) as currently in effect or as the same may hereafter be amended.

SECOND: The foregoing amendment to the Articles of Incorporation of

the Corporation has been advised by the Board of Directors and approved by the stockholders in the manner required by law and its Articles of Incorporation.

IN WITNESS WHEREOF, FIRST BOSTON INCOME FUND, INC. has caused these Articles of Amendment of Articles of Incorporation to be signed in the name and on its behalf by its President and witnessed by its Assistant Secretary this 10th day of June, 1991.

FIRST BOSTON INCOME FUND, INC.

By /s/Edward N. McMillan

-----  
Edward N. McMillan  
President

WITNESS:

/s/Susanne M. Dennis

-----  
Susanne M. Dennis  
Assistant Secretary

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THE UNDERSIGNED, President of FIRST BOSTON INCOME FUND, INC., who executed on behalf of the Corporation the foregoing Articles of Amendment of which this certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles of Amendment to be the corporate act of said Corporation and hereby certifies that to the best of his knowledge, information, and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

/s/Edward N. McMillan

-----  
Edward N. McMillan  
President

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ARTICLES OF AMENDMENT  
to  
ARTICLES OF INCORPORATION  
of  
FIRST BOSTON INCOME FUND, INC.

THIS IS TO CERTIFY that FIRST BOSTON INCOME FUND, INC., a Maryland corporation having its principal office in Baltimore City, Maryland (hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland, that:

FIRST: The Corporation's Articles of Incorporation are hereby amended as follows:

The name of the Corporation is hereby changed from "First Boston Income Fund, Inc." to "CS First Boston Income Fund, Inc."

SECOND: The foregoing amendment to the Articles of Incorporation of the Corporation has been advised by the Board of Directors and approved by the stockholders of the Corporation in the manner required by law and its Articles of Incorporation.

IN WITNESS WHEREOF, FIRST BOSTON INCOME FUND, INC., has caused these Articles of Amendment to Articles of Incorporation to be signed in its name and on its behalf by its Chairman, John J. Cook, Jr., and witnessed by its Assistant Secretary, James P. Pappas, and each of said officers of the Corporation has also acknowledged these Articles of Amendment to be the corporate act

of the Corporation and has stated under penalties of perjury that to the best of said officer's knowledge, information and belief the matters and facts set forth with respect to approval are true in all material respects, all on May 24, 1994.

FIRST BOSTON INCOME FUND, INC.

By: /s/John J. Cook, Jr.

-----  
Name: John J. Cook, Jr.  
Title: President and Chairman

Witness:

/s/James P. Pappas

-----  
Name: James P. Pappas  
Title: Assistant Secretary

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CS FIRST BOSTON REALTY, INC.  
55 E. 52 Street

June 8, 1994

Maryland State Department of  
Assessments and Taxation  
301 West Preston Street  
Baltimore, MD 21201

Re: Consent to use of "CS First Boston" name by First Boston Income Fund, Inc.

To the Department of Assessments and Taxation:

We have been informed by CT Corporation System that the use by CS First Boston Realty, Inc. of the "CS First Boston" designation prevents First Boston Income Fund, Inc. from adopting a name change in Maryland to CS First Boston Income Fund, Inc. without first obtaining the consent of this company.

CS First Boston Realty, Inc. hereby authorizes First Boston Income Fund, Inc. to use, in Maryland, the "CS First Boston" designation so that it may amend its name to CS First Boston Income Fund, Inc.

Please call me at (212) 322-7205 if you have any questions regarding this authorization.

Sincerely,

/s/Lori M. Russo

Lori M. Russo,  
Assistant Secretary

LMR/pt

cc: Charles Griemsman  
(CS First Boston Investment  
Management Corporation)  
Stuart B. Leichenko, Esq.  
(Sullivan & Cromwell)

ARTICLES OF AMENDMENT  
to  
ARTICLES OF INCORPORATION  
of

CS FIRST BOSTON INCOME FUND, INC.

THIS IS TO CERTIFY that CS FIRST BOSTON INCOME FUND, INC., a Maryland corporation having its principal office in Baltimore City, Maryland (hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland, that:

FIRST: Article First of the Corporation's Articles of Incorporation are hereby amended as follows:

The name of the Corporation is "BEA Income Fund, Inc."

SECOND: The foregoing amendment to the Articles of Incorporation of the Corporation has been advised by the Board of Directors and approved by the stockholders of the Corporation in the manner required by law and its Articles of Incorporation.

IN WITNESS WHEREOF, CS FIRST BOSTON INCOME FUND, INC., has caused these Articles of Amendment to Articles of Incorporation to be signed in its name and on its behalf by its President, Robert Moore, and witnessed by its Secretary, Hal Liebes, and each of said officers of the Corporation has also acknowledged these Articles of Amendment to be the corporate act of the Corporation and has stated under penalties of perjury that to the best of said officer's knowledge, information and belief

the matters and facts set forth with respect to approval are true in all material respects, all on June 13, 1995.

CS FIRST BOSTON INCOME FUND, INC.

By: /s/Robert J. Moore

-----  
Name: Robert J. Moore

Title: President

Witness:

/s/Hal Liebes

-----  
Name: Hal Liebes

Title: Secretary





CS FIRST BOSTON INCOME FUND, INC.  
(being changed to "BEA Income Fund, Inc.")

INVESTMENT ADVISORY AGREEMENT

AGREEMENT, made as of the 13th day of June, 1995 between CS First Boston Income Fund, Inc., a Maryland corporation whose name is being changed to "BEA Income Fund, Inc." (the "Fund"), and BEA Associates, a New York general partnership (the "Adviser").

W I T N E S S E T H

WHEREAS, the Fund is a diversified, closed-end investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"); and

WHEREAS, the Fund desires to retain the Adviser to render investment advisory services to the Fund, and the Adviser is willing to render such services;

NOW, THEREFORE, in consideration of the premises and mutual promises hereinafter set forth, the parties hereto agree as follows:

1. The Fund hereby appoints the Adviser to act as investment adviser to the Fund. The Adviser accepts such appointment and agrees to render the services herein set forth, for the compensation herein provided.

2. Subject to the supervision of the Board of Directors of the Fund, the Adviser will manage the portfolio of securities and investments (including cash) belonging to the Fund including the purchase, retention and disposition thereof and the execution of agreements relating thereto, in accordance with the Fund's investment objective, policies and restrictions as stated in the Prospectus (as defined in paragraph 4(f) of this Agreement) and subject to the following understandings:

(a) The Adviser shall furnish a continuous investment program for the Fund and in so doing shall determine from time to time what investments or securities will be purchased, retained or sold by the Fund, and what portion of the assets will be invested or held uninvested as cash;

(b) The Adviser shall use its best judgment in the performance of its duties under this Agreement;

(c) The Adviser, in the performance of its duties and obligations under this Agreement, shall act in conformity with the Articles of Incorporation, the Bylaws and Prospectus of the Fund and with the instructions and directions of the Board of Directors of the Fund and will

conform to and comply with the requirements of the 1940 Act

and all other applicable federal and state laws and regulations;

(d) The Adviser shall determine the securities to be purchased or sold by the Fund and as agent for the Fund will effect portfolio transactions pursuant to its determinations either directly with the issuer or with any broker and/or dealer in such securities; in placing orders with brokers and/or dealers the Adviser intends to seek the best available price and execution for purchases and sales; the Adviser shall also determine whether or not the Fund shall enter into repurchase or reverse repurchase agreements;

On occasions when the Adviser deems the purchase or sale of a security to be in the best interest of the Fund as well as other customers, the Adviser may, to the extent permitted by applicable laws and regulations, but shall not be obligated to, aggregate the securities to be sold or purchased in order to obtain the best execution and lower brokerage commissions, if any. In such event, allocation of the securities so purchased or sold, as well as the expenses incurred in the transaction, will be made by the Adviser in the manner it considers to be the most equitable and consistent with its fiduciary obligations to the Fund and, if applicable, to such other customers;

(e) The Adviser shall maintain books and records with respect to the securities transactions of the Fund and shall render to the Fund's Board of Directors such periodic and special reports as the Board of Directors may reasonably request;

(f) The Adviser shall provide the Fund's Custodian as required with information relating to all transactions concerning the assets belonging to the Fund, except purchases of and any sales of the Fund's Common Stock ("Fund Shares"); and

(g) The investment management services of the Adviser to the Fund under this Agreement are not to be deemed exclusive, and the Adviser shall be free to render similar services to others.

3. The Adviser is authorized to select the brokers and dealers that will execute the purchases and sales of portfolio securities for the Fund and is directed to use its best efforts to obtain the best available price and execution, except as prescribed herein. Unless and until otherwise directed by the Board of Directors of the Fund, the Adviser may also effect individual securities transactions at commission rates in excess of the minimum commission rates available, if the Adviser determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage or research services provided by such broker or dealer, viewed in terms of

either that particular transaction or the Adviser's overall responsibilities with respect to the Fund. The execution of such transactions shall not be deemed to represent an unlawful act or breach of any duty created by this Agreement or otherwise.

4. The Fund has delivered copies of each of the following documents to the Adviser and will promptly notify and deliver to it all future amendments and supplements, if any:

(a) Articles of Incorporation of the Fund, filed with the Department of Assessments and Taxation of the State of Maryland on February 11, 1987 (such Articles of Incorporation, as presently in effect and as amended from time to time, being herein called the "Articles of Incorporation");

(b) Bylaws of the Fund (such Bylaws, as presently in effect and as amended from time to time, being herein called the "Bylaws");

(c) Certified resolutions of the Board of Directors of the Fund authorizing the appointment of the Adviser and approving the form of this Agreement;

(d) Registration Statement under the 1940 Act and the Securities Act of 1933, as amended, on Form N-2 (No. 33-11996) (the "Registration Statement") as filed with the Securities and Exchange Commission (the "Commission") on February 13, 1987 relating to the Fund and the Fund Shares, and all amendments thereto;

(e) Notification of Registration of the Fund under the 1940 Act on Form N-8A as filed with the Commission on February 13, 1987 and all amendments thereto; and

(f) Prospectus of the Fund dated April 8, 1987 (such prospectus being herein called the "Prospectus").

5. The Adviser shall authorize and permit any of its partners, agents and employees who may be elected as directors or officers of the Fund to serve in the capacities in which they are elected. Services to be furnished by the Adviser under this Agreement may be furnished through the medium of any of such partners, agents or employees of the Adviser.

6. The Adviser shall keep the Fund's books and records required to be maintained by it pursuant to paragraph 2(e) of this Agreement. The Adviser agrees that all records which it maintains for the Fund are the property of the Fund and it will promptly surrender any of such records to the Fund upon the Fund's request. The Adviser further agrees to preserve for the periods prescribed by Rule 31a-2 of the Commission under the 1940 Act any such records

as are required to be maintained by the

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Adviser with respect to the Fund by Rule 31a-1 of the Commission under the 1940 Act.

7. During the term of this Agreement the Adviser will pay all expenses (including without limitation the compensation of all its partners, agents and employees serving as directors or officers of the Fund pursuant to paragraph 5 of this Agreement) incurred by it in connection with its activities under this Agreement other than the cost of securities and investments purchased for the Fund (including taxes and brokerage commissions, if any).

8. For the services provided and the expenses borne pursuant to this Agreement, the Fund will pay to the Adviser as full compensation therefor a fee, computed weekly and payable quarterly, at an annual rate equal to 0.50% per annum of the average weekly net assets of the Fund. This fee for each quarter will be paid to the Adviser during the month succeeding such quarter.

9. The Adviser 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, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services (in which case any award of damages shall be limited to the period and the amount set forth in Section 36(b)(3) of the 1940 Act) or a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under this Agreement.

10. This Agreement shall become effective upon the later of (a) the termination of the previous Investment Advisory Agreement between the Fund and CS First Boston Investment Management Corporation or (b) its approval by the stockholders of the Fund in the manner prescribed by the 1940 Act. Upon becoming effective, this Agreement shall remain in effect until January 31, 1997, and shall continue in effect from year to year thereafter if such continuance is approved at least annually by (a) a majority of the outstanding voting securities (as defined in the 1940 Act) or by vote of the Fund's Board of Directors, cast in person at a meeting called for the purpose of voting on such approval, and (b) vote of a majority of the Directors of the Fund who are not parties to this Agreement or "interested persons" (as defined in the 1940 Act) of any party to this Agreement, cast in person at a meeting called for the purpose of voting on such approval. This Agreement may be terminated by the Fund at any time, without the payment of any penalty, by the Board of Directors of the Fund or by vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund on 60 days' written notice to the Adviser, or by the Adviser at any time, without the payment of any penalty, on 90 days' written notice to the Fund. This Agreement will automatically

and immediately terminate in the event of its assignment (as defined in the 1940 Act).

11. The Adviser shall for all purposes herein be deemed to be an independent contractor and shall, unless expressly provided herein or authorized by the Board of Directors of the Fund from time to time, have no authority to act for or represent the Fund in any way or otherwise be deemed an agent of the Fund.

12. This Agreement may be amended by mutual consent, but the consent of the Fund must be approved (a) by vote of a majority of those Directors of the Fund who are not parties to this Agreement or "interested persons" (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such amendment, and (b) by vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund.

13. Notices of any kind to be given to the Adviser by the Fund shall be in writing and shall be duly given if mailed or delivered to the Adviser at One Citicorp Center, 153 East 53rd Street, New York, New York 10022, Attention: President, or at such other address or to such other individual as shall be specified by the Adviser to the Fund in accordance with this paragraph 13. Notices of any kind to be given to the Fund by the Adviser shall be in writing and shall be duly given if mailed or delivered to the Fund at CS First Boston Income Fund, Inc., One Citicorp Center, 153 East 53rd Street, New York, New York 10022, Attention: President, or at such other address or to such other individual as shall be specified by the Fund to the Adviser in accordance with this paragraph 13. The Adviser agrees to notify the Fund of any change in its membership within a reasonable time of such change.

14. The Fund agrees that if this Agreement is terminated and the Adviser shall no longer be the adviser to the Fund, the Fund will, within a reasonable period of time, change its name to delete reference to "BEA".

15. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

16. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their officers designated below as of the day and year first

above written.

CS FIRST BOSTON INCOME FUND, INC.  
(being changed to "BEA Income Fund,  
Inc.")

By:/s/Paul P. Stamler

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BEA ASSOCIATES

By:/s/BEA Associates

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MUTUAL FUND CUSTODY AGREEMENT

FIRST BOSTON INCOME FUND, INC.  
UNITED STATES TRUST COMPANY OF NEW YORK

MUTUAL FUND CUSTODY AGREEMENT

FIRST BOSTON INCOME FUND, INC.

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## MUTUAL FUND CUSTODY AGREEMENT

THIS AGREEMENT is made as of May 1, 1993, by and between FIRST BOSTON INCOME FUND, INC., a Maryland corporation (the "Company"), and UNITED STATES TRUST COMPANY OF NEW YORK, a New York State chartered bank trust company ("U.S. Trust").

