

Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

GABELLI EQUITY TRUST INC  
Form 497  
October 03, 2003

Filed Pursuant to 497(h)  
Registration File No. 333-106081

PROSPECTUS \$125,000,000 [GABELLI LOGO]  
The Gabelli  
Equity Trust Inc.

3,000,000 Shares, 5.875% Series D Cumulative Preferred Stock  
(Liquidation Preference \$25 per Share)

2,000 Shares, Series E Auction Rate Cumulative Preferred Stock  
(Liquidation Preference \$25,000 per Share)

The Gabelli Equity Trust Inc., or the Fund, is a closed-end, non-diversified management investment company that has a primary investment objective of long-term growth of capital and a secondary investment objective of income. The Fund's investments are selected by its Investment Adviser, Gabelli Funds, LLC. The Fund invests primarily in equity securities including common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities. We cannot assure you that the Fund's objectives will be achieved.

This prospectus describes shares of the Fund's 5.875% Series D Cumulative Preferred Stock (the "Series D Preferred"), liquidation preference \$25 per share. Dividends on shares of the Series D Preferred are cumulative from such original issue date at the annual rate of 5.875% of the liquidation preference of \$25 per share and are payable on March 26, June 26, September 26 and December 26 in each year, commencing on December 26, 2003.

This prospectus also describes shares of the Fund's Series E Auction Rate Cumulative Preferred Stock (the "Series E Auction Rate Preferred"), liquidation preference \$25,000 per share. The dividend rate for the Series E Auction Rate Preferred will vary from dividend period to dividend period. The annual dividend rate for the initial dividend period for the Series E Auction Rate Preferred will be 1.15% of the liquidation preference of \$25,000 per share. The initial dividend period is from the date of issuance through October 10, 2003. For subsequent dividend periods, the Series E Auction Rate Preferred will pay dividends based on a rate set at auction, usually held weekly.

The Fund offers by this prospectus, in the aggregate, \$125 million of preferred stock of either Series D Preferred, or Series E Auction Rate Preferred, or a combination of both series.

Investing in our Series D Preferred or Series E Auction Rate Preferred involves risks. See "Risk Factors and Special Considerations" beginning on page 32.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Series D  
Preferred Per Share Total

Series E  
Auction Rate  
Preferred Per Share

Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

Public Offering Price(1)	\$25.0000	\$75,00,000	\$25,000
Underwriting Discount(2)	\$.7875	\$2,362,500	\$250
Proceeds to the Fund (before expenses) (3)	\$24.2125	\$72,637,500	\$24,750

- (1) Plus accumulated dividends, if any, from October 7, 2003.
- (2) The Fund and the Investment Adviser have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.
- (3) Offering expenses payable by the Fund are estimated at \$490,000.

Citigroup

Gabelli & Company, Inc.

Merrill Lynch & Co.

October 2, 2003

(Continued from previous page)

The shares of Series D Preferred and/or Series E Auction Rate Preferred being offered by this prospectus are being offered by the underwriters listed in this prospectus, subject to prior sale, when, as and if accepted by them and subject to certain conditions. The Fund expects that delivery of any shares of Series D Preferred or Series E Auction Rate Preferred will be made in book-entry form through the facilities of The Depository Trust Company ("DTC") on or about October 2, 2003.

Application will be made to list the Series D Preferred on the New York Stock Exchange. If offered, trading of the Series D Preferred on the New York Stock Exchange is expected to commence within 30 days of the date of this prospectus. Prior to this offering, there has been no public market for the Series D Preferred. See "Underwriting."

The Series E Auction Rate Preferred will not be listed on an exchange. Investors may only buy or sell Series E Auction Rate Preferred through an order placed at an auction with or through a broker-dealer in accordance with the procedures specified in this prospectus or in a secondary market maintained by certain broker-dealers should those broker-dealers decide to maintain a secondary market. Broker-dealers are not required to maintain a secondary market in the Series E Auction Rate Preferred and a secondary market may not provide you with liquidity.

The net proceeds of the offering, which are expected to be \$121,647,500, will be invested in accordance with the Fund's investment objectives and policies. See "Investment Objectives and Policies" beginning on page 26.

The Fund expects that dividends paid on the Series D Preferred and Series E Auction Rate Preferred will consist of (i) long-term capital gain (gain from the sale of a capital asset held longer than 12 months), (ii) qualified dividend income (income from domestic and certain foreign corporations), and (iii) investment company taxable income (other than qualified dividend income, including short-term capital gain and interest income and non-qualified dividend income). For individuals, the maximum federal income tax rate on long-term capital gains is currently 15%, on qualified dividend income is 15%, and on other types of income is 35%. These tax rates are scheduled to apply through 2008. Over the past three years, approximately 89% of the Fund's distributions to stockholders consisted of long-term capital gain and, of the remaining 11% distributed to stockholders,

## Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

68% would have, under the current tax provisions, constituted qualified dividend income taxable at the 15% rate. Over the last one year, approximately 93% of the Fund's distributions to stockholders consisted of long-term capital gain and, of the remaining 7% distributed to stockholders, approximately 99% would have, under the current tax provisions, constituted qualified dividend income taxable at the 15% rate. We cannot assure you, however, as to what percentage of the dividends paid on the Series D Preferred or Series E Auction Rate Preferred will consist of long-term capital gains and qualified dividend income, which are currently taxed at lower rates for individuals than ordinary income. For a more detailed discussion, see "Taxation."

Neither the Series D Preferred nor the Series E Auction Rate Preferred may be issued unless it is rated "Aaa" by Moody's. In addition, the Series E Auction Rate Preferred may not be issued unless it is also rated "AAA" by S&P. In order to keep these ratings, the Fund will be required to maintain a minimum discounted asset coverage with respect to its outstanding Series D Preferred and Series E Auction Rate Preferred under guidelines established by each of Moody's and S&P. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Rating Agency Guidelines." The Fund is also required to maintain a minimum asset coverage by the Investment Company Act of 1940, as amended. If the Fund fails to maintain any of these minimum asset coverage requirements, the Fund can at its option (and in certain circumstances must) require, in accordance with its Charter and the requirements of the Investment Company Act of 1940, as amended, that some or all of its outstanding preferred stock, including the Series D Preferred and/or Series E Auction Rate Preferred, be redeemed. Otherwise, prior to September 26, 2008 the Series D Preferred will be redeemable at the option of the Fund only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. Subject to certain notice and other requirements (including those set forth in Section 23(c) of the Investment Company Act of 1940, as amended), the Fund at its option may redeem (i) the Series D Preferred beginning on September 26, 2008 and (ii) the Series E Auction Rate Preferred following the initial dividend period (so long as the Fund has not designated a non-call period). In the event the Fund redeems the Series D Preferred, such redemption will be for cash at a redemption price equal to \$25 per share plus accumulated but unpaid dividends (whether or not earned or declared) to the date of redemption. In the event the Fund redeems the Series E Auction Rate Preferred, such redemptions will be for cash, generally at a redemption price equal to \$25,000 per share plus accumulated but unpaid dividends (whether or not earned or declared), though in limited circumstances the Fund's Board of Directors may also declare a redemption premium. See "Description of Series D Preferred and Series E Auction Rate Preferred - Redemption."

This prospectus concisely sets forth important information about the Fund that you should know before deciding whether to invest in Series D Preferred or Series E Auction Rate Preferred. You should read this prospectus and retain it for future reference.

The Fund has also filed with the Securities and Exchange Commission a Statement of Additional Information, dated October 2, 2003, which contains additional information about the Fund. The Statement of Additional Information is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the Statement of Additional Information on page 69 of this prospectus. You may request a free copy of the Statement of Additional Information by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or calling the Fund toll-free at (800) 422-3554. You may also obtain the Statement of Additional Information as well as reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the Securities

## Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

and Exchange Commission on the Securities and Exchange Commission's web site (<http://www.sec.gov>).

