

STATEMENT OF ADDITIONAL INFORMATION

The Gabelli Equity Trust Inc. (the “Equity Trust”) is a non-diversified, closed-end management investment company that seeks long-term growth of capital and income by investing primarily in a portfolio of equity securities selected by Gabelli Funds, LLC, the investment adviser to the Equity Trust (“Gabelli Funds”). The Equity Trust’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 Gabelli Funds. Income is a secondary investment objective.

This Statement of Additional Information (“SAI”) is not a prospectus, but should be read in conjunction with the Prospectus for the Equity Trust dated September 21, 2005 (the “Prospectus”). Investors should obtain and read the Prospectus prior to purchasing shares. A copy of the Prospectus may be obtained, without charge, by calling the Equity Trust at 800-GABELLI (800-422-3554) or (914) 921-5100. This SAI incorporates by reference the entire Prospectus.

The Prospectus and this SAI omit certain of the information contained in the registration statement filed with the Securities and Exchange Commission, Washington, D.C. The registration statement may be obtained from the Securities and Exchange Commission (the “Commission”) upon payment of the fee prescribed, or inspected at the Commission’s office or via its website (www.sec.gov) at no charge.

This Statement of Additional Information is dated September 21, 2005.

TABLE OF CONTENTS
OF
STATEMENT OF ADDITIONAL INFORMATION

	<u>Page</u>
Investment Objectives and Policies	S-1
Investment Restrictions	S-9
Management of the Equity Trust	S-11
Portfolio Manager Information	S-20
Portfolio Transactions	S-22
Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan	S-24
Taxation	S-25
General Information	S-30
Counsel and Independent Registered Public Accounting Firm	S-30
Beneficial Owners	S-30
Financial Statements	S-31
Appendix A	A-1

INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives

The Equity Trust'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 Gabelli Funds. Income is a secondary investment objective. Under normal market conditions, the Equity Trust will invest at least 80% of the value of its total assets in equity securities.

Special Situations. Although the Equity Trust typically invests in the securities of companies on the basis of fundamental value, the Equity Trust from time to time may, as a non-principal investment strategy, invest in companies that are determined by Gabelli Funds to possess "special situation" characteristics. In general, a special situation company is a company whose securities are expected to increase in value solely by reason of a development particularly or uniquely applicable to the company. Developments that may create special situations include, among others, a liquidation, reorganization, recapitalization or merger, material litigation, technological breakthrough or new management or management policies. The principal risk associated with investments in special situation companies is that the anticipated development thought to create the special situation may not occur and the investment therefore may not appreciate in value or may decline in value.

Options. The Equity Trust may, subject to guidelines of the Board of Directors, purchase or sell (i.e., write) options on securities, securities indices and foreign currencies which are listed on a national securities exchange or in the U.S. over-the-counter ("OTC") markets as a means of achieving additional return or of hedging the value of the Equity Trust's portfolio.

The Equity Trust may write covered call options on common stocks that it owns or has an immediate right to acquire through conversion or exchange of other securities in an amount not to exceed 25% of total assets or invest up to 10% of its total assets in the purchase of put options on common stocks that the Equity Trust owns or may acquire through the conversion or exchange of other securities that it owns.

A call option is a contract that gives the holder of the option the right to buy from the writer (seller) of the call option, in return for a premium paid, the security or currency underlying the option at a specified exercise price at any time during the term of the option. The writer of the call option has the obligation, upon exercise of the option, to deliver the underlying security or currency upon payment of the exercise price during the option period.

A put option is the reverse of a call option, giving the holder the right, in return for a premium, to sell the underlying security or currency to the writer, at a specified price, and obligating the writer to purchase the underlying security or currency from the holder at that price. The writer of the put, who receives the premium, has the obligation to buy the underlying security or currency upon exercise, at the exercise price during the option period.

If the Equity Trust has written an option, it may terminate its obligation by effecting a closing purchase transaction. This is accomplished by purchasing an option of the same series as the option previously written. There can be no assurance that a closing purchase transaction can be effected when the Equity Trust so desires.

An exchange traded option may be closed out only on an exchange which provides a secondary market for an option of the same series. Although the Equity Trust will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option.