## W I T N E S S E T H

WHEREAS, the Company is registered as a closed-end investment company under the Investment Company Act of 1940, as amended (the "1940 Act"); and

WHEREAS, the Company desires to retain U.S. Trust to serve as the Company's custodian and U.S. Trust is willing to furnish such services;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is agreed between the parties hereto as follows:

1. APPOINTMENT. The Company hereby appoints U.S. Trust to act as custodian of its portfolio securities, cash and other property on the terms set forth in this Agreement. U.S. Trust accepts such appointment and agrees to furnish the services herein set forth in return for the compensation as provided in Paragraph 21 of this Agreement.

2. DELIVERY OF DOCUMENTS. The Company will promptly furnish to U.S. Trust such copies, properly certified or authenticated, of contracts, documents and other related information that U.S. Trust may request or requires to properly

discharge its duties. Such documents may include but are not limited to the following:

(a) Resolutions of the Company's Directors authorizing the appointment of U.S. Trust as Custodian of the portfolio securities, cash and other property of the Company and approving this Agreement;

(b) Incumbency and signature certificates identifying and containing the signatures of the Company's officers and/or the persons authorized to sign Written Instructions, as hereinafter defined, on behalf of the Company;

(c) The Company's Articles of Incorporation filed with the Department of Assessments and Taxation of the State of Maryland and all amendments thereto (such Articles of Incorporation, as currently in effect and as they shall from time to time be amended, are herein called the "Articles");

(d) The Company's By-Laws and all amendments thereto (such By-Laws, as currently in effect and as they shall from time to time be amended, are herein called the "By-Laws");

(e) Resolutions of the Company's Directors and/or the Company's stockholders approving the Investment Advisory Agreement between the Company and the Company's investment adviser (the "Advisory Agreement");

(f) The Advisory Agreement;

(g) The Company's current Registration Statement on Form N-2 under the 1940 Act, as amended, as filed with the Securities and Exchange Commission (the "SEC"); and

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(h) Each Fund's most recent prospectus including all amendments and supplements thereto (the "Prospectus").

The Company will furnish U.S. Trust from time to time with copies of all amendments of or supplements to the foregoing, if any. The Company will also furnish U.S. Trust with a copy of the opinion of counsel for the Company with respect to the validity of the shares of common stock, par value \$.001 per share (the "Shares"), of the Company and the status of such Shares under the 1933 Act as registered with the SEC, and under any other applicable federal law or regulation.

### 3. DEFINITIONS.

(a) "AUTHORIZED PERSON". As used in this Agreement, the term "Authorized Person" means the Company's President, Vice-President, Treasurer and any other person, whether or not any such person is an officer or employee of the Company, duly authorized by the Directors of the Company to give Written Instructions on behalf of the Company and listed on Attachment B hereto which may be amended from time to time.

(b) "BOOK-ENTRY SYSTEM". As used in this Agreement, the term "Book-Entry System" means the Federal Reserve/Treasury book-entry system for United States and federal agency securities, its successor or successors and its nominee or nominees.

(c) "PROPERTY". The term "Property", as used in this Agreement, means:

(i) any and all securities, cash, and other property of the Company which the Company may from time

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to time deposit, or cause to be deposited, with U.S. Trust or which U.S. Trust may from time to time hold for the Company;

(ii) all income in respect of any such securities or other property;

(iii) all proceeds of the sales of any of such Securities or other property; and

(iv) all proceeds of the sale of securities issued by the Company, which are received by U.S. Trust from time to time from or on behalf of the Company.

(d) "SECURITIES DEPOSITORY". As used in this Agreement, the term "Securities Depository" shall mean The Depository Trust Company, a clearing agency registered with the SEC, or its successor or successors and its nominee or nominees; and shall also mean any other registered clearing agency, its successor or successors, specifically identified in a certified copy of a resolution of the Company's Directors approving deposits by U.S. Trust therein.

(e) "WRITTEN INSTRUCTIONS". Means instructions

(i) delivered by mail, tested telegram, cable, telex, facsimile sending device, and received by U.S. Trust, signed by two Authorized Persons or by persons reasonably believed by U.S. Trust to be Authorized Persons; or

(ii) transmitted electronically through the U.S. Trust Asset Management System or any similar electronic instruction system acceptable to U.S. Trust.

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4. DELIVERY AND REGISTRATION OF THE PROPERTY. The Company will deliver or cause to be delivered to U.S. Trust all Property owned by it, including cash received for the issuance of its Shares, at any time during the period of this Agreement, except for securities and monies to be delivered to any subcustodian appointed pursuant to Paragraph 7 hereof. U.S. Trust will not be responsible for such securities and such monies until actually received by U.S. Trust or by any subcustodian. All securities delivered to U.S. Trust or to any such subcustodian (other than in bearer form) shall be registered in the name of the Company or in the name of a nominee of the Company or in the name of U.S. Trust or any nominee of U.S. Trust (with or without indication of fiduciary status) or in the name of any subcustodian or any nominee of such subcustodian appointed pursuant to Paragraph 7 hereof or shall be properly endorsed and in form for

transfer satisfactory to U.S. Trust.

5. VOTING RIGHTS. With respect to all securities, however registered, it is understood that the voting and other rights and powers shall be exercised by the Company. U.S. Trust's only duty shall be to mail to the Company any documents received, including proxy statements and offering circulars, with any proxies for securities registered in a nominee name executed by such nominee. Where warrants, options, tenders or other securities have fixed expiration dates, the Company understands that in order for U.S. Trust to act, U.S. Trust must receive the Company's instructions at its offices in New York City, addressed as U.S. Trust may from time to time request, by no later than noon (New York City time)

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at least one business day prior to the last scheduled date to act with respect thereto (or such earlier date or time as permits the Company a reasonable period of time in which to respond after U.S. Trust notifies the Company of such date or time). Absent U.S. Trust's timely receipt of such instructions, such instruments will expire without liability to U.S. Trust.

6. RECEIPT AND DISBURSEMENT OF MONEY.

(a) U.S. Trust shall open and maintain a custody account for the Company (the "Account") subject only to draft or order by U.S. Trust acting pursuant to the terms of this Agreement, and shall hold in such Account, subject to the provisions hereof, all cash received by it from or for the Company. U.S. Trust shall make payments of cash to, or for the account of, the Company from such cash only (i) for the purchase of securities for the Company as provided in paragraph 12 hereof; (ii) upon receipt of Written Instructions, for the payment of dividends or other distributions of shares, or for the payment of interest, taxes, administration, distribution or advisory fees or expenses which are to be borne by the Company under the terms of this Agreement, any Advisory Agreement, or any administration agreement of the Company; (iii) upon receipt of Written Instructions for payments in connection with the conversion, exchange or surrender of securities owned or subscribed to by the Company and held by or to be delivered to U.S. Trust; (iv) to a subcustodian pursuant to Paragraph 7 hereof; or (v) upon receipt of Written Instructions for other corporate purposes.

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(b) U.S. Trust is hereby authorized to endorse and collect all checks, drafts or other orders for the payment of money received as custodian for the Company.

7. RECEIPT OF SECURITIES.

(a) Except as provided by Paragraph 8 hereof, U.S. Trust shall hold all securities and non-cash Property received by it for the Company. All such

securities and non-cash Property are to be held or disposed of by U.S. Trust for the Company pursuant to the terms of this Agreement. In the absence of Written Instructions accompanied by a certified resolution authorizing the specific transaction by the Company's Directors, U.S. Trust shall have no power or authority to withdraw, deliver, assign, hypothecate, pledge or otherwise dispose of any such securities and non-cash Property, except in accordance with the express terms provided for in this Agreement. In connection with its duties under this Paragraph 7, U.S. Trust may, at its own expense and with the consent of the Company, enter into subcustodian agreements with other banks, trust companies, or other qualified entities for the receipt of certain securities and cash to be held by U.S. Trust for the account of the Company pursuant to this Agreement; provided, that each such subcustodian shall meet the requirements established by the 1940 Act for U.S. domestic and foreign investment company custodians, including (i) the requirements of Rule 17f-5 under the 1940 Act and (ii) a requirement of approval by the Company's Board of Directors, if any, and that each such subcustodian agrees with U.S. Trust to comply with all relevant provisions of the 1940 Act and

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applicable rules and regulations thereunder. U.S. Trust will be liable for acts or omissions of any such subcustodian.

(b) Promptly after the close of business on each day, U.S. Trust shall furnish the Company with confirmations and a summary of all transfers to or from the account of the Company during said day. Where securities are transferred to the account of the Company established at a Securities Depository or the Book-Entry System pursuant to Paragraph 8 hereof, U.S. Trust shall also by book-entry or otherwise identify as belonging to the Company the quantity of securities that belongs to the Company that are part of a fungible bulk of securities registered in the name of U.S. Trust (or its nominee) or shown in U.S. Trust's account on the books of a Securities Depository or the Book-Entry System. At least monthly and from time to time, U.S. Trust shall furnish the Company with a detailed statement of the Property held for the Company under this Agreement.

8. USE OF SECURITIES DEPOSITORY OR THE BOOK-ENTRY SYSTEM. The Company shall deliver to U.S. Trust a certified resolution of the Directors of the Company approving, authorizing and instructing U.S. Trust on a continuous and ongoing basis until instructed to the contrary by Written Instructions actually received by U.S. Trust (1) to deposit in a Securities Depository or the Book-Entry System all securities of the Company eligible for deposit therein and (ii) to utilize a Securities Depository or the Book-Entry System to the extent possible in connection with the performance of its duties hereunder, including without limitation, settlements of purchases and sales of securities by

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the Company, and deliveries and returns of securities collateral in connection with borrowings. Without limiting the generality of such use, it is agreed that

the following provisions shall apply thereto:

(a) Securities and any cash of the Company deposited in a Securities Depository or the Book-Entry System will at all times be segregated from any assets and cash controlled by U.S. Trust in other than a fiduciary or custodian capacity but may be commingled with other assets held in such capacities. U.S. Trust will effect payment for securities and receive and deliver securities in accordance with accepted industry practices in the place where the transaction is settled, unless the Company has given U.S. Trust Written Instructions to the contrary.

(b) All Books and records maintained by U.S. Trust which relate to the Company's participation in a Securities Depository or the Book-Entry System will at all times during U.S. Trust's regular business hours be open to the inspection of the Company's duly authorized employees or agents, and the Company will be furnished with all information in respect of the services rendered to it as it may require.

9. INSTRUCTIONS CONSISTENT WITH THE ARTICLES, ETC. Unless otherwise provided in this Agreement, U.S. Trust shall act only upon Written Instructions. U.S. Trust may assume that any Written Instructions received hereunder are not in any way inconsistent with any provision of the Articles or By-Laws of the Company or any vote or resolution of the Company's Directors, or any committee thereof. U.S. Trust shall be entitled to rely upon

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any Written Instructions actually received by U.S. Trust pursuant to this Agreement. The Company agrees that U.S. Trust shall incur no liability in acting upon Written Instructions given to U.S. Trust. In accord with instructions from the Company, as required by accepted industry practice or as U.S. Trust may elect in effecting the execution of Company instructions, advances of cash or other Property made by U.S. Trust, arising from the purchase, sale, redemption, transfer or other disposition of Property of the Company, or in connection with the disbursement of funds to any party, or in payment of fees, expenses, claims or liabilities owed to U.S. Trust by the Company, or to any other party which has secured judgment in a court of law against the Company which creates an overdraft in the accounts or over-delivery of Property shall be deemed a loan by U.S. Trust to the Company, payable on demand, bearing interest at such rate customarily charged by U.S. Trust for similar loans. The Company agrees that test arrangements, authentication methods or other security devices to be used with respect to instructions which the Company may give by telephone, telex, TWX, facsimile transmission, bank wire or through an electronic instruction system, shall be processed in accordance with terms and conditions for the use of such arrangements, methods or devices as U.S. Trust may put into effect and modify from time to time. The Company shall safeguard any test keys, identification codes or other security devices which U.S. Trust makes available to the Company and agrees that the Company shall be responsible for any loss, liability or damage incurred by U.S. Trust or by the

Company as a result of U.S. Trust's acting in accordance with instructions from any unauthorized person using the proper security device unless such loss, liability or damage was incurred as a result of U.S. Trust's negligence or willful misconduct. U.S. Trust may electronically record, but shall not be obligated to so record, any instructions given by telephone and any other telephone discussions with respect to the Account. In the event that the Company uses U.S. Trust's Asset Management System ("AMS"), the Company agrees that U.S. Trust is not responsible for the consequences of the failure of the AMS to perform for any reason, beyond the reasonable control of U.S. Trust, or the failure of any communications carrier, utility, or communications network. In the event the AMS is inoperable, the Company agrees that it will accept the communication of transaction instructions by telephone, facsimile transmission on equipment compatible to U.S. Trust's facsimile receiving equipment or by letter, at no additional charge to the Company.

10. TRANSACTIONS NOT REQUIRING INSTRUCTIONS. U.S. Trust is authorized to take the following action without Written Instructions:

(a) COLLECTION OF INCOME AND OTHER PAYMENT. U.S. Trust shall:

(i) collect and receive for the account of the Company, all income and other payments and distributions, including (without limitation) stock dividends, rights, warrants and similar items, included or to be included in the Property of the Company, and

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promptly advise the Company of such receipt and shall credit such income, as collected, to the Company. From time to time, U.S. Trust may elect, but shall not be so obligated, to credit the Account with interest, dividends or principal payments on payable or contractual settlement date, in anticipation of receiving same from a payor, central depository, broker or other agent employed by the Company or U.S. Trust. Any such crediting and posting shall be at the Company's sole risk, and U.S. Trust shall be authorized to reverse any such advance posting in the event U.S. Trust does not receive good funds from any such payor, central depository, broker or agent of the Company.

(ii) with respect to securities of foreign issuers, effect collection of dividends, interest and other income, and to notify the Company of any call for redemption, offer of exchange, right of subscription, reorganization, or other proceedings affecting such securities, or any default in payments due thereon. It is understood, however, that U.S. Trust shall be under no responsibility for any failure or delay in effecting such collections or giving such notice with respect to securities of foreign issuers, regardless of whether

or not the relevant information is published in any financial service available to U.S. Trust unless such failure or delay is due to its negligence or willful misconduct; provided that this subparagraph (ii) shall

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not be construed as creating any such responsibility with respect to securities of non-foreign issuers. Collections of income in foreign currency are, to the extent possible, to be converted into United States Dollars unless otherwise instructed in writing, and in effecting such conversion U.S. Trust may use such methods or agencies as it may see fit, including the facilities of its own foreign Trust shall have no responsibility for fluctuations in exchange rates affecting any such conversion.

