GABELLI EQUITY TRUST INC
Form N-2/A
October 20, 2017

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As filed with the Securities and Exchange Commission on October 20, 2017

Securities Act File No. 333-220232

Investment Company Act File No. 811-04700

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

(Check Appropriate Box or Boxes)

Registration Statement

under

the Securities Act of 1933
Pre-Effective Amendment No. 1
Post-Effective Amendment No.
and/or

Registration Statement

under

the Investment Company Act of 1940
Amendment No. 61

THE GABELLI EQUITY TRUST INC.

(Exact Name of Registrant as Specified in Charter)

One Corporate Center, Rye, New York 10580-1422

(Address of Principal Executive Offices)

Registrant s Telephone Number, Including Area Code: (800) 422-3554

Bruce N. Alpert

The Gabelli Equity Trust Inc.

One Corporate Center

Rye, New York 10580-1422

(914) 921-5100

(Name and Address of Agent for Service)

Copies to:

Andrea R. Mango, Esq.

The Gabelli Equity Trust Inc.

One Corporate Center

Rye, New York 10580-1422

(914) 921-5100

Rose F. DiMartino, Esq.

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787 Seventh Avenue New York,

New York 10019-6099

(212) 728-8000

Approximate date of proposed public offering: From time to time after the effective date of this Registration Statement.

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

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

When declared effective pursuant to section 8(c).

If appropriate, check the following box:

This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

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

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities	Amount	Proposed	Proposed	Amount of Registration Fee

	Being Registered	**Maximum Offering Price Per Share**	**Maximum Aggregate Offering Price(1)**	
Common Stock (2)	Shares	$	$	$
Preferred Stock (2)	Shares	$	$	$
Subscription Rights to Purchase Common Stock (2)			$	$
Subscription Rights to Purchase Preferred Stock (2)			$	$
Subscription Rights to Purchase Common Stock and Preferred Stock (2)			$	$
Total	Shares	$	$500,000,000	$62,250

(1) Estimated pursuant to Rule 457 solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined, from time to time, by the Registrant in connection with the sale by the Registrant of the securities registered under this registration statement.

(2) There is being registered hereunder an indeterminate principal amount of common stock or preferred stock as may be sold, from time to time, including subscription rights to purchase common stock and/or preferred stock.

(3) The Registrant makes a payment of $28,451 and claims a credit of $33,799 for fees attributable to $262,417,371 of securities previously registered and unsold under the Registrant s registration statement filed on April 14, 2014 (File No. 333-195247) pursuant to the offset provision of Rule 457(p).

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion,

Preliminary Base Prospectus dated October 20, 2017

PRELIMINARY PROSPECTUS

$500,000,000

The Gabelli Equity Trust Inc.

Common Stock

Preferred Stock

Subscription Rights to Purchase Common Stock

Subscription Rights to Purchase Preferred Stock

Subscription Rights to Purchase Common Stock and Preferred Stock

Investment Objectives. The Gabelli Equity Trust Inc. (the Fund) is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). 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. Income is a secondary investment objective. Gabelli Funds, LLC (the Investment Adviser) serves as investment adviser to the Fund. Under normal market conditions, the Fund will invest at least 80% of the value of its total assets in equity securities. The Fund was organized as a Maryland corporation on May 20, 1986, and commenced its investment operations on August 21, 1986. An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund s objectives will be achieved.

We may offer, from time to time, in one or more offerings, shares of our common stock or preferred stock, each having a par value of $0.001 per share, or our subscription rights to purchase our common stock or preferred stock. Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a Prospectus Supplement). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our shares.

Our shares may be offered directly to one or more purchasers, including existing stockholders in a rights offering, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our shares, and will set forth any applicable purchase price, fee, commission, or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of shares of preferred stock will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period, and other matters. The Prospectus Supplement relating to any offering of subscription rights will set forth the number of shares (preferred or common) issuable upon the exercise of each right (or number of rights) and the other terms of such rights offering. We may not sell any of our securities through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering. Shares of our common stock are listed on the New York Stock Exchange (NYSE) under the symbol GAB. Currently, the Fund s 5.875% Series D Cumulative Preferred Stock, Series G Cumulative Preferred Stock, 5.00% Series H Cumulative Preferred Stock and 5.45% Series J Cumulative Preferred Stock are listed on the NYSE under the symbol GAB PrD, GAB PrG, GAB PrH and GAB PrJ, respective Any future series of fixed rate preferred stock would also likely be listed on a stock exchange. On October 19, 2017, the last reported NYSE sale price of shares of our common stock was $6.50 per share. The net asset value of shares of the Fund s common stock at the close of business on October 19, 2017 was $6.50 per share.

Shares of closed-end funds often trade at a discount from net asset value. This creates a risk of loss for an investor purchasing shares in a public offering.

Investing in the Fund s shares involves risks. See Risk Factors and Special Considerations on page 33 for factors that should be considered before investing in shares of the Fund, including Leverage Risk on page 33.

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.

This Prospectus may not be used to consummate sales of shares by us through agents, underwriters, or dealers unless accompanied by a Prospectus Supplement.

This Prospectus sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest in the shares, and retain it for future reference. A Statement of Additional Information, dated October 20, 2017, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of our annual and semiannual reports, request a free copy of the Statement of Additional Information, the table of contents of which is on page 73 of this Prospectus, request other information about us and make stockholder inquiries by calling (800) GABELLI (422-3554) or by writing to the Fund, or obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission s web site (http://www.sec.gov). Our annual and semiannual reports are also available on our website (www.gabelli.com). The Statement of Additional Information is only updated in connection with an offering and is therefore not available on the Fund s website.

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

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

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PROSPECTUS SUMMARY

This is only a summary. This summary may not contain all of the information that you should consider before investing in our shares. You should review the more detailed information contained in this Prospectus and the Statement of Additional Information dated October 20, 2017 (the SAI).

The Fund

The Gabelli Equity Trust Inc. is a closed-end, non-diversified management investment company organized as a Maryland corporation on May 20, 1986. Throughout this Prospectus, we refer to The Gabelli Equity Trust Inc. as the Fund or as we. See The Fund.

The Fund s outstanding shares of common stock, par value $0.001 per share, are listed on the New York Stock Exchange under the symbol GAB. As of September 29, 2017, the net assets of the Fund attributable to its common stock were $1,418,617,615. As of September 29, 2017, the Fund had outstanding 220,598,406 shares of common stock; 2,880 shares of Series C Auction Rate Cumulative Preferred Stock, liquidation preference $25,000 per share (the Series C Auction Rate Preferred); 2,363,860 shares of 5.875% Series D Cumulative Preferred Stock, liquidation preference $25 per share (the Series D Preferred); 1,120 shares of Series E Auction Rate Preferred Stock, liquidation preference $25,000 per share (the Series E Auction Rate Preferred); 2,779,796 shares of Series G Cumulative Preferred Stock, liquidation preference $25 per share (the Series G Preferred); 4,172,873 shares of 5.00% Series H Cumulative Preferred Stock, liquidation preference $25 per share (the Series H Preferred) and 3,200,000 shares of 5.45% Series J Cumulative Preferred Stock, liquidation preference $25 per share (the Series J Preferred). The Series C Auction Rate Preferred, Series D Preferred, Series E Auction Rate Preferred, Series G Preferred, Series H Preferred and Series J Preferred have the same seniority with respect to distributions and liquidation preference.

The Offering

We may offer, from time to time, in one or more offerings, our common stock, $0.001 par value per share, and our preferred stock, $0.001 par value per share. The shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a Prospectus Supplement). We may also offer subscription rights to purchase our common stock or preferred stock. The offering price per share of our common stock will not be less than the net asset value per share of our common stock at the time we make the offering, exclusive of any underwriting commissions or discounts, provided that transferable rights offerings that meet certain conditions may be offered at a price below the then current net asset value. See Rights Offerings. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our shares. Our shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of preferred stock will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period and other matters. The Prospectus Supplement relating to any offering of subscription rights will set forth the number of shares (preferred or common) issuable upon the exercise of each right (or number of rights) and the other terms of such rights offering. We may not sell any of our securities through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering. Shares of our common stock are listed on the New York Stock Exchange (NYSE) under the symbol GAB. Currently, the Fund s Series D Preferred, Series G Preferred, Series H Preferred and Series J Preferred are listed on the NYSE under the symbol GAB PrD, GAB PrG, GAB PrH and GAB PrJ, respectively. Any future series of fixed rate preferred stock would also likely be listed on a stock exchange.

