

Ellsworth Fund Ltd.

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First Quarter Update - December 31, 2007 (unaudited)

Financial Highlights

Market price 12/31/07	\$8.16
Net asset value (NAV) 12/31/07	\$9.32
Market discount to NAV	(12.45)%
12-Month income distribution	\$0.32
Yield on market price	3.92%
Ratio of expenses to avg. net assets	1.13%*
Ratio of net income to avg. net assets	3.78%*
Portfolio turnover	15.49%
Shares outstanding	13,153,252

* Annualized

Largest Investment Holdings as of 12/31/07

by underlying common stock	% of Net Assets
Prudential Financial, Inc.	3.2
LSB Industries, Inc.	3.0
Bristol-Myers Squibb Co.	2.5
Freeport-McMoRan Copper & Gold Inc.	2.5
Bristow Group Inc.	2.3
The Walt Disney Company	2.3
Chesapeake Energy Corp.	2.1
Companhia Vale do Rio Doce	2.1
New York Community Bancorp, Inc.	2.1
St. Jude Medical, Inc.	2.0

Major Industry Exposure as of 12/31/07

	% of Net Assets
Energy	17.2
Pharmaceuticals	9.0
Insurance	8.5
Semiconductors	6.4
Telecommunications	6.3
Minerals and Mining	5.6
Computer Hardware	5.5
Consumer Goods	5.1
Banking/Savings and Loan	4.8
Aerospace and Defense	4.5

Performance through 12/31/07 with dividends reinvested

	3 Months	1 Year	Annualized 5 Years	Annualized 10 Years	10 Year Volatility
Ellsworth market price	(0.76)%	10.00%	8.56%	7.28%	8.05%
Ellsworth net asset value	(0.63)	9.03	9.30	6.71	8.06
Merrill Lynch All Convertibles Index	(3.25)	4.53	10.67	7.09	15.65
S&P 500	(3.33)	5.49	12.81	5.90	17.30
Lehman Aggregate Bond Total Return Index	3.00	6.97	4.42	5.97	3.83

The above data is from Bloomberg L.P. pricing service, with the exception of the Lehman Aggregate Bond Total Return Index which is from Lipper, Inc. *Closed-End Fund Performance Analysis*, dated December 31, 2007.

Ellsworth's performance in the table above has not been adjusted for the fiscal 2004 rights offering. Performance data represent past results and do not reflect future performance.

Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
Mar. 07	\$ 9.89	\$9.53	\$ 9.73	\$8.68	\$8.39	\$8.58
Jun. 07	10.28	9.73	10.24	9.18	8.56	9.14
Sept.07	10.46	9.62	10.27	9.45	8.04	9.09
Dec. 07	10.49	8.99	9.32	9.38	7.85	8.16

Total Fund Investments as of 12/31/07

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$76,186	62.2
Corporate Bonds and Notes	1,500	1.2
Convertible Preferred Stocks	11,266	9.2
Mandatory Convertible Securities	30,218	24.6
Common Stock	761	0.6
Short-Term Securities	1,499	1.2
Other Assets	1,215	1.0
Net Assets	<u>\$122,645</u>	<u>100.0%</u>

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
02/13/07	02/27/07	\$0.080	—	\$0.080
05/16/07	05/30/07	0.080	—	0.080
08/16/07	08/30/07	0.100	—	0.100
10/25/07	11/21/07	0.060	\$0.827	0.887
		<u>\$0.320</u>	<u>\$0.827</u>	<u>\$1.147</u>

The portfolio holdings and industry exposure are as of December 31, 2007 and subject to change without notice. Detailed portfolio information is available on our website (ellsworthfund.com). Contact us by e-mail at info@ellsworthfund.com or call us at (973) 631-1177.

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To Our Shareholders:

The mortgage crisis we discussed in our last letter continues to work its way through the financial markets. We have had a correction in stock prices since the peak in October 2007 that may turn out to be the beginning of a bear market. The recent actions of the Federal Reserve Board to lower interest rates reduce the probability of a lengthy and deep economic recession, but those reductions do not ensure a quick return to better times, only that the economy may not get worse.