(iii) endorse and deposit for collection in the name of the Company, checks, drafts, or other orders for the payment of money on the same day as received;

(iv) receive and hold for the account of the Company all securities received by the Company as a result of a stock dividend, share split-up or reorganization, recapitalization, readjustment or other rearrangement or distribution of rights or similar securities issued with respect to any portfolio securities of the Company held by U.S. Trust hereunder;

(v) present for payment and collect the amount payable upon all securities which may mature or be called, redeemed or retired, or otherwise become payable on the date such securities become payable;

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(iv) take any action which may be necessary and proper in connection with the collection and receipt of such income and other payments and the endorsement for collection of checks, drafts and other negotiable instruments;

(vii) with respect to domestic securities, to exchange securities in temporary form for securities in definitive form, to effect an exchange of the shares where the par value of stock is changed, and to surrender securities at maturity or when advised of earlier call for redemption, against payment therefor in accordance with accepted industry practice. The Company understands that U.S. Trust subscribes to one or more nationally recognized services that provide information with respect to calls for redemption of bonds or other corporate actions. U.S. Trust shall not be liable for failure to redeem any called bond or to take other action if notice of such call or action was not provided by any service to which it subscribes provided that U.S. Trust shall have acted in good faith without



negligence and in accordance with "Street Practice" (as is customary in industry). U.S. Trust shall have no duty to notify the Company of any rights, duties, limitations, conditions or other information set forth in any security (including mandatory or optional put, call and similar provisions), but U.S. Trust shall forward to the Company any notices or other

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documents subsequently received in regard to any such security. When fractional shares of stock of a declaring corporation are received as a stock distribution, unless specifically instructed to the contrary in writing, U.S. Trust is authorized to sell the fraction received and credit the Company's account. Unless specifically instructed to the contrary in writing, U.S. Trust is authorized to exchange securities in bearer form for securities in registered form. If any Property registered in the name of a nominee of U.S. Trust is called for partial redemption by the issuer of such Property, U.S. Trust is authorized to allot the called portion to the respective beneficial holders of the Property in such manner deemed to be fair and equitable by U.S. Trust in its sole discretion.

(b) MISCELLANEOUS TRANSACTIONS. U.S. Trust is authorized to deliver or cause to be delivered Property against payment or other consideration or written receipt therefor in the following cases:

(i) for examination by a broker selling for the account of the Company in accordance with street delivery custom;

(ii) for the exchange of interim receipts or temporary securities for definitive securities;

(iii) for transfer of securities into the name of the Company or U.S. Trust or a nominee of either, or

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for exchange of securities for a different number of bonds, certificates, or other evidence, representing the same aggregate face amount or number of units bearing the same interest rate, maturity date and call provisions, if any; provided that, in any such case, the new securities are to be delivered to U.S. Trust.

11. TRANSACTIONS REQUIRING INSTRUCTIONS. Upon receipt of Written Instructions and not otherwise, U.S. Trust, directly or through the use of a Securities Depository or the Book-Entry System, shall:

(a) Execute and deliver to such persons as may be designated in such

Written Instructions, proxies, consents, authorizations, and any other instruments whereby the authority of the Company as owner of any securities may be exercised;

(b) Deliver any securities held for the Company against receipt of other securities or cash issued or paid in connection with the liquidation, reorganization, refinancing, merger, consolidation or recapitalization of any corporation, or the exercise of any conversion privilege;

(c) Deliver any securities held for the Company to any protective committee, reorganization committee or other person in connection with the reorganization, refinancing, merger, consolidation, recapitalization or sale of assets of any corporation, against receipt of such certificates of deposit, interim receipts or other instruments or documents as may be issued to it to evidence such delivery;

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(d) Make such transfers or exchanges of the assets of the Company and take such other steps as shall be stated in said instructions to be for the purpose of effectuating and duly authorized plan of liquidation, reorganization, merger, consolidation or recapitalization of the Company;

(e) Release securities belonging to the Company to any bank or trust company for the purpose of pledge or hypothecation to secure any loan incurred by the Company; provided, however, that securities shall be released only upon payment to U.S. Trust of the monies borrowed, except that in cases where additional collateral is required to secure a borrowing already made, subject to proper prior authorization, further securities may be released for that purpose; and pay such loan upon redelivery to it of the securities pledged or hypothecated therefor and upon surrender of the note or notes evidencing the loan;

(f) Deliver any securities held for the Company upon the exercise of a covered call option written by the Company on such securities; and

(g) Deliver securities held for the Company pursuant to separate security lending agreements concerning the lending of the Company's securities into which the Company may enter, from time to time.

12. PURCHASE OF SECURITIES. Promptly after each purchase of securities by the Investment Adviser (or any sub-adviser), the Company shall deliver to U.S. Trust (as Custodian) Written Instructions specifying with respect to each such purchase: (a) the name of the issuer and the title of the securities, (b)

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the number of shares of the principal amount purchased and accrued interest, if any, (c) the dates of purchase and settlement, (d) the purchase price per unit,

(e) the total amount payable upon such purchase and (f) the name of the person from whom or the broker through whom the purchase was made.

13. SALES OF SECURITIES. Promptly after each sale of securities by the Investment Adviser, the Company shall deliver to U.S. Trust (as Custodian) Written Instructions, specifying with respect to each such sale: (a) the name of the issuer and the title of the security, (b) the number of shares or principal amount sold, and accrued interest, if any, (c) the date of sale, (d) the sale price per unit, (e) the total amount payable to the Company upon such sale and (f) the name of the broker through whom or the person to whom the sale was made. U.S. Trust shall deliver the securities upon receipt of the total amount payable to the Company upon such sale, provided that the same conforms to the total amount payable as set forth in such Written Instructions. Subject to the foregoing, U.S. Trust may accept payment in such form as shall be satisfactory to it, and may deliver securities and arrange for payment in accordance with the customs prevailing among dealers in securities.

14. AUTHORIZED SHARES. The Company has a fixed number of authorized shares of its securities, subject to the authority of the Board of Directors to increase or decrease the number of authorized shares and to reclassify authorized but unissued shares.

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15. RECORDS. The books and records pertaining to the Company which are in the possession of U.S. Trust shall be the property of the Company. Such books and records shall be prepared and maintained as required by the 1940 Act; other applicable federal and state securities laws and rules and regulations; and, any state or federal regulatory body having appropriate jurisdiction. The Company, or the Company's authorized representatives, shall have access to such books and records at all times during U.S. Trust's normal business hours, and such books and records shall be surrendered to the Company promptly upon request. Upon reasonable request of the Company, copies of any such books and records shall be provided by U.S. Trust to the Company or the Company's authorized representative at the Company's expense.

16. COOPERATION WITH ACCOUNTANTS. U.S. Trust shall cooperate with the Company's independent certified public accountants and shall take all reasonable action in the performance of its obligations under this Agreement to assure that the necessary information is made available to such accountants for the expression of their unqualified opinion, including but not limited to the opinion included in the Company's semiannual report on Form N-SAR.

17. CONFIDENTIALITY. U.S. Trust agrees on behalf of itself and its employees to treat confidentially and as the proprietary information of the Company all records and other information relative to the Company and its prior, present or potential Shareholders and relative to the investment advisers and its

prior, present or potential customers, and not to use such records and information for any purpose other than performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by the Company, which approval shall not be unreasonably withheld and may not be withheld where U.S. Trust may be exposed to civil or criminal contempt proceedings for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by the Company. Nothing contained herein, however, shall prohibit U.S. Trust from advertising, or soliciting the public generally with respect to other products or services, regardless of whether such advertisement or solicitation may include prior, present or potential Shareholders of the Company.

18. EQUIPMENT FAILURES. In the event of equipment failures beyond U.S. Trust's control, U.S. Trust shall, at no additional expense to the Company, take reasonable steps to minimize service interruptions but shall not have liability with respect thereto. U.S. Trust shall enter into and shall maintain in effect with appropriate parties one or more agreements making reasonable provision for back up emergency use of electronic data processing equipment to the extent appropriate equipment is available.

19. RIGHT TO RECEIVE ADVICE

(a) ADVICE OF FUND. If U.S. Trust shall be in doubt as to any action to be taken or omitted by it, it may request, and shall receive, from the Company clarification or advice.

(b) ADVICE OF COUNSEL. If U.S. Trust shall be in doubt as to any question of law involved in any action to be

taken or omitted by U.S. Trust it may request advice at its own cost from counsel of its own choosing (who may be counsel for the Company or U.S. Trust, at the option of U.S. Trust).

(c) CONFLICTING ADVICE. In case of conflict between directions or advice received by U.S. Trust pursuant to subparagraph (a) of this paragraph and advice received by U.S. Trust pursuant to subparagraph (b) of this paragraph, U.S. Trust shall be entitled to rely on and follow the advice received pursuant to the latter provision alone.

(d) PROTECTION OF U.S. TRUST. U.S. Trust shall be protected in any action or inaction which it takes or omits to take in reliance on any directions or advice received pursuant to subparagraph (a) of this section which U.S. Trust, after receipt of any such directions or advice, in good faith believes to

be consistent with such directions or advice. However, nothing in this paragraph shall be construed as imposing upon U.S. Trust any obligation (i) to seek such directions or advice, or (ii) to act in accordance with such directions or advice when received, unless, under the terms or another provision of this Agreement, the same is a condition to U.S. Trust's properly taking or omitting to take such action. Nothing in this subparagraph shall excuse U.S. Trust when an action or omission on the part of U.S. Trust constitutes willful misfeasance, bad faith, negligence or reckless disregard by U.S. Trust of its duties under this Agreement.

20. COMPLIANCE WITH GOVERNMENTAL RULES AND REGULATIONS. The Company assumes full responsibility for insuring that the

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contents of each Prospectus of the Company complies with all applicable requirements of the 1933 Act, the 1940 Act, and any laws, rules and regulations of governmental authorities having Jurisdiction.

21. COMPENSATION. As compensation for the services described within this Agreement and rendered by U.S. Trust during the term of this Agreement, the Company will pay to U.S. Trust, in addition to reimbursement of its out-of-pocket expenses, monthly fees as outlined in Attachment A.

22. INDEMNIFICATION. The Company, as sole owner of the Property, agrees to indemnify and hold harmless U.S. Trust and its nominees from all taxes, charges, expenses, assessments, claims, and liabilities (including, without limitation, liabilities arising under the 1933 Act, the Securities Exchange Act of 1934 as amended, the 1940 Act, and any state and foreign securities and blue sky laws, all as or to be amended from time to time) and expenses, including (without limitation) attorney's fees and disbursements, arising directly or indirectly (a) from the fact that securities included in the Property are registered in the name of any such nominee or (b) without limiting the generality of the foregoing clause (a) from any action or thing which U.S. Trust takes or does or omits to take or do (i) at the request or on the direction of or in reliance on the advice of the Company given in accordance with the terms of this Agreement, or (ii) upon Written Instructions; provided, that neither U.S. Trust nor any of its nominees or subcustodians shall be indemnified against any liability to the Company or to its

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Shareholders (or any expenses incident to such liability) arising out of U.S. Trust's or such nominee's or subcustodian's own willful misfeasance, bad faith, negligence or reckless disregard of its duties under this Agreement or any agreement between U.S. Trust and any nominee or subcustodian. In the event of

any advance of cash for any purpose made by U.S. Trust resulting from orders or Written Instructions of the Company, or in the event that U.S. Trust or its nominee or subcustodian shall incur or be assessed any taxes, charges, expenses, assessments, claims or liabilities in connection with the performance of this Agreement, except such as may arise from its or its nominee's or subcustodian's own negligent action, negligent failure to act, willful misconduct, or reckless disregard of its duties under this Agreement or any agreement between U.S. Trust and any nominee or subcustodian, the Company shall promptly reimburse U.S. Trust for such advance of cash or such taxes, charges, expenses, assessments, claims or liabilities.

23. RESPONSIBILITY OF U.S. TRUST. U.S. Trust shall be under no duty to take any action on behalf of the Company except as specifically set forth herein or as may be specifically agreed to by U.S. Trust in writing. In the performance of its duties hereunder, U.S. Trust shall be obligated to exercise care and diligence and to act in good faith and to use its best efforts within reasonable limits to insure the accuracy of all services performed under this Agreement. U.S. Trust shall not be liable for any act or omission which does not constitute willful misfeasance, bad faith, or negligence on the part of U.S. Trust

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or nominee or subcustodian or reckless disregard of the duties, obligations and responsibilities hereunder. Without limiting the generality of the foregoing or of any other provision of this Agreement, U.S. Trust in connection with its duties under this Agreement shall not be under any duty or obligation to inquire into and shall not be liable for or in respect of (a) the validity or invalidity or authority or lack thereof of any advice, direction, notice or other instrument which conforms to the applicable requirements of this Agreement, if any, and which U.S. Trust believes to be genuine, (b) the validity of the issue of any securities purchased or sold by the Company, the legality of the purchase or sale thereof or the propriety of the amount paid or received therefor, (c) the legality of the issue or sale of any Shares, or the sufficiency of the amount to be received therefor, (d) the legality of the redemption of any Shares, or the propriety of the amount to be paid therefor, (e) the legality of the declaration or payment of any dividend or distribution on Shares, or (f) delays or errors or loss of data occurring by reason of circumstances beyond U.S. Trust's control, including acts of civil or military authority, national emergencies, labor difficulties, fire, mechanical breakdown (except as provided in Paragraph 18), flood or catastrophe, acts of God, insurrection, war, riots, or failure of the mail, transportation systems, communication systems or power supply.

24. COLLECTION. All collections of monies or other property in respect, or which are to become part, of the Property (but not the safekeeping thereof upon receipt by U.S. Trust)

shall be at the sole risk of the Company. In any case in which U.S. Trust does not receive any payment due the Company within a reasonable time after U.S. Trust has made proper demands for the same, it shall so notify the Company in writing, including copies of all demand letters, any written responses thereto, and memoranda of all oral responses thereto, and to telephonic demands, and await instructions from the Company. U.S. Trust shall not be obliged to take legal action for collection unless and until reasonably indemnified to its satisfaction. U.S. Trust shall also notify the Company as soon as reasonably practicable whenever income due on securities is not collected in due course.

25. DURATION AND TERMINATION. This Agreement shall be effective as of the date hereof and shall continue until termination by the Company or by U.S. Trust on 60 day's written notice. Upon any termination of this Agreement, pending appointment of a successor to U.S. Trust by the Company or a vote of the Shareholders of the Company to dissolve or a vote of its Board of Directors to function without a custodian of its cash, securities or other property, U.S. Trust shall not deliver cash, securities or other property of the Company to the Company, but may deliver them to a bank or trust company of its own selection, having aggregate capital, surplus and undivided profits, as shown by its last published report of not less than twenty million dollars (\$20,000,000) as a successor custodian for the Company to be held under terms similar to those of this Agreement. Notwithstanding the making by U.S. Trust of any such delivery or payment, U.S. Trust will remain entitled to full payment by the

Company of all liabilities constituting a charge on or against the properties previously held by U.S. Trust or on or against U.S. Trust and full payment of all of its fees, compensation, costs and expenses, subject to the provisions of Paragraph 21 of this Agreement.