On October 19, 2017 the last reported NYSE sale price of shares of our common stock was $6.50 per share. The net asset value of shares of the Fund s common stock at the close of business on October 19, 2017 was $6.50 per share.

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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 a secondary investment objective.

Under normal market conditions, the Fund will invest at least 80% of the value of its total assets in equity securities (the 80% Policy). The 80% Policy may be changed without stockholder approval. The Fund will provide stockholders with notice at least 60 days prior to the implementation of any change in the 80% Policy.

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 achieve its secondary investment objective of income, in part, by investing up to 10% of its total assets in a portfolio consisting primarily of high yielding, fixed income securities, such as corporate bonds, debentures, notes, convertible securities, preferred stock, and domestic and foreign government obligations. Fixed income securities purchased by the Fund may be rated as low as C by Moody s Investors Service, Inc. (Moody s) or D by Standard & Poor s, a Division of The McGraw-Hill Companies, Inc. (S&P), or may be unrated securities considered to be of equivalent quality. Securities that are rated C by Moody s are the lowest rated class and can be regarded as having extremely poor prospects of ever obtaining investment grade standing. Debt rated D by S&P is in default or is expected to default upon maturity of payment date. These debt securities, which are often referred to in the financial press as junk bonds, are predominantly speculative and involve major risk exposure to adverse conditions. The Fund may invest in fixed income securities of any maturity and any duration when it appears that the Fund will be better able to achieve its investment objective through investments in such securities or when the Fund is temporarily in a defensive position. The average duration and average maturity of the Fund s investments in debt securities will vary from time to time depending on the views of the Investment Adviser.

The Fund invests in equity securities across all market capitalization ranges. 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 those issued by companies located in emerging markets.

No assurance can be given that the Fund s investment objectives will be achieved. See Investment Objectives and Policies.

Common Stock

Currently, 337,024,900 shares of the Fund s capital stock, which includes the common stock being registered with this registration statement, are classified as common stock, par value $0.001 per share. Holders of the common stock are entitled to one vote per share held. Holders of the common stock are entitled to share equally in distributions authorized by the Fund s Board of Directors (the Board) payable to the holders of such shares and in the net assets of the Fund available on liquidation for distribution to holders of such shares. The shares of common stock have noncumulative voting rights and no conversion, preemptive or other subscription rights, and are not redeemable. In the event of liquidation, each share of Fund common stock is entitled to its proportion of the Fund s assets after payment of debts and expenses and the amounts payable to holders of the Fund s preferred stock ranking senior to the shares of common stock of the Fund. As of September 29, 2017, 220,598,406 shares of common stock of the Fund were outstanding.

Preferred Stock

Currently, 32,975,100 shares of the Fund s capital stock, which includes the preferred stock being registered with this registration statement, have been classified by the Board of the Fund or any duly authorized committee thereof as preferred stock, par value $0.001 per share. The Fund s Board may reclassify authorized and unissued shares of the Fund, previously classified as common stock, as preferred stock prior to the completion of any offering. The number of shares and terms of each series of preferred stock may be fixed by the Board and may materially limit and/or qualify the rights of holders of the Fund s common stock. If the Fund s Board determines that it may be advantageous to the holders of the Fund s common stock for the Fund to utilize additional leverage, the Fund may issue additional series of fixed rate preferred stock (Fixed Rate Preferred Stock). Any Fixed Rate Preferred Stock issued by the Fund will pay distributions at a fixed rate, which may be reset after an initial period. As of September 29, 2017, 2,880 shares of Series C Auction Rate Preferred, 2,363,860 shares of Series D Preferred, 1,120 shares of Series E Auction Rate Preferred, 2,779,796 shares of Series G Preferred, 4,172,873 shares of Series H Preferred and 3,200,000 shares of Series J Preferred were issued and outstanding. Leverage creates a greater risk of loss as well as a potential for more gains for the common stock than if leverage were not used. See Risk Factors and Special Considerations Leverage Risk and Certain Investment Practices Leveraging. The Fund may also engage in investment management techniques which will not be considered senior securities if the Fund establishes in a segregated account cash or other liquid securities equal to the Fund s obligations in respect of such techniques. The Fund may borrow money in accordance with its investment restrictions, including as a temporary measure for extraordinary or emergency purposes. The Fund will not borrow for investment purposes.

Dividends and Distributions

Preferred Stock Distributions. In accordance with the Fund s Articles of Incorporation (together with any amendments or supplements thereto, including any articles supplementary of the Fund establishing a series of preferred stock (the Articles Supplementary) and together with the Articles of Incorporation, the Charter) and as required by the 1940 Act, all shares of preferred stock of the Fund must have the same seniority with respect to distributions. Accordingly, no full distribution will be declared or paid on any series of preferred stock of the Fund for any dividend period, or part thereof, unless full cumulative dividends and distributions due through the most recent dividend payment dates for all series of outstanding preferred stock of the Fund are declared and paid. If full cumulative distributions due have not been declared and made on all outstanding preferred stock of the Fund. Any partial distributions on such preferred stock will be made as nearly pro rata as possible in proportion to the respective amounts of distributions accumulated but unmade on each such series of preferred stock on the relevant dividend payment date.

The Fund did not make return of capital distributions to its preferred stockholders during the year ended December 31, 2016. See Composition of Distributions.

Common Stock Distributions. In order to allow its common stockholders to realize a predictable, but not assured, level of cash flow and some liquidity periodically on their investment without having to sell shares, the Fund has adopted a managed distribution policy, which may be modified at any time by the Board, of paying a minimum annual distribution of 10% of the average net asset value of the Fund to common stockholders. The Fund has made quarterly distributions with respect to shares of its common stock since 1987. A portion of the distributions to common stockholders during eighteen of the thirty fiscal years that distributions were paid since the Fund s inception has included a return of capital. Under the Fund s distribution policy, the Fund declares and pays quarterly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution for tax purposes is determined after the end of the year. Pursuant to this policy, distributions during the year may be made in excess of required distributions. To the extent such distributions are made from current earnings or accumulated earnings and profits, they are considered ordinary income or long term capital gains. The Fund s current distribution policy may restrict the Fund s ability to pass through to stockholders all of its net realized long term capital gains as a capital gain dividend, subject to the maximum federal income tax rate of 20% (plus an additional 3.8% Medicare contribution surcharge on income and net gain from investments), and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate of 39.6% plus the 3.8% Medicare contribution surcharge.

For the fiscal year ended December 31, 2016, the Fund made distributions of $0.60 per share of common stock, approximately 0.73% of which was deemed a return of capital. See Composition of Distributions.

Composition of Distributions. ***Distributions sourced from paid-in capital should not be considered as dividend yield or the total return from an investment in the Fund s preferred or common stock. Stockholders who periodically receive the payment of a dividend or other distribution consisting of a return of capital may be under***

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the impression that they are receiving net profits when they are not. Stockholders should not assume that the source of a distribution from the Fund is net profit. In the event that for any calendar year Fund does not generate a total return from dividends and interest received and net realized capital gains in an amount equal to or in excess of the total distributions on shares of the Fund s common stock or preferred stock in such year, as applicable, the excess distributions will generally be treated as a tax free return of capital (to the extent of the shareholder s tax basis in the shares). The amount treated as a tax free return of capital will reduce the net asset value of the shares of the Fund s stock and a shareholder s adjusted tax basis in the shares of the common stock or preferred stock, as applicable, which may negatively affect the price a stockholder receives upon the sale of its shares by increasing the stockholder s potential taxable gain or reducing the potential taxable loss on the sale of the shares of the stock. Any amount in excess of a stockholder s remaining outstanding basis will constitute gain to such stockholder. Return of capital as part of a distribution may have the effect of decreasing the asset coverage per share with respect to the shares of the Fund s preferred stock.

The composition of each distribution is estimated based on the earnings of the Fund as of the record date for each distribution. The actual composition of each of the current year s distributions will be based on the Fund s investment activity through December 31, 2017. The actual composition of each distribution may change based on the Fund s investment activity through the end of the calendar year. The Board monitors and reviews the Fund s preferred stock and common stock distribution policies on a regular basis.

Use of Proceeds

The Fund will use the net proceeds from the offering to purchase portfolio securities in accordance with its investment objectives and policies as appropriate investment opportunities are identified, which is expected to substantially be completed within three months; however, changes in market conditions could result in the Fund s anticipated investment period extending to as long as six months. This could occur because the Investment Adviser follows a value-oriented investment strategy; therefore, market conditions could result in the Investment Adviser delaying the investment of proceeds if it believes the margin of risk in making additional investments is not favorable in light of its value-oriented investment strategy. See Investment Objectives and Policies Investment Methodology of the Fund. Depending on market conditions and operations, a portion of the cash held by the Fund, including any proceeds raised from the offering, may be used to pay distributions in accordance with the Fund s distribution policy. The Fund may also use the proceeds to redeem or repurchase existing series of preferred stock, in whole or in part. See Use of Proceeds in the Prospectus Supplement for a discussion of whether the Fund expects to use the proceeds from the offering to redeem or repurchase existing series of preferred stock, in whole or in part.