Certain persons participating in the offering of the Series D Preferred, in the event any is offered, may engage in transactions that stabilize, maintain or otherwise affect the market price of the Series D Preferred, including the entry of stabilizing bids, syndicate covering transactions or the imposition of penalty bids. For a description of these activities, see "Underwriting."

(This page intentionally left blank)

You should rely only on the information contained in or incorporated by reference into this prospectus. Neither the Fund nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the Fund nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

### TABLE OF CONTENTS

Summary.....	
Financial Highlights.....	
Use of Proceeds.....	
The Fund.....	
Capitalization.....	
Investment Objectives and Policies.....	
Risk Factors and Special Considerations.....	
How the Fund Manages Risk.....	
Management of the Fund.....	
Portfolio Transactions.....	
Dividends and Distributions.....	
Description of Series D Preferred and Series E Auction Rate Preferred.....	
The Auction of Series E Auction Rate Preferred .....	
Description of Capital Stock and Other Securities .....	
Taxation.....	
Anti-takeover Provisions of the Charter and By-Laws.....	
Custodian, Transfer Agent, Auction Agent and Dividend-Disbursing Agent.....	
Underwriting.....	
Legal Matters.....	
Experts.....	
Additional Information.....	
Special Note Regarding Forward-Looking Statements.....	
Table of Contents of SAI.....	
Appendix A.....	

SUMMARY

This is only a summary. You should review the more detailed information contained in this prospectus and the Statement of Additional Information, dated October 2, 2003 (the "SAI").

The Fund..... The Fund is a closed-end, non-diversified, management investment company that has been in operation since August 21, 1986. The Fund was incorporated in Maryland on May 20, 1986. The Fund has 10,000,000 outstanding shares of common stock, par value \$.001 per share, listed and traded on the New York Stock Exchange ("NYSE") since September 15, 2003, the sum of the net assets of the Fund as of September 15, 2003, the sum of the net assets of the Fund (the "Net Assets") was approximately \$1,253 million. As of September 15, 2003, the Fund had outstanding 136,014,878 shares of common stock, 6,600,000 shares of the 7.20% Tax Advantaged Series B Cumulative Preferred Stock (the "Series B Preferred") and 5,200 shares of the Series C Auction Rate Cumulative Preferred Stock (the "Series C Preferred"). The Fund completed its redemption of its outstanding 7.25% Tax Advantaged Cumulative Preferred Stock (the "Series A Preferred") on June 17, 2003. The Series A Preferred and the Series C Auction Rate Preferred have the same seniority with respect to dividends and liquidation preference.

The Offering..... The Fund offers by this prospectus, in the aggregate, \$100,000,000 of preferred stock of either Series D Preferred or Series E Auction Rate Preferred, or a combination of both such series. The Series D Preferred and/or Series E Auction Rate Preferred are being offered by Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Inc. Incorporated and Gabelli & Company, Inc., as underwriters. Upon issuance, the Series D Preferred and the Series E Auction Rate Preferred will have equal seniority with respect to dividends and liquidation preference to the Fund's other outstanding preferred stock. See "Description of the Series D Preferred and Series E Auction Rate Preferred."

Series D Preferred. The Fund is offering 3,000,000 shares of Series D Preferred, par value \$.001 per share, liquidation preference \$25,000 per share, at a purchase price of \$25 per share plus dividends which have accumulated from the commencement date of the dividend which such Series D Preferred is issued. Dividends on the Series D Preferred will accumulate from the date on which the Series D Preferred is issued. Application has been made to list the Series D Preferred on the NYSE and it is anticipated that trading of the Series D Preferred on the NYSE will commence within 30 days from the date of issuance.

Series E Auction Rate Preferred. The Fund is offering 2,000,000 shares of Series E Auction Rate Preferred, par value \$.001 per share, liquidation preference \$25,000 per share,

at a purchase price of \$25,000 per share, plus dividends which have accumulated from the commencement date of the dividend which such Series E Auction Rate Preferred is issued.

The Series E Auction Rate Preferred will not be listed on the NYSE. Instead, investors may buy or sell Series E Auction Rate Preferred by submitting orders to broker-dealers that have entered into an agreement with the auction agent and the Fund.

Generally, investors in Series D Preferred or Series E Auction Rate Preferred will not receive certificates representing own shares. The securities depository (The Depository Trust Company or any successor) or its nominee for the account of an investment broker-dealer will maintain record ownership of the preferred shares in book-entry form. An investor's broker-dealer, in turn, will maintain records of that investor's beneficial ownership of preferred shares.

Investment Objectives  
and Methodology.....

Investment Objectives. The Fund's primary investment objective is the long-term growth of capital, primarily through investment in equity securities including common stock, preferred stock, convertible or exchangeable securities and warrants and the purchase of such securities. Income is a secondary objective. No assurance can be given that the Fund will achieve its investment objectives. See "Investment Objectives and Policies."

Investment Methodology. In selecting securities for the Fund, the Investment Adviser normally will consider the following factors, among others: (i) the Investment Adviser's own evaluations of the market value, cash flow, earnings per share and other factors of the underlying assets and business of the company; (ii) the potential for capital appreciation of the securities; (iii) the income and dividend income generated by the securities; (iv) the price of the securities relative to other comparable securities; (v) the extent to which the securities are entitled to the benefits of call protection and other protective covenants (e.g., events of acceleration or events of non-compliance for failure to comply with certain financial ratios or terms of the securities); (vi) the existence of anti-dilution protections or guarantees of the security; (vii) the diversification of the portfolio of the Fund as to industry and issuer. The Investment Adviser's investment philosophy with respect to the selection of securities seeks to identify securities of companies that are trading in the public market at a discount to their private market value. The Investment Adviser defines as the value informed purchase price the price to pay to acquire assets with similar characteristics. The Investment Adviser also normally evaluates the issuer's free cash flow and earnings trends. Finally, the Investment Adviser looks for

something in the company's industry or indigenous to the company or the country itself that will surface additional value.

Portfolio Contents. Although under normal market conditions the Fund's total assets will consist of equity securities, if a temporary defensive posture is believed by the Investment Adviser, the Fund may without limitation hold cash or equivalents, in money market instruments and repurchase agreements in respect of such instruments. The Fund may also invest up to 10% of the Fund's total assets during temporary defensive periods in securities of market mutual funds that invest primarily in U.S. government securities and repurchase agreements in respect of those securities. The Fund's investment in such securities in the absence of applicable exemptive relief are not affiliated

Investment Adviser. Such actions on the part of the Fund may affect its ability to achieve its secondary investment objectives and income.

The Fund may invest up to 10% of its total assets in fixed income securities issued by U.S. and foreign corporations, government agencies that are rated below investment grade by primary rating agencies such as Standard & Poor's Ratings Services ("S&P") and Moody's Service, Inc. ("Moody's"). These high-yield, higher-risk securities are commonly known as "junk bonds." These debt securities are speculative and involve major risk exposure to adverse conditions.

The Fund may invest up to 35% of its total assets in foreign securities. Among the foreign securities in which the Fund may invest are securities issued by companies located in developing countries, which are in the initial stages of their industrialization cycles. Investing in equity and debt markets of developing countries involves risks due to economic structures that are generally less diverse and less developed and to political systems that can be expected to have less stability than those of developed countries. The markets of developing countries have historically been more volatile than the markets of developed countries, but often have provided higher returns to investors. The Fund may also invest in debt securities issued by foreign governments.

Dividends and Distributions..... Series D Preferred. Dividends on the Series D Preferred are payable at a rate of 5.875% of its \$25 per share liquidation preference, cumulative from the Series D Preferred's original issue date. Dividends are payable, when, as and if declared by the Board of Directors of the Fund, out of funds legally available therefor, quarterly on June 26, September 26 and December 26 in each year, commencing on December 26, 2003.

3

Series E Auction Rate Preferred. The holders of Series E Auction Rate Preferred are entitled to receive cash dividends, stated at a rate of 1.15% of its \$25,000 per share liquidation preference, that will be paid from time to time, from dividend period to dividend period. The table below shows the dividend rate, the dividend payment date and the number of days from the end of the dividend period on the Series E Auction Rate Preferred.

