

New Alternatives Fund, Inc.
Ticker: NALFX

Statement of Additional Information

April 29, 2011

New Alternatives Fund, Inc.
150 Broadhollow Road, Suite PH2
Melville, New York 11747
(631) 423-7373 or (800) 423-8383

This Statement of Additional Information (“SAI”) is not a prospectus and it should be read in conjunction with the Prospectus of New Alternatives Fund, Inc. (the “Fund”) dated April 29, 2011. A copy of the Prospectus may be obtained at no charge by writing to the Fund at the address above, by calling toll-free (800) 423-8383 or by visiting www.newalternativesfund.com. The audited financial statements and the notes thereto included in the Fund’s most recent Annual Report to Shareholders for the fiscal year ended December 31, 2010 (the “Annual Report”), and the related report of BBD, LLP, the Fund’s independent registered public accounting firm, contained in the Annual Report are incorporated by reference in the section “Financial Statements.” No other portions of the Annual Report are incorporated by reference. Copies of the Fund’s Annual and Semi-Annual Reports to Shareholders are available upon request by calling (800) 423-8383, by writing to the Fund at the address above, or by visiting www.newalternativesfund.com.

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HISTORY OF THE FUND

The Certificate of Incorporation of the Fund was filed in New York on January 17, 1978. The Fund was an inactive corporation until it commenced its activities as a mutual fund on September 3, 1982. The original name of the corporation was The Solar Fund, Inc. The Fund changed to its present name on August 6, 1982.

DESCRIPTION OF THE FUND AND ITS INVESTMENTS AND RISKS

Classification

The Fund is an open-end management investment company or mutual fund. The Fund is diversified, which means that with respect to 75% of its total assets, the Fund will not invest more than 5% of its assets in the securities of any single issuer (other than the U.S. Government or its agencies or instrumentalities) nor will it own more than 10% of the outstanding voting securities of any one issuer. The Fund has a special interest in Alternative Energy and concentrates at least 25% of its total assets in equity securities of companies which have an interest in Alternative Energy.

Investment Objectives and Risks

The investment objective of the Fund is long-term capital appreciation.

The Fund seeks to achieve its investment objective by investing in equity securities, such as common stocks. The Fund makes investments in a wide range of industries and in companies of all sizes. The Fund invests in equity securities of both U.S. and foreign companies, and has no limitation on the percentage of assets invested in the U.S. or abroad.

Investments in foreign issuers are generally denominated in a foreign currency, the value of which may be influenced by currency exchange rates and exchange control regulations. Changes in the value of a currency compared to the U.S. dollar may affect (positively or negatively) the value of the Fund's investments. These currency movements may occur separately from, and in response to, events that do not otherwise affect the value of the security in the issuer's home country. The Fund does not seek to use foreign currency transactions for investment purposes. Instead, foreign currency transactions are employed to enable the Fund to settle non-U.S. dollar denominated transactions in the appropriate currency.

The Fund concentrates at least 25% of its total assets in equity securities of companies which have an interest in Alternative Energy. "Alternative Energy" means the production and conservation of energy in a manner that reduces pollution and harm to the environment, particularly when compared to conventional coal, oil or atomic energy.

Money awaiting investment in portfolio holdings is generally kept in U.S. Treasury Bills. The Fund also invests in certificates of deposit of what it considers to be socially-concerned, federally insured banks and credit unions that are committed to serving community needs.

Fund Policies and Investment Restrictions

Investment Restrictions. The following investment restrictions are deemed to be fundamental policies of the Fund. As such, the following restrictions may not be changed without the affirmative vote of a majority of the Fund's outstanding voting securities, as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). Under the 1940 Act, the vote of the holders of a "majority" of a fund's outstanding voting securities means the vote, at the annual or a special meeting, of the holders of the lesser of (a) 67% of the shares of the fund represented at a meeting at which the holders of more than 50% of its outstanding shares are represented, or (b) more than 50% of the outstanding shares.

Except as noted, the Fund may not:

1. Borrow money, except from banks for temporary or emergency purposes in an amount not in excess of five percent (5%) of the market value of its total assets (not including the amount borrowed). The Fund will not invest in portfolio securities while outstanding borrowing exceeds five percent (5%) of the market value of its assets. The Fund does not seek to borrow at all.
2. Purchase on margin or sell short or write or purchase put or call options.
3. Pledge any of its assets except that up to ten percent (10%) of the market value of its total assets may be

- pledged in borrowing permitted by (1) above. The Fund does not seek to pledge any of its assets.
4. Lend any of its assets other than through the purchase of a portion of publicly distributed notes, bonds, negotiable certificates of deposit or other debt securities.
 5. Underwrite or participate in any underwriting of securities, except to the extent that, in connection with the disposition of portfolio investments, the Fund may be deemed to be an underwriter under the federal securities law.
 6. Buy more than ten percent (10%) of the outstanding voting securities of any one issuer.
 7. Buy securities of any company (including its predecessors or controlling persons) that has not been in the business for at least three continuous years if such investment at the time of purchase would cause more than ten percent (10%) of the total assets of the Fund (at market value) to be invested in securities of such companies.
 8. With respect to seventy-five percent (75%) of its assets (at market value), invest more than five percent (5%) of such assets in securities of any one issuer, other than the U.S. Government, its agencies or instrumentalities.
 9. Buy or hold securities of any issuer if, to the knowledge of the Fund, any Officer, Director or ten percent (10%) shareowner of the Advisor owns individually one-half (1/2) of one percent (1%) of a class of securities of such issuer and such persons owning one-half (1/2) of one percent (1%) of such class together own beneficially more than five percent (5%) of such securities.
 10. Purchase securities of any other investment company, except as part of a merger, consolidation or other reorganization.
 11. Participate, on a joint or joint and several basis, in any trading account in securities.
 12. Buy or sell any real estate, real estate mortgages, commodities or commodity contract.
 13. Issue senior securities.
 14. Invest more than ten percent (10%) of its total assets (at market value) in securities the disposition of which would be subject to legal restriction or securities for which there are no readily available market quotations. The Fund does not seek to invest in any restricted securities or securities for which there are not readily available market quotations.
 15. Will not engage in arbitrage or trade for the control or management of another company.
 16. Invest more than twenty-five percent (25%) of the Fund's assets in any single industry; excepting the solar and Alternative Energy industries as described in the "Principal Investment Strategies of the Fund" and "Additional Information Regarding the Fund's Special Interest in Alternative Energy" sections of the Prospectus in which the Fund will invest more than twenty-five percent (25%) of its assets, except during defensive periods.

When computing compliance with the percentage restrictions recited in items (2) through (16), changes in the values of the Fund's assets due to market action, which cause such value to be in excess of percentage limitations stated above, will not be considered violations of these restrictions.

Temporary Defensive Position. For temporary defensive purposes - which may include a lack of adequate purchase candidates or an unfavorable market environment - the Fund may invest up to 100% of its assets in cash or cash equivalents. Cash equivalents include instruments such as U.S. Government and agency obligations, certificates of deposit and time deposits. The Fund generally invests in U.S. Treasury Bills and certificates of deposit of socially-concerned, federally insured banks and credit unions that are committed to serving community needs. When the Fund takes a temporary defensive position, the Fund may not achieve its investment objective.

Portfolio Turnover. There was no significant variation in the portfolio turnover rate during the past two years. Portfolio turnover was 16.16% and 33.94% for fiscal years ended 2010 and 2009, respectively.