Exchange Listing

The Fund s outstanding shares of common stock are listed on the NYSE, under the trading or ticker symbol GAB. Currently, the Series D Preferred, Series G Preferred, Series H Preferred and Series J Preferred are listed on the NYSE under the symbol GAB PrD, GAB PrG, GAB PrH and GAB PrJ, respectively. See Description of Capital Stock. additional series of Fixed Rate Preferred Stock issued by the Fund would also likely be listed on the NYSE. Subscription rights issued by the Fund may also be listed on a securities exchange.

Market Price of Shares

Common shares of closed-end investment companies often trade at prices lower than their net asset value. Common shares of closed-end investment companies may trade during some periods at prices higher than their net asset value and during other periods at prices lower than their net asset value. The Fund cannot assure you that its common stock will trade at a price higher than, equal to, or below net asset value. The Fund s net asset value will be reduced immediately following an offering by the sales load and the amount of the offering expenses paid by the Fund.

In addition to net asset value, the market price of the Fund s common stock may be affected by such factors as the Fund s dividend and distribution levels and stability, market liquidity, market supply and demand, unrealized gains, general market and economic conditions, and other factors. See Risk Factors and Special Considerations, Description of the Capital Stock and Repurchase of Common Stock.

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The Fund s common stock is designed primarily for long term investors, and you should not purchase shares of common stock of the Fund if you intend to sell them shortly after purchase.

Fixed rate preferred stock, if issued, may also trade at premiums to or discounts from its liquidation preference for a variety of reasons, including changes in interest rates.

Risk Factors and Special Considerations

Risk is inherent in all investing. Therefore, before investing in shares of the Fund, you should consider the following risks carefully.

Leverage Risk. The Fund currently uses, and intends to continue to use, leverage for investment purposes by issuing preferred stock. Leverage for these purposes means the ratio by which the aggregate amount of senior securities representing indebtedness of the Fund plus the aggregate involuntary liquidation preference of the Fund s preferred stock bears to the Fund s total assets. As of September 29, 2017, the amount of leverage represented approximately 23% of the Fund s net assets. The Fund s leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. The use of leverage, which can be described as exposure to changes in price at a ratio greater than the amount of equity invested magnifies both the favorable and unfavorable effects of price movements in the investments made by the Fund. To the extent that the Fund determines to employ additional leverage in its investment operations, the Fund is subject to additional substantial risk of loss. The Fund cannot assure you that the issuance of preferred stock will result in a higher yield or return to the holders of shares of common stock. Also, as the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common stock distributions and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code). See Taxation.

Special Risks to Holders of Fixed Rate Preferred Stock. Prior to any offering, there will be no public market for any additional series of Fixed Rate Preferred Stock. In the event any additional series of Fixed Rate Preferred Stock are issued, prior application will have been made to list such shares on a national securities exchange, which will likely be the NYSE. However, during an initial period, which is not expected to exceed 30 days after the date of its initial issuance, such shares may not be listed on any securities exchange. Before an additional series of Fixed Rate Preferred Stock is listed on a securities exchange, the underwriters may, but will not be obligated to, make a market in such shares. Consequently, an investment in such shares may be illiquid during such period. Shares of Fixed Rate Preferred Stock may trade at a premium to or discount from liquidation value for various reasons, including changes in interest rates.

Special Risks of Preferred Stock to Holders of Common Stock. The issuance of preferred stock causes the net asset value and market value of the common stock to become more volatile. If the dividend rate on the preferred stock approaches the net rate of return on the Fund s investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the dividend rate on the preferred stock plus the management fee annual rate of 1.00% (as applicable) exceeds the net rate of return on the Fund s portfolio, the leverage will result in a lower rate of return to the holders of common stock than if the Fund had not issued preferred stock. Any decline in the net asset value of the Fund s investments would be borne entirely by the holders of common stock. In addition, the Fund would pay (and the holders of common stock will bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including the advisory fees on the incremental assets attributable to such stock. See Risk Factors and Special Considerations Leverage Risk Preferred Stock Risk.

Credit Quality Ratings. The Fund may obtain credit quality ratings for its preferred stock; however, it is not required to do so and may issue preferred stock without any rating. If rated, the Fund does not impose any minimum rating necessary to issue such preferred stock. In order to obtain and maintain attractive credit quality ratings for preferred stock, if desired, the Fund s portfolio must satisfy over-collateralization tests established by the relevant rating agencies. These tests are more difficult to satisfy to the extent the Fund s portfolio securities are of lower credit quality, longer maturity or not diversified by issuer and industry within the meaning of such rating agencies over-collateralization tests. These guidelines could affect portfolio decisions and may be more stringent than those imposed by the 1940 Act. A rating (if any) by a rating agency does not eliminate or necessarily mitigate the risks of investing in our preferred stock, and a rating may not fully or accurately reflect all of the securities credit risks. A rating (if any) does not address liquidity or any other market risks of the securities being rated. A rating agency could downgrade the rating of our preferred stock, which may make such securities less liquid in the secondary market. If a rating agency downgrades the rating assigned to preferred stock, we may alter our portfolio or redeem the preferred stock under certain circumstances. See Risk Factors and Special Considerations Leverage Risk Special Risks to Holders of Fixed Rate Preferred Stock Credit Quality Ratings.

Our Subscription Rights. There is a risk that changes in yield or changes in the credit quality of the Fund may result in the underlying shares of preferred stock purchasable upon exercise of the subscription rights being less attractive to investors at the conclusion of the subscription period. This may reduce or eliminate the value of the subscription rights. Investors who receive subscription rights may find that there is no market to sell rights they do not wish to exercise. If investors exercise only a portion of the rights, the number of shares of preferred stock or shares of common stock issued may be reduced, and the preferred stock or common stock may trade at less favorable prices than larger offerings for similar securities.

Common Stock Distribution Policy Risk. The Fund has adopted a policy, which may be changed at any time by the Board, of paying a minimum annual distribution of 10% of the average net asset value of the Fund to common stockholders. In the event the Fund does not generate a total return from dividends and interest received and net realized capital gains in an amount equal to or in excess of its stated distribution in a given year, the Fund may return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the preferred stock. A portion of the distributions to holders of common stock during eighteen of the thirty fiscal years that distributions were paid since the Fund s inception has constituted a return of capital. Under the Fund s distribution policy, the Fund declares and pays quarterly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. Pursuant to this policy, distributions during the year may be made in excess of required distributions. To the extent such distributions are made from current or accumulated earnings and profits, they are considered ordinary income or long term capital gains. The Fund s current distribution policy may restrict the Fund s ability to pass through to stockholders all of its net realized long term capital gains as a capital gain dividend, subject to the maximum federal income tax rate of 20% (plus an additional 3.8% Medicare contribution surcharge on income and net gain from investments), and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate of 39.6% plus the 3.8% Medicare contribution surcharge. Distributions sourced from paid-in capital should not be considered as dividend yield or the total return from an investment in the Fund.

Market Discount Risk. Common shares of closed-end investment companies often trade at a discount from net asset value. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that the Fund s net asset value may decrease. The Investment Adviser cannot predict whether the Fund s shares of common stock will trade at, below or above net asset value. The risk of holding shares of a closed-end fund that might trade at a discount is more pronounced for stockholders who wish to sell their shares in a relatively short period of time after acquiring them, because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. The Fund s common shares are not subject to redemption. Stockholders desiring liquidity may, subject to applicable securities laws, trade their shares in the Fund on the NYSE or other markets on which such shares may trade at the then-current market value, which may differ from the then current net asset value.

Non-Diversified Status. As a non-diversified, closed-end management investment company under the 1940 Act, the Fund may invest a greater portion of its assets in a more limited number of issuers than may a diversified fund, and accordingly, an investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company. See Risk Factors and Special Considerations Non-Diversified Status.