A call option is "covered" if the Equity Trust owns the underlying instrument covered by the call or has an absolute and immediate right to acquire that instrument without additional cash consideration upon conversion or exchange of another instrument held in its portfolio (or for additional cash consideration held in a segregated account by its custodian). A call option is also covered if the Equity Trust holds a call on the

same instrument as the call written where the exercise price of the call held is (i) equal to or less than the exercise price of the call written or (ii) greater than the exercise price of the call written if the difference is maintained by the Equity Trust in cash, U.S. Government Obligations (as defined under “Investment Restrictions”) or other high-grade short-term obligations in a segregated account with its custodian. A put option is “covered” if the Equity Trust maintains cash or other high grade short-term obligations with a value equal to the exercise price in a segregated account with its custodian, or else holds a put on the same instrument as the put written where the exercise price of the put held is equal to or greater than the exercise price of the put written. If the Equity Trust has written an option, it may terminate its obligation by effecting a closing purchase transaction. This is accomplished by purchasing an option of the same series as the option previously written. However, once the Equity Trust has been assigned an exercise notice, the Equity Trust will be unable to effect a closing purchase transaction. Similarly, if the Equity Trust is the holder of an option it may liquidate its position by effecting a closing sale transaction. This is accomplished by selling an option of the same series as the option previously purchased. There can be no assurance that either a closing purchase or sale transaction can be effected when the Equity Trust so desires.

The Equity Trust will realize a profit from a closing transaction if the price of the transaction is less than the premium received from writing the option or is more than the premium paid to purchase the option; the Equity Trust will realize a loss from a closing transaction if the price of the transaction is more than the premium received from writing the option or is less than the premium paid to purchase the option. Since call option prices generally reflect increases in the price of the underlying security, any loss resulting from the repurchase of a call option may also be wholly or partially offset by unrealized appreciation of the underlying security. Other principal factors affecting the market value of a put or a call option include supply and demand, interest rates, the current market price and price volatility of the underlying security and the time remaining until the expiration date. Gains and losses on investments in options depend, in part, on the ability of Gabelli Funds to predict correctly the effect of these factors. The use of options cannot serve as a complete hedge since the price movement of securities underlying the options will not necessarily follow the price movements of the portfolio securities subject to the hedge.

An option position may be closed out only on an exchange which provides a secondary market for an option of the same series or in a private transaction. Although the Equity Trust will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option. In such event it might not be possible to effect closing transactions in particular options, so that the Equity Trust would have to exercise its options in order to realize any profit and would incur brokerage commissions upon the exercise of call options and upon the subsequent disposition of underlying securities for the exercise of put options. If the Equity Trust, as a covered call option writer, is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise or otherwise covers the position.

In addition to options on securities, the Equity Trust may also purchase and sell call and put options on securities indices. A stock index reflects in a single number the market value of many different stocks. Relative values are assigned to the stocks included in an index and the index fluctuates with changes in the market values of the stocks. The options give the holder the right to receive a cash settlement during the term of the option based on the difference between the exercise price and the value of the index. By writing a put or call option on a securities index, the Equity Trust is obligated, in return for the premium received, to make delivery of this amount. The Equity Trust may offset its position in the stock index options prior to expiration by entering into a closing transaction on an exchange or it may let the option expire unexercised.

The Equity Trust may also buy or sell put and call options on foreign currencies. A put option on a foreign currency gives the purchaser of the option the right to sell a foreign currency at the exercise price until the option expires. A call option on a foreign currency gives the purchaser of the option the right to purchase the currency at the exercise price until the option expires. Currency options traded on U.S. or other exchanges may be subject to position limits which may limit the ability of the Equity Trust to reduce foreign currency risk using such options. Over-the-counter options differ from exchange-traded options in that they are two-

party contracts with price and other terms negotiated between buyer and seller and generally do not have as much market liquidity as exchange-traded options. Over-the-counter options are illiquid securities.

Use of options on securities indices entails the risk that trading in the options may be interrupted if trading in certain securities included in the index is interrupted. The Equity Trust will not purchase these options unless Gabelli Funds is satisfied with the development, depth and liquidity of the market and Gabelli Funds believes the options can be closed out.