	Initial Dividend Rate ----	Dividend Payment Date for Initial Dividend Period -----
Series E Auction Rate Preferred.....	1.15%	October 17 , 2003

For subsequent dividend periods, the Series E Auction Rate Preferred will pay dividends based on a rate set at auctions, normally 1.15%. In most instances dividends are payable weekly on the first business day following the end of the dividend period. If the day on which dividends otherwise would be paid is not a business day, then dividends will be paid on the first business day that falls after the end of the dividend period. The Fund may, subject to certain conditions, designate dividend periods of more (or less) than seven days. The

date for any such special dividend period will be set out in the prospectus by designating the special dividend period. Dividends on Series E Auction Rate Preferred will be cumulative from the date of the first dividend issued and will be paid out of legally available funds.

In no event will the dividend rate set at auction for the Series E Auction Rate Preferred exceed the then-maximum rate. The term "then-maximum rate" means (i) in the case of a dividend period of 184 days or less, the applicable percentage of the "AA" Financial Composite Rate on the date of such auction determined as set forth in the chart based on the lower of the credit ratings assigned to the Series E Auction Rate Preferred by Moody's and S&P or (ii) in the case of a dividend period of longer than 184 days, the applicable Treasury Index Rate.

Moody's Credit Rating -----	S&P Credit Rating -----
AA3 or higher	AA- or higher
A3 to A1	A- to A+
Baa3 to Baa1	BBB- to BBB+

4

Below Baa3

Below BBB-

See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Dividends on the Series E Auction Rate Preferred." For example, calculated as of March 31, 2003 and March 31, 2004, respectively, the maximum rate for the Series E Auction Rate Preferred (assuming a rating of "Aaa" or above by Moody's and "AAA" or above by S&P) would have been approximately 1.82% and 1.53% for a dividend period of 90 days, and approximately 2.48% and 1.92% for a dividend period of 184 days, respectively. \* There is no minimum applicable rate with respect to a dividend period.

Any designation of a special dividend period will be effective only if, among other things, proper notice has been given, the special dividend period was not a failed dividend period, and the Fund has confirmed that it has assets with an aggregate value of at least equal to the Basic Maintenance Amount (as defined in the applicable rating agency guidelines). See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Dividends on the Series E Auction Rate Preferred" and "The Auction of Series E Auction Rate Preferred."

**Preferred Stock Dividends.** Under current law, all preferred stock of the Fund must have the same seniority as to the payment of dividends. Accordingly, no full dividend will be declared or paid on any series of preferred stock of the Fund for any dividend period, or on any series of preferred stock unless full cumulative dividends due through the most recent payment dates therefor for all series of outstanding preferred stock of the Fund are declared and paid. If full cumulative dividends have been declared and paid on all outstanding shares of preferred stock of the Fund ranking on a parity with the Series D Preferred



Auction Rate Preferred as to the payment of dividends, a being paid on the shares of such preferred stock (including outstanding Series D Preferred and Series E Auction Rate be paid as nearly pro rata as possible in proportion to amounts of dividends accumulated but unpaid on each such preferred stock on the relevant dividend payment date.

In the event that for any calendar year the total distribution of the Fund's preferred stock exceed the Fund's investment taxable income (as that term is defined in the Internal Revenue Code, 1986, as amended (the "Code"), determined without regard for dividends paid) and net capital gain (i.e., the excess of realized long-term capital gain over its net realized share

-----  
\* Dividend periods presented for illustrative purposes only. Actual dividend periods may be of lesser duration.

capital loss) allocable to those shares, the excess distribution generally be treated as a tax-free return of capital (to the stockholder's tax basis in his or her shares). The amount of a tax-free return of capital will reduce a stockholder's basis in his or her shares of preferred stock, thereby increasing the stockholder's potential gain or reducing his or her potential gain on the sale of the shares.

Common Stock. In order to allow its common stockholders to have a predictable, but not assured, level of cash flow and to sell their shares periodically on their investment without having to sell at a price which has adopted a policy, which may be modified at any time by the Board of Directors, of paying distributions on its common stock of an amount equal to the average quarter-end assets attributable to common stock. For the year ending December 31, 2002, the Fund made distributions of \$0.10 per share of common stock, none of which constituted a return of capital. The Fund has made quarterly distributions with respect to its common stock since 1987. A portion of the returns during the past several years since then have constituted a return of capital.

Auction Procedures..... You may buy, sell or hold Series E Auction Rate Preferred stock through an auction. The following is a brief summary of the auction procedures which are described in more detail elsewhere in this prospectus and the SAI. These auction procedures are complicated, and there may be exceptions to these procedures. Many of the terms in this prospectus have a special meaning as set forth in this prospectus or the SAI.

The auctions determine the dividend rate for the Series E Auction Rate Preferred, but each dividend rate will not be higher than the maximum rate. See "Description of the Series D Preferred Stock" and "Auction Rate Preferred -- Dividends on the Series E Auction Rate Preferred."

If you own shares of Series E Auction Rate Preferred, you may instruct your broker-dealer to enter one of three kinds of orders with respect to your shares: sell, bid and hold.

If you enter a sell order, you indicate that you want to sell Series E Auction Rate Preferred at \$25,000 per share, no matter what the next dividend period's rate will be.

If you enter a bid (or "hold at a rate") order, which means you want to buy Series E Auction Rate Preferred only if the next dividend period's rate is less than the rate you specify.

6

If you enter a hold order, you indicate that you want to hold Series E Auction Rate Preferred, no matter what the next dividend period's rate will be.

You may enter different types of orders for different portions of your Series E Auction Rate Preferred. You may also enter an order to purchase additional Series E Auction Rate Preferred. All orders are for a maximum of 100,000 shares. All orders you submit are irrevocable. There is no limit on the number of Series E Auction Rate Preferred shares, and the dividend rates may vary from auction to auction depending on the number of shares the bidders seek to buy, the rating of Series E Auction Rate Preferred and general economic conditions including current interest rates. If you own Series E Auction Rate Preferred and you submit a bid for them higher than the then-maximum rate, your bid will be treated as a sell order. If you do not enter an order for Series E Auction Rate Preferred for a period of 28 days or less, the broker-dealer will assume you want to continue to hold Series E Auction Rate Preferred. If you do not enter an order and the dividend period is longer than 28 days, the broker-dealer will treat your failure to submit a bid as if you want to sell.

If you do not then own Series E Auction Rate Preferred, and you want to purchase more shares, you may instruct a broker-dealer to enter an order to purchase shares in an auction at \$25,000 per share at or above the rate you specify. If you bid for shares you do not already own at a rate higher than the then-maximum rate, your bid will not be accepted.

Broker-dealers will submit orders from existing and potential holders of Series E Auction Rate Preferred to the auction agent. Neither the broker-dealer nor the auction agent will be responsible for a broker-dealer's failure to submit orders from existing or potential holders of Series E Auction Rate Preferred. A broker-dealer's failure to submit orders for Series E Auction Rate Preferred held by it or its customers will be treated in the same manner as a holder's failure to submit an order to the broker-dealer. A broker-dealer may submit orders to the auction agent on its own account. The Fund may not submit an order in any other manner.

After each auction for the Series E Auction Rate Preferred, the auction agent will pay to each broker-dealer, from funds provided by the Fund, a service charge equal to, in the case of any auction immediately preceding a dividend period of less than one year, the product of (i) the numerator of which is the number of days in such dividend period, the denominator of which is 365, times (ii) 1/4 of 1%, times (iii) \$25,000, times (iv) the aggregate number of Series E Auction Rate Preferred shares placed by such broker-dealer at such auction. In the case of any auction immediately preceding a dividend period of one year or longer, a percentage of the purchase price of the Series E Auction Rate Preferred shares.

7

Auction Rate Preferred placed by the broker-dealers at t  
to by the Fund and the broker-dealers.