26. NOTICES. All notices and other communications (collectively referred to as "Notice" or "Notices" in this paragraph) hereunder shall be in writing or by confirming telegram, cable, telex, or facsimile sending device. Notices shall be addressed (a) if to U.S. Trust, at U.S. Trust's address, 114 W. 47th Street, New York, New York, 10036; (b) if to the Company, at the address of the Company; or (c) if to neither of the foregoing, at such other address as shall have been notified to the sender of any such Notice or other communication. If the location of the sender of a Notice and the address of the addressee thereof are, at the time of sending, more than 100 miles apart, the Notice may be sent by first-class mail, in which case it shall be deemed to have been given three days after it is sent, or if sent by confirming telegram, cable, telex or facsimile sending device, it shall be deemed to have been given immediately,

and, if the location of the sender of a Notice and the address of the addressee thereof are, at the time of sending, not more than 100 miles apart, the Notice may be sent by first-class mail, in which case it shall be deemed to have been given two days after it is sent, or if sent by messenger, it shall be deemed to have been given on the day it is delivered, or if sent by confirming telegram, cable, telex or facsimile sending device,

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it shall be deemed to have been given immediately. All postage, cable, telegram, telex and facsimile sending device charges arising from the sending of a Notice hereunder shall be paid by the Sender.

27. FURTHER ACTIONS. Each party agrees to perform such further acts and execute such further documents as are necessary to effectuate the purposes hereof.

28. AMENDMENTS. This Agreement or any part hereof may be changed or waived only by an instrument in writing signed by the party against which enforcement of such change or waiver is sought.

29. MISCELLANEOUS. This Agreement embodies the entire Agreement and understanding between the parties hereto, and supersedes all prior agreements and understandings relating to the parties hereto. The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. This Agreement shall be deemed to be a contract made in New York and governed by New York law. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their officers designated below as of the day and year first above written.

FIRST BOSTON INCOME FUND, INC.

Attest: /s/ Susanne M. Dennis  
-----

By: /s/ Jay T. Roelof  
-----

Name: Jay T. Roelof  
-----

Title: Secretary



-----  
UNITED STATES TRUST COMPANY

OF NEW YORK

Attest: /s/ Witness  
-----

By: /s/ Donald P. Hearn  
-----

Name: Donald P. Hearn  
-----

Title: S.V.P.  
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MUTUAL FUND CUSTODY AGREEMENT  
FIRST BOSTON INCOME FUND, INC.  
MAY 1, 1993

ATTACHMENT A  
FEES AND EXPENSES

For the services described in the Agreement, the Fund shall pay to U.S. Trust a custody safekeeping fee and custody transaction fees as follows:

DOMESTIC CUSTODY SAFEKEEPING FEES

0.03% (3.0 Basis Points) of the first \$50 million of the Fund's average daily net assets; plus  
0.02% (2.0 Basis Points) of the second \$50 million of the Fund's average daily net assets; plus  
0.01% (1.0 Basis Points) of the Fund's average daily net assets in excess of \$100 million.

DOMESTIC CUSTODY TRANSACTION FEES

\$15.00 per DTC, PTC or Fed Book Entry transaction  
\$25.00 per physical transaction  
\$35.00 per future, option or swap transaction  
\$40.00 per Cedel/Euroclear transaction  
\$ 8.00 per wire transfer

The Fund will be billed for all reasonable "out-of-pocket" expenses as they relate to the provision of services under this Agreement. International transactions and securities may involve additional fees and expenses.

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MUTUAL FUND CUSTODY AGREEMENT  
FIRST BOSTON INCOME FUND, INC.  
MAY 1, 1993

ATTACHMENT B

AUTHORIZED PERSONS

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of April 1, 1996, by and among each of the management investment companies listed on SCHEDULE I hereto, acting either for itself or solely on behalf of the portfolios indicated on said Schedule (each, a "PORTFOLIO"), as said Schedule may from time to time be modified or amended (each of such management investment companies in such individual or representative capacity being hereafter referred to as a "BORROWER" and collectively as the "BORROWERS") and THE FIRST NATIONAL BANK OF BOSTON, a national banking association with its head office at 100 Federal Street, Boston, Massachusetts 02110 (the "BANK").

WHEREAS, the Existing Borrowers and the Bank entered into an Amended and Restated Credit Agreement dated as of December 15, 1994 (the "PRIOR AGREEMENT") providing for advances to be made by the Bank to the Existing Borrowers for temporary or emergency purposes; and

WHEREAS, the Existing Borrowers and the Bank desire to amend and restate the Prior Agreement to add the New Borrowers as Borrowers; and

WHEREAS, each of the Borrowers is authorized to borrow money for its own temporary or emergency purposes, or the temporary or emergency purposes of any of its Portfolios, and desires to enter into this Agreement so that it may borrow funds from the Bank from time to time for such purposes; and

WHEREAS, the Bank is willing to advance funds to the Borrowers for their own accounts or for the accounts of any of their Portfolios from time to time on a demand, discretionary basis on the terms and subject to the conditions set forth below;

NOW, THEREFORE, in consideration of the mutual promises and agreements of the parties set forth herein, the parties hereto agree as follows:

Section 1. DEFINITIONS; INTERPRETATION.

Section 1.1. DEFINITIONS. As used herein, the following terms shall have meanings assigned to them below:

ADJUSTED EURODOLLAR RATE. Applicable to any Interest Period, shall mean a rate per annum determined pursuant to the following formula:

$$\text{AER} = \frac{[\text{LIBOR}]^*}{[1.00 - \text{RP}]}$$

AER = Adjusted Eurodollar Rate  
LIBOR = London Interbank Offered Rate

\*The amount in brackets shall be rounded upwards, if necessary, to the next higher 1/100 of 1%.

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Where:

"LONDON INTERBANK OFFERED RATE" applicable to any Eurodollar Loan for any Interest Period means the rate of interest determined by the Bank to be the prevailing rate per annum at which deposits in U.S. dollars are offered to the Bank by first-class banks in the London interbank Eurodollar market on or about 11:00 a.m. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Eurodollar Loan to which such Interest Period is to apply for a period of time approximately equal to such Interest Period.

"RESERVE PERCENTAGE" applicable to any Interest Period means the rate (expressed as a decimal) applicable to the Bank during such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including, without limitation, any basic, supplemental, emergency or marginal reserve requirement) of the Bank with respect to "Eurocurrency liabilities" as that term is defined under such regulations.

The Adjusted Eurodollar Rate shall be adjusted automatically as of the effective date of any change in the Reserve Percentage.

AFFECTED LOANS. As defined in Section 2.8(a).

AFFILIATED PERSON. As defined in the 1940 Act and the rules and regulations promulgated thereunder.

AGREEMENT. This Second Amended and Restated Credit Agreement as originally executed, or if amended or supplemented from time to time, as so amended or supplemented. References to the Agreement shall mean and include references to each of the Exhibits and Schedules hereto.

BANK. As defined in the preamble hereof.

BASE RATE. The greater of (i) the annual rate of interest announced from time to time by the Bank at its Head Office as its "Base Rate", and (ii) the Federal Funds Effective Rate plus 1/2 of 1% per annum (rounded upwards, if necessary, to the next 1/8 of 1%).

BASE RATE LOAN. A Loan that bears interest at the Base Rate.

BORROWER AND BORROWERS. As defined in the preamble hereof.

BORROWING DATE. The date on which any Loan is made or is to be made hereunder.

BORROWER'S PERCENTAGE. As applied to any Borrower, for its own account or for the account of a Portfolio, the percentage obtained by dividing 100 by the number of Borrowers set forth in SCHEDULE I hereto.

BUSINESS DAY. (i) For all purposes other than as covered by clause (ii) below, any day other than a Saturday, Sunday or legal holiday on which banks in Boston, Massachusetts or New York, New York are open for the conduct of a substantial part of their commercial banking business; and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day that is a Business Day described in clause (i) and that is also a day for trading by and between banks in U.S. Dollar deposits in the London interbank Eurodollar market.

CUSTODIAN. The entity that acts as a Borrower's custodian for purposes of Section 17(f) of the 1940 Act or, if a Borrower has more than one custodian for the assets of its Portfolios, the entity that acts as custodian for the assets of a Portfolio.

DEFAULT. As defined in Section 6.1 hereof.

EURODOLLAR LOAN. Any Loan bearing interest at a rate determined with reference to the Adjusted Eurodollar Rate.

EVENT OF DEFAULT. As defined in Section 6.1 hereof.

EXISTING BORROWERS. Those Borrowers identified as "Existing Borrowers" on SCHEDULE I hereto.

FEDERAL FUNDS EFFECTIVE RATE. For any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal Funds brokers of recognized standing selected by the Bank.

HEAD OFFICE. The head office of the Bank, which at present is

located at 100 Federal Street, Boston, Massachusetts 02110.

INDEBTEDNESS. All obligations, contingent and otherwise, that in accordance with generally accepted accounting principles should be classified upon the obligor's balance sheet as indebtedness, or to which reference should be made by footnotes thereto, including, without limitation, in any event and whether or not so classified: (i) all debt for money borrowed and similar extensions of credit, whether direct or indirect; (ii) all liabilities secured by any mortgage, pledge, security interest, lien, charge, or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; and (iii) all guaranties, endorsements and other contingent obligations, whether direct or indirect, in respect of Indebtedness of others, including any obligation to supply funds to or in any manner to invest in, directly, or indirectly, the debtor, to purchase Indebtedness, or to assure the owner of Indebtedness against loss, through an agreement to purchase goods, supplies, or services for the purpose of enabling the debtor to make payment of the Indebtedness held by such owner or otherwise, and the obligations to reimburse the issuer of any letters of credit.

INTEREST PERIOD. (a) With respect to each Eurodollar Loan made to a Borrower for its own account or for the account of a Portfolio, the period commencing on the date of the making or continuation of or conversion to such Eurodollar Loan and ending seven, 14 or 30 days thereafter, as such Borrower may elect in the applicable Loan Request delivered pursuant to Section 2.2(a), or continuation notice delivered pursuant to Section 2.5(b); provided that:

(i) any Interest Period (other than an Interest Period determined pursuant to clause (iii) below) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month;

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(iii) any Interest Period that would otherwise end after the Termination Date shall end on the Termination Date;

(iv) notwithstanding clause (iii) above, no Interest Period shall have a duration of less than seven days; and if any Interest Period

applicable to such Loan would be for a shorter period, such Interest Period shall not be available hereunder; and

(v) the Interest Period for any Eurodollar Loan made to any Portfolio of the RBB Fund may not exceed seven days.

(b) With respect to each Money Market Loan made to a Borrower for its own account or for the account of a Portfolio, the period commencing on the date of the making of such Money Market Loan and ending one to 30 days thereafter, as such Borrower may elect in the applicable Loan Request delivered pursuant to Section 2.2(a), PROVIDED that:

(i) any Interest Period (other than an Interest Period determined pursuant to clause (ii) below) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day; and

(ii) any Interest Period that would otherwise end after the Termination Date shall end on the Termination Date.

INVESTMENT ADVISER. BEA Associates, a New York general partnership.

LOAN OR LOANS. As defined in Section 2.1 hereof.

LOAN ACCOUNT. As defined in Section 2.3 hereof.

LOAN REQUEST. As defined in Section 2.2(a) hereof.

MAXIMUM AMOUNT. With respect to each Borrower or, if applicable, each Portfolio, and at the relevant time of reference thereto, an amount equal to the lesser of the following:

(i) until the Termination Date, \$50,000,000, or

(ii) at all times, and when added to all other indebtedness of such Borrower incurred for itself or on behalf of such Portfolio, as applicable, then outstanding, 25% of the value of the net assets of such Borrower or such Portfolio at such time (total assets less all liabilities other than liabilities for borrowed money), or

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(iii) the maximum amount such Borrower is permitted to borrow for itself or on behalf of such Portfolio, as applicable, at such time under (a) applicable federal or state laws, statutes and regulations, including without limitation the asset coverage requirements of Section 18(a)(1) of the 1940 Act, (b) agreements (whether or not having the force of law) by

such Borrower for itself or on behalf of such Portfolio, as applicable, with federal, state, local or foreign governmental agencies, authorities or regulators, as more particularly described in Part 1 of SCHEDULE II hereto, as amended and in effect from time to time, and (c) limitations on borrowing adopted by such Borrower for itself or on behalf of such Portfolio, as applicable, and described in its Registration Statement, Prospectus or Statement of Additional Information, if applicable, or elsewhere, as more particularly described in Part 2 of SCHEDULE II hereto, as amended and in effect from time to time.

Although it will be within the discretion of the Bank whether it makes Loans under this Agreement, each Borrower understands that the Bank may use the Maximum Amount as a ceiling on Loans.

MONEY MARKET LOANS. Loans bearing interest at a Money Market Rate.

MONEY MARKET RATE. The rate quoted by the Bank in its sole discretion (it being understood that the Bank is under no obligation to quote such rate) to each Borrower for its own account or for the account of a Portfolio as the fixed rate of interest at which it is willing to make a "money market" loan to such Borrower or Portfolio in the amount and for the period of the requested Loan.

NEW BORROWERS. Those Borrowers identified as "New Borrowers" on SCHEDULE I hereto.

1940 ACT. The Investment Company Act of 1940, as amended.

PORTFOLIO. As defined in the preamble hereof.

PRIOR AGREEMENT. As defined in the preamble hereof.

PROSPECTUS. The Prospectus required to be delivered by each Borrower and each Portfolio to offerees of its securities pursuant to the Securities Act of 1933, as amended from time to time.

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RBB FUND. The RBB Fund, Inc., an open end management investment company incorporated under the law of Maryland and registered under the 1940 Act and a Borrower under this Agreement acting solely on behalf of the Portfolios indicated on SCHEDULE I hereto.

REGISTRATION STATEMENT. The most recent Registration Statement on Form N-2 or Form N-1A, as applicable, filed by each Borrower on its own behalf or on behalf of its Portfolios with, and declared effective by, the Securities and Exchange Commission and amended from time to time, pursuant to the 1940 Act.



REGULATION U. Regulation U promulgated by the Board of Governors of the Federal Reserve System, as in effect from time to time.

STATEMENT OF ADDITIONAL INFORMATION. The Statement of Additional Information that must be provided by each Borrower and each Portfolio to recipients of its Prospectus upon request, pursuant to the rules and regulations of the Securities and Exchange Commission.

TERMINATION DATE. The date on which the credit facility shall have been terminated as provided for in Section 2.13 of this Agreement and made demand for the repayment of all amounts then outstanding hereunder.

Section 1.2. INTERPRETATION. All terms of an accounting character not specifically defined herein shall have the meanings assigned thereto by generally accepted accounting principles in the United States of America, unless the context otherwise requires. Each reference herein to a particular person or entity (including, without limitation, the Bank) shall include a reference to the successors and permitted assigns of such person or entity. The words "herein", "hereof", "hereunder", and words of like import shall refer to this Agreement as a whole and not to any particular Section or subdivision of this Agreement.

## Section 2. CREDIT FACILITY.

Section 2.1. CREDIT FACILITY. Subject to the terms and conditions set forth in this Agreement, the Bank agrees to make revolving loans ("LOANS") to each Borrower from time to time in the Bank's discretion on any Business Day during the period from the date hereof to (but not including) the Termination Date, as may be requested by any Borrower for itself or on behalf of a Portfolio. Each Loan made by the Bank shall be in the principal amount stated in the applicable Loan Request, and shall be in a minimum amount of at least \$1,000,000 and an integral multiple of

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\$100,000 (or the balance of the applicable unborrowed Maximum Amount), provided that at no time shall the aggregate outstanding principal amount of all Loans made to any Borrower for its own account or for the account of a Portfolio exceed the Maximum Amount applicable to such Borrower or Portfolio; and provided, further that at no time shall the aggregate outstanding principal amount of all Loans to all Borrowers exceed \$50,000,000. Within the limits of the provisions of this Section 2.1, each Borrower may borrow, pay or prepay, for its own account or the account of its Portfolios, pursuant to Section 2.7 and reborrow under this Section 2.1.