The last housing crisis we went through, in the late 1980s, took roughly four years to work through and we believe the current event is as serious. There are substantial differences however. During the current crisis, the Fed has lowered interest rates substantially and there has not been an increase in tax rates that affect property. Compare these current facts to those of the 1980s when taxes were raised on capital gains in 1986 and the Fed raised the discount rate from 1986 to 1990; both hammered the housing market. Because of these differences, we project that the current crisis will not take four years to work itself out and that it may bottom out this year. Home sales peaked in 2005, implying that the housing issue has already been working through the economy for some time.

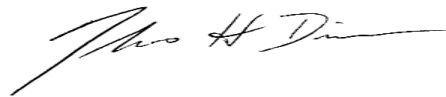
Ellsworth performed well in calendar year 2007. The Fund's net asset value (NAV) finished number one for one- and three-year performance in the Lipper category of closed-end convertible funds. While Ellsworth invests in convertible securities and the occasional common stock, many of the funds in this category invest not only in convertibles and commons, but also utilize leverage and have substantial positions in high yield bonds. Their performance is likely to be hindered in the current financial environment.

The Fund's performance in calendar 2007 was enhanced by its exposure to the minerals and mining, chemical, and semiconductor industries. Among the better performing issues in the portfolio were Celanese Corp. (chemicals) and Cypress Semiconductor Corp. (semiconductors). Performance was held back by exposure to the insurance and the banking/savings and loan industries.

As indicated in the Performance chart of this First Quarter Update, Ellsworth's market return outperformed the Merrill Lynch All Convertibles Index (the "Index") for the three-month, one- and ten-year periods ended December 31, 2007, while underperforming for the five-year period. The Fund's NAV, after adjustment for fund expenses (the Index includes no expenses) and for the Fund's fiscal 2004 rights offering, outperformed over the three-month and one- and ten-year periods, and was in-line for the five-year period. In addition, for that ten-year period, the Fund's NAV and market volatility, as measured by standard deviation, were lower than that of the Index. Many market professionals consider the volatility of past returns to be a useful approximation of the past levels of risk. A higher volatility level equates to a higher measure of risk, and thus the Fund's excellent results were achieved with less risk than that implied by the Index. This measure of historic results may not reflect future performance but we believe that it is informative. The Fund has sought to provide total returns to shareholders that compare favorably to the equity markets with less volatility. We think the Fund achieved this objective in 2007.

At the annual meeting of shareholders, Thomas H. Dinsmore and Daniel D. Harding were re-elected to the Board of Trustees for three-year terms, and the appointment of Tait, Weller & Baker LLP to serve as the Fund's independent auditors for the 2008 fiscal year was ratified. We thank you for your participation and support.

At its January meeting, the Board of Trustees declared a dividend of nine cents per share. The dividend consists of undistributed net investment income and will be payable on February 28, 2008 to shareholders of record on February 14, 2008.



Thomas Dinsmore
Chairman of the Board

February 19, 2008

Shareholder Services and Transfer Agent

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Stock Exchange Listing

AMEX - Symbol: ECF



Portfolio of Investments December 31, 2007 (unaudited)