Disclosure of Portfolio Holdings. The Fund's policies and procedures with respect to disclosure of the Fund's portfolio:

Accrued Equities, Inc. (the "Advisor") is always aware of the Fund's portfolio holdings, as well as are those who provide the Fund's custodian and accounting/pricing services. The brokers the Fund uses to execute purchases or sales of portfolio holdings are aware of the trades they execute and are aware of many of the companies the Fund follows and in which the portfolio managers are interested. The Fund, Advisor and each of the outside entities (and their personnel) are required and expected to keep knowledge of the Fund's holdings confidential. The Fund's Directors who are not "interested persons" as that term is defined in section 2(a)(19) of the 1940 Act (the "Independent Directors") are not informed of daily portfolio transactions.

The Fund prepares a list of its holdings shortly after the end of each quarter. This quarterly list of portfolio

holdings is made available to shareholders or prospective investors and to entities which report on fund holdings such as Morningstar and Lipper Analytical. To the extent convenient, based on the time and cost, the quarterly list of holdings is placed on the Fund's website. The Fund's portfolio holdings are also included in the Fund's annual and semi-annual financial reports, which are filed with the Securities and Exchange Commission ("SEC") on Form N-CSR within 70 days after December 31 and June 30, as well as on the Fund's Form N-Q, which is filed with the SEC within 60 days after the last day of the Fund's first and third fiscal quarters (March 31 and September 30). There are no arrangements to provide portfolio holdings to anyone for compensation or other consideration.

The listing of the portfolio holdings is available first to the Advisor's staff and Chief Compliance Officer. The authority to establish policies with respect to disclosure of Fund holdings resides with the Fund's Board of Directors. The Fund's code of ethics addresses potential conflicts of interest between the Fund and the staff of its Advisor.

Website. The Fund may periodically disclose its holdings on its website: www.newalternativesfund.com.

MANAGEMENT OF THE FUND

Directors and Officers

Information pertaining to the Directors and Officers of the Fund is provided in the table below. The mailing address for the Directors and Officers of the Fund is c/o New Alternatives Fund, Inc., 150 Broadhollow Road, Suite PH2, Melville, New York 11747.

| <u>Name and Age</u> | <u>Position(s) Held with the Fund</u> | <u>Term of Office and Length of Time Served¹</u> | <u>Principal Occupation(s) During the Past Five Years</u> | <u>Number of Portfolios in Fund Complex To Be Overseen by Director²</u> | <u>All Directorships Held by Director During the Past Five Years³</u> |
|-----------------------------------|--|--|---|--|--|
| Interested Directors: | | | | | |
| Maurice L. Schoenwald* Age: 90 | Founder, Director, Vice President and Secretary | 1982 to present | Founder and Director, Accrued Equities, Inc.**; Formerly, Chairperson of the Board of the Fund (1982-2008). | 1 | None |
| David J. Schoenwald* Age: 61 | Founder, Director, President, Treasurer and Chairperson of the Board | Founder, Director, President and Treasurer, 1982 to present; Chairperson of the Board, 2008 to present | President and Treasurer, Accrued Equities, Inc.** | 1 | None |

| <u>Name and Age</u> | <u>Position(s) Held with the Fund</u> | <u>Term of Office and Length of Time Served¹</u> | <u>Principal Occupation(s) During the Past Five Years</u> | <u>Number of Portfolios in Fund Complex To Be Overseen by Director²</u> | <u>All Directorships Held by Director During the Past Five Years³</u> |
|----------------------------------|---------------------------------------|---|---|--|--|
| Murray D. Rosenblith* Age: 60 | Director and Assistant Secretary | Director, 2003 to present; Assistant Secretary, 2009 to present | Portfolio Manager and Assistant Compliance Officer (since 2010), and employee, Accrued Equities, Inc.** (2008 to present); Formerly, Executive Director, A.J. Muste Memorial Institute, an organization concerned with exploration of the link between non-violence and social change (1985 to 2008). | 1 | None |

Independent Directors:

| | | | | | |
|--------------------------------|--|--|---|---|------|
| Sharon Reier Age: 64 | Director and Vice-Chairperson of the Board | Director, 1982 to present; Vice-Chairperson, 2008 to present | Freelance financial journalist; Contributor to the International Herald Tribune, 1995-2010; former contributor to Business Week International; former regional editor, Financial World; former editor, Boardroom Reports; former contributing editor, Institutional Investor; former staff, Forbes and American Banker. | 1 | None |
| Preston V. Pumphrey Age: 76 | Director and Audit Committee Chairperson | 2003 to present | Registered Principal, C.E. Gaye & Sons Securities, Ltd. (July 2008 to present); FINRA Dispute Resolution Board of Arbitrators (June 2002 to present); Formerly, Adjunct Professor of Finance, C.W. Post College. | 1 | None |

| <u>Name and Age</u> | <u>Position(s) Held with the Fund</u> | <u>Term of Office and Length of Time Served¹</u> | <u>Principal Occupation(s) During the Past Five Years</u> | <u>Number of Portfolios in Fund Complex To Be Overseen by Director²</u> | <u>All Directorships Held by Director During the Past Five Years³</u> |
|-------------------------------|---------------------------------------|---|--|--|--|
| Susan Hickey Age: 58 | Director and Audit Committee Member | 2005 to present | Accounting Software Developer, AccountantsWorld, LLC.; Member of National Association of Enrolled Agents and New York Society of Independent Accountants; Former IRS Tax Return Auditor; BA International Affairs, Stonehill College, North Easton, MA. | 1 | None |
| Jonathan D. Beard Age: 63 | Director | 2005 to present | Self-employed Freelance Journalist for various American and European Science Magazines; Lifetime Member, Sierra Club and New York-New Jersey Trails Conference; Graduate of Columbia University 1970. | 1 | None |
| Jeffrey E. Perlman Age: 31 | Director | 2009 to present | President and Founder, Bright Power, a company advancing clean, cost-effective energy solutions (2004 to present); Clarinetist/Saxophonist, Romashka and various Klezmer music ensembles (1996 to present); Formerly, Consultant, Capital E, a renewable energy consulting and investment services company (2002 to 2005). | 1 | None |

Officers of the Fund who are not Directors:

| <u>Name and Age</u> | <u>Position(s) Held with the Fund</u> | <u>Term of Office and Length of Time Served¹</u> | <u>Principal Occupation(s) During the Past Five Years</u> |
|---------------------------------|---------------------------------------|---|---|
| Joseph A. Don Angelo Age: 62 | Chief Compliance Officer | 2007 to present | Accountant and Owner, Don Angelo and Associates, CPAs P.C. (1984 to present). |

- ¹ Each Director holds office until the next annual meeting of shareholders at which Directors are elected following his or her election or appointment, and until his or her successor has been elected and qualified.
- ² Currently, there is only one portfolio and no fund complex.
- ³ Includes directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended (i.e., “public companies”), or other investment companies registered under the 1940 Act.
- * “Interested person”, as defined in section 2(a)(19) of the 1940 Act. Maurice L. Schoenwald is a Director and minority shareholder of the Advisor. David J. Schoenwald is majority shareholder and President of the Advisor. Maurice L. Schoenwald and David J. Schoenwald are father and son. Murray D. Rosenblith is considered an “interested person” as a result of his employment with the Advisor.
- ** Maurice L. Schoenwald, David J. Schoenwald and Murray D. Rosenblith have no present enterprise, employment, position or commercial investment activity except for their positions with the Advisor, which is also the Fund’s Sub-Distributor. At the present time, the Advisor provides services only to the Fund. David J. Schoenwald is licensed to practice law in New York and is President and sole shareholder of Schoenwald and Schoenwald, P.C.

Leadership Structure and Board of Directors

The overall business and affairs of the Fund are governed by a Board of Directors, which is responsible for protecting the interests of shareholders. The Directors are experienced business persons who meet throughout the year to oversee the Fund’s activities, review contractual arrangements with companies that provide services to the Fund and review performance. The day-to-day operations of the Fund are delegated to its Officers, subject to the general supervision of the Board. The Officers of the Fund, except for the Chief Compliance Officer, are Directors and are also employed by the Fund’s Advisor. Like most mutual funds, the day-to-day business of the Fund is performed by third party service providers, such as the Advisor, Distributor, Administrator, Fund Accounting Agent, Transfer Agent and Custodian.

