Eaton Vance Enhanced Equity Income Fund II
Form 497
January 27, 2005

PROSPECTUS January 26, 2005

43,750,000 SHARES

EATON VANCE ENHANCED EQUITY INCOME FUND II

COMMON SHARES

[EATON VANCE LOGO]

INVESTMENT OBJECTIVES. Eaton Vance Enhanced Equity Income Fund II (the "Fund") is a newly organized, diversified, closed-end management investment company. The Fund's primary investment objective is to provide current income, with a secondary objective of capital appreciation. The Fund will pursue its investment objectives by investing primarily in a portfolio of mid- and large-capitalization common stocks, seeking to invest primarily in companies with above-average growth and financial strength. Under normal market conditions, the Fund will seek to generate current earnings from option premiums by selling covered call options on a substantial portion of its portfolio securities. There can be no assurance that the Fund will achieve its investment objectives.

INVESTMENT ADVISER AND SUB-ADVISER. The Fund's investment adviser is Eaton Vance Management ("Eaton Vance" or the "Adviser"). As of October 31, 2004, Eaton Vance and its subsidiaries managed approximately $94.5 billion on behalf of funds, institutional clients and individuals, including approximately $55.8 billion in equity assets. Eaton Vance has engaged Rampart Investment Management Company, Inc. ("Rampart" or the "Sub-Adviser") as a sub-adviser to provide advice on and execution of the Fund's options strategy. Rampart, founded in 1983, specializes in options management and trading for institutional and high net worth investors. Rampart managed approximately $1.8 billion in assets as of November 30, 2004.

PORTFOLIO CONTENTS. Under normal market conditions, the Fund will invest at least 80% of its total assets in common stocks. Normally, the Fund will invest primarily in common stocks of mid- and large-capitalization issuers that meet the Fund's selection criteria of above-average growth and financial strength. Initially, the Fund expects to invest between 55% and 65% of its total assets in mid-capitalization stocks and between 35% and 45% of its total assets in large-capitalization stocks. Under normal market conditions, the Fund expects to invest in at least 75 securities, seeking to reduce the Fund's exposure to individual stock risks. The Fund generally will invest in common stocks on which exchange traded call options are currently available. The Fund will invest primarily in common stocks of U.S. issuers, although the Fund may invest up to 25% of its total assets in securities of foreign issuers.

Under normal market conditions, the Fund intends to pursue its primary investment objective principally by employing an options strategy of writing (selling) covered call options on a substantial portion of its portfolio securities. (continued on inside front cover)

BECAUSE THE FUND IS NEWLY ORGANIZED, ITS COMMON SHARES HAVE NO HISTORY OF PUBLIC TRADING.

INVESTING IN SHARES INVOLVES CERTAIN RISKS. SEE "INVESTMENT OBJECTIVES, POLICIES

AND RISKS" BEGINNING AT PAGE 13.

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

	PRICE TO PUBLIC	SALES LOAD(1)
Per share	$20.00	$0.90
Total	$875,000,000	$39,375,000
Total assuming full exercise of the over-allotment option	$1,006,250,000	$45,281,250

(1) Eaton Vance (not the Fund) will pay certain additional compensation to qualifying underwriters. See "Underwriting." Eaton Vance (not the Fund) will pay UBS Securities LLC for services provided pursuant to a shareholder servicing agreement between UBS Securities LLC and Eaton Vance. See "Underwriting."

In addition to the sales load, the Fund will pay offering expenses of up to $0.04 per share, estimated to total $713,200, which will reduce the "Proceeds to Fund" (above). Eaton Vance or an affiliate has agreed to pay the amount by which the aggregate of all of the Fund's offering costs (other than sales loads) exceeds $0.04 per share. Eaton Vance or an affiliate has agreed to reimburse all Fund organizational costs.

UBS INVESTMENT BANK	MERRILL LYNCH & CO.	WACHOVIA SECURITIES
A.G. EDWARDS	H&R BLOCK FINANCIAL ADVISORS, INC.	J.J.B. HILLIARD, W.L. LYONS, INC.
OPPENHEIMER & CO.		RAYMOND JAMES
RBC CAPITAL MARKETS		WELLS FARGO SECURITIES

(continued from previous page)

The extent of option writing activity will depend upon market conditions and the Adviser's ongoing assessment of the attractiveness of writing call options on the Fund's stock holdings. Writing covered call options involves a tradeoff between the option premiums received and reduced participation in potential future stock price appreciation. Depending on the Adviser's evaluation, the Fund may write covered call options on varying percentages of the Fund's common stock holdings. The Fund seeks to generate current earnings from option writing premiums and, to a lesser extent, from dividends on stocks held. The Fund's call option-writing program will seek to achieve a high level of net option premiums, while maintaining the potential for capital appreciation in each stock on which options are written up to a defined target price for that stock determined by the Adviser. The Adviser and Sub-Adviser believe that by coordinating their activities they will be able to achieve the Fund's investment objectives. In particular, the Adviser believes its active management style, which incorporates a research-driven fundamental investment approach, complements the Sub-Adviser's systematic option methodology, which utilizes a proprietary options analysis and management system.

The Fund may in certain circumstances purchase put options on the Standard & Poor's 500 Composite Stock Price Index, the S&P MidCap 400 Index, any other broad-based securities index deemed suitable for this purpose, and/or on individual stocks held in its portfolio or use other derivative instruments in order to help protect against a decline in the value of its portfolio securities. If the Adviser decides to purchase an index put option, the Adviser and the Sub-Adviser will evaluate put options on a particular index based upon their assessment of the expected degree of correlation of the performance of the index to that of all or some of the common stocks held in the Fund's portfolio. However, there can be no assurance that the performance of such an index will correlate with that of all or some of the common stocks held in the Fund's portfolio and accordingly that the put option will have the desired protective effect.

Eaton Vance believes that the Fund could be an appropriate investment for investors seeking an investment vehicle that combines regular distributions of current earnings and the potential for capital appreciation.

EXCHANGE LISTING. The Fund has been approved for listing of its common shares on the New York Stock Exchange under the symbol "EOS." Because the Fund is newly organized, its common shares have no history of public trading. The shares of closed-end management investment companies frequently trade at a discount from their net asset value. The returns earned by holders of the Fund's common shares ("Common Shareholders") who purchase their shares in this offering and sell their shares below net asset value will be reduced.

The Fund's net asset value and distribution rate will vary and may be affected by numerous factors, including changes in stock prices, option premiums, market interest rates, dividend rates and other factors. An investment in the Fund may not be appropriate for all investors. There is no assurance that the Fund will achieve its investment objectives.

This Prospectus sets forth concisely information you should know before investing in the shares of the Fund. Please read and retain this Prospectus for future reference. A Statement of Additional Information dated January 26, 2005, has been filed with the Securities and Exchange Commission ("SEC") and can be obtained without charge by calling 1-800-225-6265 or by writing to the Fund. A table of contents to the Statement of Additional Information is located at page 51 of this Prospectus. This Prospectus incorporates by reference the entire Statement of Additional Information. The Statement of Additional Information is available along with other Fund-related materials: at the SEC's public reference room in Washington, DC (call 1-202-942-8090 for information on the operation of the reference room); from the EDGAR database on the SEC's internet site (http://www.sec.gov); upon payment of copying fees by writing to the SEC's public reference section, Washington, DC 20549-0102; or by electronic mail at publicinfo@sec.gov. The Fund's address is The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109 and its telephone number is 1-800-225-6265.

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

The underwriters named in the Prospectus may purchase up to 6,562,500 additional shares from the Fund under certain circumstances.

The underwriters expect to deliver the shares to purchasers on or about January 31, 2005.

You should rely only on the information contained or incorporated by reference in this Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer of these securities in any state where the offer is not permitted.

Until February 20, 2005 (25 days after the date of this Prospectus), all dealers that buy, sell or trade the shares, whether or not participating in this offering, may be required to deliver a Prospectus. This is in addition to the dealers' obligation to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Prospectus summary

This is only a summary. This summary may not contain all of the information that you should consider before investing in the Fund's common shares. You should review the more detailed information contained in this Prospectus and in the Statement of Additional Information, especially the information set forth under the heading "Investment objectives, policies and risks."

THE FUND

Eaton Vance Enhanced Equity Income Fund II (the "Fund") is a newly organized, diversified, closed-end management investment company. The Fund's primary investment objective is to provide current income, with a secondary objective of capital appreciation. Investments are based on Eaton Vance Management's ("Eaton Vance" or the "Adviser") internal research and ongoing company analysis, which is generally not available to individual investors. Rampart Investment Management Company, Inc. ("Rampart" or the "Sub-Adviser") has been engaged as a sub-adviser to provide Eaton Vance with advice on and execution of the Fund's option writing strategy. An investment in the Fund may not be appropriate for all investors. There is no assurance that the Fund will achieve its investment objectives.

THE OFFERING

The Fund is offering 43,750,000 common shares of beneficial interest, par value $0.01 per share, through a group of underwriters (the "Underwriters") led by UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wachovia Capital Markets, LLC. The common shares of beneficial interest are called "Common Shares." The Underwriters have been granted an option by the Fund to purchase up to 6,562,500 additional Common Shares solely to cover orders in excess of 43,750,000 Common Shares. The initial public offering price is $20.00 per share. The minimum purchase in this offering is 100 Shares ($2,000). See "Underwriting." Eaton Vance or an affiliate has agreed to (i) reimburse all organizational costs and (ii) pay all offering costs (other than sales loads) that exceed $0.04 per Common Share.