Section 2.2. NOTICE AND MANNER OF BORROWING. All Loans shall be requested and funded in accordance with the procedures set forth below:

(a) LOAN REQUESTS. Each request by a Borrower for a Loan hereunder

for its own account or the account of its Portfolios shall be made by telephonic notice to the Bank (a "LOAN REQUEST") prior to 11:30 a.m., Boston time, on the Borrowing Date in the case of Base Rate Loans or Money Market Loans, and three days prior to the Borrowing Date in the case of Eurodollar Loans. Each Loan Request shall be irrevocable and shall state (i) the principal amount of the requested Loan; (ii) the interest rate to be applicable thereto; (iii) in the case of Eurodollar Loans or Money Market Loans, the Interest Period requested for such Loan (subject to the definition of Interest Period); and (iv) in the case of a Loan to a Borrower on behalf of a Portfolio, the name of Portfolio for which the Loan is being requested. Each Loan Request shall also state the maximum amount such Borrower is then permitted to borrow hereunder, for itself or on behalf of the relevant Portfolio, as applicable, determined in accordance with the definition of Maximum Amount. Each Loan Request shall be made by a duly authorized representative of such Borrower, as specified by such Borrower in writing from time to time, and the Bank may rely upon any telephone request that it reasonably believes is made by such a representative. Each Loan Request shall promptly be followed by a written confirmation thereof, substantially in the form of EXHIBIT A hereto, PROVIDED that if such written confirmation differs in any material respect from the action of the Bank taken in good faith reliance upon such telephone request, the records of the Bank shall control absent manifest error.

Each Loan Request made by a Borrower for its own account or for the account of a Portfolio shall constitute a representation and warranty by such Borrower to the Bank that (i) the Loan requested thereby is permitted under the Prospectus, Registration Statement and, if applicable, Statement of Additional Information

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of such Borrower or Portfolio; (ii) such Loan will not, when made, cause the aggregate outstanding principal amount of all Loans of all Borrowers hereunder to exceed \$50,000,000; (iii) the proceeds of such Loan will be used by such Borrower for itself or on behalf of the applicable Portfolio only in accordance with the provisions of Section 2.11 hereof; and (iv) all of the representations and warranties of such Borrower made with respect to itself or its Portfolios contained in Section 4 hereof are true and correct on and as of the date of such Loan Request and the date of such Loan as though made on and as of such dates.

(b) FUNDING THE LOANS. If, upon receipt of a Loan Request in accordance with Section 2.2(a) hereof, the Bank is willing, in its discretion, to make a Loan to the requesting Borrower for itself or on behalf of a Portfolio, the Bank shall make such Loan by depositing or wiring the proceeds thereof, on the same day in immediately available funds and at the applicable Borrower's expense, to an account maintained on behalf of such Borrower or Portfolio by the Custodian of such Borrower or Portfolio in accordance with the wiring instructions set forth in SCHEDULE III hereto, as

amended by such Borrower and in effect from time to time.

Section 2.3. LOAN ACCOUNT. The Bank will maintain a separate account on its books for each Borrower and each Portfolio (each a "LOAN ACCOUNT") on which will be recorded, in accordance with the Bank's customary accounting practice, (a) all Loans made by the Bank to such Borrower for its own account or for the account of such Portfolio, (b) all payments on such Loans made by such Borrower for its own account or for the account of such Portfolio to the Bank, and (c) all other charges and expenses properly chargeable to such Borrower for its own account or for the account of such Portfolio hereunder. The debit balance of each Loan Account shall reflect the amount of the applicable Borrower's indebtedness incurred for its own account or the account of its Portfolios from time to time to the Bank hereunder and, in the absence of manifest error, shall constitute conclusive evidence of the indebtedness of such Borrower incurred for its own account or for the account of its Portfolios to the Bank hereunder.

Section 2.4. REPAYMENT OF LOANS. Each Loan made hereunder shall be payable on demand or upon the termination of the credit facility provided hereunder, as contemplated by Section 2.13; PROVIDED that if demand is not earlier made, each Base Rate Loan shall mature and the principal amount thereof become due and payable in full on the seventh day following the date of the making of such Base Rate Loan, in the case of Loans to any Borrower for the account of any of its Portfolios, and on the

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Termination Date, in the case of all other Loans; and each Eurodollar Loan and Money Market Loan shall mature and the principal amount thereof become due and payable on the last day of the applicable Interest Period. Only the relevant Borrower or the assets of the relevant Portfolio, as applicable, shall be liable for the due and punctual payment of each such Loan made to such Borrower for its own account or the account of such Portfolio, together with interest accrued thereon and any other amounts payable with respect thereto.

Section 2.5. INTEREST.

(a) INTEREST RATE ON LOANS. Except as otherwise provided in Section 2.5(d) below, the outstanding principal amount of each Loan to a Borrower for its own account or for the account of a Portfolio shall bear interest until maturity at (i) the Base Rate, (ii) the Adjusted Eurodollar Rate plus 1-1/2%, or (iii) the applicable Money Market Rate as selected by the applicable Borrower for itself or for a Portfolio from time to time in the applicable Loan Request. Interest accrued on each Base Rate Loan shall be paid by the applicable Borrower for its own account or for the account of a Portfolio on the last day of each calendar quarter and upon demand by the Bank for repayment of such Loan. Interest accrued on each Eurodollar Loan or Money Market Loan shall be paid on the last day of the Interest Period applicable thereto and upon demand by the Bank for repayment of such Loan.

(b) DURATION OF INTEREST PERIODS. Subject to the provisions of the definition of Interest Period, the duration of each Interest Period applicable to a Eurodollar Loan or Money Market Loan shall be as specified in the applicable Loan Request delivered pursuant to Section 2.2(a). The applicable Borrower shall have the option to elect a subsequent Interest Period to be applicable to a Eurodollar Loan or a Money Market Loan made to such Borrower for its own account or for the account of a Portfolio (if the Bank in its discretion is then willing to make a Money Market Loan to such Borrower for its own account or for the account of a Portfolio) by giving notice of such election to the Bank received no later than 10:00 a.m. Boston time three Business Days before the end of the then applicable Interest Period.

If the Bank does not receive a notice of election of duration of an Interest Period for a Eurodollar Loan made to a Borrower for its own account or for the account of a Portfolio within the applicable time limits specified therein, or if, when such notice must be given, the Bank shall not then be willing, in its sole discretion, to continue such Loan or a Default or Event of Default then exists, such Borrower shall be deemed to have

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elected to convert such Loan in whole into a Base Rate Loan on the last day of the then current Interest Period with respect thereto.

Notwithstanding the foregoing, no Borrower may select an Interest Period to be applicable to a Loan made to such Borrower for its own account or for the account of a Portfolio that would end, but for the provisions of the definition of Interest Period, after the Termination Date.

(c) OVERDUE PRINCIPAL AND INTEREST. Overdue principal and (to the extent permitted by applicable law) interest on each Loan and all other overdue amounts payable hereunder shall bear interest compounded monthly and payable on demand at a rate per annum equal to two percent above the greater of (i) the interest rate then in effect for such Loan and (ii) the Base Rate, until such amount shall be paid in full (whether before or after judgment).

(d) LIMITATION ON INTEREST. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the rate then permitted by applicable law.

#### Section 2.6. PLACE AND MODE OF PAYMENTS; COMPUTATIONS.

(a) Each payment made or caused to be made by a Borrower for its own account or for the account of a Portfolio to the Bank under this Agreement shall be made directly to the Bank in United States Dollars at the Bank's Head Office ABA #011-000-390 Attention: Loretta Barrasso, Commercial Loan Services, not later than 2:00 p.m., Boston time, on the due date of each such

payment, and in immediately available and freely transferable funds.

(b) If any sum would, but for the provisions of this subsection (b), become due and payable to the Bank by any Borrower for its own account or for the account of a Portfolio on any day that is not a Business Day, then such sum shall become due and payable on the next succeeding Business Day, and interest payable to the Bank under this Agreement shall be adjusted by the Bank accordingly.

(c) All computations of interest and fees hereunder shall be made by the Bank on the basis of a 360-day year and paid for the actual number of days elapsed.

(d) The Bank will determine the Base Rate in effect from time to time. Any change in the Base Rate shall, for all purposes of this Agreement, become effective on, and from the

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beginning of, the day on which such change shall first be announced or determined by the Bank in accordance with the Bank's customary banking practices.

(e) Each payment by a Borrower for its own account or for the account of a Portfolio under this Agreement shall be made without set-off or counterclaim and free and clear of and without deduction or withholding of any kind.

#### Section 2.7. OPTIONAL PREPAYMENTS; CERTAIN MANDATORY PREPAYMENTS.

(a) Each Borrower shall have the right at any time to repay any Base Rate Loans made to such Borrower for its own account or for the account of a Portfolio, in whole or in part, upon telephonic notice to the Bank of its intention to repay such Loan prior to 12:00 noon, Boston time, on the date such prepayment is to be made; PROVIDED, HOWEVER, that each such prepayment (except a prepayment in full) shall be made in an amount of \$100,000 or an integral multiple thereof. Except as otherwise provided herein, Eurodollar Loans may only be prepaid on the last day of the applicable Interest Period, and no Money Market Loans may be prepaid.

(b) If at any time the aggregate unpaid principal amount of all Loans to all Borrowers exceeds \$50,000,000, the Borrower that borrowed the Loan (for its own account or for the account of a Portfolio) that caused such excess agrees to immediately prepay the amount of such excess from its own funds or from the funds of such Portfolio, as applicable, together with any amounts payable pursuant to Section 2.10 hereof.

(c) If at any time the aggregate unpaid principal amount of Loans made to any Borrower for its own account or for the account of a Portfolio

shall exceed the Maximum Amount applicable to such Borrower or Portfolio, such Borrower agrees to immediately prepay the amount of such excess from its own funds or from the funds of such Portfolio, as applicable, together with any amounts payable pursuant to Section 2.10 hereof.

(d) Upon each repayment or prepayment of any principal of any Loan pursuant to any of the provisions of this Agreement, the applicable Borrower hereby absolutely and unconditionally promises, for itself or on behalf of the relevant Portfolio, to pay to the Bank, and there shall become absolutely due and payable on the date of each such repayment or prepayment, all of the unpaid interest accrued to such date on the amount of the principal of the Loans being repaid or prepaid by such Borrower from its own funds or from the funds of such Portfolio, as

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applicable, on such date. Whenever any interest on and any principal of the Loans are paid simultaneously hereunder, the whole amount paid shall be applied first to interest then due and payable.

#### 2.8. CHANGED CIRCUMSTANCES.

(a) In the event that:

(i) on any date on which the Adjusted Eurodollar Rate would otherwise be set the Bank shall have determined in good faith (which determination shall be final and conclusive) that adequate and fair means do not exist for ascertaining the London Interbank Offered Rate, or

(ii) at any time the Bank shall have determined in good faith (which determination shall be final and conclusive) that:

(A) the making or continuation of or conversion of any Loan to a Eurodollar Loan has been made impracticable or unlawful by (1) the occurrence of a contingency that materially and adversely affects the London interbank Eurodollar market or (2) compliance by the Bank in good faith with any applicable law or governmental regulation, guideline or order or interpretation or change thereof by any governmental authority charged with the interpretation or administration thereof or with any request or directive of any such governmental authority (whether or not having the force of law); or

(B) the Adjusted Eurodollar Rate shall no longer represent the effective cost to the Bank for U.S. dollar deposits in the London interbank market;

then, and in any such event, the Bank shall forthwith so notify each Borrower thereof. Until the Bank notifies a Borrower that the circumstances giving

rise to such notice no longer apply, the obligation of the Bank to allow selection by such Borrower of Loans for its own account or for the account of a Portfolio of the type of Loan affected by the contingencies described in this Section 2.8(a) (herein called "AFFECTED LOANS") shall be suspended. If at the time the Bank so notifies each Borrower, a Borrower has previously given the Bank a Loan Request for its own account or for the account of a Portfolio with respect to one or more Affected Loans but such Loans have not yet gone into effect, such Loan Request shall be deemed to be void and, if the Bank in its discretion continues to be willing to lend to such Borrower for its own account or for the account of a Portfolio, such

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Borrower may borrow Loans for its own account or for the account of a Portfolio of a non-affected type by delivering a substitute Loan Request pursuant to Section 2.2(a) hereof.

Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given) each Borrower shall, with respect to the outstanding Affected Loans made to it for its own account or for the account of a Portfolio, prepay the same, together with interest thereon and any amounts required to be paid pursuant to Section 2.10, and may borrow Loans for its own account or for the account of a Portfolio of another type in accordance with Section 2.1 hereof by delivering substitute Loan Requests pursuant to Section 2.2(a) hereof.

(b) In case any change in law, regulation, treaty or official directive or the interpretation or application thereof by any court or by any governmental authority charged with the administration thereof or the compliance with any guideline or request of any central bank or other governmental authority (whether or not having the force of law):

(i) subjects the Bank to any tax with respect to payments of principal or interest or any other amounts payable hereunder by any Borrower for its own account or for the account of a Portfolio or otherwise with respect to the transactions contemplated hereby (except for taxes on the overall net income of the Bank imposed by the United States of America or any political subdivision thereof), or

(ii) imposes, modifies or deems applicable any deposit insurance, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of, or loans by, the Bank (other than such requirements as are already included in the determination of the Adjusted Eurodollar Rate), or

(iii) imposes upon the Bank any other condition with respect to its performance under this Agreement,

and the result of any of the foregoing is to increase the cost to the Bank,

reduce the income receivable by the Bank or impose any expense upon the Bank with respect to any Loans, the Bank shall notify each Borrower thereof. To the extent such cost, reduction or expense is attributable to any specific Loan or Loans, the applicable Borrower(s) agree(s) to pay to the Bank for its own account or for the account of a Portfolio the amount of such increase in cost, reduction in income or additional expense attributable to such Loan or Loans as and when such cost, reduction or expense is incurred or determined, upon presentation

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by the Bank of a statement in the amount and setting forth the Bank's calculation thereof, which statement shall be deemed true and correct absent manifest error. To the extent such cost, reduction or expense is not so attributable to any Loan or Loans, each Borrower, for its own account or for the account of any of its Portfolios, as applicable, agrees to pay to the Bank, in the proportion that the average amount of Loans outstanding made to such Borrower for its own account or for the account of each Portfolio during the preceding 12-month period (or such shorter period that this Agreement shall have been effective) bears to the average amount of all Loans outstanding to all Borrowers for their own accounts or for the accounts of any of its Portfolios during such period (or, if no Loans shall have been outstanding, such Borrower's Percentage of such amount), the amount of such increase in cost, reduction in income or additional expense, determined and paid as aforesaid.