If the number of Series E Auction Rate Preferred shares  
orders by potential holders with a dividend rate equal t  
the then-maximum rate is at least equal to the number of  
Rate Preferred shares subject to sell orders, then the d  
the next dividend period will be the lowest rate submitt  
into account that rate and all lower rates submitted in  
existing and potential holders, would result in existing  
holders owning all the Series E Auction Rate Preferred a  
purchase in the auction.

If the number of Series E Auction Rate Preferred shares  
orders by potential holders with a dividend rate equal t  
the then-maximum rate is less than the number of Series  
Preferred shares subject to sell orders, then the auctio  
to be a failed auction and the dividend rate will be the  
that event, existing holders that have submitted sell or  
treated as having submitted sell orders) may not be able  
all of the Series E Auction Rate Preferred for which the  
orders.

The auction agent will not consider a bid above the then  
The purpose of the maximum rate is to place an upper lim  
with respect to the Series E Auction Rate Preferred and  
help protect the earnings available to pay dividends on  
and the other series of preferred stock, and to serve as  
rate in the event of a failed auction (that is, an aucti  
are more shares of Series E Auction Rate Preferred offer  
there are buyers for those shares).

If broker-dealers submit or are deemed to submit hold on  
outstanding Series E Auction Rate Preferred, the auction  
"all hold" auction and the dividend rate for the next di  
will be the "all hold rate," which is 80% of the "AA" Fi  
Commercial Paper Rate.

The auction procedures include a pro rata allocation of  
Rate Preferred shares for purchase and sale. This alloca  
result in an existing holder selling, or a potential hol  
shares than the number of Series E Auction Rate Preferre  
order. If this happens, broker-dealers that have designa  
existing holders or potential holders in respect of cust  
be required to make appropriate pro rata allocations amo  
respective customers.

8

Settlement of purchases and sales will be made on the ne  
(which also is a dividend payment date) after the auctio  
DTC. Purchasers will pay for their Series E Auction Rate  
through broker-dealers in same-day funds to DTC against  
broker-dealers. DTC will make payment to the sellers' br  
accordance with its normal procedures, which require bro  
make payment against delivery in same-day funds. As used  
prospectus, a business day is a day on which the NYSE is  
trading, and which is not a Saturday, Sunday or any othe

banks in New York City are authorized or obligated by law

The first auction for Series E Auction Rate Preferred will be held on October 16, 2003, the business day preceding the dividend payment date for the initial dividend period. Thereafter, except during dividend periods, auctions for Series E Auction Rate Preferred will be held every Thursday (or the next preceding business day if Thursday is a holiday), and each subsequent dividend period for Series E Auction Rate Preferred normally will begin on the business day preceding Friday.

If an auction is not held because an unforeseen event or events cause a day that otherwise would have been an auction day to not be a business day, then the length of the then-current dividend period will be extended by seven days (or a multiple thereof if because of such unforeseen event or events), the applicable rate for the period will be the applicable rate for the then-current dividend period so extended and the dividend payment date for such dividend period will be the first business day immediately succeeding the end of the period. See "The Auction of Series E Auction Rate Preferred."

Tax Treatment of Preferred

Stock Dividends..... The Fund expects that dividends paid on the Series D Preferred and Series E Auction Rate Preferred will consist of (i) long-term capital gains from the sale of a capital asset held longer than 12 months, (ii) qualified dividend income (income from domestic and certain foreign corporations), and (iii) investment company taxable income (including qualified dividend income), including interest income, short-term capital gain and income from certain hedging and interest rate transactions. For individuals, the maximum federal income tax rate on long-term capital gain is currently 15%, on qualified dividend income is 15%, and on other types of income is 35%. These tax rates are scheduled to change in 2008. Over the past three years, approximately 89% of the distributions to stockholders consisted of long-term capital gains, the remaining 11% distributed to stockholders, 68% would be tax-exempt under current tax provisions, constituted qualified dividend income at the 15% rate. Over the last one year, approximately 93% of the distributions to stockholders consisted of long-term capital gains, the remaining 7% distributed to stockholders, approximately 7% have, under the current tax provisions, constituted qualified dividend income.

dividend income taxable at the 15% rate. We cannot assure you as to what percentage of the dividends paid on the Series D Preferred and Series E Auction Rate Preferred will consist of long-term capital gains and qualified dividend income, which are taxed at lower rates than ordinary income. For a more detailed discussion, see "Taxation."

Rating and Asset

Coverage Requirements..... Series D Preferred. Before it can be issued, the Series D Preferred must receive a rating of "Aaa" from Moody's. The Fund's Supplementary setting forth the rights and preferences of the Series D Preferred contain certain tests that the Fund must satisfy to maintain a rating of "Aaa" from Moody's on the Series D Preferred. See "Description of the Series D Preferred and Series E Auction Rate Preferred-- Rating Agency Guidelines."

Series E Auction Rate Preferred. Before it can be issued, the Series E Auction Rate Preferred must receive both a rating of "Aaa" from Moody's and a rating of "Aaa" from Standard & Poor's.

and a rating of "AAA" from S&P. As with the Series D Preferred Articles Supplementary of the Fund setting forth the rights and preferences of the Series E Auction Rate Preferred contained therein, that the Fund must satisfy to obtain and maintain a rating of "AAA" from Moody's and "AAA" from S&P. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Rating Agency Guidelines."

Asset Coverage Requirements. Under the asset coverage requirements of the Series D Preferred and/or Series E Auction Rate Preferred, subject, the Fund is required to maintain (i) assets having an aggregate discounted value greater than or equal to a certain Amount (as defined under "Description of the Series D Preferred and Series E Auction Rate Preferred -- Rating Agency Guidelines") and (ii) such series calculated pursuant to the applicable rating agency guidelines and (ii) an asset coverage of at least 200% (or a lower percentage as may be required at the time under the Securities Company Act of 1940, as amended (the "1940 Act")) with respect to the outstanding preferred stock of the Fund, including the Series D Preferred and the Series E Auction Rate Preferred. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Asset Coverage Requirements."

The Fund estimates that if the shares offered hereby had been sold as of September 15, 2003, the asset coverage under the Series D Preferred and Series E Auction Rate Preferred would have been approximately 327% immediately following the offering (after giving effect to the deduction of the underwriting and other estimated offering expenses for such shares of \$3,352,500). The asset coverage would have been computed as follows:

value of Fund assets less liabilities not constituting securities (\$1,374,744,505) / senior securities =

10

indebtedness plus liquidation preference of each class of preferred stock (\$420,000,000), expressed as a percentage =

The Articles Supplementary for each of the Series D Preferred and Series E Auction Rate Preferred, which contain the technical details of the various components of the asset coverage tests, heretofore filed as exhibits to this registration statement and may be obtained from the web site of the Securities and Exchange Commission (the "SEC") at <http://www.sec.gov>.

Mandatory Redemption..... The Series D Preferred and the Series E Auction Rate Preferred are subject to mandatory redemption by the Fund to the extent the Fund fails to maintain the asset coverage requirements in accordance with the rating agency guidelines or the 1940 Act described above and does not cure such failure by the applicable cure date. If the Fund does not cure such failure mandatorily, it may, but is not required to, redeem a sufficient number of shares of preferred stock so that at the time of such redemption the Fund exceeds the asset coverage required by the rating agency guidelines of each of the applicable rating agencies and the 1940 Act by 10%.

With respect to the Series D Preferred, any such redemption shall be made for cash at a redemption price equal to \$25 per share plus any accrued and unpaid dividends (whether or not earned or declared) as of the redemption date.

With respect to the Series E Auction Rate Preferred, any will be made for cash at a redemption price equal to \$25 plus an amount equal to accumulated but unpaid dividends earned or declared) to the redemption date, plus, in the Auction Rate Preferred having a dividend period of more any applicable redemption premium determined by the Board. See "Description of the Series D Preferred and Series E Preferred -- Redemption -- Mandatory Redemption Relating Coverage Requirements."