INVESTMENT OBJECTIVES AND POLICIES

The Fund's primary investment objective is to provide current income, with a secondary objective of capital appreciation. The Fund will pursue its investment objectives by investing primarily in a portfolio of mid- and large-capitalization common stocks, seeking to invest primarily in companies with above-average growth and financial strength. Under normal market conditions, the Fund will seek to generate current earnings from option premiums by selling covered call options on a substantial portion of its portfolio securities. There can be no assurance that the Fund will achieve its investment objectives.

Under normal market conditions, the Fund will invest at least 80% of its total assets in common stocks. Normally, the Fund will invest primarily in common stocks of mid- and large-capitalization issuers that meet the Fund's selection criteria of above-average growth and financial strength. Initially, the Fund expects to invest between 55% and 65% of its total assets in mid-capitalization stocks and between 35% and 45% of its total assets in large-capitalization stocks. Under normal market conditions, the Fund expects to invest in at least 75 securities, seeking to reduce the Fund's exposure to individual stock risks. The Fund generally will invest in common stocks on which exchange traded call options are currently available. The Fund will invest primarily in common stocks of U.S. issuers, although the Fund may invest up to 25% of its total assets in securities of foreign issuers, including American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and European Depositary Receipts ("EDRs").

Eaton Vance generally considers mid-capitalization companies to be those companies having market capitalizations within the range of capitalizations for the S&P MidCap 400 Index ("S&P MidCap 400"). As of November 30, 2004, the median market capitalization of companies in the S&P

MidCap 400 was approximately $2.2 billion. Eaton Vance generally considers large-capitalization companies to be those companies having market capitalizations equal to or greater than the median market capitalization of the companies included in the Standard & Poor's 500 Composite Stock Price Index ("S&P 500"). As of November 30, 2004, the median capitalization of companies in the S&P 500 was approximately $10.1 billion.

Under normal market conditions, the Fund intends to pursue its primary investment objective principally by employing an options strategy of writing (selling) covered call options on a substantial portion of its portfolio securities. The extent of option writing activity will depend upon market conditions and the Adviser's ongoing assessment of the attractiveness of writing call options on the Fund's stock holdings. Writing covered call options involves a tradeoff between the option premiums received and reduced participation in potential future stock price appreciation. Depending on the Adviser's evaluation, the Fund may write covered call options on varying percentages of the Fund's common stock holdings. The Fund seeks to generate current earnings from option writing premiums and, to a lesser extent, from dividends on stocks held. The Fund may in certain circumstances purchase put options on the S&P 500, the S&P MidCap 400, any other broad-based securities index deemed suitable for this purpose, and/or on individual stocks held in its portfolio or use other derivative instruments in order to help protect against a decline in the value of its portfolio securities. If the Adviser decides to purchase an index put option, the Adviser and the Sub-Adviser will evaluate put options on a particular index based upon their assessment of the expected degree of correlation of the performance of the index to that of all or some of the common stocks held in the Fund's portfolio. However, there can be no assurance that the performance of such an index will correlate with that of all or some of the common stocks held in the Fund's portfolio and accordingly that the put option will have the desired protective effect.

The Fund normally expects that its investments will be invested across a broad range of industries and market sectors. The Fund may not invest 25% or more of its total assets in the securities of issuers in any single industry or group of industries. Eaton Vance believes that the Fund could be an appropriate investment for investors seeking an investment vehicle that combines regular distributions of current earnings and the potential for capital appreciation.

INVESTMENT STRATEGY

A team of Eaton Vance investment professionals with extensive experience in equity research and management is responsible for the overall management of the Fund's investments. Rampart Investment Management Company, Inc. ("Rampart" or the "Sub-Adviser") has been engaged as a sub-adviser to provide Eaton Vance with advice on and execution of the Fund's option writing strategy. The Fund's investments are actively managed, and securities and other investments may be bought or sold on a daily basis.

The Adviser believes that a strategy combining active equity portfolio management with a systematic program of covered call option writing can provide potentially attractive long-term returns. The Adviser further believes that a strategy of owning common stocks in conjunction with writing covered call options on a substantial portion of the stocks held should generally provide returns that are superior to simply owning the same stocks under three different stock market scenarios: (1) down-trending equity markets; (2) flat market conditions; and (3) moderately rising equity markets. In the Adviser's opinion, only in more strongly rising equity markets would the stock-plus-covered calls strategy generally be expected to underperform the stocks held. For these purposes, the Adviser considers more strongly rising equity market conditions to exist whenever the current annual rate of return for U.S. stocks materially exceeds the long-term historical average of stock market returns. The Adviser considers moderately rising equity market conditions to exist whenever current annual returns on U.S. common stocks are positive, but not materially higher than the long-term historical average of stock market returns.

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The Adviser will employ its signature "growth at a reasonable price" investment style. Investment decisions for the Fund will be made primarily on the basis of fundamental research. The Eaton Vance portfolio managers will utilize information provided by, and the expertise of, the Adviser's research staff in making investment decisions. The Adviser believes that investments in companies with above average growth and financial strength should provide attractive opportunities for investment appreciation. The Adviser seeks to identify such stocks by focusing, without limitation, on issuers with the following characteristics: (1) sustainable competitive advantages, (2) predictable and dependable cash flows, (3) high quality management teams and (4) solid balance sheets. Many of these considerations are subjective. In addition to its careful research based analysis in selecting investments for the Fund, the Adviser will also place a strong emphasis on the ongoing evaluation of portfolio holdings and the appropriate time and circumstances to sell or reduce a holding. In this regard, the Adviser may sell a stock when it believes it is fully valued, the fundamentals of the company deteriorate, the stock's price falls below its acquisition cost, management fails to execute its strategy or to pursue other more attractive investment opportunities, among other reasons.

The Adviser and Sub-Adviser believe that by coordinating their activities, they will be able to achieve the Fund's investment objectives. In particular, the Adviser believes its active management style complements the Sub-Adviser's systematic option methodology. The Fund's call option-writing program will seek to achieve a high level of net option premiums, while maintaining the potential for capital appreciation in each stock on which options are written up to a defined target price for that stock determined by the Adviser. To achieve this goal, Rampart utilizes proprietary options management and options trading analytical tools (Rampart Options Management System (ROMS)). Eaton Vance believes that a long-term investment approach and low core turnover of the underlying portfolio can support an efficient options program. Transaction costs associated with the Fund's options strategy will vary depending on market circumstances and other factors. Although it is not possible to accurately predict such costs because of this variability, the Adviser estimates that such costs on an annualized basis may range from between 0.20% and 0.30% of the Fund's total assets assuming the same offering size assumed for purposes of presenting the information set forth under "Summary of Fund expenses." There can be no certainty that upon changing market conditions such costs will fall within this range.

The Fund expects initially to write primarily exchange-listed call options on individual stocks held in the Fund's portfolio (rather than S&P 500, S&P MidCap 400, or other index options), primarily with shorter maturities (typically two to six months until expiration) and primarily at exercise prices approximately equal to or slightly above the current stock price when written. When an option-writing program is established for a particular stock, options will typically be written on a portion of the total stock position, which may allow for upside potential. If the stock price increases, the Fund will normally look to buy back the call options written and to sell new call options at higher exercise prices (up to the target price determined by the Adviser) on a greater number of shares. When a stock's price moves to or above its target price, the Adviser will evaluate the stock and option-writing program and determine whether to raise its target price and continue to hold the stock and write covered call options or, alternatively, whether to deliver the stock in settlement of the option position or otherwise exit the position by buying back the options written and selling the stock. If the stock price declines, the Fund will normally seek to buy back the call options written and to sell new call options at lower exercise prices on fewer shares. The Fund will seek to execute option rolls (as described above) such that the premium received from writing new options generally exceeds the amounts paid to close the positions being replaced. The Fund may also write covered call options with different characteristics and managed differently than described in this paragraph.

In addition to the intended strategy of selling covered call options, the Fund may invest up to 20% of its total assets in other derivative instruments acquired for hedging, risk management and investment purposes (to gain exposure to securities, securities markets, markets indices and/or currencies consistent with its investment objectives and policies), provided that no more than 10% of the Fund's total assets may be invested in such derivative instruments acquired for non-hedging purposes. Among other

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derivative strategies, the Fund may purchase put options on the S&P 500, the S&P MidCap 400, any other broad-based securities index deemed suitable for this purpose, and/or on individual stocks held in its portfolio or use other derivative instruments in order to help protect against a decline in the value of its portfolio securities. Derivative instruments may be used by the Fund to enhance returns or as a substitute for the purchase or sale of securities.

The foregoing policies relating to investment in common stocks and options writing are the Fund's primary investment policies. In addition to its primary investment policies, the Fund may invest to a limited extent in other types of securities and engage in certain other investment practices.

LISTING

The Fund has been approved for listing of its Common Shares on the New York Stock Exchange under the symbol "EOS."

INVESTMENT ADVISER, ADMINISTRATOR AND SUB-ADVISER

Eaton Vance, a direct wholly-owned subsidiary of Eaton Vance Corp., is the Fund's investment adviser and administrator. The Adviser and its subsidiaries managed approximately $94.5 billion on behalf of funds, institutional clients and individuals as of October 31, 2004, including approximately $55.8 billion in equity assets. Twenty-nine of the funds managed by Eaton Vance are closed-end funds. Eaton Vance has engaged Rampart as a sub-adviser to provide advice on and execution of the Fund's options strategy. Rampart, founded in 1983, specializes in option management and trading for institutional and high net worth investors. Rampart managed approximately $1.8 billion in assets as of November 30, 2004. See "Management of the Fund."