Section 2.9. INCREASED CAPITAL REQUIREMENTS. If any law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) or the interpretation thereof by a court or governmental authority with appropriate jurisdiction affects the amount of capital required to be maintained by the Bank or any corporation controlling the Bank and the Bank determines that the amount of capital required is increased by or based upon the existence of the credit facilities established hereunder or any Loans made pursuant hereto, and such increase has or would have the effect of reducing the return on the Bank's equity to a level below that which the Bank could have achieved (taking into consideration the Bank's then existing policies with respect to capital adequacy and assuming the full utilization of the Bank's capital) but for such law, rule, regulation, policy, guideline or directive, then the Bank shall notify each Borrower in writing of such fact. To the extent such reduction is attributable to any specific Loan or Loans, the applicable Borrower(s) agree(s) to pay to the Bank, for its own account or for the account of a Portfolio, the amount of such reduction attributable to such Loan or Loans as and when such reduction is determined, upon presentation by the Bank of a statement in the amount and setting forth the Bank's calculation thereof, which statement shall be deemed true and correct absent manifest error. To the extent such reduction is not so attributable to any Loan or Loans, each Borrower agrees to pay, in the proportion that the average amount of Loans outstanding made to such Borrower for its own account or for the account of each Portfolio, as applicable,



during the preceding 12-month period (or such shorter period that this Agreement shall have been effective) bears to the average amount of all Loans outstanding to all Borrowers for their own accounts or for the accounts of any of their Portfolios during such period (or, if no

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Loans shall have been outstanding, such Borrower's Percentage of such amount), the amount of such reduction, determined and paid as aforesaid. In determining such amount, the Bank may use any reasonable averaging and attribution methods. In this connection, the Bank shall allocate such costs among its customers in good faith and on an equitable basis.

Section 2.10. FUNDING LOSSES. If a Borrower for any reason makes any payment of principal for its own account or for the account of a Portfolio with respect to a Eurodollar Loan or Money Market Loan on any date other than the scheduled maturity thereof, or fails to borrow or continue a Eurodollar Loan or Money Market Loan after giving a Loan Request or continuation notice therefor, such Borrower shall, for its own account or for the account of a Portfolio, reimburse the Bank for any resulting loss or expense incurred by the Bank, including without limitation any loss reasonably incurred in obtaining, liquidating or employing of deposits from third parties. Such Borrower shall pay the amount of such loss or expense for its own account or for the account of a Portfolio upon presentation of a statement in the amount thereof and setting forth the Bank's calculation thereof, which statement shall be deemed true and correct absent manifest error.

Section 2.11. USE OF PROCEEDS. The proceeds of each Loan hereunder made to a Borrower for its own account or for the account of a Portfolio shall be used by the applicable Borrower to meet requests for funds from such Borrower for itself or on behalf of a Portfolio of such Borrower for temporary or emergency purposes, as specified in the Prospectus of such Borrower or Portfolio. No portion of any Loan made to a Borrower (other than the New Borrowers) which is a "closed-end fund" (as identified on SCHEDULE I hereto) is to be used for the "purpose of purchasing or carrying" any "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. 221 and 224, as amended. In addition, each of the New Borrowers hereby agrees that during the term of this Agreement, no more than 25% of its assets (after applying the proceeds of any Loans made under this Agreement) shall consist of such "margin stock". Proceeds for any Loan made to a Borrower for its own account or for the account of a Portfolio, which Borrower is an "open-end fund" (as identified on SCHEDULE I hereto) shall be used by such Borrower solely to effect redemptions to shareholders during the period in which such Borrower is awaiting receipt of settlement money from the sale of assets made to cover requests for redemptions.

Section 2.12. DISCRETIONARY DEMAND FACILITY. It is acknowledged and agreed by each Borrower that the Bank has no

obligation to make any Loan hereunder, and that the decision whether or not to make any Loan requested by any Borrower for its own account or for the account of a Portfolio is within the sole and exclusive discretion of the Bank. The Bank may terminate the credit facilities provided for herein either in whole or in part with respect to one or more Borrowers for their own accounts or for the accounts of one or more Portfolios at any time by written notice to the affected Borrower(s).

Section 2.13. TERM. This Agreement and the credit facility provided herein shall automatically terminate on the earlier to occur of (i) the date on which the Bank in its sole discretion shall have terminated the credit facility and made demand for the repayment of all amounts then outstanding hereunder and (ii) March 31, 1997; PROVIDED that if the Bank shall give written notice to the Borrowers, after February 1 and prior to February 25 in any year, of its willingness to extend such termination date for an additional year (which notice by the Bank may be given or not given in the sole and absolute discretion of the Bank), then, subject to the Bank's ability to terminate the credit facility at any time in its discretion as aforesaid, this Agreement shall be extended for an additional year (to expire on March 31 of the following year).

Section 3. CONDITIONS PRECEDENT.

Section 3.1. CONDITIONS OF CLOSING. This Agreement shall become effective upon the receipt by the Bank of the following:

(a) executed original counterparts of this Agreement, signed by the Bank and each Borrower;

(b) certified copies of the charter documents and bylaws of each New Borrower, and certified copies of any amendments executed since December 15, 1994 to the charter documents and bylaws of each Existing Borrower;

(c) certified copies of all documents relating to the due authorization and execution by each Borrower of this Agreement as the Bank may reasonably request, including, without limitation, all votes of the Board of Directors of such Borrower authorizing (i) the execution and delivery by such Borrower of this Agreement, (ii) its performance of all of its agreements and obligations under this Agreement, and (iii) the borrowings and other transactions contemplated by this Agreement;

(d) an incumbency certificate, dated the date hereof, signed by the Secretary or Assistant Secretary of each Borrower setting forth the names and specimen signatures of each

individual authorized to give notices, sign or act on behalf of such Borrower in connection with the transactions contemplated by this Agreement;

(e) an opinion of Ballard Spahr Andrews & Ingersoll, counsel to the RBB Fund, an opinion of Skadden, Arps, Slate, Meagher and Flom, counsel to The First Israel Fund, Inc. and an opinion from Willkie Farr & Gallagher, counsel to the remaining Borrowers, substantially in the form of Exhibits B-1, B-2 B-3, and B-4 respectively; and

(f) such other documents as the Bank shall have requested in order to comply with applicable rules and regulations promulgated by the Federal Reserve Board and other governmental and regulatory authorities.

Section 3.2. CONDITIONS OF LOANS. The willingness of the Bank in its discretion to make any Loan to a Borrower for its own account or for the account of a Portfolio on a Borrowing Date shall be subject to the satisfaction, at or before the time each such Loan is made, of each of the following conditions precedent (unless and to the extent that satisfaction of such conditions precedent or any of them is waived pursuant to Section 16 hereof):

(a) the Bank shall have received a Loan Request from the applicable Borrower for itself or on behalf of a Portfolio, as required by Section 2.2(a);

(b) the representations and warranties contained in Section 4 of this Agreement and otherwise made by or on behalf of or with respect to such Borrower for itself or on behalf of a Portfolio in connection with the transactions contemplated by this Agreement shall (except to the extent that such representations and warranties relate expressly to a specific date, and except to the extent of changes resulting from the transactions contemplated or permitted by this Agreement and changes occurring in the ordinary course of business that, singly or in the aggregate, do not materially adversely affect such Borrower or such Portfolio or its business, assets, operations, prospects or its condition (financial or otherwise)), be true and correct at and as of such Borrowing Date;

(c) there shall exist no Default or Event of Default upon the making of such Loan;

(d) the Bank shall be satisfied that there has been no material adverse change (i) in the business, assets, operations, prospects or condition (financial or otherwise) of such Borrower

or Portfolio since the date of the most recent financial statements of such

Borrower or Portfolio referred to in Section 4.9, or (ii) in the political or economic conditions prevailing in the countries of origin of the issuers of the portfolio securities of such Borrower or Portfolio; and

(e) the making of such Loan shall not contravene any law, regulation, decree or order binding on such Borrower with respect to itself or a Portfolio or the Bank, and the Bank shall have received all such certificates and documents in relation thereto as the Bank or the Bank's counsel shall have reasonably requested.

Section 4. REPRESENTATIONS AND WARRANTIES. Each of the Borrowers represents and warrants to the Bank that:

Section 4.1. ORGANIZATION, QUALIFICATION, ETC. Such Borrower is duly organized and validly existing as a corporation under the laws of its jurisdiction of incorporation and each Borrower and each Portfolio is duly qualified to do business in each other jurisdiction wherein the nature of its properties or its business requires such qualification and in which the failure to be so qualified could materially adversely affect the business, assets or condition (financial or otherwise) of such Borrower or Portfolio.

Section 4.2. REGISTRATION UNDER APPLICABLE LAW. Such Borrower is registered as a closed-end management investment company under the 1940 Act or, in the case of the RBB Fund, such Borrower is registered as a open-end management investment company under the 1940 Act.

Section 4.3. AUTHORIZATION, ETC. The execution, delivery and performance by such Borrower of this Agreement, and the borrowing of Loans for its account or for the accounts of any of its Portfolios, are within the powers of such Borrower, have been duly authorized by all necessary and proper action on the part of such Borrower, and do not and will not (i) violate or contravene any provision of such Borrower's charter documents or bylaws, or any amendment thereof; (ii) violate or contravene any provision of the Prospectus, Registration Statement or Statement of Additional Information, if applicable, of such Borrower or Portfolio; (iii) conflict with, or result in a breach of any material term, condition or provision of, or constitute a default under or result in the creation of any mortgage, lien, pledge, charge, security interest or other encumbrance upon any of the property or assets of such Borrower or Portfolio under, any agreement, trust deed, indenture, mortgage or other instrument to which such Borrower is a party or by which such Borrower or any

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of its or its Portfolios' property or assets is bound or affected; or (iv) violate or contravene any provision of any material law, regulation, order, ruling or interpretation thereunder or any decree, order or judgment of any court or governmental or regulatory authority, bureau, agency or official.

Section 4.4. BINDING EFFECT OF AGREEMENT, ETC. This Agreement and all the provisions hereof constitute the legally valid and binding obligations of such Borrower, acting on its own behalf or on behalf of a Portfolio, enforceable against such Borrower in its own capacity or on behalf of a Portfolio in accordance with their terms, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that the availability of equitable remedies is subject to the discretion of the court before which any proceeding therefor may be brought.

Section 4.5. APPROVALS, ETC. No authorization, approval, consent or other action by, and no notice to or filing with, any shareholder or creditor of such Borrower with respect to such Borrower or a Portfolio of such Borrower, or governmental or regulatory agency or authority having jurisdiction over such Borrower with respect to such Borrower or a Portfolio of such Borrower, is required to make valid and legally binding the execution, delivery and performance by such Borrower of this Agreement for its own account or for the account of its Portfolios or the consummation by such Borrower for its own account or for the account of its Portfolios of the transactions contemplated hereby, or the exercise by the Bank of its rights and remedies hereunder.

Section 4.6. COMPLIANCE WITH OTHER INSTRUMENTS. Such Borrower is in compliance with all investment policies and restrictions applicable to it or to its Portfolios identified in its Prospectus, Registration Statement and Statement of Additional Information, if applicable, and is in compliance with all investment policies and restrictions applicable to it or its Portfolios under Section 8(b), Section 13 and all other provisions of the 1940 Act. Such Borrower is not in violation of any material provision of its charter documents or bylaws, or any amendment thereof, or in default under any material indenture or agreement to which it is a party or by which it or any of its property or assets is bound, or in violation of any material applicable laws or orders, regulations, rulings, decrees or requirements of any court or governmental or regulatory agency or authority by which it or any of its property or assets is bound, which default or violation could have a material adverse effect on the business, assets, operations, prospects or condition

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(financial or otherwise) of such Borrower or any of the Portfolios of such Borrower.

Section 4.7. LITIGATION. There are no pending or, to the best knowledge of such Borrower, threatened actions, suits, investigations or proceedings at law or in equity before any federal, state, local or foreign court, governmental or regulatory authority, agency, commission, board, bureau or instrumentality, or board of arbitration, against or affecting such

Borrower or any Portfolio of such Borrower or its right, title and interest in or to any of its or such Portfolio's properties or assets.

Section 4.8. TAXES. Such Borrower has made or filed all federal, state, local, foreign and other tax returns, reports and declarations required by any jurisdiction to which such Borrower is subject, for its own account or for the account of its Portfolios, and has paid all taxes and other assessments and charges shown or determined to be due on such returns, reports and declarations or pursuant to any matters raised by audits or for other reasons known to it, except those being contested in good faith by appropriate proceedings and as to which there have been set aside reserves adequate with respect to such tax, assessment or charge so contested. Such Borrower has set aside on its books, for its own account or for the account of its Portfolios, provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes claimed to be due by the taxing authority of any jurisdiction, and such Borrower knows of no basis for any such claim.

Section 4.9. FINANCIAL STATEMENTS; NO MATERIAL CHANGES.

The audited and certified financial reports of each Borrower with respect to such Borrower or the Portfolios of such Borrower previously furnished to the Bank, setting forth the investments of such Borrower or its Portfolios, a statement of assets and liabilities as of the date of such report and a statement of operations and a statement of changes in net assets of such Borrower or its Portfolios for the period then ended, are complete and correct in all material respects, and fairly present the financial condition of such Borrower or its Portfolios as of such date and the results of the operations of such Borrower or its Portfolios for the period ended on such date, all in accordance with generally accepted accounting principles applied on a consistent basis. Since the date of each of such reports, there has been no change in the assets, liabilities, business, condition (financial or otherwise) or results of operations of

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such Borrower or any of its Portfolios, that have been, in any case or in the aggregate, materially adverse.

Section 4.10. NO DEFAULTS. No Default or Event of Default has occurred and is continuing.

Section 4.11. AFFILIATED PERSONS.

(a) So far as appears from the records of such Borrower, neither the Bank nor, to the knowledge of such Borrower, any Affiliated Person of the Bank, individually or in the aggregate, owns, controls or holds with the power to vote, five percent or more of the outstanding voting securities of such Borrower or any Portfolio of such Borrower;

(b) neither such Borrower nor, to the knowledge of such Borrower, any Affiliated Person of such Borrower, directly or indirectly, individually or in the aggregate, owns, controls or holds with power to vote, either for its own account or for the account of its Portfolios, five percent or more of the outstanding voting securities of the Bank or, to the knowledge of such Borrower, any Affiliated Person of the Bank;

(c) neither such Borrower, for its own account or for the account of any Portfolio, nor, to the knowledge of such Borrower, any Affiliated Person of such Borrower or Portfolio, directly or indirectly, individually or in the aggregate, controls or, to the knowledge of such Borrower, after due inquiry, is controlled by or under common control with, the Bank or, to the knowledge of such Borrower, any Affiliated Person of the Bank;

(d) no officer, director or employee of such Borrower or, to the knowledge of such Borrower, any Affiliated Person of such Borrower or of a Portfolio of such Borrower is an Affiliated Person of the Bank or, to the knowledge of such Borrower, any Affiliated Person of the Bank;

(e) except as described in SCHEDULE IV hereto, as amended and in effect from time to time, such Borrower does not, directly or indirectly, own, control, or hold with power to vote, either for its own account or for the account of its Portfolios, ten percent or more of the outstanding voting securities of any issuer; and

(f) except as described in SCHEDULE V, as amended and in effect from time to time, to the knowledge of such Borrower, no person, directly or indirectly, owns, controls or holds with power to vote, five percent or more of the outstanding voting securities of such Borrower or a Portfolio of such Borrower.