In the event of a mandatory redemption, such redemption of the Series D Preferred, the Series E Auction Rate Preferred preferred stock of the Fund in such proportions as the Board determine, subject to the limitations of the 1940 Act and

Optional Redemption..... Subject to the limitations of the 1940 Act and Maryland may, at its option, redeem the Series D Preferred and/or Auction Rate Preferred as follows:

Series D Preferred. Commencing September 26, 2008 and thereafter, the Fund at its option may redeem the Series D Preferred whole or in part, for cash at a redemption price per share plus accumulated and unpaid dividends (whether or not earned to the redemption date. If fewer than all of the shares of Series D Preferred are to be redeemed, any such redemption of Series

11

Series D Preferred shares will be made pro rata in accordance with the number of such shares held. Prior to September 26, 2008 the Series D Preferred will be subject to optional redemption by the Fund at the discretion of the Fund only to the extent necessary for the Fund to continue to operate as a regulated investment company. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Optional Redemption of the Series D Preferred."

Series E Auction Rate Preferred. The Fund at its option may redeem Series E Auction Rate Preferred, in whole or in part, other than during a non-call period. The Fund may declare a dividend period during a dividend period of more than seven days. If all of the shares of the Series E Auction Rate Preferred are to be redeemed, any such redemption of Series E Auction Rate Preferred will be made pro rata in accordance with the number of shares held. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Redemption -- Optional Redemption of the Series E Auction Rate Preferred."

The redemption price per Series E Auction Rate Preferred share will be \$25,000 plus an amount equal to any accumulated but unpaid dividends thereon (whether or not earned or declared) to the redemption date. In the case of Series E Auction Rate Preferred having a dividend period of more than one year, any redemption premium applicable to the dividend period. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Redemption -- Optional Redemption of the Series E Auction Rate Preferred."

The Fund redeemed 100% of its outstanding Series A Preferred stock in 2003. The Fund's outstanding Series B Preferred is redeemable at the option of the Fund beginning June 20, 2006. The Fund redeemed the outstanding Series C Auction Rate Preferred, in whole

any time other than during a non-call period. Such redemption is subject to the limitations of the 1940 Act and Maryland law. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Redemption."

Voting Rights..... At all times, holders of the Fund's outstanding preferred stock (including the Series D Preferred and/or Series E Auction Rate Preferred), voting as a single class, will be entitled to elect members of the Fund's Board of Directors, and holders of common stock and common stock, voting as a single class, will elect the remaining directors. However, upon a failure by the Fund to pay on any of its preferred stock in an amount equal to two months of dividends, holders of the preferred stock, voting as a single class, will have the right to elect additional directors that would constitute a simple majority of the directors until all cumulative dividends on shares of preferred stock have been paid or provided for. Holders of outstanding shares of Series D Preferred, Series E Auction Rate Preferred and any other preferred stock will vote

separately as a class on certain other matters, as required by the Fund's Charter (including the applicable Articles Supplementary and Maryland law. Except as otherwise indicated in this prospectus, otherwise required by applicable law, holders of Series D Preferred and/or Series E Auction Rate Preferred will be entitled to one vote per share on each matter submitted to a vote of stockholders together with the holders of common stock and any other securities of the Fund as a single class. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Voting Rights."

Liquidation Preference..... The liquidation preference of the Series D Preferred is \$25,000 per share. The liquidation preference of the Series E Auction Rate Preferred is \$25,000 per share. Upon liquidation, holders of preferred stock are entitled to receive the liquidation preference with respect to their shares of preferred stock plus an amount equal to accumulated but unpaid dividends with respect to such shares (whether or not earned or declared) to the date of distribution. See "Description of the Series D Preferred and Series E Auction Rate Preferred-- Liquidation Preference."

Use of Proceeds..... The Fund will use the net proceeds from the offering to purchase additional portfolio securities in accordance with its investment objectives and policies. See "Use of Proceeds."

Listing of the Series D Preferred..... Prior to its being offered, there has been no public market for the Series D Preferred. Following its issuance (if issued), the Series D Preferred is expected to be listed on the NYSE. However, there will be an initial period which is not expected to exceed 30 days after its initial issuance, the Series D Preferred will not be listed on a securities exchange and, consequently, may be illiquid during this period.

Limitation on Secondary Market Trading of the Series E Auction Rate Preferred..... The Series E Auction Rate Preferred will not be listed on a securities exchange. Broker-dealers may, but are not obliged to, maintain a secondary market in Series E Auction Rate Preferred outside of auction. There can be no assurance that a secondary market will provide owners with sufficient liquidity. You may transfer Series E Auction Rate Preferred

auctions only to or through a broker-dealer that has entered into an agreement with the auction agent and the Fund, or other Fund permits.

Special Characteristics

and Risks..... Risk is inherent in all investing. Therefore, before investing in Series D Preferred or Series E Auction Rate Preferred you should evaluate the risks carefully.

Series D Preferred. Primary risks specially associated with Series D Preferred in the Series D Preferred include:

13

The market price for the Series D Preferred will be influenced by changes in interest rates, the perceived credit quality of the Fund and other factors.

During an initial period which is not expected to exceed 90 days from the date of its issuance, the Series D Preferred will not be listed on any securities exchange. During such period, the underwriters will not make a market in the Series D Preferred, however, they have the right to do so. Consequently, the Series D Preferred may be illiquid during such period. No assurances can be provided that listing on an exchange or market making by the underwriters will result in liquidity for Series D Preferred being liquid at any time.

Series E Auction Rate Preferred. Primary risks specially associated with an investment in Series E Auction Rate Preferred include:

If an auction fails, you may not be able to sell some or all of your Series E Auction Rate Preferred. The Fund is not obligated to purchase Series E Auction Rate Preferred if an auction fails. The underwriters are not required to make a market in the Series E Auction Rate Preferred. A broker-dealer is obligated to maintain a secondary market for Series E Auction Rate Preferred apart from the auctions.

You may receive less than the price you paid for your Series E Auction Rate Preferred if you sell them outside of the auction, especially if market interest rates are rising.

Both the Series D Preferred and Series E Auction Rate Preferred. Primary risks associated with an investment in either the Series D Preferred or Series E Auction Rate Preferred also includes the following primary risks:

You will have no right to require the Fund to repurchase your shares of Series D Preferred or Series E Auction Rate Preferred at any time.

A rating agency could downgrade or withdraw the rating assigned to Series D Preferred and/or Series E Auction Rate Preferred. Such a downgrade is likely to have an adverse effect on the liquidity and market value of Series D Preferred and Series E Auction Rate Preferred. The present credit rating does not eliminate the risks of investing in these preferred shares.

In general, the Fund may redeem your Series E Auction Rate Preferred at any time and may redeem your Series D Preferred at any time on or after September 26, 2008, and may at any time redeem shares of either series to meet regulatory or rating agency requirements. If you redeem, you may not be able to reinvest your proceeds at a rate



as or higher than the Series D Preferred and/or Series E Preferred. Subject to such redemptions, these preferred perpetual.

14

The Fund may not meet the asset coverage requirements or income from its investments to pay dividends on the Series D Preferred and/or Series E Auction Rate Preferred.

The Series D Preferred and/or Series E Auction Rate Preferred obligations of the Fund. Although unlikely, precipitous decline in value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series D Preferred and/or Series E Auction Rate Preferred for the full redemption price.

The value of the Fund's investment portfolio may decline and asset coverage for the Series D Preferred and/or Series E Auction Rate Preferred. Further, if an issuer of a common stock in which the Fund invests experiences financial difficulties or if an issuer of a stock or debt security is downgraded or defaults or if a company in which the Fund invests is affected by other adverse market factors, there may be a negative impact on the income and/or asset value of the Fund's investment portfolio.

As a non-diversified investment company under the 1940 Act, the Fund is not limited in the proportion of its assets that may be invested in securities of a single issuer, and accordingly, an investment in securities may, under certain circumstances, present greater risk than an investment in a diversified company. See "Risk Factors and Special Considerations -- Non-diversified Status."