DISTRIBUTIONS

Commencing with the Fund's first distribution, the Fund intends to make regular monthly distributions to Common Shareholders based upon the Fund's projected annual cash available from option premiums and dividends. For distribution purposes, "cash available from option premiums and dividends" will consist of the total proceeds of options sales plus dividends and interest received, less amounts paid to purchase options and Fund expenses. The Fund's distribution rate may be adjusted from time-to-time. The Board may modify this distribution policy at any time without obtaining the approval of Common Shareholders. The initial distribution is expected to be declared approximately 45-60 days and paid approximately 60-90 days after the completion of this offering, depending on market conditions.

The Fund's annual cash available from options premiums and dividends will likely differ from annual net investment income. The investment income of the Fund will consist of all dividend and interest income accrued on portfolio investments, short-term capital gain (including short-term gains on terminated option positions and gains on the sale of portfolio investments held for one year or less) in excess of long-term capital loss and income from certain hedging transactions, less all expenses of the Fund. Expenses of the Fund will be accrued each day. The Fund expects that over time it will distribute all of its investment company taxable income. In addition, at least annually, the Fund intends to distribute any net capital gain (which is the excess of net long-term capital gain over net short-term capital loss). To the extent that that Fund's net investment income and net capital gain for any taxable year exceed the total monthly distributions paid during the year, the Fund will make a special distribution at or near year-end of such excess amount as may be required to maintain its qualification as a regulated investment company or to avoid income and excise taxes. If the Fund's total monthly distributions in any taxable year exceed the amount of its current and accumulated earnings and profits for the year, any such excess would be characterized as a return of capital. Under the 1940 Act, for any distribution that includes amounts from sources other than net income, the Fund is required to provide Common Shareholders a written statement regarding the components of such distribution.

To permit the Fund to maintain more stable distributions, distribution rates will be based on projected annual cash available from options premiums and dividends. As a result, the distributions paid by the Fund for any particular month may be more or less than the amount of cash available from options premiums and dividends for that month. In such circumstances, the Fund may have to sell a portion of its investment portfolio to make a distribution at a time when independent investment judgment might not dictate such action. Undistributed net investment income is included in the Common Shares' net asset value, and, correspondingly, distributions from net investment income will reduce the Common Shares' net asset value.

Common Shareholders may elect automatically to reinvest some or all of their distributions in additional Common Shares under the Fund's dividend reinvestment plan. See "Distributions" and "Dividend reinvestment plan."

DIVIDEND REINVESTMENT PLAN

The Fund has established a dividend reinvestment plan (the "Plan"). Under the Plan, a Common Shareholder may elect to have all distributions automatically reinvested in additional Common Shares either purchased in the open market or newly issued by the Fund if the Common Shares are trading at or above their net asset value. Common Shareholders may elect to participate in the Plan by completing the dividend reinvestment plan application form. Common Shareholders who do not elect to participate in the Plan will receive all distributions in cash paid by check mailed directly to them by PFPC Inc., as dividend paying agent. Common Shareholders who intend to hold their Common Shares through a broker or nominee should contact such broker or nominee to determine whether or how they may participate in the Plan. See "Dividend reinvestment plan."

CLOSED-END STRUCTURE

Closed-end funds differ from traditional, open-end management investment companies (commonly referred to as mutual funds) in that closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities that are redeemable at net asset value at the option of the shareholder and typically engage in a continuous offering of their shares.

Shares of closed-end funds frequently trade at a discount from their net asset value. In recognition of this possibility and that any such discount may not be in the interest of Common Shareholders, the Fund's Board of Trustees (the "Board"), in consultation with Eaton Vance, from time to time may review possible actions to reduce any such discount. The Board might consider open market repurchases or tender offers for Common Shares at net asset value. There can be no assurance that the Board will decide to undertake any of these actions or that, if undertaken, such actions would result in the Common Shares trading at a price equal to or close to net asset value per Common Share. The Board might also consider the conversion of the Fund to an open-end mutual fund. The Board believes, however, that the closed-end structure is desirable, given the Fund's investment objectives and policies. Investors should assume, therefore, that it is highly unlikely that the Board would vote to convert the Fund to an open-end investment company.

Although the Fund has no current intention to issue preferred shares, investors should note that any possible future issuance of preferred shares to provide investment leverage could make a conversion to open-end form more difficult because of the voting rights of preferred shareholders, the costs of redeeming preferred shares and other factors. See "Description of capital structure."

SPECIAL RISK CONSIDERATIONS

NO OPERATING HISTORY
The Fund is a closed-end investment company with no history of operations and is designed for long-term investors and not as a trading vehicle.

INVESTMENT AND MARKET RISK
An investment in Common Shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in Common Shares represents an indirect investment in the securities owned by the Fund, which are generally traded on a securities exchange or in the over-the-counter markets. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. In addition, by writing (selling) call options on the equity securities held in the Fund's portfolio, the capital appreciation potential of such securities will be limited to the difference between the exercise price of the call options written and the purchase price of the equity security underlying such options. The Common Shares at any point in time may be worth less than the original investment, even after taking into account any reinvestment of distributions.

ISSUER RISK
The value of securities held by the Fund may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

EQUITY RISK
At least 80% of the Fund's total assets will be invested in common stocks and therefore a principal risk of investing in the Fund is equity risk. Equity risk is the risk that securities held by the Fund will fall due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, and the particular circumstances and performance of particular companies whose securities the Fund holds. Although common stocks have historically generated higher average returns than fixed-income securities over the long term, common stocks also have experienced significantly more volatility in returns. An adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common equity securities in which the Fund will invest are structurally subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of

such issuers. Finally, common stock prices may be sensitive to rising interest rates, as the costs of capital rise and borrowing costs increase.

RISKS ASSOCIATED WITH OPTIONS ON SECURITIES

There are numerous risks associated with transactions in options on securities. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. The writer of an option has no control over when during the exercise period of the option it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. Thus, the use of options may require the Fund to sell portfolio securities at inopportune times or for prices other than current market values, will limit the amount of appreciation the Fund can realize above the exercise price of an option on a common stock, or may cause the Fund to hold a security that it might otherwise sell.

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The value of options may also be adversely affected if the market for such options becomes less liquid or smaller. There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position either, in the case of a call option written, by buying the option, or, in the case of a purchased put option, by selling the option. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation (the "OCC") may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled to discontinue the trading of options (or a particular class or series of options) at some future date. If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the OCC as a result of trades on that exchange would continue to be exercisable in accordance with their terms. The Fund's ability to terminate over-the-counter options will be more limited than with exchange-traded options and may involve the risk that broker-dealers participating in such transactions will not fulfill their obligations. If the Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security unless the option expired without exercise.

The hours of trading for options may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that would not be reflected concurrently in the options markets. Call options are marked to market daily and their value will be affected by changes in the value of and dividend rates of the underlying common stocks, changes in interest rates, changes in the actual or perceived volatility of the stock market and the underlying common stocks and the remaining time to the options' expiration. Additionally, the exercise price of an option may be adjusted downward before the option's expiration as a result of the occurrence of certain corporate events affecting the underlying equity security, such as extraordinary dividends, stock splits, merger or other extraordinary distributions or events. A reduction in the exercise price of an option would reduce the Fund's capital appreciation potential on the underlying security.

The number of call options the Fund can write is limited by the number of shares of common stock the Fund holds, and further limited by the fact that listed call options on individual common stocks generally trade in units representing 100 shares of the underlying stock. Furthermore, the Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Adviser or Sub-Adviser. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and may impose certain other sanctions. The Fund will not write "naked" or uncovered call options.

If the Fund purchases put options for hedging or risk management purposes, the Fund will be subject to the following additional risks. A put option acquired by the Fund and not sold prior to expiration will expire worthless if the price of the stock or index at expiration exceeds the exercise price of the option, thereby causing the Fund to lose its entire investment in the option. If restrictions on exercise were imposed, the Fund might be unable to exercise an option it had purchased. If the Fund were unable to close out an option that it had purchased, it would have to exercise the option in order to realize any profit or the option may expire worthless. Stock market indices on which the Fund may

purchase options positions likely will not mirror the Fund's actual portfolio holdings. The effectiveness of index put options as hedges against declines in the Fund's stock portfolio will be limited to the extent that the performance of the underlying index does not correlate with that of the Fund's holdings.

RISKS OF MID-CAP COMPANIES

The Fund may invest substantially in companies whose market capitalization is considered middle sized or "mid-cap." Mid-cap companies often are newer or less established companies than larger companies. Investments in mid-cap companies carry additional risks because earnings of these companies tend to be less predictable; they often have limited product lines, markets, distribution channels or financial resources; and the management of such companies may be dependent upon one or a few key people. The market movements of equity securities of mid-cap companies may be more abrupt or erratic than the market movements of equity securities of larger, more established companies or the stock market in general. Historically, mid-cap companies have sometimes gone through extended periods when they did not perform as well as larger companies. In addition, equity securities of mid-cap companies generally are less liquid than those of larger companies. This means that the Fund could have greater difficulty selling such securities at the time and price that the Fund would like.

RISKS OF GROWTH STOCK INVESTING

The Fund expects to invest substantially in stocks with "growth" characteristics. Growth stocks can react differently to issuer, political, market, and economic developments than the market as a whole and other types of stocks. Growth stocks tend to be more expensive relative to their earnings or assets compared to other types of stocks. As a result, growth stocks tend to be sensitive to changes in their earnings and more volatile than other types of stocks.