<u>Principal Amount</u>		<u>Value (Note 1)</u>
CONVERTIBLE BONDS AND NOTES — 62.2%		
Aerospace and Defense — 4.2%		
\$1,500,000	AAR Corp. 1.75%, due 2026 cv. sr. notes (BB)	\$ 2,158,125
1,000,000	Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1)	1,323,750
1,500,000	DRS Technologies, Inc. 2%, due 2026 cv. sr. notes (B1) (Acquired 01/30/06 - 05/16/07; Cost \$1,647,761) ^(1,2)	<u>1,636,875</u>
		<u>5,118,750</u>
Agriculture — 1.9%		
2,000,000	Merrill Lynch & Co., Inc. 1.5%, due 2012 cv. securities (A1) (exchangeable into Archer-Daniels-Midland Co. common stock) (Acquired 02/23/07; Cost \$2,059,933) ^(1,2)	<u>2,326,700</u>
Banking/Savings and Loan — 0.8%		
1,000,000	PrivateBancorp, Inc. 3.625%, due 2027 cv. sr. notes (NR)	<u>967,500</u>
Computer Hardware — 5.5%		
1,000,000	C&D Technologies, Inc. 5.25%, due 2025 cv. sr. notes (NR)	1,050,000
2,000,000	Credit Suisse, New York Branch 14.00%, due 2008 equity-linked notes (NR) (exchangeable for Corning Inc. common stock)	1,999,400
1,000,000	EMC Corp. 1.75%, due 2011 cv. sr. notes (BBB+)	1,356,250
1,000,000	EMC Corp. 1.75%, due 2013 cv. sr. notes (BBB+)	1,376,250
1,000,000	Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR)	<u>994,000</u>
		<u>6,775,900</u>
Computer Software — 3.1%		
1,000,000	Blackboard Inc. 3.25%, due 2027 cv. sr. notes (B-)	1,050,000
1,000,000	GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR)	955,000
1,500,000	Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (A1) (performance linked to Microsoft Corp. common stock) ⁽¹⁾	<u>1,791,300</u>
		<u>3,796,300</u>
Consumer Goods — 2.5%		
1,500,000	Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR)	1,781,250
750,000	Church & Dwight Co., Inc. 5.25%, due 2033 cv. sr. deb. (Ba1)	<u>1,322,813</u>
		<u>3,104,063</u>
Energy — 6.7%		
1,000,000	Cameron International Corp. 2.50%, due 2026 cv. sr. notes (Baa1)	1,545,000
1,000,000	Canadian Solar Inc. 6%, due 2017 cv. sr. notes (NR) (Acquired 12/04/07; Cost \$1,000,000) ⁽²⁾	1,424,600
1,500,000	Covanta Holding Corp. 1%, due 2027 sr. cv. deb. (B1) ⁽¹⁾	1,680,000
1,325,000	Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR)	1,712,563
1,250,000	Rentech, Inc. 4%, due 2013 cv. sr. notes (NR)	900,000
1,000,000	USEC Inc. 3%, due 2014 cv. sr. notes (CCC)	<u>982,500</u>
		<u>8,244,663</u>
Financial Services — 1.7%		
2,000,000	Euronet Worldwide, Inc. 3.50%, due 2025 cv. deb. (B+) ⁽¹⁾	<u>2,085,000</u>
Foods — 1.8%		
500,000	The Great Atlantic & Pacific Tea Company, Inc. 5.125%, due 2011 cv. sr. notes (Caa1)	535,000
1,500,000	The Great Atlantic & Pacific Tea Company, Inc. 6.75%, due 2012 cv. sr. notes (Caa1)	<u>1,614,375</u>
		<u>2,149,375</u>

Portfolio of Investments December 31, 2007 (continued)