Price movements in the portfolio of the Equity Trust may not correlate precisely with the movements in the level of an index and, therefore, the use of options on indexes cannot serve as a complete hedge and will depend, in part, on the ability of Gabelli Funds to predict correctly movements in the direction of the stock market generally or of a particular industry. Because options on securities indexes require settlement in cash, the Equity Trust may be forced to liquidate portfolio securities to meet settlement obligations.

Although Gabelli Funds will attempt to take appropriate measures to minimize the risks relating to the Equity Trust's writing of put and call options, there can be no assurance that the Equity Trust will succeed in any option writing program it undertakes.

Futures Contracts and Options on Futures. A "sale" of a futures contract (or a "short" futures position) means the assumption of a contractual obligation to deliver the assets underlying the contract at a specified price at a specified future time. A "purchase" of a futures contract (or a "long" futures position) means the assumption of a contractual obligation to acquire the assets underlying the contract at a specified price at a specified future time. Certain futures contracts, including stock and bond index futures, are settled on a net cash payment basis rather than by the sale and delivery of the assets underlying the futures contracts. No consideration will be paid or received by the Equity Trust upon the purchase or sale of a futures contract. Initially, the Equity Trust will be required to deposit with the broker an amount of cash or cash equivalents equal to approximately 1% to 10% of the contract amount (this amount is subject to change by the exchange or board of trade on which the contract is traded and brokers or members of such board of trade may charge a higher amount). This amount is known as "initial margin" and is in the nature of a performance bond or good faith deposit on the contract. Subsequent payments, known as "variation margin," to and from the broker will be made daily as the price of the index or security underlying the futures contracts fluctuates. At any time prior to the expiration of a futures contract, the Equity Trust may close the position by taking an opposite position, which will operate to terminate its existing position in the contract.

An option on a futures contract gives the purchaser the right, in return for the premium paid, to assume a position in a futures contract at a specified exercise price at any time prior to the expiration of the option. Upon exercise of an option, the delivery of the futures positions by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer's futures margin account attributable to that contract, which represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the futures contract. The potential loss related to the purchase of an option on futures contracts is limited to the premium paid for the option (plus transaction costs). Because the value of the option purchased is fixed at the point of sale, there are no daily cash payments by the purchaser to reflect changes in the value of the underlying contract; however, the value of the option does change daily and that change would be reflected in the net assets of the Equity Trust.

Futures and options on futures entail certain risks, including but 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 Equity Trust 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 on price fluctuations, imperfect correlation between the contracts and the securities being hedged, losses from investing in futures transactions that are potentially unlimited and the segregation requirements described below.

In the event the Equity Trust sells a put option or enters into long futures contracts, under current interpretations of the 1940 Act an amount of cash, obligations of the U.S. government and its agencies and instrumentalities or other liquid securities equal to the market value of the contract must be deposited and

maintained in a segregated account with the custodian of the Equity Trust to collateralize the positions, thereby ensuring that the use of the contract is unleveraged. For short positions in futures contracts and sales of call options, the Equity Trust may establish a segregated account (not with a futures commission merchant or broker) with cash or liquid securities that, when added to amounts deposited with a futures commission merchant or a broker as margin, equal the market value of the instruments or currency underlying the futures contract or call option or the market price at which the short positions were established.

Interest Rate Futures Contracts and Options Thereon. The Equity Trust may purchase or sell interest rate futures contracts to take advantage of or to protect the Equity Trust against fluctuations in interest rates affecting the value of debt securities which the Equity Trust holds or intends to acquire. For example, if interest rates are expected to increase, the Equity Trust might sell futures contracts on debt securities the values of which historically have a high degree of positive correlation to the values of the Equity Trust's portfolio securities. Such a sale would have an effect similar to selling an equivalent value of the Equity Trust's portfolio securities. If interest rates increase, the value of the Equity Trust's portfolio securities will decline, but the value of the futures contracts to the Equity Trust will increase at approximately an equivalent rate, thereby keeping the net asset value of the Equity Trust from declining as much as it otherwise would have. The Equity Trust could accomplish similar results by selling debt securities with longer maturities and investing in debt securities with shorter maturities when interest rates are expected to increase. However, since the futures market may be more liquid than the cash market, the use of futures contracts as a risk management technique allows the Equity Trust to maintain a defensive position without having to sell its portfolio securities.