DISTRIBUTION RISK

The monthly distributions Common Shareholders receive from the Fund will be based primarily on the level of net option premiums and the dividends received by the Fund. Net option premiums and dividend payments the Fund receives in respect of its portfolio securities can vary widely over the short- and long-term. If stock prices or stock price volatility declines, the level of premiums from options writing and the amounts available for distribution from options activity will likely decrease as well. Payments to purchase put options and to close written call options will reduce amounts available for distribution from call option premiums received and proceeds of closing put options. Dividends on common stocks are not fixed but are declared at the discretion of the issuer's board of directors. There is no guarantee that the issuers of common stocks in which the Fund invests will declare dividends in the future or that if declared they will remain at current levels or increase over time. Dividends on any preferred stocks in which the Fund may invest are not guaranteed and certain issues of preferred stock held by the Fund may be called by the issuer.

FOREIGN SECURITY RISK

The Fund may have substantial exposure to foreign securities. The value of foreign securities is affected by changes in currency rates, foreign tax laws (including withholding tax), government policies (in this country or abroad), relations between nations and trading, settlement, custodial and other operational risks. In addition, the costs of investing abroad are generally higher than in the United States, and foreign securities markets may be less liquid, more volatile and less subject to governmental supervision than markets in the United States. Foreign investments also could be affected by other factors not present in the United States, including expropriation, armed conflict, confiscatory taxation, lack of uniform accounting and auditing standards, less publicly available financial and other information and potential difficulties in enforcing contractual obligations. As an alternative to holding foreign-traded securities, the Fund may invest in dollar-denominated securities of foreign companies that trade on U.S. exchanges or in the U.S. over-the-counter market (including depositary receipts, which evidence ownership in underlying foreign securities). Since the Fund may invest in securities

denominated or quoted in currencies other than the U.S. dollar, the Fund will be affected by changes in foreign currency exchange rates (and exchange control regulations) which affect the value of investments in the Fund and the accrued income and appreciation or depreciation of the investments in U.S. dollars. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and the Fund's return on such assets as well as any temporary uninvested reserves in bank deposits in foreign currencies. In addition, the Fund will incur costs in connection with conversions between various currencies.

Because foreign companies are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies, there may be less publicly available information about a foreign company than about a domestic company. Volume and liquidity in most foreign debt markets are less than in the United States and securities of some foreign companies are less liquid and more volatile than securities of comparable U.S. companies. There is generally less government supervision and regulation of securities exchanges, broker-dealers and listed companies than in the United States. Mail service between the United States and foreign countries may be slower or less reliable than within the United States, thus increasing the risk of delayed settlements of portfolio transactions for, or loss of certificates of, portfolio securities. Payment for securities before delivery may be required. In addition, with respect to certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments, which could affect investments in those countries. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Foreign securities markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies.

INTEREST RATE RISK

The level of premiums from call options writing and the amounts available for distribution from the Fund's options activity may decrease in declining interest rate environments. Any preferred stocks paying fixed dividend rates in which the Fund invests, will likely change in value as market interest rates change. When interest rates rise, the market value of such securities generally will fall. To the extent that the Fund invests in preferred stocks, the net asset value and price of the Common Shares may decline if market interest rates rise. Interest rates are currently low relative to historic levels. During periods of declining interest rates, an issuer of preferred stock may exercise its option to redeem securities prior to maturity, forcing the Fund to reinvest in lower yielding securities. This is known as call risk. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected payments. This may lock in a below market yield, increase the security's duration, and reduce the value of the security. This is known as extension risk. The value of the Fund's common stock investments may also be influenced by changes in interest rates.

SECTOR RISK

The Fund may invest a significant portion of its assets in securities of issuers in any single industry or sector of the economy (a broad based economic segment that may include many distinct industries) if companies in that industry or sector meet the Fund's investment criteria. If the Fund is focused in an industry or sector, it may present more risks than if it were broadly diversified over numerous industries or sectors of the economy. This may make the Fund more susceptible to adverse economic, political, or regulatory occurrences affecting these sectors. A "sector" is a broader economic segment that may include many different industries. As the percentage of the Fund's assets invested in a particular sector increases, so does the potential for fluctuation in the net asset value of Common Shares. The Fund may not invest 25% or more of its total assets in the securities of issuers in any single industry or group of industries.

DERIVATIVES RISK

In addition to writing covered call options, the risks of which are described above, the Fund may invest up to 20% of its total assets in other derivative investments acquired for hedging, risk management and investment purposes. Derivative transactions including options on securities and securities indices and other transactions in which the Fund may engage (such as futures contracts and options thereon, swaps and short sales) may subject the Fund to increased risk of principal loss due to unexpected movements in stock prices, changes in stock volatility levels and interest rates, and imperfect correlations between the Fund's securities holdings and indices upon which derivative transactions are based. The Fund also will be subject to credit risk with respect to the counterparties to any over-the-counter derivatives contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

LIQUIDITY RISK

The Fund may invest up to 15% of its total assets in securities for which there is no readily available trading market or which are otherwise illiquid. The Fund may not be able readily to dispose of such securities at prices that approximate those at which the Fund could sell such securities if they were more widely traded and, as a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. In addition, the limited liquidity could affect the market price of the securities, thereby adversely affecting the Fund's net asset value.

INFLATION RISK

Inflation risk is the risk that the purchasing power of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions thereon can decline.

MARKET PRICE OF COMMON SHARES

The shares of closed-end management investment companies often trade at a discount from their net asset value, and the Fund's Common Shares may likewise trade at a discount from net asset value. The trading price of the Fund's Common Shares may be less than the public offering price. The returns earned by Common Shareholders who purchased their Common Shares in this offering and sell their Common Shares below net asset value will be reduced.

FINANCIAL LEVERAGE

Although the Fund has no current intention to do so, the Fund is authorized to utilize leverage through the issuance of preferred shares and/or borrowings, including the issuance of debt securities. In the event that the Fund determines in the future to utilize investment leverage, there can be no assurance that such a leveraging strategy will be successful during any period in which it is employed. Leverage creates risks for Common Shareholders, including the likelihood of greater volatility of net asset value and market price of the Common Shares and the risk that fluctuations in distribution rates on any preferred shares or fluctuations in borrowing costs may affect the return to Common Shareholders. To the extent the income derived from securities purchased with proceeds received from leverage exceeds the cost of leverage, the Fund's distributions will be greater than if leverage had not been used. Conversely, if the income from the securities purchased with such proceeds is not sufficient to cover the cost of leverage, the amount available for distribution to Common Shareholders will be less than if leverage had not been used. In the latter case, Eaton Vance, in its best judgment, may nevertheless determine to maintain the Fund's leveraged position if it deems such action to be appropriate. The costs of an offering of preferred shares and/or a borrowing program would be borne by Common Shareholders and consequently would result in a reduction of the net asset value of Common Shares. In addition, the fee paid to Eaton Vance will be calculated on the basis of the Fund's

average daily gross assets, including proceeds from the issuance of preferred shares and/or borrowings, so the fees will be higher when leverage is utilized.

In this regard, holders of preferred shares do not bear the investment advisory fee. Rather, Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds of the preferred shares offering.

MANAGEMENT RISK

The Fund is subject to management risk because it is an actively managed portfolio. Eaton Vance, Rampart and the individual portfolio managers will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results. The Fund may be subject to additional management risk because the Fund's options program will require effective coordination between the Adviser and the Sub-Adviser.

MARKET DISRUPTION

The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the securities markets. These terrorist attacks and related events, including the war in Iraq, its aftermath, and continuing occupation of Iraq by coalition forces, have raised short-term market risk and may have adverse long-term effects on U.S. and world economies and markets. A similar disruption of the financial markets could impact trading in common stocks and stock options, interest rates, credit risk, inflation and other factors relating to the Common Shares. The Fund cannot predict the effects of similar events in the future on the U.S. economy and securities markets.

ANTI-TAKEOVER PROVISIONS

The Fund's Agreement and Declaration of Trust includes provisions that could have the effect of limiting the ability of other persons or entities to acquire control of the Fund or to change the composition of its Board. See "Description of capital structure--Anti-takeover provisions in the Declaration of Trust."

Summary of Fund expenses

The purpose of the table below is to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly.

Shareholder transaction expenses	
Sales load paid by you (as a percentage of offering price)	4.50%
Expenses borne by the Fund	0.20%(1)
Dividend reinvestment plan fees	None(2)

	PERCENTAGE OF NET ASSETS ATTRIBUTABLE TO COMMON SHARES
Annual expenses	
Management fees	1.00%
Other expenses	0.20%(3)
Total annual expenses	1.20%

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(1) Eaton Vance or an affiliate has agreed to reimburse all organizational costs and pay all offering costs (other than sales loads) that exceed $0.04 per Common Share (0.20% of the offering price).

(2) You will be charged a $5.00 service charge and pay brokerage charges if you direct the plan agent to sell your Common Shares held in a dividend reinvestment account.

(3) Estimated expenses based on the current fiscal year.

The expenses shown in the table are based on estimated amounts for the Fund's first year of operations and assume that the Fund issues approximately 12,500,000 Common Shares. See "Management of the Fund" and "Dividend reinvestment plan."

EXAMPLE

The following example illustrates the expenses that you would pay on a $1,000 investment in Common Shares (including the sales load of $45, estimated offering expenses of this offering of $2), assuming (1) total annual expenses of 1.20% of net assets attributable to Common Shares and (2) a 5% annual return(1):

1 YEAR	3 YEARS	5 YEARS	10 YEARS
$59	$83	$110	$186

THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. ACTUAL EXPENSES MAY BE HIGHER OR LOWER.

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(1) The example assumes that the estimated Other expenses set forth in the Annual expenses table are accurate, and that all dividends and distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

The Fund

Eaton Vance Enhanced Equity Income Fund II (the "Fund") is a newly organized, diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act" or the "Investment Company Act"). The Fund was organized as a Massachusetts business trust on November 8, 2004 pursuant to a Declaration of Trust governed by the laws of The Commonwealth of Massachusetts and has no operating history. The Fund's principal office is located at The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, and its telephone number is 1-800-225-6265.