The Fund may invest up to 10% of its total assets in fixed income securities rated in the lower rating categories of recognized rating agencies, also sometimes referred to as "junk bond" securities. Such securities are subject to greater risks than investment grade securities which reflect their speculative character, including (i) greater volatility; (ii) greater credit risk; (iii) potentially greater sensitivity to general economic or industry conditions; (iv) lack of attractive resale opportunities (illiquidity); and (v) higher expenses to seek recovery from issuers who default. See "Risk Factors and Special Considerations -- Lower Rated Securities."

The Fund may invest up to 35% of its total assets in foreign securities. Investing in securities of foreign companies (or foreign companies which are generally denominated in foreign currencies, may involve certain risks and opportunities not typically associated with investments in domestic companies and could cause the Fund to be affected, directly or unfavorably by changes in currency exchange rates and interest rates in foreign currencies. See "Risk Factors and Special Considerations -- Foreign Securities."

The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include, among others, the possibility of a loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for the Series D Preferred and Series E Auction Rate Preferred.

Auction Rate Preferred. Such volatility may increase the the Fund having to sell investments in order to meet div the preferred stock, or to redeem preferred stock when i disadvantageous to do so. See "Risk Factors and Special Preferred Stock -- Leverage Risk."

The Fund has entered into an interest rate swap transact to its outstanding Series C Auction Rate Preferred and m interest rate swap or cap transaction with respect to al the Series E Auction Rate Preferred. The use of interest caps is a highly specialized activity that involves cert Fund including, among others, counterparty risk and earl risk. See "How the Fund Manages Risk -- Interest Rate Tr

The Investment Adviser is dependent upon the expertise o Gabelli in providing advisory services with respect to t investments. If the Investment Adviser were to lose the Gabelli, its ability to service the Fund could be advers There can be no assurance that a suitable replacement co Mr. Gabelli in the event of his death, resignation, reti inability to act on behalf of the Investment Adviser. Se and Special Considerations -- Dependence on Key Personne

The Fund has qualified, and intends to remain qualified, income tax purposes as a regulated investment company. Q requires, among other things, compliance by the Fund wit distribution requirements. Statutory limitations on dist common stock if the Fund fails to satisfy the 1940 Act's requirements could jeopardize the Fund's ability to meet requirements. The Fund presently intends, however, to pu preferred stock to the extent necessary in order to main with such asset coverage requirements. See "Taxation" fo discussion of these and other federal income tax consid

Management and Fees..... Gabelli Funds, LLC serves as the Fund's investment advis "Investment Adviser") and is compensated for its service expenses at an annual rate of 1.00% of the Fund's averag assets. The Investment Adviser is responsible for admini Fund and currently utilizes and pays the fees of a third sub-administrator. Notwithstanding the foregoing, the In has voluntarily agreed to waive the portion of its invest fee attributable to an amount of assets of the Fund equa aggregate stated value of the Fund's outstanding Series Series E Auction Rate Preferred, as the case may be, for year in which the net asset value total return of the Fu the common stock, including distributions and the adviso potential waiver, is less than (i) in the case of the Se the stated annual dividend rate of such series and (ii) the Series E Auction Rate Preferred, the net cost of cap

with respect to the Series E Auction Rate Preferred for expressed as a percentage (including, without duplicatio by the Fund on the Series E Auction Rate Preferred and t the Fund of any associated swap or cap transaction if th Series E Auction Rate Preferred dividend obligations). T

apply to the portion of the Fund's assets attributable to Series D Preferred and Series E Auction Rate Preferred, respectively, as long as any shares of such series remain outstanding. See "Management of the Fund." Fund."

Repurchase of  
Stock.....

The Fund may repurchase Series D Preferred or, outside of the Fund, Series E Auction Rate Preferred when it is deemed advisable by the Board of Directors in compliance with the requirements of the 1940 Act and regulations thereunder and other applicable requirements. The Fund will not repurchase Series E Auction Rate Preferred. This Prospectus will serve as notice that the Fund may from time to time repurchase Series D Preferred when such shares are trading at or above the \$25 per share liquidation preference. See "Description of Capital Stock -- Series D Preferred and Series E Auction Rate Preferred-- Repurchase of Series D Preferred and Series E Auction Rate Preferred S

The Fund's Board of Directors has authorized the Fund to repurchase common stock in the open market when the common stock is trading at a discount of 10% or more from net asset value. Such repurchases are subject to the Fund maintaining asset coverage on its portfolio and to certain notice and other requirements, including those set forth in Rule 23c-1 under the 1940 Act. See "Description of Capital Stock -- Other Securities -- Common Stock." Through September 15, 2011, the Fund has repurchased in the open market zero shares of its common stock pursuant to this authorization. See "Description of Capital Stock and Other Securities -- Common Stock."

Anti-takeover Provisions.....

Certain provisions of the Fund's charter (the "Charter") and its by-laws (the "By-Laws") may be regarded as "anti-takeover provisions." Pursuant to these provisions, only one of three classes of directors is elected each year. In addition, the affirmative vote of a majority of 2/3% of each class of the Fund's outstanding voting stock is necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company or to authorize certain transactions between the Fund and a beneficial owner of 5% of any class of the Fund's capital stock. The vote of a majority of the holders of the Fund's securities, voting as a single class, is also necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company. The overall effect of these provisions is to make it difficult to effect the accomplishment of a merger with, or the acquisition of control by, a principal stockholder. These provisions may have the effect of depriving Fund stockholders of an

opportunity to sell their stock at a premium to the prevailing market price. See "Anti-takeover Provisions of the Charter and By-Laws."

Custodian, Transfer Agent,  
Auction Agent and  
Dividend Disbursing Agent.....

State Street Bank and Trust Company (the "Custodian"), 100 State Street, Royall Street, Canton, MA 02021, serves as the custodian of the Fund's assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund's assets in compliance with the requirements of the 1940 Act. For its services, the Custodian will receive a monthly fee, plus certain charges for securities transactions.

EquiServe Trust Company, N.A., located at P.O. Box 43025 02940-3025, serves as the Fund's dividend disbursing agent under the Fund's automatic dividend reinvestment and voluntary purchase plan, and as transfer agent and registrar with respect to the common stock of the Fund.

Series D Preferred. EquiServe will also serve as the transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series D Preferred. EquiServe currently serves in such capacities with respect to the Series B Preferred.

Series E Auction Rate Preferred. The Bank of New York currently serves as the auction agent, transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series E Auction Rate Preferred. The Bank of New York currently serves in such capacities with respect to the Series C Auction Rate Preferred.

InterestRate Transactions ..... The Fund has entered into an interest rate swap transaction with respect to its outstanding Series C Auction Rate Preferred, and the Fund may enter into interest rate swap or cap transactions in relation to all of the Series E Auction Rate Preferred in order to manage the Fund's portfolio of changes in the dividend rate of the Series E Auction Rate Preferred. Through these transactions the Fund may, for the equivalent of a fixed rate for such auction rate preferred stock, pay a rate that is lower than the Fund would have to pay if it issued fixed rate preferred stock. The use of interest rate swaps and caps is a specialized activity that involves investment techniques that are different from those associated with ordinary portfolio management transactions.

In an interest rate swap, the Fund would agree to pay to the counterparty to the interest rate swap (which is known as the "counterparty") a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment intended to approximate the Fund's variable rate payment on the auction rate preferred stock. In an interest rate cap transaction, the Fund would pay a premium to the counterparty to the interest rate cap in exchange for the counterparty paying to the Fund, to the extent that a specified variable rate index exceeds a pre-

fixed rate, the Fund would receive from the counterparty a payment equal to the difference based on the notional amount of such cap.