With respect to the composition of the Board, there are currently eight members, five of whom are not “interested persons” of the Fund, as that term is defined in the 1940 Act (the “Independent Directors”); thus, 62% of the Board is presently independent. The Directors have concluded that an eight member Board is an appropriate size based upon the size and non-complexity of the Fund. The Fund is a single, stand alone Fund and not a part of some bigger complex or family of funds.

The Chairperson of the Board, David J. Schoenwald, is an “interested person” of the Fund, as that term is defined in the 1940 Act. In 2008, the Board did consider whether or not the Chairperson should be an Independent Director but decided that David J. Schoenwald was the appropriate choice based upon his significant investment industry experience, including his direct investment experience in the area of the Fund’s special interest. The Fund does believe it is important to maintain a lead Independent Director who can be the voice of the other Independent Directors and the primary contact for Fund management. Accordingly, the Fund does have a lead Independent Director, Sharon Reier, who is the Vice Chairman of the Board.

The entire Board annually performs a self-assessment on its current members, which includes a review of their backgrounds, professional experience, qualifications and skills. Unlike many registered investment companies, the Fund holds an annual meeting of its shareholders and annually submits its entire Board of Directors to the shareholders for their election. In determining whether an individual is qualified to serve as a Director of the Fund, the Board considers a wide variety of information about the Director, and multiple factors contribute to the Board’s decision. Each Director is determined to have the experience, skills, and attributes necessary to serve the Fund and its shareholders because each Director demonstrates an exceptional ability to consider complex business and financial matters, evaluate the relative importance and priority of issues, make decisions, and contribute effectively to the deliberations of the Board.

The interested Directors consist of three persons, each of whom is affiliated with the Fund’s Advisor. Two of the interested Directors, Maurice L. Schoenwald and David J. Schoenwald, have served since the Fund’s founding in 1982. Both have extensive backgrounds in the practice of law, and in managing an investment advisory firm and registered broker-dealer. The third, Murray D. Rosenblith, has been a Director of the Fund since 2003 and has been employed by the Advisor since 2008. Mr. Rosenblith has several securities licenses and is a registered principal of Accrued Equities, Inc., which is also the Fund’s Sub-Distributor. Mr. Rosenblith was formerly the Executive Director of an organization concerned with the exploration of the link between non-violence and social change, which the Board felt would contribute to the Fund’s commitment to social concerns. His prior duties also included managing assets and investments for the

organization. Mr. Rosenblith also was the founder and principal investment manager for the endowment of an affiliated organization and a 20 year member of the Social Investment Forum.

The Independent Directors consist of five persons. Each of the five Independent Directors has a professional background, an interest in the environment and Alternative Energy, and a commitment to social concerns. The Board as a whole has concluded that each of the Independent Directors should serve as a Director based on their own experience, qualifications, attributes and skills as described below. Sharon Reier, an Independent Director of the Fund since its founding in 1982, is also the Vice Chairperson of the Board and lead Independent Director. Ms. Reier is an award winning financial journalist specializing in international business and investment, and corporate governance. Ms. Reier has written multitudes of articles on these subjects for the Paris-based International Herald Tribune and Financial World Magazine over the past 20 years. Ms. Reier wrote a column on international currency management in the 1980s for Institutional Investor Magazine. She is also a former European Bureau Chief for Financial World Magazine; former executive editor for Bottom Line/ Personal; former reporter for Forbes Magazine; and former assistant international editor for the American Banker. Preston V. Pumphrey, an Independent Director since 2003 and the Audit Committee Chairperson of the Fund, has had a long career in the securities industry as the former owner of his own registered broker-dealer and is currently a principal of a registered broker-dealer. Mr. Pumphrey has also served as a FINRA Dispute Resolution Arbitrator and as an Adjunct Professor of Finance at C. W. Post College. Susan Hickey, an Independent Director since 2005, is an Accounting Software Developer and a former IRS Tax Return Auditor. Jonathan D. Beard, an Independent Director since 2005, is a self-employed Freelance Journalist for various American and European Science Magazines. Mr. Beard is also a lifetime member of the Sierra Club and New York-New Jersey Trails Conference. Jeffrey E. Perlman, an Independent Director since 2009, is the President and Founder of Bright Power, a company advancing clean, cost-effective energy solutions. Mr. Perlman was formerly a Consultant with Capital E, a renewable energy consulting and investment services company.

Board Meetings and Risk Oversight

The Independent Directors annually review the number of Board meetings and committee meetings held, as well as the substance of those meetings. In general, the Board meets quarterly. If necessary, additional meetings are scheduled both in-person and via telephone conference call. The Independent Directors are always willing to make themselves available to Fund management and vice versa. Ms. Reier serves as a lead Independent Director and maintains an open line of communication with Fund management. Mr. Pumphrey, as Chairperson of the Audit Committee, maintains an open line of communication with the Fund's Independent Registered Certified Public Accounting Firm. The Fund has hired a Chief Compliance Officer. In addition, the Board has access to counsel for the Fund and the Independent Directors, for consultation concerning any issues that may occur during or between regularly scheduled Board meetings.

The leadership structure currently in place is critical to the Fund, and to the investors, to maintain a fair and balanced approach to overseeing the Fund. The Fund is a single, stand alone Fund and not a part of some bigger complex or family of funds. The Directors, officers and Chief Compliance Officer serve only this Fund. Furthermore, the Board has determined that the current leadership structure is most appropriate based upon the size and non-complexity of the Fund and to provide greater transparency for investors as to how the Board functions. The Directors have further concluded that the background, professional experience and qualifications of the entire Board has served to enhance its risk oversight capabilities with respect to the Fund's activities.

The Board has approved contracts under which certain companies provide essential management services to the Fund. Like most mutual funds, the day-to-day business of the Fund, including the management of risk, is performed by third party service providers, such as the Advisor, Distributor, Administrator, Fund Accounting Agent, Transfer Agent and Custodian. The Board is responsible for overseeing the Fund's service providers and, thus, has oversight responsibility with respect to risk management performed by those service providers. Risk management seeks to identify and address risks, i.e., events or circumstances that could have material adverse effects on the business, operations, shareholder services, investment performance or reputation of the Fund. The Fund and its service providers employ a variety of processes, procedures and controls to identify various of those possible events or circumstances, to lessen the probability of their occurrence and/or to mitigate the effects of such events or circumstances if they do occur. Each service provider is responsible for one or more discrete aspects of the Fund's business (e.g., the Advisor is responsible for the day-to-day management of the Fund's portfolio investments) and, consequently, for managing the risks associated with that business. The Board has emphasized to the Fund's service providers the importance of maintaining vigorous risk management.

The Board is confident in the risk oversight process that has been established by Fund management. On an annual basis, the Chief Compliance Officer of the Fund, who serves at the pleasure of the Board, presents written annual

reports on the Fund's and its service providers' Compliance Programs pursuant to Rule 38(a)-1 of the 1940 Act, for review and approval. The purpose of the annual reviews is to consider any changes in the Fund's activities, any material compliance matters that have occurred in the past year and any new regulatory requirements or developments. Appropriate revisions of the Fund's policies or procedures are made and reviewed to help ensure that the policies and procedures are adequate and effective to ensure compliance with applicable federal securities laws and regulations. The annual reviews are approved by the Board in conjunction with the Board's risk oversight process.