This Prospectus relates to the initial public offering of the Fund's common shares of beneficial interest, $0.01 par value (the "Common Shares"). See "Underwriting."

Use of proceeds

The net proceeds of this offering of Common Shares will be approximately $835,625,000 (or $960,968,750 assuming exercise of the Underwriters' over-allotment option in full), which, after payment of the estimated offering expenses, will be invested in accordance with the Fund's investment objectives and policies as soon as practicable, but, in no event, under normal market conditions, later than three months after the receipt thereof. Pending such investment, the proceeds may be invested in high-quality, short-term debt securities, cash and/or cash equivalents. Eaton Vance or an affiliate has agreed to (i) reimburse all organizational costs and (ii) pay all offering costs of the Fund (other than sales loads) that exceed $0.04 per Common Share.

Investment objectives, policies and risks

INVESTMENT OBJECTIVES

The Fund's primary investment objective is to provide current income, with a secondary objective of capital appreciation. The Fund will pursue its investment objectives by investing primarily in a portfolio of mid- and large-capitalization common stocks, seeking to invest primarily in companies with above-average growth and financial strength. Under normal market conditions, the Fund will seek to generate current earnings from option premiums by selling covered call options on a substantial portion of its portfolio securities. There can be no assurance that the Fund will achieve its investment objectives.

PRIMARY INVESTMENT POLICIES

GENERAL COMPOSITION OF THE FUND

Under normal market conditions, the Fund will invest at least 80% of its total assets in common stocks. Normally, the Fund will invest primarily in common stocks of mid- and large-capitalization issuers that meet the Fund's selection criteria of above-average growth and financial strength. Initially, the Fund expects to invest between 55% and 65% of its total assets in mid-capitalization stocks and between 35% and 45% of its total assets in large-capitalization stocks. Under normal market conditions, the Fund expects to invest in at least 75 securities, seeking to reduce the Fund's exposure to individual stock risks. The Fund generally will invest in common stocks on which exchange traded call options are currently available. The Fund will invest primarily in common stocks of U.S. issuers, although the Fund may invest up to 25% of its total assets in securities of foreign issuers, including

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American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and European Depositary Receipts ("EDRs").

Eaton Vance generally considers mid-capitalization companies to be those companies having market capitalizations within the range of capitalizations for the S&P MidCap 400 Index ("S&P MidCap 400"). As of November 30, 2004, the median market capitalization of companies in the S&P MidCap 400 was approximately $2.2 billion. Eaton Vance generally considers large-capitalization companies to be those companies having market capitalizations equal to or greater than the median capitalization of the companies included in the Standard & Poor's 500 Composite Stock Price Index ("S&P 500"). As of November 30, 2004, the median market capitalization of companies in the S&P 500 was approximately $10.1 billion.

The Fund's policy of investing, under normal market circumstances, at least 80% of its total assets in common stocks is not considered to be fundamental by the Fund and can be changed without a vote of the Fund's shareholders. However, this policy may only be changed by the Fund's Board of Trustees (the "Board") following the provision of 60 days prior written notice to the Fund's shareholders.

Under normal market conditions, the Fund intends to pursue its primary investment objective principally by employing an options strategy of writing (selling) covered call options on a substantial portion of its portfolio securities. The extent of option writing activity will depend upon market conditions and the Adviser's ongoing assessment of the attractiveness of writing call options on the Fund's stock holdings. Writing covered call options involves a tradeoff between the option premiums received and reduced participation in potential future stock price appreciation. Depending on the Adviser's evaluation, the Fund may write covered call options on varying percentages of the Fund's common stock holdings. The Fund seeks to generate current earnings from option writing premiums and, to a lesser extent, from dividends on stocks held.

The Fund may in certain circumstances purchase put options on the S&P 500, S&P MidCap 400, any other broad-based securities index deemed suitable for this purpose, and/or on individual stocks held in its portfolio or use other derivative instruments in order to help protect against a decline in the value of its portfolio securities. If the Adviser decides to purchase an index put option, the Adviser and the Sub-Adviser will evaluate put options on a particular index based upon their assessment of the expected degree of correlation of the performance of the index to that of all or some of the common stocks held in the Fund's portfolio. However, there can be no assurance that the performance of such an index will correlate with that of all or some of the common stocks held in the Fund's portfolio and accordingly that the put option will have the desired protective effect. The premiums paid to acquire any such put options will reduce the amounts available for distribution to Common Shareholders from options activities.

The Fund normally expects that its investments will be invested across a broad range of industries and market sectors. The Fund may, however, invest up to any amount less than 25% of its total assets in the securities of issuers in any single industry or group of industries. See "Risk considerations--Sector risk." Eaton Vance believes that the Fund could be an appropriate investment for investors seeking an investment vehicle that combines regular distributions of current earnings and the potential for capital appreciation.

INVESTMENT STRATEGY

A team of Eaton Vance investment professionals with extensive experience in equity research and management is responsible for the overall management of the Fund's investments. Rampart Investment Management Company, Inc. ("Rampart" or the "Sub-Adviser") has been engaged as a sub-adviser to provide the Fund with advice on and execution of its option writing strategy. The Fund's investments are actively managed, and securities and other investments may be bought or sold on a daily basis.

The Adviser believes that a strategy combining active equity portfolio management with a systematic program of covered call option writing can provide potentially attractive long-term returns. The Adviser further believes that a strategy of owning common stocks in conjunction with writing covered call options on a substantial portion of the stocks held should generally provide returns that are superior to simply owning the same stocks under three different stock market scenarios: (1) Down-trending equity markets; (2) flat market conditions; and (3) moderately rising equity markets. In the Adviser's opinion, only in more strongly rising equity markets would the stock-plus-covered calls strategy generally be expected to underperform the stocks held. For these purposes, the Adviser considers more strongly rising equity market conditions to exist whenever the current annual rate of return for U.S. stocks materially exceeds the long-term historical average of stock market returns. The Adviser considers moderately rising equity market conditions to exist whenever current annual returns on U.S. common stocks are positive, but not materially higher than the long-term historical average of stock market returns.

The Adviser will employ its signature "growth at a reasonable price" investment style. Investment decisions for the Fund will be made primarily on the basis of fundamental research. The Eaton Vance portfolio managers will utilize information provided by, and the expertise of, the Adviser's research staff in making investment decisions. The Adviser believes that investments in companies with above average growth and financial strength should provide attractive opportunities for investment appreciation. The Adviser seeks to identify such stocks by focusing, without limitation, on issuers with the following characteristics: (1) sustainable competitive advantages, (2) predictable and dependable cash flows, (3) high quality management teams and (4) solid balance sheets. Many of these considerations are subjective. In addition to its careful research based analysis in selecting investments for the Fund, the Adviser also places a strong emphasis on the ongoing evaluation of portfolio holdings and the appropriate time and circumstances to sell or reduce a holding. In this regard, the Adviser may sell a stock when it believes it is fully valued, the fundamentals of a company deteriorate, a stock's price falls below its acquisition cost, management fails to execute its strategy or to pursue other more attractive investment opportunities, among other reasons.

The Adviser and Sub-Adviser believe that by coordinating their activities, they will be able to achieve the Fund's investment objectives. In particular, the Adviser believes its active management style complements the Sub-Adviser's systematic option methodology. The Fund's call option-writing program will seek to achieve a high level of net option premiums, while maintaining the potential for capital appreciation in each stock on which options are written up to a defined target price for that stock determined by the Adviser. To achieve this goal, Rampart utilizes proprietary options management and options trading analytical tools (Rampart Options Management System (ROMS)). Eaton Vance believes that a long-term investment approach and low core turnover of the underlying portfolio can support an efficient options program. Transaction costs associated with the Fund's options strategy will vary depending on market circumstances and other factors. Although it is not possible to accurately predict such costs because of this variability, the Adviser estimates that such costs on an annualized basis may range from between 0.20% and 0.30% of the Fund's total assets assuming the same offering size assumed for purposes of presenting the information set forth under "Summary of Fund expenses." There can be no certainty that upon changing market conditions such costs will fall within this range.

The Fund expects initially to write primarily exchange-listed call options on individual stocks held in the Fund's portfolio (rather than S&P 500, S&P MidCap 400 or other index options), primarily with shorter maturities (typically two to six months until expiration) and primarily at exercise prices approximately equal to or slightly above the current stock price when written. When an option-writing program is established for a particular stock, options will typically be written on a portion of the total stock position, which may allow for upside potential. If the stock price increases, the Fund will

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normally look to buy back the call options written and to sell new call options at higher exercise prices (up to the target price determined by the Adviser) on a greater number of shares. When a stock's price moves to or above its target price, the Adviser will evaluate the stock and option-writing program and determine whether to raise its target price and continue to hold the stock and write covered call options or, alternatively, whether to deliver the stock in settlement of the option position or otherwise exit the position by buying back the options written and selling the stock. If the stock price declines, the Fund will normally seek to buy back the call options written and to sell new call options at lower exercise prices on fewer shares. The Fund will seek to execute option rolls (as described above) such that the premium received from writing new options generally exceeds the amounts paid to close the positions being replaced. The Fund may also write covered call options with different characteristics and managed differently than described in this paragraph.