To qualify as a regulated investment company, or RIC for purposes of the Code, the Fund intends to conduct its operations in a manner that will relieve it of any liability for federal income tax to the extent its earnings are distributed to stockholders. To so qualify as a regulated investment company, among other requirements, the Fund will limit its investments so that, at the close of each quarter of the taxable year:

not more than 25% of the market value of its total assets will be invested in the securities (other than U.S. government securities or the securities of other RICs) of a single issuer, any two or more issuers in which the Fund owns 20% or more of the voting securities and which are determined to be engaged in the same, similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships (as defined in the Code); and

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at least 50% of the market value of the Fund s assets will be represented by cash, securities of other RICs, U.S. government securities and other securities, with such other securities limited in respect of any one issuer to an amount not greater than 5% of the value of the Fund s total assets and not more than 10% of the outstanding voting securities of such issuer.

See Taxation.

Equity Risk. Investing in the Fund involves equity risk, which is the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate and the particular circumstances and performance of particular companies whose securities the Fund holds. An investment in the Fund represents an indirect economic stake in the securities owned by the Fund, which are for the most part traded on securities exchanges or in the over-the-counter markets. The market value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The net asset value of the Fund may at any point in time be worth less than the amount at the time the shareholder invested in the Fund, even after taking into account any reinvestment of distributions.

Industry Concentration Risk. The Fund may invest up to 25% of its assets in the securities of companies principally engaged in a single industry. In the event the Fund makes substantial investments in a single industry, the Fund would become more susceptible to adverse economic or regulatory occurrences affecting that industry. See Risk Factors and Special Considerations Industry Concentration Risk.

Interest Rate Transactions. The Fund may enter into swap transactions. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. See How the Fund Manages Risk Interest Rate Transactions.

Foreign Securities. The Fund may invest up to 35% of its total assets in securities of foreign issuers, including issuers in emerging markets. Investments in the securities of foreign issuers involve certain considerations and risks not ordinarily associated with investments in securities of domestic issuers. Foreign companies are not generally subject to uniform accounting, auditing and financial standards, and requirements comparable to those applicable to U.S. companies. Foreign securities exchanges, brokers and listed companies may be subject to less government supervision and regulation than exists in the United States. Dividend and interest income may be subject to withholding and other foreign taxes, which may adversely affect the net return on such investments. There may be difficulty in obtaining or enforcing a court judgment abroad. In addition, it may be difficult to effect repatriation of capital invested in certain countries. Also, with respect to certain countries, there are risks of expropriation, confiscatory taxation, political or social instability, or diplomatic developments that could affect assets of the Fund held in foreign countries. Dividend income the Fund receives from foreign securities may not be eligible for the special tax treatment applicable to qualified dividend income.

There may be less publicly available information about a foreign company than a U.S. company. Foreign securities markets may have substantially less volume than U.S. securities markets and some foreign company securities are less liquid than securities of otherwise comparable U.S. companies. A portfolio of foreign securities may also be adversely affected by fluctuations in the rates of exchange between the currencies of different nations and by exchange control regulations. Foreign markets also have different clearance and settlement procedures that could cause the Fund to encounter difficulties in purchasing and selling securities on such markets and may result in the Fund missing attractive investment opportunities or experiencing losses. In addition, a portfolio that includes foreign securities can expect to have a higher expense ratio because of the increased transaction costs on non-U.S. securities markets and the increased costs of maintaining the custody of foreign securities.

The Fund also may purchase sponsored American Depositary Receipts (ADRs) or United States dollar denominated securities of foreign issuers, including emerging market issuers. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into

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which they may be converted, many of the risks associated with foreign securities may also apply to ADRs. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute stockholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities.

Fixed Income Securities Risks. Fixed income securities in which the Fund may invest are generally subject to the following risks:

Interest Rate Risk. The market value of bonds and other fixed-income or dividend paying securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of bonds and other income or dividend paying securities will increase as interest rates fall and decrease as interest rates rise. The Fund may be subject to a greater risk of rising interest rates due to the current period of historically low interest rates and the Federal Reserve s indication that it may raise the federal funds rate in the near future.

Issuer Risk. Issuer risk is the risk that the value of an income or dividend paying security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage, reduced demand for the issuer s goods and services, historical and prospective earnings of the issuer, and the value of the assets of the issuer.

Credit Risk. Credit risk is the risk that one or more income or dividend paying securities in the Fund s portfolio will decline in price or fail to pay interest/distributions or principal when due because the issuer of the security experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates.

Prepayment Risk. Prepayment risk is the risk that during periods of declining interest rates, borrowers may exercise their option to prepay principal earlier than scheduled. For income or dividend paying securities, such payments often occur during periods of declining interest rates, forcing the Fund to reinvest in lower yielding securities, resulting in a possible decline in the Fund s income and distributions to stockholders.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund s portfolio will decline if the Fund invests the proceeds from matured, traded or called fixed income securities at market interest rates that are below the Fund portfolio s current earnings rate.

Duration and Maturity Risk. The Fund may incur costs in seeking to adjust the portfolio average duration or maturity. In comparison to maturity (which is the date on which the issuer of a debt instrument is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result in changes in market rates of interest, based on the weighted average timing of the instrument s expected principal and interest payments. Specifically, duration measures the anticipated percentage change in net asset value that is expected for every percentage point change in interest rates. The two have an inverse relationship. Duration can be a useful tool to estimate anticipated price changes to a fixed pool of income securities associated with changes in interest rates. Duration differs from maturity in that it takes into account a security s yield, coupon payments and its principal payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration. There can be no assurance that the Investment Adviser s assessment of current and projected market conditions will be correct or that any strategy to adjust duration or maturity will be successful at any given time.

Liquidity Risk. Certain fixed income securities in which the Fund invests may be or become illiquid. See Risk Factors and Special Considerations Restricted and Illiquid Securities.

Non-Investment Grade Securities. The Fund may invest up to 10% of its total assets in fixed income securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality. These securities, which may be preferred stock or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Debt securities that are not rated or that are rated lower than BBB by S&P or lower than Baa by Moody s are referred to in the financial press as junk bonds.

Generally, such lower grade securities and unrated securities of comparable quality offer a higher current yield than is offered by higher rated securities, but also (i) will likely have some quality and protective characteristics that, in the judgment of the rating organizations, are outweighed by large uncertainties or major risk exposures to adverse

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conditions and (ii) are predominantly speculative with respect to the issuer s capacity to pay interest and repay principal in accordance with the terms of the obligation. The market values of certain of these securities also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher quality securities. In addition, such securities generally present a higher degree of credit risk. The risk of loss due to default by these issuers is significantly greater because such lower grade securities and unrated securities of comparable quality generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. In light of these risks, the Investment Adviser, in evaluating the creditworthiness of an issue, whether rated or unrated, will take various factors into consideration. These may include, as applicable, the issuer s operating history, financial resources and its sensitivity to economic conditions and trends, the market support for the facility financed by the issue, the perceived ability and integrity of the issuer s management, and regulatory matters.

In addition, the market value of securities in lower rated categories is more volatile than that of higher quality securities, and the markets in which such lower rated or unrated securities are traded are more limited than those in which higher rated securities are traded. The existence of limited markets may make it more difficult for the Fund to obtain accurate market quotations for purposes of valuing its portfolio and calculating its net asset value. Moreover, the lack of a liquid trading market may restrict the availability of securities for the Fund to purchase and may also have the effect of limiting the ability of the Fund to sell securities at their fair value in response to changes in the economy or the financial markets.

Lower grade securities also present risks based on payment expectations. If an issuer calls the obligation for redemption (often a feature of fixed income securities), the Fund may have to replace the security with a lower yielding security, resulting in a decreased return for investors. Also, as the principal value of nonconvertible bonds and preferred stocks moves inversely with movements in interest rates, in the event of rising interest rates the value of the securities held by the Fund may decline proportionately more than a portfolio consisting of higher rated securities. Investments in zero coupon bonds may be more speculative and subject to greater fluctuations in value due to changes in interest rates than bonds that pay regular income streams.

As part of its investment in non-investment grade securities, the Fund may invest in securities of issuers in default. The Fund will make an investment in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations or emerge from bankruptcy protection under a plan pursuant to which the securities received by the Fund in exchange for its defaulted securities will have a value in excess of the Fund s investment. By investing in securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of the securities will not otherwise appreciate.

In addition to using recognized rating agencies and other sources, the Investment Adviser also performs its own analysis of securities of issuers in seeking investments that it believes to be underrated (and thus higher yielding) in light of the financial condition of the issuer. Its analysis of issuers may include, among other things, current and anticipated cash flow and borrowing requirements, value of assets in relation to historical cost, strength of management, responsiveness to business conditions, credit standing, and current anticipated results of operations. In selecting investments for the Fund, the Investment Adviser may also consider general business conditions, anticipated changes in interest rates, and the outlook for specific industries.