Interest rate swap and cap transactions introduce additional risks to the Fund. In the event of a default, the Fund would remain obligated to pay preferred stock dividends in accordance with the Articles Supplementary even if the counterparty defaulted. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at the time of such a default could negatively affect the Fund's ability to make dividend payments on the Series D Preferred and Series E Auction Rate Preferred. In addition, at the time an interest rate swap transaction reaches its scheduled termination date, then the Fund will not be able to obtain a replacement transaction on terms of the replacement will not be as favorable as on the original transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments on the Series D Preferred and Series E Auction Rate Preferred.

A sudden and dramatic decline in interest rates may result in a significant decline in the asset coverage. If the Fund fails to maintain the required asset coverage on its outstanding preferred stock, to comply with other covenants, the Fund may, at its option, under certain circumstances will be required to) consistent with the requirements of the 1940 Act mandatorily redeem its preferred stock (including the Series D Preferred and the Series E Auction Rate Preferred). Such redemption likely would require the Fund to seek to terminate early all or a portion of any swap transaction. Early termination of a swap could require the Fund to make a termination payment to the counterparty.

The Fund intends to segregate cash or liquid securities in an amount at least equal to the value of the Fund's net payment obligation on any swap transaction, marked to market daily. The Fund does not intend to enter into interest rate swap or cap transactions with respect to the Series E Auction Rate Preferred in a notional amount in excess of the outstanding amount of the Series E Auction Rate Preferred. The Fund will monitor any such swap or cap transaction with a view to ensuring that the Fund remains in compliance with all applicable regulatory requirements, public policy and tax requirements. See "How the Fund Manages Risk Through Derivative Transactions" for additional information.

Use of Leverage .....As provided in the 1940 Act, and subject to compliance with the investment limitations, the Fund may issue senior securities, such as preferred stock, so long as immediately following the issuance the stock will have an asset coverage of 200%. The use of leverage magnifies the impact of changes in net asset value. If the cost of leverage exceeds the return on the securities, the use of leverage will not enhance the return to the Fund. See "Investment

Objectives and Policies--Special Investment Methods--Lev

(This page intentionally left blank)

FINANCIAL HIGHLIGHTS

The selected data below sets forth the per share operating performance and ratios for the periods presented. The financial information was derived from and should be read in conjunction with the Financial Statements of the Fund and Notes thereto, which are incorporated by reference into this prospectus and the SAI. The financial information for the year ending December 31, 2002, and for each of the preceding nine years has been audited by PricewaterhouseCoopers LLP, the Fund's independent accountants, whose unqualified report on such Financial Statements is incorporated by

Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

reference into the SAI.

Selected data for a Fund common share outstanding throughout each period:

22

	Six Months Ended June 30, 2003 (unaudited)	2002 (a)	2001 (a)	Year Ended 2000
<b>Per Common Share Operating Performance:</b>				
Net asset value, beginning of period.....	\$ 6.28	\$ 8.97	\$ 10.89	\$
Net investment income.....	0.03	0.06	0.08	
Net realized and unrealized gain (loss) on investments.....	0.95	(1.64)	(0.16)	
Total from investment operations.....	0.98	(1.58)	(0.08)	
<b>Distributions to Preferred Stock Shareholders:</b>				
Net investment income.....	(0.09)	(0.01)	(0.01)	
Net realized gain on investments.....	--	(0.16)	(0.11)	
Total distributions to preferred stock shareholders.....	(0.09)	(0.17)	(0.12)	
Net Increase (Decrease) in Net Assets Attributable to Common Stockholders Resulting from Operations.....	0.89	(1.75)	(0.20)	
<b>Distributions to Common Stock Shareholders:</b>				
Net investment income.....	(0.40)	(0.05)	(0.06)	
Net realized gain on investments.....	--	(0.90)	(1.02)	
Paid-in capital.....	--	(0.00) (c)	--	
Total distributions to common stock shareholders.....	(0.40)	(0.95)	(1.08)	
<b>Capital Share Transactions:</b>				
Increase in net asset value from common stock share transactions.....	0.01	0.02	0.03	
Decrease in net asset value from shares issued in rights offering.....	--	--	(0.62)	
Offering costs for preferred shares charged to paid-in capital.....	(0.00) (c)	(0.01)	(0.05)	
Total capital share transactions.....	0.01	0.01	(0.64)	
Net Asset Value Attributable to Common Stock Shareholders, end of period.....	\$ 6.78	\$ 6.28	\$ 8.97	\$
Net asset value total return+.....	14.50%	(21.00)%	(3.68)%	
Market value, end of period.....	\$ 7.47	\$ 6.85	\$ 10.79	\$

Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

	=====	=====	=====	=====
Total investment return++.....	15.65%	(28.36)%	10.32%	
Ratios and Supplemental Data:				
Net assets including liquidation value of preferred shares, end of period (in 000's)...	\$ 1,216,575	\$ 1,271,600	\$ 1,465,369	\$ 1,3
Net assets attributable to common stock, end of period (in 000's).....	\$ 921,575	\$ 842,403	\$ 1,166,171	\$ 1,1
Ratio of net investment income to average net assets attributable to common stock.....	0.73% (k)	0.81%	0.81%	
Ratio of operating expenses to average net assets attributable to common stock (e) (g).....	1.86% (k)	1.37%	1.12%	
Ratio of operating expenses to average total net assets including liquidation value of preferred shares (e) (g).....	1.26% (k)	1.00%	0.95%	
Portfolio turnover rate.....	2.2%	27.1%	23.9%	
Preferred Stock:				
7.25% Cumulative Preferred Stock				
Liquidation value, end of period (in 000's)....	--	\$ 134,198	\$ 134,198	\$ 1
Total shares outstanding (in 000's).....	--	5,368	5,368	
Liquidation preference per share.....	--	\$ 25.00	\$ 25.00	\$
Average market value (d).....	--	\$ 25.75	\$ 25.39	\$
7.20% Cumulative Preferred Stock				
Liquidation value, end of period (in 000's)....	165,000	\$ 165,000	\$ 165,000	
Total shares outstanding (in 000's).....	6,600	6,600	6,600	
Liquidation preference per share.....	25.00	\$ 25.00	\$ 25.00	
Average market value (d).....	27.12	\$ 26.40	\$ 25.60	
Auction Rate Cumulative Preferred Stock				
Liquidation value, end of period (in 000's)....	130,000	\$ 130,000	--	
Total shares outstanding (in 000's).....	5	5	--	
Liquidation preference per share.....	25,000	\$ 25,000	--	
Average market value (d).....	25,000	\$ 25,000	--	
Asset Coverage (f).....	412%	296%	490%	
Asset Coverage Per Share (f).....	184.18	\$ 106.20	\$ 122.44	\$

23

	1997 (a)	Year Ended Decemb 1996 (a)	1995 (a)
	-----	-----	-----
Per Common Share Operating Performance:			
Net asset value, beginning of period.....	\$ 9.77	\$ 9.95	\$ 9.4
Net investment income.....	0.08	0.11	0.1
Net realized and unrealized gain (loss) on investments.....	2.75	0.71	1.7
Total from investment operations.....	2.83	0.82	1.8
Distributions to Common Stock Shareholders:			
Net investment income.....	(0.08)	(0.11)	(0.1
In excess of net investment income.....	(0.00) (d)	--	--
Net realized gain on investments .....	(0.93)	(0.78)	(0.4
In excess of net realized gain on investments.....	--	(0.00) (c)	(0.0
Paid-in capital.....	(0.03)	(0.11)	(0.3
Capital Share Transactions:			
Increase (decrease) in net asset value from Fund share transactions.....	--	--	(0.3
Decrease in net asset value from shares issued in rights offering.....	--	--	--
Offering expenses charged to capital surplus.....	--	--	(0.0
Total distributions.....	(1.04)	(1.00)	(1.0

## Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

Net asset value, end of period.....	\$	11.56	\$	9.77	\$	9.9
Market value, end of period.....	\$	11.69	\$	9.38	\$	9.37
Net asset value total return +.....		30.46%		9.00%		20.6
Total investment return ++.....		37.46%		11.00%		11.7

### Ratios to Average Net Assets Available to Common

#### Stock Shareholders and Supplemental Data:

Net assets, end of period (in 000's)	\$	1,210,570	\$	1,015,437	\$	1,034,09
Net assets attributable to common stock, end of period (in 000's).....		1,210,570		1,015,437		1,034,09
Ratio of net investment income to average net assets attributable to common stock.....		0.76%		1.07%		1.2
Ratio of operating expenses to average total net assets(i).....		1.14%		1.18%		1.2
Portfolio turnover rate.....		39.2%		18.9%		25.