Board of Directors and Committees

The Board of Directors has established an Audit Committee, Nominating Committee and Executive Committee. The Fund does not have a standing Compensation Committee. Considerations pertaining to compensation are discussed among the entire Board during regularly scheduled meetings, when applicable. Based upon the size of the Fund, it has been determined that the current committee structure is sufficient. The full Board met 4 times during the fiscal year ended December 31, 2010.

Audit Committee. The Audit Committee members are Ms. Hickey and Mr. Pumphrey. Mr. Pumphrey is the Audit Committee Chairperson and has been designated as an Audit Committee Financial Expert as defined by Form N-CSR and disclosed under Section 407 of the Sarbanes-Oxley Act of 2002. The Audit Committee generally oversees the Fund's accounting and financial reporting process and operates pursuant to its adopted Audit Committee Charter. Among its responsibilities, the Audit Committee annually determines the engagement and compensation of the Fund's Independent Registered Certified Public Accounting Firm, reviews and approves the audit and non-audit services performed by the Independent Registered Certified Public Accounting Firm, evaluates the adequacy of the Fund's internal financial and disclosure controls, oversees the audit process and reviews with the Independent Registered Certified Public Accounting Firm the scope and results of the audit of the Fund's financial statements. The Audit Committee meets at least once each year with the Independent Registered Certified Public Accounting Firm. The Audit Committee held 2 meetings during the fiscal year ended December 31, 2010.

Nominating Committee. The Nominating Committee is primarily responsible for the identification and recommendation of individuals for Board membership. The current members of the Nominating Committee are the five Independent Directors. The Nominating Committee has not established a formal charter. Currently, the Nominating Committee does not have a specific diversity policy for identifying nominees for Director; however, the Nominating Committee seeks to nominate qualified candidates to serve as Director. When evaluating individuals for recommendation for Board membership, the Nominating Committee may consider, among other things, the candidate's knowledge of the mutual fund industry, educational background and experience and the extent to which such experience and background would complement the Board's existing mix of skills and qualifications. The Nominating Committee also considers the candidates reputation for high ethical standards and the ability to contribute to ongoing functions of the Board, including the candidate's ability and commitment to attend board meetings and work collaboratively with other members of the Board. A candidate's interest in the environment and Alternative Energy will also be considered. The Board of Directors has not established formal policies with respect to shareholder nominations to the Board of Directors. Recommendations for consideration by the Independent Directors should be sent to the Secretary of the Fund in writing together with the appropriate biographical information concerning each such proposed nominee; submissions must be received by the Secretary at the principal executive office of the Fund. The Nominating Committee held 1 meeting during the fiscal year ended December 31, 2010.

Executive Committee. The Executive Committee, consisting of Maurice L. Schoenwald and David J. Schoenwald, informally consults with the Directors and manages administrative matters. There is no formal Executive Committee Charter. The Executive Committee did not meet formally during the fiscal year ended December 31, 2010.

Director Compensation

The Fund's Directors who are "interested persons" as that term is defined in section 2(a)(19) of the 1940 Act ("Interested Directors") do not receive compensation from the Fund for their services. Interested Directors of the Fund are paid for their services by the Advisor.

Each Independent Director receives an annual fee of \$3,500 for their services as Independent Directors of the Fund. As Vice-Chairperson of the Fund, Ms. Reier receives an additional fee of \$1,000. Each member of the Audit Committee receives an additional \$500 annual fee and Mr. Pumphrey, the Audit Committee Chairperson, receives an additional annual fee of \$500. The Independent Directors also receive reimbursement of "coach" travel expenses to

attend Board Meetings.

The table below shows, for each Independent Director entitled to receive compensation from the Fund, the compensation earned from the Fund for the fiscal year ended December 31, 2010.

| <u>Independent Director</u> | <u>Aggregate Compensation from the Fund</u> | <u>Pension or Retirement Benefits Accrued as Part of the Fund's Expenses</u> | <u>Estimated Annual Benefits Upon Retirement</u> | <u>Total Compensation from the Fund</u> |
|-----------------------------|---|--|--|---|
| Sharon Reier | \$4,500 | 0 | 0 | \$4,500 |
| Preston V. Pumphrey | \$4,500 | 0 | 0 | \$4,500 |
| Susan Hickey | \$4,000 | 0 | 0 | \$4,000 |
| Jonathan D. Beard | \$3,500 | 0 | 0 | \$3,500 |
| Jeffrey E. Perlman* | \$3,500 | 0 | 0 | \$3,500 |

* Mr. Perlman became an Independent Director of the Fund on September 25, 2009 and received a pro-rated amount of \$875 for 2009, which was also paid in 2010.

Director Ownership of Fund Shares

The following table shows the dollar range of equity securities beneficially owned in the Fund by each Director as of December 31, 2010.

| <u>Name of Director</u> | <u>Dollar Range of Equity Securities in the Fund</u> | <u>Aggregate Dollar Range of Equity Securities in all Funds Overseen by the Director</u> |
|-------------------------|--|--|
| Sharon Reier | \$10,001-\$50,000 | \$10,001-\$50,000 |
| Preston V. Pumphrey | \$10,001 - \$50,000 | \$10,001 - \$50,000 |
| Murray D. Rosenblith | \$10,001 - \$50,000 | \$10,001 - \$50,000 |
| Susan Hickey | \$1 - \$10,000 | \$1 - \$10,000 |
| Jonathan D. Beard | \$50,001 - \$100,000 | \$50,001 - \$100,000 |
| Jeffrey E. Perlman | \$1-\$10,000 | \$1-\$10,000 |
| Maurice L. Schoenwald | Over \$100,000 | Over \$100,000 |
| David J. Schoenwald | Over \$100,000 | Over \$100,000 |

As of December 31, 2010, none of the Directors, other than Maurice and David Schoenwald, nor any of their immediate family members, owned beneficially or of record, any securities in the Advisor, or any securities in a person (other than a registered investment company) directly or indirectly controlling, controlled by or under common control with the Advisor. In addition, as of December 31, 2010, none of the Directors, nor any of their immediate family members, owned beneficially or of record, any securities in the Fund's principle underwriter, or any securities in a person directly or indirectly controlling, controlled by or under common control with the Fund's principle underwriter.

CODE OF ETHICS

The Fund and Accrued Equities, Inc. (the Advisor and sub-distributor of the Fund) have adopted a joint Code of Ethics pursuant to Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act"). This Code of Ethics applies to the personal investing activities of directors, officers and certain employees ("access persons") of the Fund and the Advisor. Rule 17j-1 and the Code of Ethics are designed to prevent unlawful practices in connection with the purchase or sale of securities by access persons. Under the Code of Ethics, access persons are permitted to engage in personal securities transactions, but are required to report their personal

securities transactions for monitoring purposes. In addition, the Fund's portfolio managers and members of their immediate family are prohibited from purchasing securities issued in an initial public or limited offering, unless such acquisition is approved by the Code Compliance Officer. A copy of the Code of Ethics is on file with the SEC, and is available to the public at www.sec.gov.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

As defined in the 1940 Act, control persons are presumed to control the Fund for purposes of voting on matters submitted to a vote of shareholders due to, among other determinants, their beneficial ownership of 25% or more of the outstanding voting securities of the Fund. To the Fund's knowledge, as of April 4, 2011 there were no control persons.

As defined by the 1940 Act, principal holders own of record or beneficially 5% or more of the Fund's outstanding voting securities. As of April 4, 2011, the following persons owned beneficially more than 5% of the outstanding voting shares of the Fund:

| <u>Shareholder</u> | <u># of Shares</u> | <u>% of Fund</u> |
|--|---------------------------|-------------------------|
| Donaldson Lufkin Jenrette Securities Corporation Mutual Funds 5 th Floor PO Box 2052 Jersey City, NJ 07303-2052 | 705,494.749 | 12.21% |
| Charles Schwab & Co. Inc. Special Custody Account for the Benefit of Customers 101 Montgomery St. San Francisco, CA 94104 | 355,215.259 | 6.15% |

The Directors and officers as a group owned beneficially less than 1% of the outstanding shares of the Fund as of April 4, 2011.