Principal Amount		Value (Note 1)
CONVERTIBLE BONDS AND NOTES — continued		
Health Care — 2.3%		
\$1,000,000	Omnicare, Inc. 3.25%, due 2035 cv. sr. deb. (B2) ⁽¹⁾	\$ 733,750
1,000,000	SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR)	1,116,250
1,000,000	St. Jude Medical, Inc. 1.22%, due 2008 cv. sr. deb. (BBB+)	<u>1,007,500</u>
		<u>2,857,500</u>
Insurance — 3.2%		
3,000,000	Prudential Financial, Inc. floating rate, due 2036 cv. sr. notes (A3)	3,004,800
1,000,000	Prudential Financial, Inc. floating rate, due 2037 cv. sr. notes (A3) (Acquired 12/07/07; Cost \$988,750) ⁽²⁾	<u>975,300</u>
		<u>3,980,100</u>
Media and Entertainment — 2.3%		
2,500,000	The Walt Disney Company 2.125%, due 2023 cv. sr. notes (A2)	<u>2,862,500</u>
Minerals and Mining — 1.0%		
1,000,000	Newmont Mining Corp. 1.25%, due 2014 cv. sr. notes (BBB+)	<u>1,257,500</u>
Multi-Industry — 3.6%		
750,000	Diversa Corp. 5.5%, due 2027 cv. sr. notes (NR) (exchangeable for Verenum Corp. common stock)	656,250
3,000,000	LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR) (Acquired 06/28/07 - 09/13/07; Cost \$3,037,813) ⁽²⁾	<u>3,712,500</u>
		<u>4,368,750</u>
Pharmaceuticals — 6.3%		
3,000,000	Bristol-Myers Squibb Co. floating rate, due 2023 cv. sr. deb. (A2)	3,022,500
1,000,000	Mylan Inc. 1.25%, due 2012 sr. cv. notes (B)	912,500
1,500,000	Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (Baa2) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR)	1,672,500
2,000,000	Wyeth floating rate, due 2024 cv. sr. deb. (A3)	<u>2,120,080</u>
		<u>7,727,580</u>
Real Estate — 0.8%		
1,000,000	ProLogis 2.25%, due 2037 cv. sr. notes (BBB+) (Acquired 03/20/07 - 04/16/07; Cost \$982,038) ⁽²⁾	<u>990,000</u>
Semiconductors — 6.3%		
2,000,000	Agere Systems Inc. 6.5%, due 2009 cv. sub. notes (B+) (exchangeable for LSI Corp.)	2,027,500
1,000,000	Cypress Semiconductor Corp. 1%, due 2009 cv. sr. notes (NR)	1,612,500
2,000,000	Fairchild Semiconductor Corp. 5%, due 2008 cv. sr. sub. notes (B) (exchangeable into Fairchild Semiconductor International, Inc. common stock) ...	1,977,500
2,000,000	Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) ⁽¹⁾	<u>2,167,500</u>
		<u>7,785,000</u>
Telecommunications — 5.6%		
500,000	ADC Telecommunications Inc. 3.50%, due 2015 cv. sub. notes (NR)	511,563
1,000,000	ADC Telecommunications Inc. 3.50%, due 2017 cv. sub. notes (NR)	1,017,500
1,000,000	Anixter International Inc. 1%, due 2013 sr. cv. notes (BB-)	1,146,250
2,000,000	Equinix, Inc. 2.5%, due 2012 cv. sub. notes (CCC+)	2,262,500
1,000,000	General Cable Corp. 1%, due 2012 sr. cv. notes (B1)	1,131,250
1,000,000	SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR)	<u>842,500</u>
		<u>6,911,563</u>

Portfolio of Investments

December 31, 2007 (continued)

Principal Amount		Value (Note 1)
	CONVERTIBLE BONDS AND NOTES — continued	
	Transportation — 1.6%	
\$2,000,000	ExpressJet Holdings, Inc. 4.25%, due 2023 cv. notes (NR)	\$ 1,930,000
	Travel and Leisure — 0.8%	
1,000,000	Morgans Hotel Group 2.375%, due 2014 sr. sub. cv notes (NR) (Acquired 10/11/07 - 10/12/07; Cost \$1,026,250) ⁽²⁾	947,500
	TOTAL CONVERTIBLE BONDS AND NOTES	\$76,186,244
	CORPORATE BONDS AND NOTES — 1.2%	
	Retail — 1.2%	
1,500,000	Amerivon Holdings LLC 4%, due 2010 units (NR) (Acquired 06/01/07; Cost \$1,500,000) ^(2,3)	1,500,000
	CONVERTIBLE PREFERRED STOCKS — 9.2%	
	Aerospace and Defense — 0.3%	
40,000	Ionatron, Inc. 6.5% series A redeemable cv. pfd. (NR) (Acquired 10/27/05; Cost \$1,000,000) ⁽²⁾	340,000
	Banking/Savings and Loan — 3.4%	
54,178	New York Community Bancorp, Inc. 6% BONUSSES units (Baa1)	2,595,126
20,000	Sovereign Capital Trust IV 4.375% PIERS (Baa1) (exchangeable for Sovereign Bancorp, Inc. common stock) ⁽¹⁾	662,500
1,100	Washington Mutual, Inc. 7.75% series R non-cumulative perpetual cv. pfd. (NR) .	947,375
		4,205,001
	Chemicals — 1.8%	
40,000	Celanese Corp. 4.25% cv. perpetual pfd. (NR)	2,181,600
	Energy — 3.1%	
22,800	Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+)	2,559,300
20,000	PetroQuest Energy, Inc. 6.875% cum. cv. perpetual pfd. (NR)	1,201,500
		3,760,800
	Telecommunications — 0.6%	
100	Medis Technologies Ltd. 7.25% series A cum. cv. perpetual pfd. (NR)	778,038
	TOTAL CONVERTIBLE PREFERRED STOCKS	\$11,265,439