Similarly, the Equity Trust may purchase interest rate futures contracts when it is expected that interest rates may decline. The purchase of futures contracts for this purpose constitutes a hedge against increases in the price of debt securities (caused by declining interest rates) which the Equity Trust intends to acquire. Since fluctuations in the value of appropriately selected futures contracts should approximate that of the debt securities that will be purchased, the Equity Trust can take advantage of the anticipated rise in the cost of the debt securities without actually buying them. Subsequently, the Equity Trust can make its intended purchase of the debt securities in the cash market and concurrently liquidate its futures position. To the extent the Equity Trust enters into futures contracts for this purpose, it will maintain, in a segregated asset account with the Equity Trust's custodian, assets sufficient to cover the Equity Trust's obligations with respect to such futures contracts, which will consist of cash or other liquid securities from its portfolio in an amount equal to the difference between the fluctuating market value of such futures contracts and the aggregate value of the initial margin deposited by the Equity Trust with its custodian with respect to such futures contracts.

The purchase of a call option on a futures contract is similar in some respects to the purchase of a call option on an individual security. Depending on the pricing of the option compared to either the price of the futures contract upon which it is based or the price of the underlying debt securities, it may or may not be less risky than ownership of the futures contract or underlying debt securities. As with the purchase of futures contracts, when the Equity Trust is not fully invested it may purchase a call option on a futures contract to hedge against a market advance due to declining interest rates.

The purchase of a put option on a futures contract is similar to the purchase of protective put options on portfolio securities. The Equity Trust will purchase a put option on a futures contract to hedge the Equity Trust's portfolio against the risk of rising interest rates and consequent reduction in the value of portfolio securities.

The writing of a call option on a futures contract constitutes a partial hedge against declining prices of the securities which are deliverable upon exercise of the futures contract. If the futures price at expiration of the option is below the exercise price, the Equity Trust will retain the full amount of the option premium, which provides a partial hedge against any decline that may have occurred in the Equity Trust's portfolio holdings. The writing of a put option on a futures contract constitutes a partial hedge against increasing prices of the securities that are deliverable upon exercise of the futures contract. If the futures price at expiration of the option is higher than the exercise price, the Equity Trust will retain the full amount of the option premium, which provides a partial hedge against any increase in the price of debt securities that the Equity Trust intends

to purchase. If a put or call option the Equity Trust has written is exercised, the Equity Trust will incur a loss which will be reduced by the amount of the premium it received. Depending on the degree of correlation between changes in the value of its portfolio securities and changes in the value of its futures positions, the Equity Trust's losses from options on futures it has written may to some extent be reduced or increased by changes in the value of its portfolio securities.

Currency Futures and Options Thereon. Generally, foreign currency futures contracts and options thereon are similar to the interest rate futures contracts and options thereon discussed previously. By entering into currency futures and options thereon, the Equity Trust will seek to establish the rate at which it will be entitled to exchange U.S. dollars for another currency at a future time. By selling currency futures, the Equity Trust will seek to establish the number of dollars it will receive at delivery for a certain amount of a foreign currency. In this way, whenever the Equity Trust anticipates a decline in the value of a foreign currency against the U.S. dollar, the Equity Trust can attempt to "lock in" the U.S. dollar value of some or all of the securities held in its portfolio that are denominated in that currency. By purchasing currency futures, the Equity Trust can establish the number of dollars it will be required to pay for a specified amount of a foreign currency in a future month. Thus, if the Equity Trust intends to buy securities in the future and expects the U.S. dollar to decline against the relevant foreign currency during the period before the purchase is effected, the Equity Trust can attempt to "lock in" the price in U.S. dollars of the securities it intends to acquire.