INVESTMENT ADVISOR AND OTHER SERVICES

Investment Advisor

The investment advisor is Accrued Equities, Inc. (the "Advisor"). The Advisor, located at 150 Broadhollow Road, Suite PH2, Melville NY 11747, is an SEC registered investment advisor and broker-dealer organized as a New York corporation in 1954. The Advisor can be reached at (631) 423-7373. The Advisor had a sister corporation called Resale Accrued Equities Inc., with which it merged and the surviving corporation, Resale Accrued Equities, Inc., subsequently changed its name to Accrued Equities, Inc. The original investment clients of Accrued Equities, Inc. were limited to legal clients of Maurice Schoenwald. Since 1966 the Advisor has offered investment advice to the public.

The controlling stockholder, President and Treasurer of the Advisor is David J. Schoenwald. David J. Schoenwald is presently serving as legal counsel to the Advisor. He is also serving as a Director, Chairperson of the Board, President and Treasurer of the Fund. David J. Schoenwald is President and sole shareholder of the law firm of Schoenwald & Schoenwald P.C.

Maurice L. Schoenwald is a Director and minority stockholder of the Advisor. He is also serving as a Director, Vice President and Secretary of the Fund.

Murray D. Rosenblith is a Portfolio Manager and Assistant Compliance Officer with the Advisor. He is also serving as a Director and Assistant Secretary of the Fund.

The Advisor serves as the Fund's investment adviser pursuant to the terms of an investment management agreement (the "Investment Management Agreement"). The Fund pays the Advisor a fee of 1.00% of the first \$10 million of average net assets; 0.75% of the next \$20 million of average net assets; 0.50% of average net assets more than \$30 million and less than \$100 million; and 0.45% of average net assets more than \$100 million. The fee is accrued daily and paid monthly.

For the fiscal years ended December 31, 2008, 2009 and 2010, the amounts of the investment advisory fees earned by the Advisor were \$1,289,612, \$1,165,518, and \$1,274,080 respectively.

In addition to the investment advisory fee, the Fund pays other operating expenses including, among others, taxes, brokerage commissions, fees of Directors who are not affiliated with the Advisor, securities registration fees, charges for custodians, shareholder services, regulatory administration services and transfer agent services, blue sky filing fees, dividend disbursing and reinvestment expenses, auditing and legal expenses, the fees for filing and printing prospectuses sent to existing shareholders and the fees for filing and printing shareholder reports. The cost of printing prospectuses for distribution to prospective investors is paid for by Accrued Equities, Inc. in its capacity as a broker-dealer and the Sub-Distributor of the Fund.

The Advisor, at the expense of the Fund, may lease office space and provide office furnishings, facilities and equipment as may be reasonably required for managing and administering the operations of the Fund. Other Fund expenses include supplies and customary clerical and professional services.

The Investment Management Agreement was last approved by the Fund's Board of Directors (including a majority of Independent Directors) on June 25, 2010. Information regarding the material factors the Board considered in approving the Management Agreement is included in the Semi-Annual Report to Shareholders dated June 30, 2010.

The Investment Management Agreement must be approved each year by (a) a vote of the Board of Directors of the Fund, or (b) a vote of the shareowners, and in either case, by a majority of the Independent Directors. Any changes in the terms of the Investment Management Agreement must be approved by the shareowners. The Investment Management Agreement automatically terminates upon its assignment. In addition, the Investment Management Agreement is terminable at any time without penalty by the Board of Directors of the Fund or by a vote of the holders of a majority of the Fund's outstanding shares (as defined in this SAI) on sixty (60) days notice to the Advisor and by the Advisor on sixty (60) days notice to the Fund.

Portfolio Managers. Maurice L. Schoenwald, David J. Schoenwald and Murray D. Rosenblith serve as portfolio managers. Maurice Schoenwald and David Schoenwald do not receive a salary from the Advisor. They are the principal

owners of the Advisor and benefit from any profits of the Advisor. Compensation from the Advisor for Mr. Rosenblith generally consists of a fixed salary. In addition, Mr. Rosenblith is eligible for a bonus. The amount of any such bonus is discretionary and is not based on any factors such as pre- or after-tax performance of the Fund, nor is it based upon the value of the assets held in the Fund's portfolio. As of the date of this SAI, Maurice L. Schoenwald, David J. Schoenwald and Murray D. Rosenblith do not manage the portfolios of any other accounts, including any other registered investment companies, pooled investment vehicles or other accounts. As of the date of this SAI, the portfolio managers only manage the assets of the Fund.

Ownership of Securities. The following table sets forth the dollar range of equity securities beneficially owned by each portfolio manager in the Fund as of December 31, 2010.

| Portfolio Manager | Dollar Range of Fund Shares Beneficially Owned |
|--------------------------|---|
| Maurice L. Schoenwald | \$100,001-\$500,000 |
| David J. Schoenwald | \$100,001-\$500,000 |
| Murray D. Rosenblith | \$10,001 - \$50,000 |

Principal Underwriter and Sub-Distributor

BNY Mellon Distributors Inc., (the "Underwriter"), located at 760 Moore Road, King of Prussia, Pennsylvania 19406, is the principal underwriter of the Fund's shares. The Underwriter is a broker-dealer affiliated with the administrator and acts as the Fund's principal underwriter in a continuous public offering of the Fund's shares pursuant to an Underwriting Agreement. The Underwriter is obligated to sell shares of the Fund on a best efforts basis only against purchase orders for the shares. Accrued Equities, Inc. serves as an underwriter (but not a principal underwriter) of the shares of the Fund pursuant to a Sub-Distribution Agreement with the Underwriter.

The Underwriting Agreement had an initial two year term and after this initial term will continue in effect for periods not exceeding one year if approved at least annually by (i) the Board of Directors or the vote of a majority of the outstanding shares of the Fund (as defined in the 1940 Act) and (ii) a majority of the Independent Directors, in each case cast in person at a meeting called for the purpose of voting on such agreement. The Underwriting Agreement may be terminated without penalty by the parties thereto upon 60 days' written notice, and it is automatically terminated in the event of its assignment as defined in the 1940 Act.

For the fiscal year ended December 31, 2010 the aggregate underwriter concession on all sales of Fund shares was \$86,882, and the amounts retained by Accrued Equities, Inc. and the Underwriter were \$57,921 and \$28,961, respectively. For the fiscal year ended December 31, 2009, the aggregate underwriter concession on all sales of Fund shares was \$172,828, and the amount retained by Accrued Equities, Inc. and the Underwriter was \$115,219 and \$57,609, respectively. For the fiscal year ended December 31, 2008, the aggregate underwriter concession on all sales of Fund shares was \$444,605, and the amount retained by Accrued Equities, Inc. and the Underwriter was \$296,403 and \$148,202, respectively.

The Underwriter and Accrued Equities, Inc. also receive commissions for the sale of Fund shares. For the year ended December 31, 2010, Accrued Equities, Inc. and the Underwriter received \$72,032 and \$12,286 in sales commissions, respectively. For the year ended December 31, 2009, Accrued Equities, Inc. and the Underwriter received \$102,670 and \$22,743 in sales commissions, respectively. For the year ended December 31, 2008, Accrued Equities, Inc. and the Underwriter received \$280,500 and \$54,858 in sales commissions, respectively.