Subsequent to its purchase by the Fund, an issuer of securities may cease to be rated or its rating may be reduced. In addition, it is possible that statistical rating agencies may change their ratings of a particular issuer to reflect subsequent events. Moreover, such ratings do not assess the risk of a decline in market value. None of these events will require the sale of the securities by the Fund, although the Investment Adviser will consider these events in determining whether the Fund should continue to hold the securities.

The market for lower grade and comparable unrated securities has experienced several periods of significantly adverse price and liquidity, particularly at or around times of economic recessions. Past market recessions have adversely affected the value of such securities as well as the ability of certain issuers of such securities to repay principal and pay interest thereon or to refinance such securities. The market for those securities may react in a similar fashion in the future.

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Special Risks of Derivative Transactions. The Fund may participate in certain derivative transactions. Such transactions entail certain execution, market, liquidity, hedging and tax risks. Participation in the options, futures or swaps markets and in currency exchange transactions involves investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Investment Adviser s prediction of movements in the direction of the securities, foreign currency or interest rate markets is inaccurate, the consequences to the Fund may leave it in a worse position than if such strategies were not used. Risks inherent in the use of options, foreign currency, swaps contracts, futures contracts and options on futures contracts, swaps contracts, securities indices and foreign currencies include:

- dependence on the Investment Adviser s ability to predict correctly movements in the direction of interest rates, securities prices and currency markets;
- imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged;
- the fact that skills needed to use these strategies are different from those needed to select portfolio securities;
- the possible absence of a liquid secondary market for any particular instrument at any time;
- the possible need to defer closing out certain hedged positions to avoid adverse tax consequences;
- the possible inability of the Fund to purchase or sell a security at a time that otherwise would be favorable for it to do so, or the possible need for Fund to sell a security at a disadvantageous time due to a need for the Fund to maintain cover or to segregate securities in connection with the hedging techniques; and
- the creditworthiness of counterparties.

See Risk Factors and Special Considerations Special Risks of Derivative Transactions.

Futures Transactions. The Fund may make investments in futures and options on futures. Risks include, but are not limited to, the following:

- no assurance that futures contracts or options on futures can be offset at favorable prices;
- possible reduction of the yield of the Fund due to the use of hedging;
- possible reduction in value of both the securities hedged and the hedging instrument;

possible lack of liquidity due to daily limits or price fluctuations;

imperfect correlation between the contracts and the securities being hedged; and

losses from investing in futures transactions that are potentially unlimited and the segregation requirements for such transactions.

Swap Agreements. The Fund may enter into total rate of return, credit default, interest rate or other types of swaps and related derivatives for various purposes, including to gain economic exposure to an asset or group of assets that may be difficult or impractical to acquire or for hedging and risk management. Swap agreements involve the risk that the party with whom the Fund has entered into the swap will default on its obligation to pay the Fund and the risk that the Fund will not be able to meet its obligations to pay the other party to the agreement.

Forward Currency Exchange Contracts. The use of forward currency exchange contracts may involve certain risks, including the failure of the counterparty to perform its obligations under the contract and that the use of forward contracts may not serve as a complete hedge because of an imperfect correlation between movements in the prices of the contracts and the prices of the currencies hedged or used for cover.

Counterparty Risk. The Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Asset Segregation Risk. The Fund will comply with guidelines established by the Securities and Exchange Commission (the SEC) with respect to coverage of derivative instruments. These guidelines may, in certain instances, require segregation by the Fund of cash or liquid securities with its custodian or a designated sub-custodian to the extent the Fund s obligations with respect to these strategies are not otherwise covered through ownership of the underlying security, financial instrument, or currency, or by other portfolio positions, or by other means consistent with applicable regulatory policies. Segregated assets cannot be sold or transferred unless equivalent assets are substituted in their place or it is no longer necessary to segregate them. Assets segregated by the Fund for these purposes are identified on the books of its custodian or a designated sub-custodian, but are not physically separate from other assets of the Fund.

Management Risk. The Fund is subject to management risk because it is an actively managed portfolio. The Investment Adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results. See Risk Factors and Special Considerations Management Risk.

Dependence on Key Personnel. The Investment Adviser is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund s investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser. See Risk Factors and Special Considerations Dependence on Key Personnel.

Market Disruption and Geopolitical Risk. The occurrence of events similar to those in recent years, such as the aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Libya, Syria and other countries in the Middle East and North Africa, terrorist attacks in the U.S., Europe and elsewhere around the world, social and political discord and uncertainty, debt crises (such as the recent Greek crisis), sovereign debt downgrades, or the exit or potential exit of one or more countries from the EMU or the European Union (such as the United Kingdom), among others, may result in market volatility, may have long term effects on the U.S. and worldwide financial markets, and may cause further economic uncertainties in the U.S. and worldwide. Any such event(s) could have a significant adverse impact on the value and risk profile of the Fund s portfolio. The Fund does not know how long the securities markets may be affected by similar events and cannot predict the effects of similar events in the future on the U.S. economy and securities markets. There can be no assurance that similar events and other market disruptions will not have other material and adverse implications.

Economic Events and Market Risk. Periods of market volatility remain, and may continue to occur in the future, in response to various political, social and economic events both within and outside of the United States. These conditions have resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many securities remaining illiquid and of uncertain value. Such market conditions may make valuation of some of the Fund s securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings. If there is a significant decline in the value of the Fund s portfolio, this may impact the asset coverage levels for the Fund s outstanding leverage.

Risks resulting from any future debt or other economic crisis could also have a detrimental impact on the global economic recovery, the financial condition of financial institutions and our business, financial condition and results of operation. Downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. Moreover, Federal Reserve policy, including with respect to certain interest rates and the decision to end its quantitative easing policy, may also adversely affect the value, volatility and liquidity of dividend- and interest-paying securities. Market volatility, rising interest rates and/or a return to unfavorable economic conditions could impair the Fund s ability to achieve its investment objective.

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See Risk Factors and Special Considerations General Risks Economic Events and Market Risk.

Government Intervention in Financial Markets Risk. The U.S. government and certain foreign governments have in the past taken actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity, including through direct purchases of equity and debt securities. Federal, state, and other governments, their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the issuers in which the Fund invests, or the issuers of such securities, in ways that are unforeseeable. Legislation or regulation may also change the way in which the Fund is regulated. Such legislation or regulation could limit or preclude the Fund s ability to achieve its investment objective. See Risk Factors and Special Considerations General Risks Government Intervention in Financial Markets Risk.

Anti-Takeover Provisions. The Charter and the by-laws of the Fund, as amended from time to time (the By-Laws and together with the Charter, the Governing Documents) include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund.

Taxation. The Fund has qualified, and intends to remain qualified, for federal income tax purposes as a regulated investment company. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions on the common stock if the Fund fails to satisfy the 1940 Act s asset coverage requirements could jeopardize the Fund s ability to meet such distribution requirements. The Fund presently intends, however, to purchase or redeem preferred stock to the extent necessary in order to maintain compliance with such asset coverage requirements. See Taxation for a more complete discussion of these and other federal income tax considerations.

Temporary Investments. During temporary defensive periods and during inopportune periods to be fully invested, the Fund may invest in U.S. government securities, including U.S. Treasury securities, and in money market mutual funds that invest in those securities. Obligations of certain agencies and instrumentalities of the U.S. government, such as the Government National Mortgage Association, are supported by the full faith and credit of the U.S. government; others, such as those of the Export-Import Bank of the United States, are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. government to purchase the agency s obligations; and still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. No assurance can be given that the U.S. government would provide financial support to U.S. government-sponsored instrumentalities if it is not obligated to do so by law.

Emerging Markets Risk. The Fund may invest up to 35% of its total assets in foreign securities, including securities of issuers whose primary operations or principal trading market is in an emerging market. An emerging market country is any country that is considered to be an emerging or developing country by the International Bank for Reconstruction and Development (the World Bank). Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments and restrictions on repatriation of capital invested. Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading value compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities. For example, limited market size may cause prices to be unduly influenced by traders who control large positions. Adverse publicity and investor perception, whether or not based on fundamental analysis, may decrease the value and liquidity of portfolio securities, especially in these markets. Other risks include high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries, as well as a high concentration of investors and financial intermediaries; overdependence on exports, including gold and natural resources exports, making these economies vulnerable to changes in commodity prices; overburdened infrastructure and obsolete or unseasoned financial systems; environmental problems; potential for sanctions; less developed legal systems; and less reliable securities custodial services and settlement practices.