Portfolio of Investments December 31, 2007 (continued)

Shares		Value (Note 1)
MANDATORY CONVERTIBLE SECURITIES — 24.6% ⁽⁴⁾		
Consumer Goods — 2.6%		
30,000	Avery Dennison Corp. 7.875%, due 11/15/10 mandatory cv. pfd. (NR)	\$ 1,571,100
1,750	The Stanley Works floating rate, due 05/17/12 equity units (A2)	<u>1,572,156</u>
		<u>3,143,256</u>
Energy — 7.4%		
40,000	Bristow Group Inc. 5.5%, due 09/15/09 mandatory cv. pfd. (B)	2,841,600
10,000	McMoRan Exploration Co. 6.75%, due 11/15/10 mandatory cv. pfd. (NR)	1,038,500
2,000	Merrill Lynch & Co., Inc. 5.4%, due 09/27/10 PRIDES (A+)	
	(linked to the performance of ConocoPhillips common stock)	1,962,920
41,135	Merrill Lynch & Co., Inc. 12%, due 06/27/08 capped appreciation notes (NR)	
	(linked to the performance of Tesoro Corp. common stock)	1,896,529
45,950	NATIXIS Financial Products Inc. 9.55%, due 01/26/08	
	mandatory trigger exchangeable notes (NR)	
	(exchangeable for Nabors Industries, Inc. common stock)	
	(Acquired 07/23/07; Cost \$1,500,268) ⁽²⁾	<u>1,285,382</u>
		<u>9,024,931</u>
Foods — 1.0%		
50,000	Lehman Brothers Holdings Inc. 6%, due 10/12/10 PIES (A1)	
	(exchangeable for General Mills, Inc. common stock)	<u>1,231,000</u>
Health Care — 1.2%		
33,950	NATIXIS Financial Products Inc. 9%, due 04/22/08	
	mandatory trigger exchangeable notes (NR)	
	(exchangeable for St. Jude Medical, Inc. common stock)	
	(Acquired 10/17/07; Cost \$1,533,182) ⁽²⁾	<u>1,446,932</u>
Insurance — 5.3%		
4,000	Alleghany Corp. 5.75%, due 06/15/09 mandatory cv. pfd. (BBB-)	1,450,520
75,000	Citigroup Funding Inc. variable rate, due 09/27/08 exchangeable notes (Aa3)	
	(exchangeable for Genworth Financial, Inc. common stock)	1,883,250
70,000	MetLife, Inc. 6.375%, due 08/15/08 common equity units (BBB+)	2,142,000
52,500	XL Capital Ltd. 7%, due 02/15/09 equity security units (A3)	<u>1,003,275</u>
		<u>6,479,045</u>
Minerals and Mining — 4.6%		
20,000	Freeport-McMoRan Copper & Gold Inc. 6.75%, due 05/01/10	
	mandatory cv. pfd. (B+)	3,015,400
30,000	Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (NR)	
	(exchangeable for Companhia Vale do Rio Doce ADS)	1,918,500
10,000	Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (NR)	
	(exchangeable for Companhia Vale do Rio Doce Preference A Shares ADS)	<u>647,800</u>
		<u>5,581,700</u>
Pharmaceuticals — 2.7%		
1,000	Mylan Inc. 6.5%, due 11/15/10 mandatory cv. pfd. (B-)	1,017,490
9,500	Schering-Plough Corp. 6%, due 08/13/10 mandatory cv. pfd. (Baa3)	<u>2,293,775</u>
		<u>3,311,265</u>
TOTAL MANDATORY CONVERTIBLE SECURITIES ⁽⁴⁾		<u>\$30,218,129</u>

Portfolio of Investments December 31, 2007 (continued)