Other Services

Custodian. The Custodian of the Fund is The Bank of New York Mellon (the "Custodian"), One Wall Street, New York, NY 10286. The Fund's cash and securities are maintained through the Custodian. The Custodian also engages foreign sub custodians to hold the Fund's foreign securities. The Fund pays the Custodian pursuant to a regular schedule of charges based on a schedule agreed on from time to time by the Fund and the Custodian. The Custodian attends to the collection of proceeds of securities sold by the Fund, the collection of dividends on securities owned by the Fund, and disbursements for the cost of securities purchased by the Fund.

Transfer Agent and Dividend Paying Agent. BNY Mellon Investment Servicing (US) Inc., 760 Moore Road, King of Prussia, PA 19406 serves as the Fund's transfer agent ("Transfer Agent" or "BNY"). In addition to maintaining

shareholder records and processing shareholder transactions, the Transfer Agent assists the Fund in meeting provisions of the anti-money laundering regulations.

Administration and Accounting Services. BNY also serves as the Accounting Agent and Administrator to the Fund. BNY provides certain accounting and administrative services for the Fund including portfolio and general ledger accounting, daily valuation of all portfolio securities and net asset value calculation. BNY also keeps all books and records with respect to the Fund as it is required to maintain pursuant to Rule 31a-1 of the 1940 Act, monitors the Fund's status as a regulated investment company under Sub-Chapter M of the Internal Revenue Code of 1986, as amended, calculates required tax distributions and assists in updating the Fund's registration statement. The amount of administrative and accounting services fees paid by the Fund for the last three fiscal years is as follows:

| 2008 | 2009 | 2010 |
|-------------|-------------|-------------|
| \$251,867 | \$236,879 | \$243,486 |

Independent Registered Certified Public Accounting Firm. The accounting firm of BBD, LLP, 1835 Market Street, 26th Floor, Philadelphia, PA 19103, serves as the Fund's independent registered certified public accounting firm.

Outside Legal Counsel. Montgomery, McCracken, Walker & Rhoads, LLP, 123 South Broad Street, Philadelphia, PA 19109 serves as legal counsel to the Fund and its Independent Directors.

BROKERAGE, ALLOCATION AND OTHER PRACTICES

The primary consideration in all portfolio securities transactions is prompt and reliable execution of orders at the most favorable net price. During the past three years, the aggregate amount of brokerage commissions paid for purchases and sales of portfolio securities was \$386,386, \$251,110, and \$142,025 in the fiscal years 2008, 2009 and 2010, respectively. The difference between brokerage commissions paid in 2009 and 2010 reflects decreased portfolio activity due to changes in the total assets in the Fund.

Accrued Equities, Inc. is a registered broker-dealer, but it will not engage in brokerage of equity securities of the type which would be included in the Fund's portfolio. No officer or Director of the Fund or Accrued Equities, Inc. is associated with any firm having an economic interest in general stock brokerage activities.

The choice of a broker will be made by the Advisor without benefit to any Director or controlling person. Allocation of brokerage transactions, including their frequency, will be made in the best judgment of the Advisor and in a manner deemed fair and reasonable to the shareholders, rather than by any formula. However, as long as the primary consideration is satisfied, the Advisor may give consideration in the selection of broker-dealers to the research provided (including analysis and reports concerning issuers, industries, securities, economic factors and trends) by such firms, and payment may be made of a fee higher than that charged by another broker-dealer if the Advisor deems such allocation of brokerage to be fair and reasonable to the shareholders. The Fund does not have any holdings of securities of its regular broker-dealers as of December 31, 2010.

The Board of Directors periodically reviews the Advisor's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the Fund.

DESCRIPTION OF SHARES

The Fund's authorized capital is forty million (40,000,000) common shares of \$0.01 par value. There is only one class of shares.

Each share entitles the holder to one vote. Fractional shares have no voting rights. Shareowners may vote for the election of Directors and all other appropriate and customary matters and participate proportionately in the division of capital and net assets of the Fund on liquidation.

The common shares are fully paid and non-assessable when issued, are redeemable in accordance with the provisions set forth under the heading "How to Redeem Shares", and have no preference, pre-emptive or conversion rights. Fractional shares entitle the holder to the same redemption, dividend, distribution and other rights, excepting voting, as whole shares on a pro rata basis.

The Fund will not ordinarily issue certificates for common shares upon purchase. Certificates are generally unnecessary because (1) ownership of shares is evidenced by a confirmation advice after each purchase or redemption, indicating the amount invested and the purchase price per share or the amount redeemed and the redemption price per share, and the number of shares owned immediately after such transactions; and (2) redemptions and transfers may be transacted without the issuance of certificates. No certificates are issued for fractional shares of the Fund.

Shares certificates are issued only upon the specific request of the shareowner made in writing. The Transfer Agent charges shareowners a fee to replace a lost share certificate. A fee may also be charged if a shareowner is redeeming his or her entire account and the shareowner has lost his or her share certificate.

The common shares have non-cumulative voting rights, which means that the holders of more than fifty percent (50%) of the shares voting for the election of Directors can elect all of the Directors. In such an event, the holders of the remaining shares voting for the election of the Directors will not be able to elect any person or persons to the Board of Directors. The election of Directors requires the affirmative vote of a plurality of the votes cast at a shareholder meeting, in person or by proxy. A simple majority of those shares voted in person or by proxy participating in any duly called meeting on proper notice shall be sufficient to pass any resolutions, except as otherwise required by the 1940 Act.

DISTRIBUTIONS

Any dividends paid by the Fund from net investment income on its portfolio and any distributions of net realized capital gains will automatically be reinvested in whole or fractional shares of the Fund at net asset value on the reinvest date unless a shareowner makes a written request for payments in cash or selects the cash option on their application.

PURCHASE, REDEMPTION AND PRICING OF SHARES

How to Purchase Shares

Shares of the Fund may be purchased by sending a completed and signed Application Form and check to New Alternatives Fund, Inc., c/o BNY Mellon Investment Servicing (US) Inc., PO Box 9794, Providence, RI 02940 or, for overnight mail services, New Alternatives Fund, Inc., c/o BNY Mellon Investment Servicing (US) Inc., 4400 Computer Drive, Westborough, MA 01581-1722. The Application Form is available on the Fund's website at www.newalternativesfund.com. Sales charges are the same irrespective of where or through whom you purchase shares of the Fund. Social security numbers or tax identification numbers are required on the Application Form.

The Fund and the Advisor reserve the right to reject any purchase order for any reason, and reserve the right to redeem shares for any reasonable purposes, such as government requirements, or if the value of an account is less than \$1,000 as a result of redemptions and not market fluctuations.

Qualified Investment Accounts. Shares of the Fund may be purchased directly by existing retirement plans, which allow such investments. In addition, qualified individuals may establish (with any provider of such accounts) an Individual Retirement Account ("IRA") or Roth IRA to be funded with shares of the Fund. The Fund has made arrangements with PFPC Trust Company, which will be renamed BNY Mellon Investment Servicing Trust Company on or about July 1, 2011, to act as Custodian for any IRAs thus created.

Automatic Investment Plan. Shareholders meeting the investment minimum may establish an automatic investment plan wherein periodic drafts from a checking or savings account are automatically invested in the Fund, subject to the sales charge described in the Prospectus. Such plan may be cancelled by the Fund or the investor by contacting the Transfer Agent by written notice or by calling (610) 382-7819 or (800) 441-6580 no later than 5 business days prior to a scheduled debit date.

The Fund does not have any arrangements with any person to permit frequent purchases and redemptions of Fund shares or any agreements to maintain assets in the Fund.