In addition to the intended strategy of selling covered call options, the Fund may invest up to 20% of its total assets in other derivative instruments acquired for hedging, risk management and investment purposes (to gain exposure to securities, securities markets, markets indices and/or currencies consistent with its investment objectives and policies), provided that no more than 10% of the Fund's total assets may be invested in such derivative instruments acquired for non-hedging purposes. Among other derivative strategies, the Fund may purchase put options on the S&P 500, the S&P MidCap 400, any other broad-based securities index deemed suitable for this purpose, and/or on individual stocks held in its portfolio in order to help protect against a decline in the value of its portfolio securities. Derivative instruments may be used by the Fund to enhance returns or as a substitute for the purchase or sale of securities.

COMMON STOCKS

Under normal market conditions, the Fund will invest at least 80% of its total assets in common stocks. Common stock represents an equity ownership interest in the issuing corporation. Holders of common stock generally have voting rights in the issuer and are entitled to receive common stock dividends when, as and if declared by the corporation's board of directors. Common stock normally occupies the most subordinated position in an issuer's capital structure. Returns on common stock investments consist of any dividends received plus the amount of appreciation or depreciation in the value of the stock. The Fund will have substantial exposure to common stocks.

Although common stocks have historically generated higher average returns than fixed-income securities over the long term and particularly during periods of high or rising concerns about inflation, common stocks also have experienced significantly more volatility in returns and may not maintain their real value during inflationary periods. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, the prices of common stocks are sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Fund has exposure. Common stock prices fluctuate for many reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, common stock prices may be sensitive to rising interest rates, as the costs of capital rise and borrowing costs increase.

FOREIGN SECURITIES

The Fund may invest up to 25% of its total assets in securities of issuers located in countries other than the United States. The value of foreign securities is affected by changes in currency rates, foreign tax laws (including withholding tax), government policies (in this country or abroad), relations between nations and trading, settlement, custodial and other operational risks. In addition, the costs of investing abroad are generally higher than in the United States, and foreign securities markets may be less liquid, more volatile and less subject to governmental supervision than markets in the United

States. Foreign investments also could be affected by other factors not present in the United States, including expropriation, armed conflict, confiscatory taxation, lack of uniform accounting and auditing standards, less publicly available financial and other information and potential difficulties in enforcing contractual obligations. As an alternative to holding foreign-traded securities, the Fund may invest in dollar-denominated securities of foreign companies that trade on U.S. exchanges or in the U.S. over-the-counter market (including depositary receipts, which evidence ownership in underlying foreign securities).

Because foreign companies are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies, there may be less publicly available information about a foreign company than about a domestic company. Volume and liquidity in most foreign debt markets are less than in the United States and securities of some foreign companies are less liquid and more volatile than securities of comparable U.S. companies. There is generally less government supervision and regulation of securities exchanges, broker-dealers and listed companies than in the United States. Mail service between the United States and foreign countries may be slower or less reliable than within the United States, thus increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities. Payment for securities before delivery may be required. In addition, with respect to certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments, which could affect investments in those countries. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Foreign securities markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies.

Since the Fund will invest in securities denominated or quoted in currencies other than the U.S. dollar, the Fund will be affected by changes in foreign currency exchange rates (and exchange control regulations) which affect the value of investments in the Fund and the accrued income and appreciation or depreciation of the investments in U.S. dollars. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and the Fund's return on such assets as well as any temporary uninvested reserves in bank deposits in foreign currencies. In addition, the Fund will incur costs in connection with conversions between various currencies.

The Fund may invest in ADRs, EDRs and GDRs. ADRs, EDRs and GDRs are certificates evidencing ownership of shares of foreign issuers and are alternatives to purchasing directly the underlying foreign securities in their national markets and currencies. However, they continue to be subject to many of the risks associated with investing directly in foreign securities. These risks include foreign exchange risk as well as the political and economic risks of the underlying issuer's country. ADRs, EDRs and GDRs may be sponsored or unsponsored. Unsponsored receipts are established without the participation of the issuer. Unsponsored receipts may involve higher expenses, they may not pass-through voting or other shareholder rights, and they may be less liquid.

The Fund may write covered call options on common stocks of foreign issuers subject to the same guidelines described herein with respect to its covered call options writing program generally.

OPTIONS--GENERALLY

The Fund's principal options activity will consist of writing (selling) covered call options on common stocks held. Among other potential options strategies, the Fund may purchase put options on the S&P 500, the S&P MidCap 400, any other broad-based securities index deemed suitable for this

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purpose, and/or on individual stocks held in its portfolio to help protect against a decline in the value of its portfolio securities. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. Certain options, known as "American style" options may be exercised at any time during the term of the option. Other options, known as "European style" options, may be exercised only on the expiration date of the option. Since listed options on individual stocks in the United States are generally American style options, the Adviser believes that substantially all of the single-stock options written or acquired by the Fund will be American style options. Exchange-traded options on stock indices are generally European style options.

The Fund will write call options only if they are "covered." A call option on a common stock or other security is covered if the Fund owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration (or, if additional cash consideration is required, cash or other assets determined to be liquid by the Adviser (in accordance with procedures established by the Board) in such amount are segregated by the Fund's custodian) upon conversion or exchange of other securities held by the Fund. A call option is also covered if the Fund holds a call on the same security as the call written where the exercise price of the call held is (i) equal to or less than the exercise price of the call written, or (ii) greater than the exercise price of the call written, provided the difference is maintained by the Fund in segregated assets determined to be liquid by the Adviser as described above.

If an option written by the Fund expires unexercised, the Fund realizes on the expiration date a capital gain equal to the premium received by the Fund at the time the option was written. If an option purchased by the Fund expires unexercised, the Fund realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, underlying security, exercise price, and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when the Fund desires. The Fund may sell put or call options it has previously purchased, which could result in a net gain or loss depending on whether the amount realized on the sale is more or less than the premium and other transaction costs paid on the put or call option when purchased. The Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if it is more, the Fund will realize a capital loss. If the premium received from a closing sale transaction is more than the premium paid to purchase the option, the Fund will realize a capital gain or, if it is less, the Fund will realize a capital loss. In most cases, net gains from the Fund's option strategy will be short-term capital gains which, for federal income tax purposes, will constitute net investment company taxable income. See "Distributions--Federal income tax matters."

The principal factors affecting the market value of an option include supply and demand, interest rates, the current market price of the underlying security in relation to the exercise price of the option, the actual or perceived volatility of the underlying security, and the time remaining until the expiration date. The premium paid for an option purchased by the Fund is an asset of the Fund. The premium received for an option written by the Fund is recorded as an asset and equivalent liability. The Fund then adjusts over time the liability to the market value of the option. The value of an option purchased or written is marked to market daily and is valued at the closing price on the exchange on which it is traded or, if not traded on an exchange or no closing price is available, at the mean between the last bid and asked prices or otherwise at fair value as determined by the Board of the Fund.

The transaction costs of buying and selling options consist primarily of commissions (which are imposed in opening, closing, exercise and assignment transactions), but may also include margin and interest costs in particular transactions. The impact of transaction costs on the profitability of a transaction may often be greater for options transactions than for transactions in the underlying securities because these costs are often greater in relation to options premiums than in relation to the prices of underlying securities. Transaction costs may be especially significant in option strategies calling for multiple purchases and sales of options, such as spreads or straddles. Transaction costs may be different for transactions effected in foreign markets than for transactions effected in U.S. markets.

Transaction costs associated with the Fund's options strategy will vary depending on market circumstances and other factors. Although it is not possible to accurately predict such costs because of this variability, the Adviser estimates that such costs on an annualized basis may range from between 0.20% and 0.30% of the Fund's total assets assuming the same offering size assumed for purposes of presenting the information set forth under "Summary of Fund expenses." There can be no certainty that upon changing market conditions such costs will fall within this range.

CALL OPTIONS AND COVERED CALL WRITING

The Fund does not intend to purchase call options as an investment. It will follow a principal options strategy known as "covered call option writing," which is a strategy designed to generate earnings and offset a portion of a market decline in the underlying common stock. The Fund will only write (sell) options on common stocks held in the Fund's portfolio. It may not sell "naked" call options, i.e., options representing more shares of the stock than are held in the portfolio.

The standard contract size for an exchange-listed single-stock option is 100 shares of the common stock. There are four items needed to identify a particular option contract: (1) the underlying security, (2) the expiration month, (3) the exercise (or strike) price and (4) the type (call or put). For example, 20 ABC Corp. January 40 call options provide the right to purchase 2,000 shares of ABC Corp. common stock on or before January 22, 2005 at $40 per share. A call option whose strike price is above the current price of the underlying stock is called "out-of-the-money," a call option whose strike price is equal to the current price of the underlying stock is called "at-the-money" and a call option whose strike price is below the current price of the underlying stock is called "in-the-money."

The following is a conceptual example of the returns that may be achieved from a stock-plus-covered-call position, making the following assumptions: ABC common stock trades at $36.36 per share and ABC January 40 call options (10% out-of-the-money) trade at $1.82 per underlying share (5% option premium). This example is not meant to represent the performance of any actual common stock, option contract or the Fund itself.

The return over the period until option expiration earned by a holder of ABC stock who writes ABC January 40 call options and maintains the position until expiration will be as follows: (1) if the stock price declines 5%, the option will expire worthless and the holder will have a net return of zero (option premium offsets loss in stock); (2) if the stock price is flat, the option will again expire worthless and the holder will have a net return of 5% (option premium plus no gain or loss on stock); (3) if the stock price rises 10% (to the $40 strike price), the option will again expire with no value and the holder will have a net return of 15% (option premium plus 10% stock return); and (4) if the stock rises 20%, the exercise of the option would limit stock gain to 10% and total net return to 15%. If the stock price at exercise exceeds the strike price, returns from the position are capped at 15%.