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Management and Fees

Gabelli Funds, LLC serves as the Fund s investment adviser. The Investment Adviser s fee is computed weekly and paid monthly at the annual rate of 1.00% of the Fund s average weekly net assets. The Fund s average weekly net assets will be deemed to be the average weekly value of the Fund s total assets minus the sum of the Fund s liabilities (such liabilities exclude (i) the aggregate liquidation preference of outstanding shares of preferred stock and accumulated dividends, if any, on those shares and (ii) the liabilities for any money borrowed). The fee paid by the Fund may be higher when leverage in the form of preferred stock or borrowings is utilized, giving the Investment Adviser an incentive to utilize such leverage. Because the management fees are based on a percentage of average weekly net assets that includes assets attributable to the Fund s use of leverage in the form of preferred stock or money borrowed, the Investment Adviser may have a conflict of interest in the input it provides to the Board regarding whether to use or increase the Fund s use of such leverage. The Board bases its decision, with input from the Investment Adviser, regarding whether and how much leverage to use for the Fund on its assessment of whether such use of leverage is in the best interests of the Fund, and the Board seeks to manage the Investment Adviser s potential conflict of interest by retaining the final decision on these matters and by periodically reviewing the Fund s performance and use of leverage. The Investment Adviser has agreed to reduce the management fee on the incremental assets attributable to the currently outstanding Series C Auction Rate Preferred, Series D Preferred and Series E Auction Rate Preferred during the fiscal year if the total return of the net asset value of the common stock, including distributions and advisory fees subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of those particular series of preferred stock for the period. In other words, if the effective cost of the leverage for the Series C Auction Rate Preferred, Series D Preferred and Series E Auction Rate Preferred exceeds the total return (based on net asset value) on the Fund s common stock, the Investment Adviser will waive that portion of its management fee on the incremental assets attributable to the leverage for that series of preferred stock to mitigate the negative impact of the leverage on the common stockholder s total return. This fee waiver was voluntarily undertaken by the Investment Adviser and will remain in effect as long as the Series C Auction Rate Preferred, Series D Preferred and Series E Auction Rate Preferred are outstanding. This fee waiver does not apply to the Fund s Series G Preferred, Series H Preferred or Series J Preferred and will not apply to any preferred stock issued from this offering. The Fund s total return on the net asset value of the common stock is monitored on a monthly basis to assess whether the total return on the net asset value of the common stock exceeds the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the management fee on those additional assets. See Management of the Fund.

For the year ended December 31, 2016, the Fund s total return on the net asset value of the common stock exceeded the stated dividend rate of the outstanding shares of Series C Auction Rate Preferred, Series D Preferred and Series E Auction Rate Preferred. Thus, management fees with respect to the liquidation value of the Series C Auction Rate Preferred, Series D Preferred and Series E Auction Rate Preferred were not reduced.

A discussion regarding the basis for the Board s approval of the continuation of the investment advisory contract of the Fund is available in the Fund s semiannual report to stockholders dated June 30, 2017.

Repurchase of Common Stock

The Fund s Board has authorized the Fund (and the Fund accordingly reserves freedom of action) to repurchase shares of its common stock in the open market when the shares are trading at a discount of 10% or more from net asset value. Although the Board has authorized such repurchases, the Fund is not required to repurchase any shares. The Board has not established a limit on the amount of common stock that could be repurchased. Such repurchases are subject to certain notice and other requirements under the 1940 Act. The Fund has repurchased shares of its common stock under this authorization. See Repurchase of Common Stock.

Anti-Takeover Provisions

Certain provisions of the Governing Documents may be regarded as anti-takeover provisions. Pursuant to these provisions, only one of the three classes of directors is elected each year, and the affirmative vote of the holders of 66 $^{2}/3$% of the Fund s outstanding shares of each class of stock of the Fund normally entitled to vote in the election

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of directors (voting separately) is required 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 render more difficult the accomplishment of a merger with, or the assumption of control by, a principal stockholder, or the conversion of the Fund to open-end status. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their stock at a premium above the prevailing market price. See Anti-Takeover Provisions of the Fund s Governing Documents.

Custodian, Transfer Agent and Dividend Disbursing Agent

The Bank of New York Mellon Corporation (BNY Mellon), located at 135 Santilli Highway, Everett, Massachusetts 02149, serves as the custodian (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 1940 Act. For its services, the Custodian will receive a monthly fee paid by the Fund based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions and out-of-pocket expenses.

Rules adopted under the 1940 Act permit the Fund to maintain its foreign securities in the custody of certain eligible foreign banks and securities depositories. Pursuant to those rules, any foreign securities in the portfolio of the Fund may be held by sub-custodians approved by the Board in accordance with the regulations of the SEC. Selection of any such sub-custodians will be made by the Board following a consideration of a number of factors, including but not limited to the reliability and financial stability of the institution, the ability of the institution to perform capably custodial services for the Fund, the reputation of the institution in its national market, the political and economic stability of the country or countries in which the sub-custodians are located, and risks of potential nationalization or expropriation of assets of the Fund.

Computershare Trust Company, N.A. (Computershare), located at 250 Royall Street, Canton, Massachusetts 02021, serves as the Fund s dividend disbursing agent, as agent under the Fund s Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan (the Plan) and as transfer agent and registrar with respect to the Fund s common stock.

Computershare also serves as the transfer agent, registrar, dividend disbursing agent and redemption agent with respect to the Series D Preferred, Series G Preferred, Series H Preferred and Series J Preferred.

BNY Mellon, located at 100 Church Street, New York, New York 10286, serves as the auction agent, transfer agent, registrar, dividend disbursing agent and redemption agent with respect to the Series C Auction Rate Preferred and the Series E Auction Rate Preferred. See Custodian, Transfer Agent and Dividend Disbursing Agent.

SUMMARY OF FUND EXPENSES

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in shares of our common stock, as a percentage of net assets attributable to common stock. All expenses of the Fund will be borne, directly or indirectly, by the common stockholders. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the offering, assuming that we incur the estimated offering expenses, including the offering expenses of preferred stock.

Stockholder Transaction Expenses	
Sales Load (as a percentage of offering price)	1.52%(1)
Offering Expenses (excluding Preferred Stock Offering Expenses) (as a percentage of offering price)	0.36%(1)

Dividend Reinvestment Plan Fees	None(2)
Voluntary Cash Purchase Plan Purchase Transaction Fee	$ 0.75(2)
Voluntary Cash Purchase Plan Sale Transaction Fee	$ 2.50(2)
Preferred Stock Offering Expenses (as a percentage of net assets attributable to common stock)	0.02%(3)

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	Percentage of Net Assets Attributable to Common Stock
Annual Expenses	
Management Fees	1.31%(4)
Interest on Borrowed Funds	None
Other Expenses	0.10%(5)
Total Annual Expenses	1.41%
Dividends on Preferred Stock	1.43%(6)
Total Annual Expenses and Dividends on Preferred Stock	2.84%

(1) Estimated maximum amount based on offering of $380 million in shares of common stock and $120 million in shares of preferred stock. The estimates assume a 1% sales load on common stock and $1,358,000 in common offering expenses, and 3.15% sales load on preferred stock and $325,000 in preferred offering expenses. The sales load on preferred stock is an expense borne by the Fund and indirectly by the holders of its common stock. Actual sales loads and offering expenses may be higher or lower than these estimates and will be set forth in the Prospectus Supplement if applicable.

(2) There are no fees charged to stockholders for participating in the Fund s Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan. However, stockholders participating in the Plan that elect to make additional cash purchases under the Plan would pay $0.75 plus their pro rata share of brokerage commissions per transaction to purchase shares and $2.50 plus their pro rata share of brokerage commissions per transaction to sell shares. See Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan.

(3) Assumes issuance of $120 million in liquidation preference of fixed rate preferred stock, net assets attributable to common stock of approximately $1,739 billion (which includes the issuance of $380 million in common stock) and $325,000 in preferred offering expenses. The actual amounts in connection with any offering will be set forth in the Prospectus Supplement if applicable.

(4) The Investment Adviser s fee is 1.00% annually of the Fund s average weekly net assets. The Fund s average weekly net assets will be deemed to be the average weekly value of the Fund s total assets minus the sum of the Fund s liabilities (such liabilities exclude (i) the aggregate liquidation preference of outstanding shares of preferred stock and accumulated dividends, if any, on those shares and (ii) the liabilities for any money borrowed). Consequently, because the Fund has preferred stock outstanding, the investment management fees and other expenses as a percentage of net assets attributable to common stock will be higher than if the Fund did not utilize a leveraged capital structure.