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Section 4.12. DISCLOSURE. Neither this Agreement nor any of the information concerning such Borrower or any Portfolio of such Borrower submitted to the Bank in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made. Except as disclosed herein or in the Prospectuses, Registration Statements or Statements of Additional Information, there is no fact known to such Borrower that materially adversely affects, or that, in the best judgment of the management of such Borrower, could in the future materially adversely affect, the assets, business, prospects, condition (financial or otherwise) or operations of such Borrower or any Portfolio of such Borrower.

Section 5. COVENANTS. Each Borrower covenants and agrees that, so long as any amounts are owing with respect to the Loans or otherwise under

this Agreement, or if no such amount is owing, so long as the Bank shall, in its discretion, be willing to make Loans hereunder as provided herein, it will comply with the following covenants. EACH BORROWER ACKNOWLEDGES AND AGREES THAT COMPLIANCE WITH THE FOLLOWING COVENANTS SHALL IN NO WAY COMPROMISE THE ABSOLUTE DISCRETION OF THE BANK TO ADVANCE FUNDS UNDER THIS CREDIT FACILITY TO SUCH BORROWER FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANY PORTFOLIO OR MAKE DEMAND AT ANY TIME FOR PAYMENT OF THE OBLIGATIONS OF SUCH BORROWER FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANY PORTFOLIO TO THE BANK.

Section 5.1. USE OF PROCEEDS. Such Borrower shall use the proceeds of Loans made to it for its own account or for the account of a Portfolio only for the purposes specified in Section 2.11 and, if applicable, shall hold no more than 25% of its assets in margin stock as specified in Section 2.11.

Section 5.2. PUNCTUAL PAYMENT. Such Borrower will duly and punctually pay or cause to be paid principal and interest and all other sums due from it for its own account or for the account of any Portfolio under this Agreement in accordance with the terms hereof.

Section 5.3. TAXES, ETC. Such Borrower (a) will file all federal, state, local, foreign and other tax returns, reports and declarations required by any jurisdiction to which such Borrower is subject for its own account or for the account of any Portfolio on or before the due dates for the returns, reports and declarations; and (b) will pay and discharge, before the same shall become in arrears, all taxes, assessments and other governmental charges shown or determined to be due on such

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returns, reports and declarations, unless, and in any such case, the same is being contested in good faith by appropriate proceedings and an adequate reserve therefor has been established.

Section 5.4. COMPLIANCE WITH LAW, ETC. Such Borrower will comply in all material respects with (i) all applicable federal, state and local laws, rules, regulations and governmental or regulatory directives (whether or not having the force of law), and all orders, writs, judgments, injunctions, decrees or awards to which it may be subject with respect to such Borrower or a Portfolio of such Borrower; (ii) all of the investment policies and restrictions set forth in its or its Portfolios' Prospectus, Registration Statement or Statement of Additional Information, if applicable, or otherwise; and (iii) the provisions of its charter documents and bylaws and all agreements and instruments by which it or any of its property or assets or the property or assets of any of its Portfolios may be affected or bound.

Section 5.5. COMPLIANCE WITH REGULATION U. Such Borrower will, at any time and from time to time upon receipt of notice from the Bank, and at the expense of such Borrower for its own account or the account of the



applicable Portfolio, promptly execute and deliver or file all additional instruments and documents, and take all further action, that may be necessary or desirable, or that the Bank may reasonably request, in order to fully comply with the requirements of Regulation U.

Section 5.6. NOTICE OF CERTAIN EVENTS. Such Borrower will give the Bank prompt written notice of:

(a) any change in any federal, state or local law, rule or regulation or governmental or regulatory directive (whether or not having the force of law) materially adversely affecting such Borrower or any Portfolio of such Borrower, or any of the property or assets of such Borrower or any Portfolio of such Borrower, or affecting such Borrower's ability to repay the Loans made to it for its own account or for the account of any Portfolio and comply with the terms of this Agreement;

(b) any change in its agreements with governmental authorities or regulators or its investment policies or restrictions that would make any of the information set forth in SCHEDULE II hereto incorrect, incomplete or misleading in any material respect, and will prepare and submit to the Bank for attachment to this Agreement an amendment to SCHEDULE II reflecting such change;

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(c) any change in its portfolio or in the ownership of its outstanding voting securities that would make any of the information set forth in SCHEDULES IV and V hereto incorrect or incomplete in any material respect, and will prepare and submit to the Bank for attachment to this Agreement an amendment to SCHEDULE IV or V, as applicable, reflecting such change;

(d) any material change in its method of business or in the Registration Statement or Statement of Additional Information, if applicable (it being understood that any change in the investment restrictions and limitations on indebtedness applicable to such Borrower or any Portfolio of such Borrower shall constitute material changes);

(e) the commencement of any litigation or any administrative, regulatory or arbitration proceeding or investigation to which such Borrower may hereafter become a party with respect to itself or any Portfolio that may involve any material risk of any material final judgment or liability not adequately covered by insurance or that may otherwise result in any material adverse change in the business, assets, operations, prospects or condition (financial or otherwise) of such Borrower or any Portfolio; and

(f) the occurrence of any Default or Event of Default.

Section 5.7. TOTAL VALUE OF ASSETS, ETC. Such Borrower will, at any

time and from time to time during normal business hours, notify the Bank by telephone or in writing, as requested by the Bank, of a listing of the portfolio securities, the total asset value of such securities and the net asset value of such securities of such Borrower, or any of the Portfolios of such Borrower, and any changes in any of such values, in each case as most recently calculated.

Section 5.8. REPORTS, ADDITIONAL INFORMATION, ETC. Such Borrower will cause to be furnished to the Bank:

(a) as soon as available, and not later than 90 days after the end of each fiscal year of such Borrower or each of the Portfolios of such Borrower, the Annual Report(s) of such Borrower for itself or for its Portfolios, including audited financial statements certified by Coopers & Lybrand or other independent public accountants of national standing, setting forth the Schedule of Investments and the Statement of Assets and Liabilities of such Borrower or Portfolios, each as of the end of such fiscal year, and including Statements of Operations, Cash Flows and Changes in Net Assets of such Borrower or Portfolios for the fiscal period then ended;

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(b) as soon as available, and not later than 60 days after the end of the second fiscal quarter of such Borrower or each of the Portfolios of such Borrower, the Semi-Annual Report(s) prepared by such Borrower for itself or for its Portfolios, its administrator or accounting agent, setting forth the Schedule of Investments and the Statement of Assets and Liabilities of such Borrower or Portfolios, each as of the end of such fiscal quarter, and including Statements of Operations, Cash Flows and Changes in Net Assets of such Borrower or Portfolios for the fiscal period then ended;

(c) at the same times as such reports are furnished to the shareholders of such Borrower or Portfolio, any additional reports required by Section 30(d) of the 1940 Act or any applicable law;

(d) upon request by the Bank, within 10 Business Days after the issuance thereof, copies of all other regular and periodic reports and any other reports that such Borrower may be required to file with the Securities and Exchange Commission or any similar or corresponding governmental commission, department or agency with respect to itself or any Portfolio; and

(e) such other information with respect to the financial standing and history or the business, property, assets or prospects of such Borrower or any of the Portfolios of such Borrower as the Bank may, at any time and from time to time, reasonably request.

Section 5.9. FURTHER ASSURANCES. Such Borrower will, at any time and from time to time, execute and deliver such additional instruments and take such further action as the Bank may reasonably request to carry out to

the Bank's satisfaction the transactions contemplated by this Agreement.

Section 5.10. PROHIBITED AFFILIATIONS. (a) Such Borrower will not, directly or indirectly, own, control, or hold with power to vote, either for its own account or for the account of its Portfolios, five percent or more of the outstanding voting securities of the Bank or any Affiliated Person of the Bank known to such Borrower to be such an Affiliated Person;

(b) such Borrower will use its best efforts to ensure that it will not, directly or indirectly, for its own account or for the account of a Portfolio, control the Bank or any Affiliated Person of the Bank known to such Borrower to be such an Affiliated Person; and

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(c) such Borrower will use its best efforts to ensure that none of its officers, directors, or employees is or becomes an Affiliated Person of the Bank or any Affiliated Person of the Bank known to such Borrower to be such an Affiliated Person.

Section 5.11. NEGATIVE PLEDGE ON ASSETS. Such Borrower will not create or permit to exist any lien or encumbrance upon any of its property or assets, or the assets of any of its Portfolios, as applicable, other than (i) liens in favor of the Bank; (ii) liens arising from attachments or similar proceedings, pending litigation, judgments or taxes or assessments, in any such event whose validity or amount is being contested in good faith by appropriate proceedings and for which adequate reserves have been established and are maintained, or liens arising from taxes and assessments which are not due and delinquent; and (iii) banker's liens or rights of offset on deposits held in banks; PROVIDED that this provision shall not prohibit the making of any collateral arrangement or the segregation of assets as required by law in connection with certain portfolio strategies, such as forward contracts, futures contracts and options.

Section 5.12. LIMITATION ON ADDITIONAL INDEBTEDNESS. Such Borrower will not incur or permit to exist or remain outstanding, for its own account or for the account of any of its Portfolios, as applicable, any Indebtedness to any person or entity; PROVIDED, HOWEVER, that such Borrower may incur or permit to exist or remain outstanding, for its own account or for the account of any Portfolio:

(a) Indebtedness of such Borrower incurred for its own account or for the account of any of its Portfolios, as applicable, to the Bank arising under this Agreement;

(b) Indebtedness in respect of taxes, assessments and other governmental charges to the extent that payment thereof is not at the time required to be made or is being contested in good faith by appropriate proceedings and for which an adequate reserve has been established;

(c) Indebtedness of such Borrower incurred for its own account or for the account of any of its Portfolios, as applicable, incurred in the ordinary course of business and not incurred through the borrowing of money or the obtaining of credit or the leasing of property, except that this provision shall not prohibit (i) credit on an open account basis customarily extended to such Borrower for its own account or for the account of its Portfolios, in connection with purchases of goods or services in the ordinary course of business; (ii) the entry into reverse repurchase agreements and dollar rolls; and

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(iii) short-term credits for the clearance and settlement of securities transactions; and

(d) Indebtedness in respect of judgments or awards which have been in force for less than the applicable appeal period, so long as execution is not levied or in respect of which such Borrower shall, for its own account or for the account of its Portfolios, at the time in good faith be prosecuting an appeal or proceedings for review.

Section 5.13. LIMITATION ON DIVIDENDS. Such Borrower will not declare or pay any dividend or make any other distribution on any class of its capital stock or purchase any of such capital stock in violation of the requirements of Section 18(a)(1)(B) of the 1940 Act or any other applicable law or regulation.

#### Section 6. EVENTS OF DEFAULT; ACCELERATION.

Section 6.1. EVENTS OF DEFAULT; ACCELERATION. If any of the following events ("EVENTS OF DEFAULT" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "DEFAULTS") shall occur:

(a) if any Borrower shall fail to pay any principal of any Loan outstanding made to it hereunder for its own account or for the account of a Portfolio when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(b) if any Borrower shall fail to pay any interest on any Loan outstanding made to it for its own account or for the account of a Portfolio when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment, and such failure shall continue unremedied for three Business Days;

(c) if any Borrower, acting for itself or on behalf of a Portfolio, shall fail to perform, discharge, observe or comply with any of the terms,

covenants and agreements contained in Section 5.1, 5.6(f), 5.7 or 5.10 through 5.13;

(d) if any Borrower, acting for itself or on behalf of a Portfolio, shall fail to perform, discharge, observe or comply with any of the terms, covenants and agreements contained herein (other than those specified in paragraphs (a), (b) and (c) of this Section 6.1), and such failure shall continue unremedied for

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30 days after written notice of such failure has been given to such Borrower by the Bank;

(e) if any representation or warranty of any Borrower made with respect to itself or any Portfolio contained in this Agreement or any other document or instrument delivered by such Borrower pursuant to or in connection with this Agreement shall prove to have been false or misleading in any material respect as of the time when made or deemed to have been made;

(f) if any Borrower, acting for itself or on behalf of a Portfolio, shall fail in the performance or the payment, at maturity or within an applicable period of grace, of any obligation contained in any agreement or instrument evidencing any other indebtedness with respect to borrowed money or credit received, or any mortgage, pledge, agreement, indenture or other agreement relating thereto, for such period of time as would, or would have permitted (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof;

(g) if any Borrower makes an assignment for the benefit of creditors, or admits in writing its inability to pay or generally fails to pay its debts incurred for its own account or for the account of its Portfolios as they mature or become due, or petitions or applies for the appointment of a trustee (in bankruptcy) or other custodian, liquidator or receiver of such Borrower or of any substantial part of the property or assets of such Borrower or any of its Portfolios or commences any case or other proceeding relating to such Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect, or takes any action to authorize or in furtherance of any of the foregoing;

(h) if any such petition or application is filed or any such case or other proceeding is commenced against such Borrower and such Borrower indicates its approval thereof, consent thereto or acquiescence therein or an order for relief or appointing any such trustee (in bankruptcy), custodian, liquidator or receiver is entered adjudicating such Borrower bankrupt or insolvent, or approving a petition in any such case or other proceeding, and such order remains unstayed and in effect for more than 60 days, whether or

not consecutive;

(i) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than 30 days, whether or not consecutive, any final judgment against such Borrower with respect to itself or any Portfolio that, with other outstanding

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final judgments undischarged against such Borrower or Portfolio, (i) exceeds, in the aggregate, \$500,000 or (ii) shall have a materially adverse effect upon the business, assets, operations, prospects or condition (financial or otherwise) of such Borrower or Portfolio; or

(j) if there shall occur a material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of such Borrower or any of its Portfolios; it being acknowledged that a reduction in a Borrower's total assets resulting from declines in the market value of its assets or, in the case of any Portfolios of a Borrower, shareholder redemptions, shall not constitute a material adverse change so long as the aggregate amount of such Borrower's Loans made for its own account or for the account of its Portfolios does not exceed the Maximum Amount applicable to such Borrower;

then and in any such event and without notice or demand by the Bank (i) the obligation of the Bank to consider, in its discretion, making Loans to the defaulting Borrower for its own account or for the account of its Portfolios shall terminate, (ii) the Loans of such Borrower for its own account or for the account of its Portfolios, all interest thereon and all other amounts payable by such Borrower for its own account or for the account of its Portfolios under this Agreement shall become and be forthwith due and payable without presentment, demand, protest or notice, all of which are expressly waived by such Borrower. In case any one or more of the foregoing Events of Default shall have occurred and be continuing, and whether or not the Bank shall have accelerated the maturity of the Loans of any Borrower made for its own account or for the account of its Portfolios pursuant to the foregoing, the Bank may proceed to protect and enforce its rights against such Borrower by suit in equity, action at law and/or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement or any instrument pursuant to which the obligations of any Borrower for its own account or for the account of its Portfolios to the Bank hereunder are evidenced, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Bank hereunder. No remedy conferred upon the Bank herein is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

EACH BORROWER ACKNOWLEDGES AND AGREES THAT INCLUSION OF THE PRECEDING EVENTS OF DEFAULT AND REMEDIES THEREFOR SHALL IN NO WAY

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COMPROMISE THE ABSOLUTE DISCRETION OF THE BANK TO ADVANCE FUNDS UNDER THIS CREDIT FACILITY TO SUCH BORROWER FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANY PORTFOLIO OR MAKE DEMAND AT ANY TIME FOR PAYMENT OF THE OBLIGATIONS OF SUCH BORROWER FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANY PORTFOLIO TO THE BANK

Section 7. SET-OFF. Any deposits, balances or other sums credited by or due from the Bank to any Borrower hereunder for its own account or for the account of a Portfolio may be, at any time or from time to time, set-off and applied by the Bank, in such order as the Bank in its sole discretion may determine, against the payment of all or any part of the obligations of such Borrower hereunder for its own account or for the account of such Portfolio then due and payable and any other liabilities, direct or indirect, absolute or contingent, now existing or hereafter arising, of such Borrower for its own account or for the account of such Portfolio then due and payable to the Bank hereunder. The Bank agrees promptly to notify the applicable Borrower of such set-off or application, provided that the failure to give such notice shall not affect the validity of such set-off or application. Nothing herein shall permit the Bank to set off any deposits, balances or other sums credited by or due from the Bank to any Portfolio of a Borrower against any obligations to the Bank of another Portfolio of the Borrower.