As demonstrated in the example, writing covered call options on common stocks lowers the variability of potential returns and can enhance returns in three of four stock price performance scenarios (down, flat or moderately up). Only when the stock price at expiration exceeds the sum of the premium

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received and the option exercise price would the stock-plus-covered-call strategy be expected to provide lower returns than the underlying stock. The amount of downside protection afforded by the strategy in declining stock scenarios is limited, however, to the amount of option premium received. If the stock price declines in an amount greater than the option premium, the Fund will incur a net loss.

For conventional listed call options, the option's expiration date can be up to nine months from the date the call options are first listed for trading. Longer-term call options can have expiration dates up to three years from the date of listing. It is anticipated that many options that are written by the Fund against its stock holdings will be repurchased prior to the option's expiration date, generating a gain or loss in the options. Options that are not repurchased prior to expiration are subject to exercise by the option holder if the stock price at expiration is above the strike price.

Exchange listed options contracts are originated and standardized by an independent entity called the Options Clearing Corporation (the "OCC").

Currently, listed options are available on over 2,300 stocks with new listings added periodically. The Fund will write (sell) call options that are generally issued, guaranteed and cleared by the OCC. Listed call options are traded on the American Stock Exchange, Chicago Board Options Exchange International Securities Exchange, New York Stock Exchange, Pacific Stock Exchange and Philadelphia Stock Exchange. With multiple exercise prices and expiration dates for options on different stocks, the Adviser and Sub-Adviser believe that there exist sufficient opportunities in the options market to meet the needs of the Fund's investment program.

PUT OPTIONS

Put options are contracts that give the holder of the option, in return for a premium, the right to sell to the writer of the option the security/index underlying the option at a specified exercise price at any time during the term of the option. As discussed above, the Fund may in certain circumstances purchase put options on the S&P 500, S&P MidCap 400, any other broad-based securities index deemed suitable for this purpose, and/or on individual stocks held in the portfolio to help protect against a decline in the value of the Fund's portfolio securities. The premiums paid to acquire put options will reduce amounts available for distribution from the Fund's options activity.

ADDITIONAL INVESTMENT PRACTICES

In addition to its primary investment policies, the Fund may engage in the following investment practices to a limited extent. Under normal market conditions, the Fund will invest at least 80% of its total assets in common stocks, including stocks of foreign issuers. The Fund may invest in the aggregate up to 20% of its total assets in all investments described below.

PREFERRED STOCKS

Preferred stock, like common stock, represents an equity ownership in an issuer. Generally, preferred stock has a priority of claim over common stock in dividend payments and upon liquidation of the issuer. Unlike common stock, preferred stock does not usually have voting rights. Preferred stock in some instances is convertible into common stock. Although they are equity securities, preferred stocks have certain characteristics of both debt and common stock. They are debt-like in that their promised income is contractually fixed. They are common stock-like in that they do not have rights to precipitate bankruptcy proceedings or collection activities in the event of missed payments. Furthermore, they have many of the key characteristics of equity due to their subordinated position in an issuer's capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows. The Fund will only invest in preferred stocks that are rated investment grade at the time of investment or, if unrated, determined by the Adviser to be of comparable quality. Standard & Poor's Ratings Group and Fitch

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INVESTMENT OBJECTIVES, POLICIES AND RISKS

Ratings consider securities rated BBB -- and above to be investment grade and Moody's Investors Service, Inc. considers securities rated Baa3 and above to be investment grade.

WARRANTS

The Fund may invest in equity and index warrants of domestic and international issuers. Equity warrants are securities that give the holder the right, but not the obligation, to subscribe for equity issues of the issuing company or a related company at a fixed price either on a certain date or during a set period. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments. The sale of a warrant results in a long- or short-term capital gain or loss depending on the period for which a warrant is held.

CONVERTIBLE SECURITIES AND BONDS WITH WARRANTS ATTACHED

The Fund may invest in preferred stocks and fixed-income obligations that are convertible into common stocks of domestic and foreign issuers, and bonds issued as a unit with warrants. Convertible securities in which the Fund may invest, comprised of both convertible debt and convertible preferred stock, may be converted at either a stated price or at a stated rate into underlying shares of common stock. Because of this feature, convertible securities generally enable an investor to benefit from increases in the market price of the underlying common stock. Convertible securities often provide higher yields than the underlying equity securities, but generally offer lower yields than non-convertible securities of similar quality. The value of convertible securities fluctuates in relation to changes in interest rates like bonds, and, in addition, fluctuates in relation to the underlying common stock.

SHORT SALES

The Fund may sell a security short if it owns at least an equal amount of the security sold short or another security convertible or exchangeable for an equal amount of the security sold short without payment of further compensation (a short sale against-the-box). In a short sale against-the-box, the short seller is exposed to the risk of being forced to deliver stock that it holds to close the position if the borrowed stock is called in by the lender, which would cause gain or loss to be recognized on the delivered stock. The Fund expects normally to close its short sales against-the-box by delivering newly acquired stock.

The ability to use short sales against-the-box, certain equity swaps and certain equity collar strategies as a tax-efficient management technique with respect to holdings of appreciated securities is limited to circumstances in which the hedging transaction is closed out not later than thirty days after the end of the Fund's taxable year in which the transaction was initiated, and the underlying appreciated securities position is held unhedged for at least the next sixty days after the hedging transaction is closed. Not meeting these requirements would trigger the recognition of gain on the underlying appreciated securities position under the federal tax laws applicable to constructive sales.

TEMPORARY INVESTMENTS

Cash equivalents are highly liquid, short-term securities such as commercial paper, time deposits, certificates of deposit, short-term notes and short-term U.S. government obligations. During unusual market circumstances, the Fund may temporarily invest a substantial portion of its assets in cash or cash equivalents, which may be inconsistent with the Fund's investment objectives. In moving to a substantial temporary investments position and in transitioning from such a position back into full conformity with the Fund's normal investment objectives and policies, the Fund may incur transaction

costs that would not be incurred if the Fund had remained fully invested in accordance with such normal policies. The transition to and back from a substantial temporary investments position may also result in the Fund having to sell common stocks and/or close out options positions and then later purchase common stocks and open new options positions in circumstances that might not otherwise be optimal.

WHEN-ISSUED SECURITIES AND FORWARD COMMITMENTS

Securities may be purchased on a "forward commitment" or "when-issued" basis (meaning securities are purchased or sold with payment and delivery taking place in the future) in order to secure what is considered to be an advantageous price and yield at the time of entering into the transaction. However, the return on a comparable security when the transaction is consummated may vary from the return on the security at the time that the forward commitment or when-issued transaction was made. From the time of entering into the transaction until delivery and payment is made at a later date, the securities that are the subject of the transaction are subject to market fluctuations. In forward commitment or when-issued transactions, if the seller or buyer, as the case may be, fails to consummate the transaction, the counterparty may miss the opportunity of obtaining a price or yield considered to be advantageous. Forward commitment or when-issued transactions may occur a month or more before delivery is due. However, no payment or delivery is made until payment is received or delivery is made from the other party to the transaction. Forward commitment or when-issued transactions will not be entered into for the purpose of investment leverage.

ILLIQUID SECURITIES

The Fund may invest up to 15% of its total assets in securities for which there is no readily available trading market or are otherwise illiquid. Illiquid securities include securities legally restricted as to resale, such as commercial paper issued pursuant to Section 4(2) of the Securities Act of 1933, as amended, and securities eligible for resale pursuant to Rule 144A thereunder. Section 4(2) and Rule 144A securities may, however, be treated as liquid by the Adviser pursuant to procedures adopted by the Board, which require consideration of factors such as trading activity, availability of market quotations and number of dealers willing to purchase the security. If the Fund invests in Rule 144A securities, the level of portfolio illiquidity may be increased to the extent that eligible buyers become uninterested in purchasing such securities.

It may be difficult to sell illiquid securities at a price representing their fair value until such time as such securities may be sold publicly. Where registration is required, a considerable period may elapse between a decision to sell the securities and the time when it would be permitted to sell. Thus, the Fund may not be able to obtain as favorable a price as that prevailing at the time of the decision to sell. The Fund may also acquire securities through private placements under which it may agree to contractual restrictions on the resale of such securities. Such restrictions might prevent their sale at a time when such sale would otherwise be desirable.

OTHER DERIVATIVE INSTRUMENTS

In addition to the intended strategy of selling covered call options, the Fund may invest up to 20% of its total assets in derivative instruments (which are instruments that derive their value from another instrument, security or index) acquired for hedging, risk management and investment purposes (to gain exposure to securities, securities markets, markets indices and/or currencies consistent with its investment objectives and policies), provided that no more than 10% of the Fund's total assets may be invested in such derivative instruments acquired for non-hedging purposes. These strategies may be executed through the use of derivative contracts in the United States or abroad. In the course of pursuing these investment strategies, the Fund may purchase and sell equity and fixed-income indices and other instruments, purchase and sell futures contracts and options thereon, and enter into various transactions such as swaps, caps, floors or collars. In addition, derivatives may also include new techniques, instruments or strategies that are permitted as regulatory changes occur. Derivative instruments may be used by the Fund to enhance returns or as a substitute for the purchase or sale of securities.

SWAPS

Swap contracts may be purchased or sold to hedge against fluctuations in securities prices, interest rates or market conditions, to mitigate non-payment or default risk, or to gain exposure to particular securities, baskets of securities, indices or currencies. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) to be exchanged or "swapped" between the parties, which returns are calculated with respect to a "notional amount," i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, or in a particular security, "basket" of securities or index. The Fund will enter into swaps only on a net basis, i.e., the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. If the other party to a swap defaults, the Fund's risk of loss consists of the net amount of payments that the Fund is contractually entitled to receive. The net amount of the excess, if any, of the Fund's obligations over its entitlements will be maintained in a segregated account by the Fund's custodian. The Fund will not enter into any swap unless the claims-paying ability of the other party thereto is considered to be investment grade by the Adviser. If there is a default by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction. Swaps are traded in the over-the-counter market. The use of swaps is a highly specialized activity, which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Adviser is incorrect in its forecasts of market values, interest rates and other applicable factors, the investment performance of the Fund would be unfavorably affected.