Sales Load

Purchase orders for shares of the Fund that are received by the Transfer Agent in proper form (i.e., a completed application and the correct minimum investment) by the close of the New York Stock Exchange, on any day that the New York Stock Exchange ("NYSE") is open for trading, will be purchased at the Fund's next determined Net Asset Value

("NAV") (plus any applicable sales charge). Orders for Fund shares received after 4:00 p.m. Eastern Time will be purchased at the NAV (plus any applicable sales charge) determined on the following business day. The details of the sales charge are described below:

| <u>Purchase Amount</u> | <u>Sales Commission as a Percentage of Offering Price</u> | <u>Dealer Reallowance as a Percentage of Offering Price</u> | <u>Sales Commission as a Percentage of Net Amount Invested</u> |
|-------------------------|---|---|--|
| Up to \$24,999.99 | 4.75% | 4.00% | 4.987% |
| \$25,000 to \$99,999.99 | 3.85% | 3.00% | 4.00% |
| \$100,000 or more | 2.91% | 2.00% | 3.00% |

Waiver of Sales Load. Certain categories of investors or institutions may invest in the Fund without paying a sales charge. These include current and retired Directors, officers and employees of the Fund or the Advisor and their families. Share ownership by Directors increases their interest in the Fund's well being and may inspire shareholders as a result thereof.

Other categories of investors or institutions who may invest without paying a sales charge are: registered representatives of brokers distributing the Fund's shares who are purchasing for their own personal account and will not transfer their shares; Non-Profit or Charitable Organizations (as defined in Section 501 (c)(3) of the Internal Revenue Code) investing \$25,000 or more; clients of an investment professional (e.g., investment advisors, financial planners, banks, trust departments, sponsors of "wrap-fee" programs, etc.) if the client is charged a fee by the investment professional for such portfolio management or brokerage services; and institutional retirement and deferred compensation plans and trusts used to fund those plans, including, but not limited to, those defined in Sections 401(a), 401(k), 403(b), 457 or 408 of the Internal Revenue Code and "rabbi trusts." Persons in the above categories must make their status as such known to the Fund's Transfer Agent at the time the account is opened by indicating such status on the account application.

How to Redeem Shares

There is no redemption charge. Fund shares are redeemed upon tender of the written request of any shareholder, accompanied by surrender of share certificates, if issued. All certificates and/or requests for redemption tendered must be signed or endorsed by the shareholder or shareholders in whose name or names the shares are registered.

The Fund's Transfer Agent may require a signature guarantee under the Medallion Signature Guarantee Program. Please consult the Prospectus regarding Medallion Signature Guarantee Requirements. Most financial institutions can provide this signature guarantee service for their customers. Financial institutions, including commercial banks, savings banks, securities brokers, savings and loan associations, and many credit unions offer this service. The signature guarantee requirement may be waived under certain circumstances at the discretion of the Fund.

Tender shall be made to BNY Mellon Investment Servicing (US) Inc., P.O. Box 9794, Providence, RI 02940, or overnight mail to BNY Mellon Investment Servicing (US) Inc., 4400 Computer Drive, Westborough, MA 01581-1722. The Transfer Agent's phone number is (610) 382-7819 or (800) 441-6580.

The redemption price will be the NAV of the Fund's shares next computed after the tender is received in proper form by the Fund's Transfer Agent. Payment of the redemption price will be made by a check drawn and issued in the U.S. within seven (7) days after receipt of the written request and certificates as described above, or if payment for the purchase of the shares to be redeemed has not been cleared by that time, the mailing of the redemption check may be postponed until proceeds of any check for the purchase price of the shares has been collected. This may take up to 15 business days. If payment for shares are dishonored the Fund may cancel the purchase.

The Fund may suspend the right of redemption or postpone the date of payment for more than seven days during any period when (i) trading on the NYSE is restricted or the NYSE is closed for other than customary weekends and holidays, (ii) the SEC has by order permitted such suspension for the protection of the Fund's shareholders, or (iii) an emergency exists making disposal of portfolio securities or valuation of net assets of the Fund not reasonably practicable.

For further information, an interested person should call the Fund at (631) 423-7373 or (800) 423-8383.

How Net Asset Value and Offering Price is Determined

The Fund's NAV is calculated once daily at the close of regular trading hours on the New York Stock Exchange (the "NYSE") (generally 4:00 p.m. Eastern time) on each day the NYSE is open. The NAV is determined by totaling the value of all portfolio securities, cash and other assets held by the Fund, and subtracting from that total all liabilities, including accrued expenses. The total NAV is divided by the total number of shares outstanding to determine the NAV of each share.

Securities held by the Fund are valued based on the official closing price or the last reported sale price on a national securities exchange or on the National Association of Securities Dealers Automatic Quotation System ("NASDAQ") market system where they are primarily traded, as of the close of business on the day the securities are being valued. That is normally 4:00 p.m. Eastern time. If there were no sales on that day or the securities are traded on other over-the-counter markets, the mean of the last bid and asked prices prior to the market close is used. Short-term debt securities having a remaining maturity of 60 days or less are amortized based on their cost. Non-U.S. equity securities are valued based on their most recent closing market prices on their primary market and are translated from the local currency into U.S. dollars using current exchange rates on the day of valuation. The Fund may hold securities that are primarily listed on foreign exchanges that trade on weekends or other days when the Fund does not price its shares. As such, the Fund's NAV may change on days when shareholders will not be able to purchase or redeem Fund shares.

If the market price of a security held by the Fund is unavailable at the time the Fund prices its shares at 4:00 p.m. Eastern time, the Fund will use the "fair value" of such security as determined in good faith by the Advisor under methods established by and under the general supervision of the Fund's Board of Directors. The Fund may use fair value pricing if the value of a security it holds has been materially affected by events occurring before the Fund's pricing time but after the close of the primary markets or exchange on which the security is traded. This most commonly occurs with foreign securities, but may occur in other cases as well. The Fund does not invest in unlisted securities.

The daily calculation of NAV is performed by BNY, which also serves as Transfer Agent.

Offering Price. The price you pay for shares, the offering price, is based on the NAV per share, calculated once daily at the close of regular trading (currently 4:00 p.m., Eastern Time) each day the New York Stock Exchange is open, plus the applicable sales charge.

TAXATION OF THE FUND

The following summarizes certain additional tax considerations generally affecting the Fund and its shareholders that are not described in the Prospectus. No attempt is made to present a detailed explanation of the tax treatment of the Fund or its shareholders, and the discussion here and in the Prospectus is not intended as a substitute for careful tax planning. Potential investors should consult their tax advisors with specific reference to their own tax situation.

The Fund intends to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). In order to so qualify, the Fund must, among other things, (i) derive at least 90% of its gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of securities or foreign currencies, or other income (including but not limited to gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies; (ii) distribute at least 90% of its dividend, interest and certain other taxable income each year; and (iii) at the end of each fiscal quarter maintain at least 50% of the value of its total assets in cash, government securities, securities of other regulated investment companies and other securities of issuers which represent, with respect to each issuer, no more than 5% of the value of the Fund's total assets and 10% of the outstanding voting securities of such issuer, and with no more than 25% of its assets invested in the securities (other than those of the government or other regulated investment companies) of any one issuer or of two or more issuers which the Fund controls and which are engaged in the same, similar or related trades and businesses.

Provided that the Fund qualifies for treatment as a regulated investment company, it will not be subject to federal income tax on income and net capital gains paid to shareholders in the form of dividends or capital gains distributions.

An excise tax at the rate of 4% will be imposed on the excess, if any, of the Fund's "required distributions" over actual distributions in any calendar year. Generally, the "required distribution" is 98% of the Fund's ordinary income for

the calendar year, plus 98% of its capital gain net income recognized during the one-year period ending on October 31, plus undistributed amounts from prior years. The Fund intends to make distributions sufficient to avoid imposition of the excise tax. Distributions declared by the Fund during October, November or December to shareholders of record during such month and paid by January 31 of the following year will be taxable to shareholders in the calendar year in which they are declared, rather than the calendar year in which they are received.