Shares		Value (Note 1)
	COMMON STOCKS — 0.6%	
	Banking/Savings and Loan — 0.6%	
20,000	Wachovia Corp.	\$ 760,600
Principal Amount		
	SHORT-TERM SECURITIES — 1.2%	
	Commercial Paper — 1.2%	
\$1,500,000	American Express Credit Corp. 4%, due 01/04/08 (P1)	1,499,333
	Total Convertible Bonds and Notes — 62.2%	\$ 76,186,244
	Total Corporate Bonds and Notes — 1.2%	1,500,000
	Total Convertible Preferred Stocks — 9.2%	11,265,439
	Total Mandatory Convertible Securities — 24.6%	30,218,129
	Total Common Stocks — 0.6%	760,600
	Total Short-Term Securities — 1.2%	1,499,333
	Total Investments — 99.0%	121,429,745
	Other assets and liabilities, net — 1.0%	1,215,102
	Total Net Assets — 100.0%	<u>\$122,644,847</u>

- (1) Contingent payment debt instrument which accrues contingent interest. See Note 2.
- (2) Security not registered under the Securities Act of 1933, as amended (i.e., the security was purchased in a Rule 144A or a Regulation D transaction). The security may be resold only pursuant to an exemption from registration under the Securities Act of 1933, typically to qualified institutional buyers. The Fund generally has no rights to demand registration of these securities. The aggregate market value of these securities at December 31, 2007 was \$16,585,789 which represented 13.5% of the Fund's net assets.
- (3) Investment is a restricted security, valued at fair value as determined in good faith in accordance with procedures adopted by the Board of Trustees. It is possible that the estimated value may differ significantly from the amount that might ultimately be realized in the near term, and the difference could be material. The fair value of this security represented 1.22% of the Fund's net assets.
- (4) These securities are required to be converted on the dates listed; they generally may be converted prior to these dates at the option of the holder.

ADR	American Depositary Receipts.
ADS	American Depositary Shares.
BONUSES	Bifurcated Option Note Unit Securities.
PIES	Premium Income Exchangeable Securities.
PIERS	Preferred Income Equity Redeemable Securities.
PRIDES	Preferred Redeemable Income Dividend Equity Securities.
Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's.	
NR is used whenever a rating is unavailable.	

Summary of Portfolio Ratings	
	% of Portfolio
Aa	2
A	20
Baa	15
Ba	4
B	20
Caa	4
NR	34
Common Stocks	1

See accompanying notes to financial statements

Selected Notes to Financial Statements (unaudited)

Ellsworth Fund Ltd. (established in 1986) (the “Fund”), is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company.

Note 1. Security Valuation — Investments in securities traded on a national securities exchange are valued at market using the last reported sales price as of the close of regular trading. Listed securities, for which no sales were reported, are valued at the mean between closing reported bid and asked prices as of the close of regular trading. Unlisted securities traded in the over-the-counter market are valued using an evaluated quote provided by an independent pricing service, or, if an evaluated quote is unavailable, such securities are valued using prices received from dealers, provided that if the dealer supplies both bid and asked prices, the price to be used is the mean of the bid and asked prices. The independent pricing service derives an evaluated quote by obtaining dealer quotes, analyzing the listed markets, reviewing trade execution data and employing sensitivity analysis. Evaluated quotes may also reflect appropriate factors such as individual characteristics of the issue, communications with broker-dealers, and other market data. Securities for which quotations are not readily available, restricted securities and other assets are valued at fair value as determined in good faith pursuant to procedures approved by the Board of Trustees. Short-term debt securities with original maturities of 60 days or less are valued at amortized cost.

Note 2. Securities Transactions and Related Investment Income — Security transactions are accounted for on the trade date (date the order to buy or sell is executed) with gain or loss on the sale of securities being determined based upon identified cost. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis, including accretion of discounts and amortization of non-equity premium. For certain securities, known as “contingent payment debt instruments,” Federal tax regulations require the Fund to record non-cash, “contingent” interest income in addition to interest income actually received.

At December 31, 2007 unrealized appreciation (depreciation) of investment securities on a tax basis were as follows:

Unrealized appreciation	\$ 11,387,034
Unrealized depreciation	<u>(5,357,548)</u>
Net unrealized appreciation	<u>6,029,486</u>

Cost for federal income tax purposes	<u>\$115,799,810</u>
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