The purchase of options on currency futures will allow the Equity Trust, for the price of the premium and related transaction costs it must pay for the option, to decide whether or not to buy (in the case of a call option) or to sell (in the case of a put option) a futures contract at a specified price at any time during the period before the option expires. If Gabelli Funds, in purchasing an option, has been correct in its judgment concerning the direction in which the price of a foreign currency would move as against the U.S. dollar, the Equity Trust may exercise the option and thereby take a futures position to hedge against the risk it had correctly anticipated or close out the option position at a gain that will offset, to some extent, currency exchange losses otherwise suffered by the Equity Trust. If exchange rates move in a way the Equity Trust did not anticipate, however, the Equity Trust will have incurred the expense of the option without obtaining the expected benefit; any such movement in exchange rates may also thereby reduce, rather than enhance, the Equity Trust's profits on its underlying securities transactions.

Securities Index Futures Contracts and Options Thereon. Purchases or sales of securities index futures contracts are used for hedging purposes to attempt to protect the Equity Trust's current or intended investments from broad fluctuations in stock or bond prices. For example, the Equity Trust may sell securities index futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of the Equity Trust's securities portfolio that might otherwise result. If such decline occurs, the loss in value of portfolio securities may be offset, in whole or part, by gains on the futures position. When the Equity Trust is not fully invested in the securities market and anticipates a significant market advance, it may purchase securities index futures contracts in order to gain rapid market exposure that may, in part or entirely, offset increases in the cost of securities that the Equity Trust intends to purchase. As such purchases are made, the corresponding positions in securities index futures contracts will be closed out. The Equity Trust may write put and call options on securities index futures contracts for hedging purposes.

Limitations on the Purchase and Sale of Futures Contracts and Options on Futures Contracts. Gabelli Funds has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act and therefore is not subject to registration under the Commodity Exchange Act. Accordingly, the Equity Trust's investments in derivative instruments described in the Prospectus and this SAI are not limited by or subject to regulation under the Commodity Exchange Act or otherwise regulated by the Commodity Futures Trading Commission. Nevertheless, the Equity Trust's investment restrictions place certain limitations and prohibitions on the Equity Trust's ability to purchase or sell commodities or commodity contracts. See "Investment Restrictions." Under these restrictions, the Equity Trust may not enter into futures contracts or options on futures contracts unless (i) the aggregate initial margins and premiums do not exceed 5% of the fair market value of the Equity Trust's total assets and (ii) the aggregate market value of the Equity Trust's outstanding futures contracts and the market value of the currencies and futures contracts subject to outstanding options written by the Equity Trust, as the case may be, do not exceed 50% of the market value of

the Equity Trust's total assets. In addition, investment in futures contracts and related options generally will be limited by the rating agency guidelines applicable to any of the Equity Trust's outstanding preferred stock.

Forward Currency Exchange Contracts. The Equity Trust may engage in currency transactions other than on futures exchanges to protect against future changes in the level of future currency exchange rates. The Equity Trust will conduct such currency exchange transactions either on a spot, i.e., cash, basis at the rate then prevailing in the currency exchange market or on a forward basis, by entering into forward contracts to purchase or sell currency. A forward contract on foreign currency involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days agreed upon by the parties from the date of the contract, at a price set on the date of the contract. The risk of shifting of a forward currency contract will be substantially the same as a futures contract having similar terms. The Equity Trust's dealing in forward currency exchange will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of forward currency with respect to specific receivables or payables of the Equity Trust generally arising in connection with the purchase or sale of its portfolio securities and accruals of interest receivable and Equity Trust expenses. Position hedging is the forward sale of currency with respect to portfolio security positions denominated or quoted in that currency or in a currency bearing a high degree of positive correlation to the value of that currency.

The Equity Trust may not position hedge with respect to a particular currency for an amount greater than the aggregate market value (determined at the time of making any sale of forward currency) of the securities held in its portfolio denominated or quoted in, or currently convertible into, such currency. If the Equity Trust enters into a position hedging transaction, the Equity Trust's custodian or subcustodian will place cash or other liquid securities in a segregated account of the Equity Trust in an amount equal to the value of the Equity Trust's total assets committed to the consummation of the given forward contract. If the value of the securities placed in the segregated account declines, additional cash or securities will be placed in the account so that the value of the account will, at all times, equal the amount of the Equity Trust's commitment with respect to the forward contract.