(5) Other Expenses are based on estimated amounts for the current year assuming completion of the proposed issuances.

(6) Dividends on Preferred Stock represent the aggregate of (1) the estimated annual distributions on the existing preferred stock outstanding and (2) the distributions that would be made assuming $120 million of preferred stock is issued with a fixed dividend rate of 5.25%. There can, of course, be no guarantee that any preferred stock would be issued or, if issued, the terms thereof.

The purpose of the table above and the example below is to help you understand all fees and expenses that you, as a holder of common stock, would bear directly or indirectly.

The following example illustrates the expenses (including the maximum estimated sales load on common stock of $10 and on preferred stock of $31.50 and estimated offering expenses of $0.97 from the issuance of $380 million in common stock and $120 million in preferred stock) you would pay on a $1,000 investment in common stock followed by the preferred stock offering, assuming a 5% annual portfolio total return.* The actual amounts in connection with any offering will be set forth in the Prospectus Supplement if applicable.

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred	$ 44	$ 103	$ 163	$ 327

* **The example should not be considered a representation of future expenses**. The example is based on Total Annual Expenses and Dividends on Preferred Stock shown in the table above and assumes that the amounts set forth in the table do not change and that all distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

The above example includes Dividends on Preferred Stock. If Dividends on Preferred Stock were not included in the example calculation, the expenses would be as follows (based on the same assumptions as above).

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred	$ 30	$ 60	$ 92	$ 182

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 five fiscal years ended December 31, 2016, 2015, 2014, 2013, and 2012 has been audited by PricewaterhouseCoopers LLP, the Fund s independent registered public accounting firm, whose unqualified report on such Financial Statements is incorporated by reference into the SAI. The financial information for the period ended June 30, 2017 is unaudited.

Selected data for a share outstanding throughout each period:

	Six Months Ended June 30, 2017 (Unaudited)	Year Ended December 31,				
		2016	2015	2014	2013	2012
Operating Performance:						
Net asset value, beginning of year	$ 5.84	$ 5.70	$ 6.78	$ 7.23	$ 5.60	$ 5.20
Net investment income	0.03	0.07	0.06	0.07	0.06	0.09
Net realized and unrealized gain/(loss) on investments, futures contracts, swap contracts, and foreign currency transactions	0.65	0.75	(0.44)	0.30	2.26	0.97
Total from investment operations	0.68	0.82	(0.38)	0.37	2.32	1.06
Distributions to Preferred Shareholders: (a)						
Net investment income	(0.02)*	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Net realized gain	(0.02)*	(0.06)	(0.05)	(0.05)	(0.06)	(0.05)
Total distributions to preferred shareholders	(0.04)	(0.07)	(0.06)	(0.06)	(0.07)	(0.08)

Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations	0.64	0.75	(0.44)	0.31	2.25	0.98
Distributions to Common Shareholders:						
Net investment income	(0.01)*	(0.08)	(0.05)	(0.05)	(0.05)	(0.06)
Net realized gain	(0.01)*	(0.52)	(0.44)	(0.49)	(0.57)	(0.11)
Return of capital	(0.28)*	(0.00)(b)	(0.15)	(0.10)		(0.39)
Total distributions to common shareholders	(0.30)	(0.60)	(0.64)	(0.64)	(0.62)	(0.56)

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	Six Months Ended June 30, 2017 (Unaudited)	Year Ended December 31, 2016	2015	2014	2013	2012
Fund Share Transactions:						
Decrease in net asset value from common share transactions				(0.12)	0.00(b)	
Increase in net asset value from repurchase of preferred shares	0.00(b)	0.00(b)	0.00(b)	0.00(b)	0.00(b)	
Offering costs and adjustment to offering costs for preferred shares charged to paid-in capital		(0.01)			0.00(b)	(0.02)
Total Fund share transactions	0.00(b)	(0.01)	0.00(b)	(0.12)	0.00(b)	(0.02)
Net Asset Value Attributable to Common Shareholders, End of Year	$ 6.18	$ 5.84	$ 5.70	$ 6.78	$ 7.23	$ 5.60
NAV total return	11.04%	13.66%	(6.85)%	4.68%	41.90%	19.05%
Market value, end of year	$ 6.18	$ 5.52	$ 5.31	$ 6.47	$ 7.75	$ 5.58
Investment total return	13.65%	15.71%	(8.54)%	(6.08)%	52.44%	23.62%
Ratios to Average Net Assets and Supplemental Data:						
Net assets including liquidation value	$ 1,772,166	$ 1,693,448	$ 1,582,823	$ 1,820,361	$ 1,712,663	$ 1,384,961

of preferred shares, end of year (in 000 s)						
Net assets attributable to common shares, end of year (in 000 s)	$ 1,359,253	$ 1,280,115	$ 1,249,157	$ 1,486,491	$ 1,378,436	$ 1,050,451
Ratio of net investment income to average net assets attributable to common shares before preferred distributions	0.93%(c)	1.23%	0.91%	0.82%	0.84%	1.54%
Ratio of operating expenses to average net assets attributable to common shares:						
before fee reductions	1.43%(c)(d)	1.44%(d)	1.36%(d)	1.37%	1.40%	1.48%
net of fee reductions, if any	1.43%(c)(d)	1.44%(d)	1.25%(d)	1.33%	1.40%	1.48%
Ratio of operating expenses to average net assets including liquidation value of preferred shares:						
before fee reductions	1.09%(c)(d)	1.10%(d)	1.10%(d)	1.10%	1.10%	1.12%
net of fee reductions, if any	1.09%(c)(d)	1.10%(d)	1.01%(d)	1.07%	1.10%	1.12%
Portfolio turnover rate	2.1%	12.7%	8.9%	10.9%	10.0%	4.2%

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	Six Months Ended June 30, 2017 (Unaudited)	Year Ended December 31, 2016	2015	2014	2013	2012
Cumulative Preferred Stock:						
Auction Rate Series C						
Liquidation value, end of year (in 000 s)	$ 72,000	$ 72,000	$ 72,000	$ 72,000	$ 72,000	$ 72,000
Total shares outstanding (in 000 s)	3	3	3	3	3	3
Liquidation preference per share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Liquidation value(e)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Asset coverage per share(f)	$ 107,297	$ 102,426	$ 118,593	$ 136,308	$ 128,106	$ 103,507
5.875% Series D						
Liquidation value, end of year (in 000 s)	$ 59,097	$ 59,097	$ 59,097	$ 59,097	$ 59,097	$ 59,097
Total shares outstanding (in 000 s)	2,364	2,364	2,364	2,364	2,364	2,364
Liquidation preference per share	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
Average market value(g)	$ 25.97	$ 26.22	$ 25.69	$ 25.21	$ 25.27	$ 25.75
Asset coverage per share(f)	$ 107.30	$ 102.43	$ 118.59	$ 136.31	$ 128.11	$ 103.51
Auction Rate Series E						
Liquidation value, end of year (in 000 s)	$ 28,000	$ 28,000	$ 28,000	$ 28,000	$ 28,000	$ 28,000
Total shares outstanding (in 000 s)	1	1	1	1	1	1
Liquidation preference per share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Liquidation value(e)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Asset coverage per share(f)	$ 107,297	$ 102,426	$ 118,593	$ 136,308	$ 128,106	$ 103,507
5.000% Series G						
Liquidation value, end of year (in 000 s)	$ 69,495	$ 69,743	$ 69,925	$ 70,099	$ 70,373	$ 70,413
Total shares outstanding (in 000 s)	2,780	2,791	2,797	2,804	2,815	2,817
Liquidation preference per share	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
Average market value(g)	$ 24.14	$ 24.67	$ 23.78	$ 23.32	$ 23.91	$ 26.01
Asset coverage per share(f)	$ 107.30	$ 102.43	$ 118.59	$ 136.31	$ 128.11	$ 103.51
5.000% Series H						
Liquidation value, end of year (in 000 s)	$ 104,322	$ 104,494	$ 104,644	$ 104,674	$ 104,757	$ 105,000
Total shares outstanding (in 000 s)	4,173	4,180	4,186	4,187	4,190	4,200

Liquidation preference per share	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
Average market value(g)	$ 24.24	$ 25.00	$ 24.33	$ 22.82	$ 23.85	$ 25.55
Asset coverage per share(f)	$ 107.30	$ 102.43	$ 118.59	$ 136.31	$ 128.11	$ 103.51
5.450% Series J						
Liquidation value, end of period (in 000 s)	$ 80,000	$ 80,000				
Total shares outstanding (in 000 s)	3,200	3,200				
Liquidation preference per share	$ 25.00	$ 25.00				
Average market value(g)	$ 25.02	$ 25.43				
Asset coverage per share(f)	$ 107.30	$ 102.43				
Asset Coverage(h)	429%	410%	474%	545%	512%	414%

For years ended December 31, 2016, 2015, 2014, and 2013 based on net asset value per share, adjusted for reinvestment of distributions at net asset value on the ex-dividend date. The year ended 2012 was based on net asset value per share, adjusted for reinvestment of distributions at prices obtained under the Fund s dividend reinvestment plan.