Total return swaps. Total return swaps are contracts in which one party agrees to make payments of the total return from the underlying asset(s), which may include securities, baskets of securities, or securities indices during the specified period, in return for payments equal to a fixed or floating rate of interest or the total return from other underlying asset(s).

Interest rate swaps. Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest (e.g., an exchange of fixed rate payments for floating rate payments).

FUTURES AND OPTIONS ON FUTURES

The Fund may purchase and sell various kinds of financial futures contracts and options thereon to seek to hedge against changes in stock prices or interest rates, for other risk management purposes or to gain exposure to certain securities, indices and currencies. Futures contracts may be based on various securities indices and securities. Such transactions involve a risk of loss or depreciation due to adverse changes in securities prices, which may exceed the Fund's initial investment in these contracts. The Fund will only purchase or sell futures contracts or related options in compliance with the rules of the Commodity Futures Trading Commission. These transactions involve transaction costs. Sales of futures contracts and related options generally result in realization of short-term or long-term capital gain depending on the period for which the investment is held. To the extent that any futures contract or options on futures contract held by the Fund is a "Section 1256 contract" under the

Internal Revenue Code of 1986, as amended (the "Code"), the contract will be marked-to-market annually and any gain or loss will be treated as 60% long-term and 40% short-term, regardless of the holding period for such contract.

SECURITIES LENDING

The Fund may seek to earn income by lending portfolio securities to broker-dealers or other institutional borrowers. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the securities loaned if the borrower of the securities fails financially. Loans will be made only to organizations whose credit quality or claims paying ability is considered by the Adviser to be at least investment grade and when the expected returns, net of administrative expenses and any finders' fees, justifies the attendant risk. Securities loans currently are required to be secured continuously by collateral in cash, cash equivalents (such as money market instruments) or other liquid securities held by the custodian and maintained in an amount at least equal to the market value of the securities loaned. The financial condition of the borrower will be monitored by the Adviser on an ongoing basis. The Fund will not lend portfolio securities subject to a written covered call contract.

BORROWINGS

The Fund may borrow money to the extent permitted under the 1940 Act as interpreted, modified or otherwise permitted by the regulatory authority having jurisdiction. Although there is no current intention to do so, the Fund may in the future from time to time borrow money to add leverage to the portfolio. The Fund may also borrow money for temporary administrative purposes.

REVERSE REPURCHASE AGREEMENTS

The Fund may enter into reverse repurchase agreements. Under a reverse repurchase agreement, the Fund temporarily transfers possession of a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash. At the same time, the Fund agrees to repurchase the instrument at an agreed upon time (normally within seven days) and price, which reflects an interest payment. The Fund may enter into such agreements when it is able to invest the cash acquired at a rate higher than the cost of the agreement, which would increase earned income. Income realized on reverse repurchase agreements will be taxable as ordinary income.

When the Fund enters into a reverse repurchase agreement, any fluctuations in the market value of either the securities transferred to another party or the securities in which the proceeds may be invested would affect the market value of the Fund's assets. As a result, such transactions may increase fluctuations in the market value of the Fund's assets. While there is a risk that large fluctuations in the market value of the Fund's assets could affect net asset value, this risk is not significantly increased by entering into reverse repurchase agreements, in the opinion of the Adviser. Because reverse repurchase agreements may be considered to be the practical equivalent of borrowing funds, they constitute a form of leverage and may be subject to leverage risks. Such agreements will be treated as subject to investment restrictions regarding "borrowings." If the Fund reinvests the proceeds of a reverse repurchase agreement at a rate lower than the cost of the agreement, entering into the agreement will lower the Fund's yield.

PORTFOLIO TURNOVER

The Fund will buy and sell securities to seek to accomplish it investment objectives. Portfolio turnover generally involves some expense to the Fund, including brokerage commissions and other transaction costs on the sale of securities and reinvestment in other securities. Higher portfolio turnover may decrease the after-tax return to Common Shareholders to the extent it results in a decrease of the long-term capital gains portion of distributions to Common Shareholders. Although the Fund cannot accurately predict its portfolio turnover rate, under normal market conditions it expects to maintain relatively low core turnover of its stock portfolio, not considering purchases and sales of stock and options in connection with the Fund's options program. On an overall basis, the Fund's annual turnover rate may exceed 100%. A high turnover rate (100% or more) necessarily involves greater trading costs to the Fund and may result in greater realization of taxable capital gains.

RISK CONSIDERATIONS

NO OPERATING HISTORY

The Fund is a closed-end investment company with no history of operations and is designed for long-term investors and not as a trading vehicle.

INVESTMENT AND MARKET RISK

An investment in Common Shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in Common Shares represents an indirect investment in the securities owned by the Fund, which are generally traded on a securities exchange or in the over-the-counter markets. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. In addition, by writing (selling) call options on the equity securities held in the Fund's portfolio, the capital appreciation potential of such securities will be limited to the difference between the exercise price of the call options written and the purchase price of the equity security underlying such options. The Common Shares at any point in time may be worth less than the original investment, even after taking into account any reinvestment of distributions.

ISSUER RISK

The value of securities held by the Fund may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

EQUITY RISK

At least 80% of the Fund's total assets will be invested in common stocks and therefore a principal risk of investing in the Fund is equity risk. Equity risk is the risk that securities held by the Fund will fall due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, and the particular circumstances and performance of particular companies whose securities the Fund holds. Although common stocks have historically generated higher average returns than fixed-income securities over the long term, common stocks also have experienced significantly more volatility in returns. An adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common equity securities in which the Fund will invest are structurally subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers. Finally, common stock prices may be sensitive to rising interest rates, as the costs of capital rise and borrowing costs increase.

RISKS ASSOCIATED WITH OPTIONS ON SECURITIES
There are numerous risks associated with transactions in options on securities. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. The writer of an option has no control over when during the exercise period of the option it may be

required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. Thus, the use of options may require the Fund to sell portfolio securities at inopportune times or for prices other than current market values, will limit the amount of appreciation the Fund can realize above the exercise price of an option on a common stock, or may cause the Fund to hold a security that it might otherwise sell.

The value of options may be adversely affected if the market for such options becomes less liquid or smaller. There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position either, in the case of a call option written, by buying the option, or, in the case of a purchased put option, by selling the option. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the OCC may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled to discontinue the trading of options (or a particular class or series of options) at some future date. If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the OCC as a result of trades on that exchange would continue to be exercisable in accordance with their terms. The Fund's ability to terminate over-the-counter options will be more limited than with exchange-traded options and may involve the risk that broker-dealers participating in such transactions will not fulfill their obligations. If the Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security unless the option expired without exercise.

The hours of trading for options may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that would not be reflected concurrently in the options markets. Call options are marked to market daily and their value will be affected by changes in the value of and dividend rates of the underlying common stocks, changes in interest rates, changes in the actual or perceived volatility of the stock market and the underlying common stocks and the remaining time to the options' expiration. Additionally, the exercise price of an option may be adjusted downward before the option's expiration as a result of the occurrence of certain corporate events affecting the underlying equity security, such as extraordinary dividends, stock splits, merger or other extraordinary distributions or events. A reduction in the exercise price of an option would reduce the Fund's capital appreciation potential on the underlying security.

The number of call options the Fund can write is limited by the number of shares of common stock the Fund holds, and further limited by the fact that listed call options on individual common stocks generally trade in units representing 100 shares of the underlying stock. Furthermore, the Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the

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Adviser or Sub-Adviser. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and may impose certain other sanctions. The Fund will not write "naked" or uncovered call options.

If the Fund purchases put options for hedging or risk management purposes, the Fund will be subject to the following additional risks. A put option acquired by the Fund and not sold prior to expiration will expire worthless if the price of the stock or index at expiration exceeds the exercise price of the option, thereby causing the Fund to lose its entire investment in the option. If restrictions on exercise were imposed, the Fund might be unable to exercise an option it had purchased. If the Fund were unable to close out an option that it had purchased, it would have to exercise the option in order to realize any profit or the option may expire worthless. Stock market indices on which the Fund may purchase options positions likely will not mirror the Fund's actual portfolio holdings. The effectiveness of index put options as hedges against declines in the Fund's stock portfolio will be limited to the extent that the performance of the underlying index does not correlate with that of the Fund's holdings.

RISKS OF MID-CAP COMPANIES

The Fund may invest substantially in companies whose market capitalization is considered middle sized or "mid-cap." Mid-cap companies often are newer or less established companies than larger companies. Investments in mid-cap companies carry additional risks because earnings of these companies tend to be less predictable; they often have limited product lines, markets, distribution channels or financial resources; and the management of such companies may be dependent upon one or a few key people. The market movements of equity securities of mid-cap companies may be more abrupt or erratic than the market movements of equity securities of larger, more established companies or the stock market in general. Historically, mid-cap companies have sometimes gone through extended periods when they did not perform as well as larger companies. In addition, equity securities of mid-cap companies generally are less liquid than those of larger companies. This means that the Fund could have greater difficulty selling such securities at the time and price that the Fund would like.

RISKS OF GROWTH STOCK INVESTING

The Fund expects to invest substantially in stocks with "growth" characteristics. Growth stocks can react differently to issuer, political, market, and economic developments than the market as a whole and other types of stocks. Growth stocks t