At or before the maturity of a forward sale contract, the Equity Trust may either sell a portfolio security and make delivery of the currency, or retain the security and offset its contractual obligations to deliver the currency by purchasing a second contract pursuant to which the Equity Trust will obtain, on the same maturity date, the same amount of the currency which it is obligated to deliver. If the Equity Trust retains the portfolio security and engages in an offsetting transaction, the Equity Trust, at the time of execution of the offsetting transaction, will incur a gain or a loss to the extent that movement has occurred in forward contract prices. Should forward prices decline during the period between the Equity Trust's entering into a forward contract for the sale of a currency and the date it enters into an offsetting contract for the purchase of the currency, the Equity Trust will realize a gain to the extent the price of the currency it has agreed to purchase is less than the price of the currency it has agreed to sell. Should forward prices increase, the Equity Trust will suffer a loss to the extent the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell. Closing out forward purchase contracts involves similar offsetting transactions.

The cost to the Equity Trust of engaging in currency transactions varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. Because forward transactions in currency exchange are usually conducted on a principal basis, no fees or commissions are involved. The use of foreign currency contracts does not eliminate fluctuations in the underlying prices of the securities, but it does establish a rate of exchange that can be achieved in the future. In addition, although forward currency contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result if the value of the currency increases.

If a decline in any currency is generally anticipated by Gabelli Funds, the Equity Trust may not be able to contract to sell the currency at a price above the level to which the currency is anticipated to decline.

Special Risk Considerations Relating to Futures and Options Thereon. The Equity Trust's ability to establish and close out positions in futures contracts and options thereon will be subject to the development and maintenance of liquid markets. Although the Equity Trust generally will purchase or sell only those futures contracts and options thereon for which there appears to be a liquid market, there is no assurance that

a liquid market on an exchange will exist for any particular futures contract or option thereon at any particular time.

In the event no liquid market exists for a particular futures contract or option thereon in which the Equity Trust maintains a position, it will not be possible to effect a closing transaction in that contract or to do so at a satisfactory price and the Equity Trust would have to either make or take delivery under the futures contract or, in the case of a written option, wait to sell the underlying securities until the option expires or is exercised or, in the case of a purchased option, exercise the option. In the case of a futures contract or an option thereon which the Equity Trust has written and which the Equity Trust is unable to close, the Equity Trust would be required to maintain margin deposits on the futures contract or option thereon and to make variation margin payments until the contract is closed.

Successful use of futures contracts and options thereon and forward contracts by the Equity Trust is subject to the ability of Gabelli Funds to predict correctly movements in the direction of interest and foreign currency rates. If Gabelli Funds' expectations are not met, the Equity Trust will be in a worse position than if a hedging strategy had not been pursued. For example, if the Equity Trust has hedged against the possibility of an increase in interest rates that would adversely affect the price of securities in its portfolio and the price of such securities increases instead, the Equity Trust will lose part or all of the benefit of the increased value of its securities because it will have offsetting losses in its futures positions. In addition, in such situations, if the Equity Trust has insufficient cash to meet daily variation margin requirements, it may have to sell securities to meet the requirements. These sales may be, but will not necessarily be, at increased prices which reflect the rising market. The Equity Trust may have to sell securities at a time when it is disadvantageous to do so.

Additional Risks of Foreign Options, Futures Contracts, Options on Futures Contracts and Forward Contracts. Options, futures contracts and options thereon and forward contracts on securities and currencies may be traded on foreign exchanges. Such transactions may not be regulated as effectively as similar transactions in the U.S., may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities. The value of such positions also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the U.S. of data on which to make trading decisions, (iii) delays in the Equity Trust's ability to act upon economic events occurring in the foreign markets during non-business hours in the U.S., (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the U.S. and (v) lesser trading volume.

Exchanges on which options, futures and options on futures are traded may impose limits on the positions that the Equity Trust may take in certain circumstances.

Risks of Currency Transactions. Currency transactions are also subject to risks different from those of other portfolio transactions. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be adversely affected by government exchange controls, limitations or restrictions on repatriation of currency, and manipulation, or exchange restrictions imposed by governments. These forms of governmental action can result in losses to the Equity Trust if it is unable to deliver or receive currency or monies in settlement of obligations and could also cause hedges it has entered into to be rendered useless, resulting in full currency exposure as well as incurring transaction costs.