Based on market value per share, adjusted for reinvestment of distributions at prices determined under the Fund s dividend reinvestment plan.

* Based on year to date book income. Amounts are subject to change and recharacterization at year end.

(a) Calculated based upon average common shares outstanding on the record dates throughout the years.

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(b) Amount represents less than $0.005 per share.
(c) Annualized.
(d) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the six months ended June 30, 2017 and the years ended December 31, 2016 and 2015, there was no impact on the expense ratios.
(e) Since February 2008, the weekly auctions have failed. Holders that have submitted orders have not been able to sell any or all of their shares in the auction.
(f) Asset coverage per share is calculated by combining all series of preferred stock.
(g) Based on weekly prices.
(h) Asset coverage is calculated by combining all series of preferred stock.

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Operating Performance:					
Net asset value, beginning of period	$ 5.85	$ 5.03	$ 4.14	$ 9.22	$ 9.4
Net investment income	0.07	0.05	0.06	0.12	0.14
Net realized and unrealized gain/(loss) on investments, written options, futures contracts, swap contracts, and foreign currency transactions	(0.08)	1.35	1.62	(4.30)	1.12
Total from investment operations	(0.01)	1.4	1.68	(4.18)	1.26
Distributions to Preferred Shareholders:(a)					
Net investment income	(0.06)	(0.05)	(0.07)	(0.11)	(0.02)
Net realized gain	**(0.01)**				**(0.12)**
Return of capital		(0.02)			
Total distributions to preferred shareholders	**(0.07)**	**(0.07)**	**(0.07)**	**(0.11)**	**(0.14)**
Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations	(0.08)	1.33	1.61	(4.29)	1.12
Distributions to Common Shareholders:					
Net investment income	(0.02)		(0.00)(e)	(0.00)(e)	(0.12)
Net realized gain	(0.00))(e)				(0.57)
Return of capital	(0.55)	(0.51)	(0.72)	(0.80)	(0.61)
Total distributions to common shareholders	(0.57)	(0.51)	(0.72)	(0.80)	(1.30)
Fund Share Transactions:					
Increase in net asset value from common stock share transactions			0(e)	0.01	
Increase in net asset value from repurchase of preferred shares			0(e)	0(e)	

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	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Recapture of gain on sale of Fund shares by an affiliate		0(e)			
Offering costs for preferred shares charged to paid-in capital				0(e)	
Offering costs for issuance of rights charged to paid-in capital					
Total fund share transactions		0(e)	0(e)	0.01	
Net Asset Value Attributable to Common Shareholders, End of Period	$ 5.20	$ 5.85	$ 5.03	$ 4.14	$ 9.22
NAV total return	(1.17)%	28.15%	44.1%	(49.06)%	12.14%
Market value, end of period	$ 4.99	$ 5.67	$ 5.04	$ 3.7	$ 9.28
Investment total return	(2.15)%	23.96%	61.56%	(54.77)%	12.75%
Ratios to Average Net Assets and Supplemental Data:					
Net assets including liquidation value of preferred shares, end of period (in 000 s)	$ 1,265,307	$ 1,364,172	$ 1,215,626	$ 1,106,614	$ 1,990,123
Net assets attributable to common shares, end of period (in 000 s)	$ 959,950	$ 1,058,815	$ 910,269	$ 724,076	$ 1,586,381
Ratio of net investment income to average net assets attributable to common shares before preferred distributions	1.26%	0.92%	1.53%	1.73%	1.16%
Ratio of operating expenses to average net assets attributable to common shares before fees waived	1.48%	1.5%	1.74%	1.52%	
Ratio of operating expenses to average net assets attributable to common shares net of fee reduction, if any	1.19%	1.5%	1.72%	1.19%	1.46%
Ratio of operating expenses to average net assets including liquidation value of preferred shares before fees waived	1.15%	1.14%	1.22%	1.14%	
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of fee reduction, if any	0.92%	1.14%	1.2%	0.89%	1.17%

Portfolio turnover rate	6.3%	5.5%	6.7%	13.5%	17.2%

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	Year Ended December 31,				
	2011	2010	2009	2008	2007
Preferred Stock:					
Auction Rate Series C Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)	$ 72,000	$ 72,000	$ 72,000	$ 117,000	$ 130,000
Total shares outstanding (in 000 s)	3	3	3	5	5
Liquidation preference per share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Liquidation value (c)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Asset coverage per share	$ 103,593	$ 111,687	$ 99,525	$ 72,320	$ 123,230
5.875% Series D Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)	$ 59,097	$ 59,097	$ 59,097	$ 72,532	$ 73,743
Total shares outstanding (in 000 s)	2,364	2,364	2,364	2,901	2,950
Liquidation preference per share	$ 25	$ 25	$ 25	$ 25	$ 25
Average market value (b)	$ 25.35	$ 25.03	$ 23.39	$ 22.69	$ 23.86
Asset coverage per share	$ 103.59	$ 111.69	$ 99.53	$ 72.32	$ 123.23
Auction Rate Series E Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)	$ 28,000	$ 28,000	$ 28,000	$ 45,000	$ 50,000
Total shares outstanding (in 000 s)	1	1	1	2	2
Liquidation preference per share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Liquidation value (c)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Asset coverage per share	$ 103,593	$ 111,687	$ 99,525	$ 72,320	$ 123,230
6.200% Series F Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)	$ 146,260	$ 146,260	$ 146,260	$ 148,007	$ 150,000
Total shares outstanding (in 000 s)	5,850	5,850	5,850	5,920	6,000
Liquidation preference per share	$ 25	$ 25	$ 25	$ 25	$ 25
Average market value (b)	$ 25.57	$ 25.71	$ 24.08	$ 23.48	$ 24.69
Asset coverage per share	$ 103.59	$ 111.69	$ 99.53	$ 72.32	$ 123.23
Asset Coverage (d)	414%	447%	398%	289%	493%

Based on net asset value per share, adjusted for reinvestment of distributions at prices obtained under the Fund s dividend reinvestment plan.

Based on market value per share, adjusted for reinvestment of distributions at prices determined under the Fund s dividend reinvestment plan.

Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the year ended December 31, 2007 would have been 27.3%.

(a) Calculated based upon average common shares outstanding on the record dates throughout the periods.

(b) Based on weekly prices.

(c) Based on weekly auction prices. Since February 2008, the weekly auctions have failed. Holders that have submitted orders have not been able to sell any or all of their shares in the auctions.

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(d) Asset coverage is calculated by combining all series of preferred stock.
(e) Amount represents less than $0.005 per share.

USE OF PROCEEDS

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 as appropriate investment opportunities are identified, which is expected to substantially be completed within three months; however, changes in market conditions could result in the Fund s anticipated investment period extending to as long as six months. This could occur because the Investment Adviser follows a value-oriented investment strategy; therefore, market conditions could result in the Investment Adviser delaying the investment of proceeds if it believes the margin of risk in making additional investments is not favorable in light of its value-oriented investment strategy. See Investment Objectives and Policies Investment Methodology of the Fund. Depending on market conditions and operations, a portion of the cash held by Fund, including any proceeds raised from the offering, may be used to pay distributions in accordance with the Fund s distribution policy. The Fund may also use the proceeds to redeem or repurchase existing series of preferred stock, in whole or in part. See Use of Proceeds in the Prospectus Supplement for a discussion of whether the Fund expects to use the proceeds from the offering to redeem or repurchase existing series of preferred stock, in whole or in part.

THE FUND

The Fund is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Maryland corporation on May 20, 1986. The Fund commenced its investment operations on August 21, 1986. The Fund s principal office is located at One Corporate Center, Rye, New York 10580-1422, and its telephone number is (800) 422-3554.

INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives

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 a 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 Fund s applicable shares outstanding are represented, whether in person or by proxy, or (ii) more than 50% of the outstanding shares of the applicable class.

Under normal market conditions, the Fund will invest at least 80% of the value of its total assets in equity securities. The 80% Policy may be changed without stockholder approval. The Fund will provide stockholders with notice at least 60 days prior to the implementation of any change in the 80% Policy.