- 
- + Based on net asset value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by stockholder. Total return for the period less than one year is not annualized.
- ++ Based on market value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by stockholder. Total return for the period less than one year is not annualized.
- (a) Per share amounts have been calculated using the monthly average shares outstanding method.
- (b) A distribution equivalent to \$0.75 per share for The Gabelli Utility Trust spin-off from net investment income, realized short-term gains, realized long-term gains, and paid-in-capital were \$0.01029, \$0.07453, \$0.34218 and \$0.32300, respectively.
- (c) Amount represents less than \$0.005 per share.
- (d) Based on weekly prices.
- (e) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits for the years ended December 31, 2002, 2001 and 2000, the expense ratios of operating expenses to average net assets attributable to common stock would be 1.37%, 1.11% and 1.14%, respectively, and the expense ratios of operating expenses to average total net assets including liquidation value of preferred shares would be 1.00%, 0.94% and 1.03%, respectively.
- (f) Asset coverage is calculated by combining all series of preferred stock.
- (g) The Fund incurred interest expense during the six months ended June 30, 2003 and the year ended December 31, 2002. If interest expense had not been incurred, the expense ratio of operating expenses to average net assets attributable to common stock would be 1.37% and 1.19%, respectively, and the expense ratio of operating expenses to average total net assets including liquidation value of preferred shares would be 0.92% and 0.87%, respectively.
- (h) Includes a distribution equivalent to \$0.75 per share for The Gabelli Global Multimedia Trust Inc. spin-off comprising net investment income, realized short-term gains, and paid-in capital of \$0.064, \$0.031, and \$0.655, respectively.
- (i) Amounts are attributable to both common and preferred stock assets.
- (j) Prior to 1998 there was no preferred stock outstanding.
- (k) Annualized.



## Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

The following table provides information about the Fund's Series A Preferred, Series B Preferred and Series C Auction Rate Preferred since the issuance of each such series. The information has been audited by PricewaterhouseCoopers LLP, independent accountants.

Year ended December 31, -----	Shares Outstanding -----	Asset Coverage Per Share -----	Involunt Liquidat Prefere Per Sha -----
2002	Series A Preferred: 5,367,900	\$106.20	\$25.00
	Series B Preferred: 6,600,000	\$106.20	\$25.00
	Series C Auction Rate Preferred: 5,200	\$106.20	\$25,00
2001	Series A Preferred: 5,367,900	\$122.44	\$25.00
	Series B Preferred: 6,600,000	\$122.44	\$25.00
2000	Series A Preferred: 5,368,900	\$245.54	\$25.00
1999	Series A Preferred: 5,386,400	\$279.16	\$25.00
1998	Series A Preferred: 5,400,000	\$250.41	\$25.00

For purposes of the foregoing table, the Asset Coverage Per Share is calculated by dividing the total value of the Fund's assets on December 31 of the relevant year by the aggregate liquidation preference of the Fund's preferred shares outstanding on that date. Involuntary Liquidation Preference Per Share refers to the amount holders of Series A Preferred, Series B Preferred and Series C Auction Rate Preferred are entitled to receive per share in the event of liquidation of the Fund prior to the holders of common stock being entitled to receive any amounts in respect of the assets of the Fund. The Average Market Value Per Share for each the Series A Preferred and the Series B Preferred is the average of the weekly closing prices of such series on the NYSE each week during the relevant year.

### USE OF PROCEEDS

The net proceeds of the offering are estimated at \$121,647,500, after deduction of the underwriting discounts and estimated offering expenses payable by the Fund. The Investment Adviser expects that it will initially invest the proceeds of the offering in high quality short-term debt securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made, in accordance with the Fund's investment objectives and policies, within three months; however, changes in the current market conditions or other developments affecting the industries in which the Fund normally invests could result in the Fund's anticipated investment period extending to as long as six months.

Edgar Filing: GABELLI EQUITY TRUST INC - Form 497

THE FUND

The Fund, incorporated in Maryland on May 20, 1986, is a closed-end, non-diversified management investment company registered under the 1940 Act. The Fund's common stock is traded on the NYSE under the symbol "GAB." Prior to its redemption on June 17, 2003, the Fund's Series A Preferred traded on the NYSE under the symbol "GAB Pr." The Fund's Series B Preferred trades under the symbol "GAB PrB."

CAPITALIZATION

The following table sets forth the unaudited capitalization of the Fund as of September 15, 2003, and its adjusted capitalization assuming the Series D Preferred and/or Series E Auction Rate Preferred offered in this prospectus had been issued.

	As of September 15, 2003 (unaudited)	As of September 15, 2003 (unaudited)
	Actual	As Adjusted
	-----	-----
Preferred stock, \$0.001 par value, 18,000,000 shares authorized. (The "Actual" column reflects Fund's outstanding capitalization as of September 15, 2003; the "As Adjusted" column assumes the issuance of an additional 3,000,000 shares of Series D Preferred and 2,000 shares of Series E Auction Rate Preferred, \$25 and \$25,000 liquidation preference, respectively).....	\$ 295,000,000	\$
Stockholders' Equity Applicable to shares of common stock		
Common stock, \$.001 par value per share; 182,000,000 shares authorized, 136,014,878 shares outstanding.....	136,015	
Paid-in surplus*.....	873,744,705	
Accumulated distributions in excess of net investment income.....	(84,923,457)	
Accumulated net realized loss from investment transactions.....	(2,169,658)	
Net unrealized appreciation.....	171,309,400	
Net assets applicable to common stockholders.....	958,097,005	
Net assets, plus liquidation preference of preferred stock.....	\$ 1,253,097,005	\$

\* As adjusted paid-in surplus reflects a reduction for the sales load and estimated offering cost of the Series D Preferred and/or Series E Auction Rate Preferred issuance of \$3,352,500.

As used in this prospectus, unless otherwise noted, the Fund's "managed assets" include the aggregate net asset value of the Fund's common stock plus assets attributable to its outstanding preferred stock, with no deduction for the liquidation preference of such preferred stock. For financial reporting purposes, however, the Fund is required to deduct the liquidation preference of its outstanding preferred stock from "managed assets," so long as the preferred stock has redemption features that are not solely within the control of the Fund. For all regulatory purposes, the Fund's preferred stock will be treated as stock (rather than as indebtedness).

#### INVESTMENT OBJECTIVES AND POLICIES

The Fund's primary investment objective is to achieve long-term growth of capital by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities selected by the Investment Adviser. Income is the secondary investment objective. The investment objectives of long-term growth of capital and income are fundamental policies of the Fund. These fundamental policies and the investment limitations described in the SAI under the caption "Investment Restrictions" cannot be changed without the approval of the holders of a majority of the Fund's outstanding shares of preferred stock voting as a separate class and the approval of the holders of a majority of the Fund's outstanding voting securities. Such majority votes require, in each case, the lesser of (i) 67% of the Fund's applicable shares represented at a meeting at which more than 50% of the applicable shares outstanding are represented, whether in person or by proxy, or (ii) more than 50% of the Fund's applicable shares outstanding.

Under normal market conditions, the Fund will invest at least 80% of the value of its total assets in equity securities.

The Investment Adviser selects investments on the basis of fundamental value and, accordingly, the Fund typically invests in the securities of companies that are believed by the Investment Adviser to be priced lower than justified in relation to their underlying assets. Other important factors in the selection of investments include favorable price/earnings and debt/equity ratios and strong management.

The Fund seeks to ach