When Issued, Delayed Delivery Securities and Forward Commitments. The Equity Trust may enter into forward commitments for the purchase or sale of securities, including on a "when issued" or "delayed delivery" basis, in excess of customary settlement periods for the type of security involved. In some cases, a forward commitment may be conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, corporate reorganization or debt restructuring, i.e., a when, as and if issued security. When such transactions are negotiated, the price is fixed at the time of the commitment, with payment and delivery taking place in the future, generally a month or more after the date of the commitment. While it will only enter into a forward commitment with the intention of actually acquiring the security, the Equity Trust may sell the security before the settlement date if it is deemed advisable.

Securities purchased under a forward commitment are subject to market fluctuation, and no interest (or dividends) accrues to the Equity Trust prior to the settlement date. The Equity Trust will segregate with its custodian cash or liquid securities in an aggregate amount at least equal to the amount of its outstanding forward commitments.

Restricted and Illiquid Securities. The Equity Trust may invest up to a total of 10% of its net assets in securities that are subject to restrictions on resale and securities the markets for which are illiquid, including repurchase agreements with more than seven days to maturity. Illiquid securities include securities the disposition of which is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Unseasoned issuers are companies (including predecessors) that have operated less than three years. The continued liquidity of such securities may not be as well assured as that of publicly traded securities, and accordingly the Board of Directors will monitor their liquidity. The Board will review pertinent factors such as trading activity, reliability of price information and trading patterns of comparable securities in determining whether to treat any such security as liquid for purposes of the foregoing 10% test. To the extent the Board treats such securities as liquid, temporary impairments to trading patterns of such securities may adversely affect the Equity Trust's liquidity.

In accordance with pronouncements of the Commission, the Equity Trust may invest in restricted securities that can be traded among qualified institutional buyers under Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), without registration and may treat them as liquid for purposes of the foregoing 10% test if such securities are found to be liquid. The Board of Directors has adopted guidelines and delegated to Gabelli Funds, subject to the supervision of the Board of Directors, the function of determining and monitoring the liquidity of particular Rule 144A securities.

INVESTMENT RESTRICTIONS

The Equity Trust operates under the following restrictions that constitute fundamental policies that, except as otherwise noted, cannot be changed without the affirmative vote of the holders of a majority of the outstanding voting securities of the Equity Trust along with the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding preferred shares, voting together as a single class. For purposes of the preferred share voting rights described in the foregoing sentence, except as otherwise required under the 1940 Act, the majority of the outstanding preferred shares means, in accordance with Section 2(a)(42) of the 1940 Act, the vote of (i) of 67% or more of the preferred shares present at the shareholders meeting called for such vote, if the holders of more than 50% of the outstanding preferred shares are present or represented by proxy or (ii) more than 50% of the outstanding preferred shares, whichever is less. Except as otherwise noted, all percentage limitations set forth below apply immediately after a purchase or initial investment and any subsequent change in any applicable percentage resulting from market fluctuations does not require any action. The Equity Trust may not:

1. Invest 25% or more of its total assets, taken at market value at the time of each investment, in the securities of issuers in any particular industry. This restriction does not apply to investments in direct obligations of the United States or by its agencies or instrumentalities that are entitled to the full faith and credit of the United States and that, other than United States Treasury Bills, provide for the periodic payment of interest and the full payment of principal at maturity or call for redemption (“U.S. Government Obligations”).

2. Purchase securities of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization, if more than 10% of the market value of the total assets of the Equity Trust would be invested in securities of other investment companies, more than 5% of the market value of the total assets of the Equity Trust would be invested in the securities of any one investment company or the Equity Trust would own more than 3% of any other investment company’s securities, provided, however, this restriction shall not apply to securities of any investment company organized by the Equity Trust that are to be distributed pro rata as a dividend to its stockholders.