Section 8. EXPENSES. Whether or not the transactions contemplated hereby are consummated, and to the extent any expense is attributable to any specific Loan or Loans made to a Borrower for its own account or for the account of a Portfolio, the applicable Borrower(s) agrees to reimburse the Bank on demand out of its own funds or the funds of such Portfolio, as applicable, the amount of all reasonable expenses attributable to such Loan or Loans, including but not limited to reasonable attorneys' fees and disbursements (and the allocated costs of in-house counsel for the Bank), incurred or expended in connection with the preparation or interpretation of this Agreement or any amendment hereof, or with the enforcement of any obligations or the satisfaction of any indebtedness of such Borrower hereunder incurred for its own account or for the account of a Portfolio, or in connection with any litigation, proceeding or dispute hereunder in any way related to the Bank's relationship hereunder. To the extent any such expense is not so attributable to any Loan or Loans, each Borrower agrees to pay to the Bank, out of its own funds or the funds of its Portfolios, as applicable, in the proportion that the average amount of Loans made to such Borrower for its own account or for the account of a Portfolio outstanding during the preceding 12-month period (or such shorter period that this Agreement shall have been effective) bears to the average amount of all Loans outstanding

to all Borrowers for their own accounts or for the accounts of any of their Portfolios during such period (or, if no Loans shall have been outstanding, such Borrower's Percentage of such amount), the amount of such expense, determined and paid as aforesaid.

Section 9. SURVIVAL OF COVENANTS, ETC. All covenants, agreements, representations and warranties made herein or in any documents or other papers delivered by, or on behalf of, each Borrower with respect to itself or any Portfolio pursuant hereto shall be deemed to have been relied upon by the Bank, notwithstanding any investigation heretofore or hereafter made by it, and shall survive the making by the Bank of the Loans to such Borrower, as herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement remains outstanding and unpaid or the Bank has any obligation to make any Loans to such Borrower hereunder for its own account or for the account of any Portfolio. All statements contained in any certificate, document or other paper delivered by any authorized person to the Bank at any time by or on behalf of any Borrower pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by such Borrower hereunder with respect to itself or any Portfolio.

Section 10. INDEMNIFICATION. (a) Each Borrower agrees, for itself or on behalf of any applicable Portfolio to indemnify and hold harmless the Bank from and against any and all claims, actions and suits whether groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of this Agreement or the transactions evidenced hereby as they directly relate to such Borrower for itself or on behalf of any applicable Portfolio or the Loans made by the Bank to such Borrower for its own account or for the account of a Portfolio; provided that the Bank shall have no right to be indemnified hereunder with respect to any such claims, actions, suits, liabilities, losses, damages and expenses to the extent arising as a result of its own gross negligence, willful misconduct or bad faith; and provided, further that no Borrower, acting for itself or on behalf of any applicable Portfolio, shall be liable for any settlement, compromise or consent to the entry of any order adjudicating or otherwise disposing of any claim, action, suit, liability, loss, damage or expense effected without the consent of such Borrower for itself or on behalf of any applicable Portfolio. Should any claim be made by a person not a party to this Agreement with respect to any matter to which the foregoing indemnity relates, the Bank shall promptly notify the applicable Borrower of any such claim, and such Borrower shall, acting for itself or on

behalf of any applicable Portfolio, have the right to direct and control the



defense of such claim or any litigation based thereon at its own expense through counsel of its own choosing.

(b) The Bank agrees to indemnify and hold harmless each Borrower for its own account or for the account of any applicable Portfolio from and against any and all claims, actions and suits whether groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of this Agreement or the transactions evidenced hereby; provided that no Borrower shall have the right to be indemnified hereunder for its own account or for the account of any applicable Portfolio with respect to any such claims, actions, suits, liabilities, losses, damages and expenses to the extent arising as a result of its own gross negligence, willful misconduct or bad faith; and provided, further that the Bank shall not be liable for any settlement, compromise or consent to the entry of any order adjudicating or otherwise disposing of any claim, action, suit, liability, loss, damage or expense effected without the consent of the Bank. Should any claim be made against a Borrower with respect to itself or any applicable Portfolio by a person not a party to this Agreement with respect to any matter to which the foregoing indemnity relates, such Borrower shall, for itself or on behalf of any applicable Portfolio, promptly notify the Bank of any such claim, and the Bank shall have the right to direct and control the defense of such claim or any litigation based thereon at its own expense through counsel of its own choosing.

Section 11. PARTIES IN INTEREST; PARTICIPATIONS. All the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that no Borrower may assign or transfer its rights hereunder with respect to itself or any Portfolio or any interest herein without the prior written consent of the Bank. The Bank may, with the prior written consent of any Borrower, acting for itself or on behalf of its Portfolios, (which shall not be unreasonably withheld or delayed), assign or transfer to any other person or entity, all or any part of, or any interest in, its rights and obligations hereunder with respect to such Borrower for its own account or the account of its Portfolios, or without such consent, grant loan participations therein; provided that in all cases other than the case of the sale of loan participations, the Bank shall give the applicable Borrower prompt written notice thereof, and provided, further that such Borrower shall make payment of all amounts due and payable hereunder for its own account or for the account of any Portfolio and deliver such documents as are

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required hereunder to the Bank until such time as it is notified in writing to do otherwise.

Section 12. NOTICES, ETC. Except as otherwise expressly provided in this Agreement, all notices, demands and other communications made or

required to be given pursuant to this Agreement shall be in writing and shall be delivered by hand, by accepted express mail service, postage prepaid, or sent by telex or facsimile transmission and confirmed by letter, addressed as follows:

(a) if to any Borrower, for itself or on behalf of any Portfolio, c/o BEA Associates, One Citicorp Center, 153 East 53rd Street, New York, New York 10022 Attention: Paul Stamler, Vice President - Fund Administration or at such other address for notice or demand as any Borrower shall last have furnished in writing to the Bank; or

(b) if to the Bank, to the address set forth in the preamble of this Agreement, Attention: John T. Daley, Vice President, or at such other address for notice as the Bank shall last have furnished in writing to each Borrower.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at the time of receipt thereof by such officer, (b) if sent by accepted express mail service, postage prepaid, one Business Day after posting thereof, and (c) if sent by facsimile transmission or telex, at the time of receipt of any automatic answer-back or other similar acknowledgment of receipt thereof.

Section 13. MISCELLANEOUS. This Agreement shall be deemed to be a contract under the laws of The Commonwealth of Massachusetts and shall for all purposes be construed in accordance with and governed by the laws of said Commonwealth. The rights and remedies herein expressed are cumulative and not exclusive of any other rights that the Bank or any Borrower (acting for itself or on behalf of any Portfolio), as the case may be, would otherwise have. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

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Section 14. SEVERABILITY. If any of the provisions of this Agreement or the application thereof to any party hereto or to any person or entity or circumstance is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or provision hereof or thereof or the application thereof to any other party hereto or to any other person or entity or circumstance.

Section 15. ENTIRE AGREEMENT, ETC. This Agreement amends and

restates in its entirety the Prior Agreement. This Agreement, together with any of the documents executed in connection herewith, express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated orally or in writing, except as provided in Section 16 hereof.

Section 16. CONSENTS, AMENDMENTS, WAIVERS, ETC. Except as otherwise expressly provided in this Agreement, any consent or approval required or permitted by this Agreement to be given by the Bank may be given, and any term of this Agreement or of any other instrument related hereto or mentioned herein may be amended, and the performance or observance by any Borrower, acting for itself or on behalf of any Portfolio, of any terms of this Agreement or such other instrument or the continuance of any Default or Event of Default by such Borrower, acting for itself or on behalf of any Portfolio, or any condition or term hereof applicable to such Borrower, acting for itself or on behalf of any Portfolio, may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of such Borrower, acting for itself or on behalf of any Portfolio, and the written consent of the Bank. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or delay or omission on the part of the Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand on any Borrower for its own account or for the account of any Portfolio shall entitle such Borrower to other or further notice in similar or other circumstances.

Section 17. WAIVER OF JURY TRIAL. THE BANK AND EACH BORROWER, FOR ITSELF OR ON BEHALF OF EACH PORTFOLIO, AGREE THAT NONE OF THEM NOR ANY ASSIGNEE OR SUCCESSOR SHALL (A) SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER ACTION BASED UPON, OR ARISING OUT OF, THIS AGREEMENT OR THE DEALINGS OR THE RELATIONSHIP BETWEEN OR AMONG ANY OF THEM, OR (B)

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SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY DISCUSSED BY THE BANK AND EACH BORROWER, FOR ITSELF OR ON BEHALF OF EACH PORTFOLIO, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NEITHER THE BANK NOR ANY BORROWER, FOR ITSELF OR ON BEHALF OF ANY PORTFOLIO, HAS AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

Section 18. SUBMISSION TO JURISDICTION. Each Borrower agrees, for itself or on behalf of its Portfolios, that any suit for the enforcement of this Agreement may be brought in the courts of The Commonwealth of Massachusetts or any Federal Court sitting therein and consents to the

non-exclusive jurisdiction of such court and to service of process in any such suit being made upon such Borrower for itself or on behalf of any applicable Portfolio, by mail at the address specified in Section 12 hereof. Each Borrower hereby waives, for itself or on behalf of any applicable Portfolio, any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit was brought in an inconvenient court.

Section 19. JUDGMENT CURRENCY. Each Borrower agrees to indemnify the Bank, for its own account or for the accounts of its Portfolios, against any loss incurred by it as a result of any judgment or order against such Borrower for its own account or for the accounts of its Portfolios being given or made for the payment of any amount due hereunder which is expressed and paid in a currency (the "JUDGMENT CURRENCY") other than the currency in which such amount was to be paid (the "OBLIGATION CURRENCY") and as a result of any variation between (a) the rate of exchange at which the Obligation Currency amount is converted into Judgment Currency for the purposes of such judgment or order, and (b) the rate of exchange at which the Bank is able to purchase the Obligation Currency with the amount of Judgment Currency actually received by the Bank. The foregoing indemnity shall constitute a separate and independent obligation of each Borrower for its own account and for the accounts of its Portfolios and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversions into, the relevant currency.

Section 20. CONFIDENTIALITY. The Bank agrees that in handling any non-public information received from any Borrower with respect to itself or any of its Portfolios hereunder the Bank shall exercise the same degree of care that it exercises

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with respect to its own proprietary information of the same or similar types in order to maintain the confidentiality of such information, it being understood by each Borrower, however, for itself or on behalf of any applicable Portfolio, that disclosure of such information may be made (i) to the subsidiaries or affiliates of the Bank in connection with their present or prospective business relations with any Borrower, in its own capacity or on behalf of any of its Portfolios, (ii) to prospective transferees or purchasers of an interest in the Loans made to any Borrower for its own account or for the account of any Portfolio, (iii) as required by law, regulation, rule or order, subpoena, judicial order or similar order and (iv) as may be required in connection with the examination, audit or similar investigation of the Bank.

Section 21. OBLIGATIONS SEVERAL. The Bank agrees that the obligations of each Borrower and, in case of the RBB Fund, each Portfolio,

hereunder are several and that the Bank shall have no recourse against any Borrower or Portfolio for the payment or performance of the obligations of any other Borrower or Portfolio.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as an instrument under seal by its duly authorized officer as of the date first written above.

THE LATIN AMERICA INVESTMENT FUND, INC.

By: /s/Rachel Manney  
-----  
Title: V.P.

THE LATIN AMERICA EQUITY FUND, INC.

By: /s/Rachel Manney  
-----  
Title: V.P.

THE CHILE FUND, INC.

By: /s/Rachel Manney  
-----  
Title: V.P.

THE BRAZILIAN EQUITY FUND, INC.

By: /s/Rachel Manney  
-----  
Title: V.P.

THE PORTUGAL FUND, INC.

By: /s/Rachel Manney  
-----  
Title: V.P.

THE FIRST ISRAEL FUND, INC.

By: /s/Rachel Manney

-----  
Title: V.P.

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THE INDONESIA FUND, INC.

By: /s/Rachel Manney

-----  
Title: V.P.

THE EMERGING MARKETS  
TELECOMMUNICATIONS FUND, INC.

By: /s/Rachel Manney

-----  
Title: V.P.

THE EMERGING MARKETS  
INFRASTRUCTURE FUND, INC.

By: /s/Rachel Manney

-----  
Title: V.P.

THE RBB FUND, INC.  
acting solely on behalf of the following  
portfolios:

BEA Emerging Markets Equity Portfolio  
BEA Global Fixed Income Portfolio  
BEA International Equity Portfolio  
BEA Municipal Bond Fund Portfolio  
BEA Strategic Fixed Income Portfolio  
BEA U.S. Core Equity Portfolio  
BEA U.S. Core Fixed Income Portfolio

By: /s/Edward J. Roach

Title: President

BEA INCOME FUND, INC.

By: /s/Michael A. Pignataro

-----  
Title: Secretary

BEA STRATEGIC INCOME FUND, INC.

By: /s/Michael Pignataro

-----  
Title:

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THE FIRST NATIONAL BANK OF BOSTON

By: /s/John T. Daley

-----  
Vice President

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of this Amendment No. 5 to the registration statement on Form N-2 (the "Registration Statement") of our report dated February 13, 1996, relating to the financial statements and financial highlights appearing in the December 31, 1995 Annual Report to Shareholders of BEA Income Fund, Inc., which is also incorporated by reference into the Registration Statement. We also consent to the references to us under the headings "Financial Highlights" and "Experts" in the Prospectus.

/s/ PRICE WATERHOUSE LLP  
PRICE WATERHOUSE LLP  
1177 Avenue of the Americas  
New York, NY 10036  
August 26, 1996



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