Gains or losses attributable to fluctuations in exchange rates which occur between the time the Fund accrues interest or other receivables or accrues expenses or liabilities denominated in a foreign currency and the time the Fund actually collects such receivables, or pays such liabilities, are generally treated as ordinary income or loss. Similarly, a portion of the gains or losses realized on disposition of debt securities denominated in a foreign currency may also be treated as ordinary gain or loss. These gains, referred to under the Code as "Section 988" gains or losses, may increase or decrease the amount of the Fund's investment company taxable income to be distributed to its shareholders, rather than increasing or decreasing the amount of the Fund's capital gains or losses.

Dividends eligible for designation under the dividends received deduction and paid by the Fund will qualify in part for the 70% dividends received deduction for corporations; provided, that, the Fund shares have been held for at least 45 days. However, dividends received by a corporate shareholder and deducted by it pursuant to the dividends received deduction are generally subject indirectly to the federal alternative minimum tax.

The Fund will notify shareholders each year of the amount of dividends and distributions, including the amount of any distribution of long-term capital gains and the portion of its dividends which may qualify for the 70% deduction.

The Fund's net realized capital gains from securities transactions will be distributed only after reducing such gains by the amount of any available capital loss carry forwards. Capital losses may be carried forward to offset any capital gains for eight years, after which any capital loss carry forward remaining is lost as a deduction. As of December 31, 2010, the Fund had a capital loss carryforward of \$24,177,174 which can be used to offset future capital gains through the indicated expiration dates:

December 31, 2016
\$15,782,056

December 31, 2017
\$8,395,118

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations currently in effect. For the complete provisions, reference should be made to the pertinent Code sections and regulations. The Code and regulations are subject to change by legislative or administrative action at any time and retroactively.

Shareholders are urged to consult their tax advisors regarding specific questions as to federal, state and local taxes as well as the application of the foreign tax credit.

The foregoing discussion relates solely to U.S. federal income tax law. Non-U.S. investors should consult their tax advisors concerning the tax consequences of ownership of shares of the Fund, including the possibility that distributions may be subject to a 30% United States withholding tax (or a reduced rate of withholding provided by treaty).

CALCULATION OF RETURN

Calculation of Return

Total Return is a measure of the change in value of an investment in the Fund over the period covered, which assumes any dividends or capital gains distributions are reinvested immediately rather than paid to the investor in cash. The formula for Total Return used herein includes four steps: (1) adding to the total number of shares purchased by a hypothetical \$1,000 investment in the Fund all additional shares which would have been purchased if all dividends and distributions paid or distributed during the period had been immediately reinvested; (2) calculating the value of the hypothetical initial investment of \$1,000 as of the end of the period by multiplying the total number of shares owned at the end of the period by the net asset value per share on the last trading day of the period; (3) assuming redemption at the end of the period; and (4) dividing this account value for the hypothetical investor by the initial \$1,000 investment.

Total return gives the investment performance of the Fund. Overall return does not take into account payment of the sales charge. This return figure should be used for comparative purposes such as comparing the Fund's performance

to published returns in newspapers and magazines.

Average annual total return is the average annual compounded rate of return for periods of one year, five years and ten years, all ended on the last day of a recent calendar quarter. Average annual total return quotations reflect changes in the price of the Fund's shares and assume that all dividends and capital gains distributions during the respective periods were reinvested in Fund shares. Average annual total return (before taxes) is calculated by computing the average annual compounded rates of return of a hypothetical investment over such periods, according to the following formula (average annual total return is then expressed as a percentage):

$$P(1+T)^n = ERV$$

Where:

- T = average annual total return
- P = a hypothetical initial payment of \$1,000
- n = number of years
- ERV = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the designated time period.

It should be noted that average annual total return is based on historical performance and is not intended to indicate future performance. Average annual total return for the Fund will vary based on changes in market conditions and the level of the Fund's expenses.

The average annual total return (after taxes on distributions) will be calculated according to the following formula:

$$P(1 + T)^n = ATV_D$$

Where:

- P = a hypothetical initial payment of \$1,000,
- T = average annual total return (after taxes on distributions),
- n = number of years, and
- ATV_D = the ending value of a hypothetical \$1,000 payment made at the beginning of the designated time period, after taxes on fund distributions but not after taxes on redemption.

The average annual total return (after taxes on distributions and redemptions) will be calculated according to the following formula:

$$P(1+T)^n = ATV_{DR}$$

Where:

- P = a hypothetical initial payment of \$1,000,
- T = average annual total return (after taxes on distributions and redemption),
- n = number of years, and
- ATV_{DR} = the ending value of a hypothetical \$1,000 payment made at the beginning of the designated time period, after taxes on distributions and redemption.

PROXY VOTING POLICY

The SEC has adopted rules requiring investment companies to disclose the policies and procedures that they use to determine how to vote proxies relating to portfolio securities, and to file with the SEC and make available to their shareholders the specific proxy votes they cast. Funds are required to disclose their proxy voting policy in the Statement of Additional Information.

- A. It is the Fund's policy to vote proxies it receives from companies in its portfolio.
- B. The Fund votes for proxy items it perceives to be in the best interest of the Fund and the Fund's objectives.

Priorities include:

- i) the perceived well-being of the Fund;
- ii) fair corporate governance;
- iii) matters which promote clean energy and a clean environment;
- iv) non-discriminatory treatment of employees;

v) oppose stock options for officers and directors.

C. A file has been created where copies of ballots and votes are maintained. The Fund annually files Form N-PX with the SEC, which includes the Fund's proxy voting record showing votes cast by the Fund during the last 12 month period ended June 30. Shareholders may obtain, without charge, upon request, a copy of the Fund's Form N-PX by contacting the Fund at (800) 423-8383 or by visiting the SEC's website at www.sec.gov.

D. David Schoenwald, with the advice of Maurice Schoenwald, will be in charge of the Fund's proxy voting program. In connection with the program, David Schoenwald advises that he will make his best efforts to vote proxies for the benefit of the shareholders and will do his best for the Fund's interests.

E. The Fund is unaware of any potential conflicts of interests it might have in connection with the proxy voting.

PATRIOT ACT AND PRIVACY INFORMATION (Anti-money Laundering Laws)

Patriot Act. We are and shall continue enforcing the anti-terror regulations, anti-money laundering regulations, certification regulations. The Fund retains BNY to provide services in these areas.

Consumer Privacy Information: The Fund has a policy of protecting shareholder information. This Fund has never participated in revealing information about its shareholders, except at the request of a shareholder or government requirements. For example, if the shareholder is applying for a mortgage and lists his assets and then requests that a confirmation be sent to the bank.

Of course the Fund will comply with giving information as may be required by law. An example is a subpoena from a court or other proper government agency. Tax information is disclosed as required by law to the tax authorities. The Fund also has an anti-money laundering program which requires responding to inquiries from government authorities. The Fund uses an outside transfer agent who keeps shareholder records. The Transfer Agent has been instructed to carry out the Fund policy.

The Fund and its Advisor have no relationship with any bank, insurance company or brokerage house, except the brokerage houses with which it buys and sells securities for the Fund's portfolio and the brokerage houses which sell Fund shares. No personal information is given by the Fund to any of those entities.

FINANCIAL STATEMENTS

The audited financial statements for the Fund for the year ended December 31, 2010, including notes thereto and the report of BBD, LLP, are included in the Fund's Annual Report to Shareholders and were filed with the SEC on Form N-CSR and are incorporated by reference into this Statement of Additional Information. The financial statements and related notes have been incorporated herein in reliance upon such report given upon the authority of such firm as experts in accounting and auditing. No other parts of the Fund's Annual Report to Shareholders are incorporated herein. You may obtain a free copy of the Annual Report to Shareholders by contacting the Fund at the address or telephone number appearing on the cover of this SAI.