3. Purchase or sell commodities or commodity contracts except that the Equity Trust may purchase or sell futures contracts and related options thereon if immediately thereafter (i) no more than 5% of its total assets are invested in margins and premiums and (ii) the aggregate market value of its outstanding futures contracts and market value of the currencies and futures contracts subject to outstanding options written by the Equity Trust do not exceed 50% of the market value of its total assets. The Equity Trust may not purchase or sell real estate, provided that the Equity Trust may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.

4. Purchase any securities on margin or make short sales, except that the Equity Trust may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities.

5. Make loans of money, except by the purchase of a portion of publicly distributed debt obligations in which the Equity Trust may invest, and repurchase agreements with respect to those obligations, consistent with its investment objectives and policies. The Equity Trust reserves the authority to make loans of its portfolio securities to financial intermediaries in an aggregate amount not exceeding 20% of its total assets. Any such loans may only be made upon approval of, and subject to any conditions imposed by, the Board of Directors of the Equity Trust. Because these loans would at all times be fully collateralized, the risk of loss in the event of default of the borrower should be slight.

6. Borrow money, except that the Equity Trust may borrow from banks and other financial institutions on an unsecured basis, in an amount not exceeding 10% of its total assets, to finance the repurchase of its stock. The Equity Trust also may borrow money on a secured basis from banks as a temporary measure for extraordinary or emergency purposes. Temporary borrowings may not exceed 5% of the value of the total assets of the Equity Trust at the time the loan is made. The Equity Trust may pledge up to 10% of the lesser of the cost or value of its total assets to secure temporary borrowings. The Equity Trust will not borrow for investment purposes. Immediately after any borrowing, the Equity Trust

will maintain asset coverage of not less than 300% with respect to all borrowings. While the borrowing of the Equity Trust exceeds 5% of its respective total assets, the Equity Trust will make no further purchases of securities, although this limitation will not apply to repurchase transactions as described above.

7. Issue senior securities, except to the extent permitted by applicable law.

8. Underwrite securities of other issuers except insofar as the Equity Trust may be deemed an underwriter under the Securities Act in selling portfolio securities; provided, however, this restriction shall not apply to securities of any investment company organized by the Equity Trust that are to be distributed pro rata as a dividend to its stockholders.

9. Invest more than 10% of its total assets in illiquid securities, such as repurchase agreements with maturities in excess of seven days, or securities that at the time of purchase have legal or contractual restrictions on resale.

MANAGEMENT OF THE EQUITY TRUST

Directors and Officers

The business and affairs of the Equity Trust are managed under the direction of its Board of Directors, and the day-to-day operations are conducted through or under the direction of its officers.

The names and business addresses of the Directors and principal officers of the Equity Trust are set forth in the following table, together with their positions and their principal occupations during the past five years and, in the case of the Directors, their positions with certain other organizations and companies. Directors who are “interested persons” of the Equity Trust, as defined by the 1940 Act, are listed under the caption “Interested Directors.”

Directors

<u>Name, Position(s), Address and Age(1)</u>	<u>Term of Office and Length of Time Served(2)</u>	<u>Number of Funds in Complex Overseen by Director</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Director</u>
Interested Directors:(3)				
Mario J. Gabelli Director and Chief Investment Officer Age: 63	Since 1986**	24	Chairman of the Board, Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer — Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Chairman and Chief Executive Officer of Lynch Interactive Corporation (multimedia and services)	Director of Morgan Group Holdings, Inc. (holding company)
Karl Otto Pöhl Director Age: 75	Since 1992*	35	Member of the Shareholder Committee of Sal. Oppenheim Jr. & Cie, Zurich (private investment bank); Former President of the Deutsche Bundesbank and Chairman of its Central Bank Council (1980-1991)	Director of GAMCO Investors, Inc. (investment management); Chairman, InCentive Capital AG and InCentive Asset Management AG (Zurich); Director of Sal. Oppenheim Jr. & Cie, Zurich (private investment bank)
Non-Interested Directors:				
Thomas E. Bratter Director Age: 66	Since 1986**	3	Director, President and Founder, The John Dewey Academy (residential college preparatory therapeutic high school)	None

<u>Name, Position(s), Address and Age(1)</u>	<u>Term of Office and Length of Time Served(2)</u>	<u>Number of Funds in Complex Overseen by Director</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Director</u>
Anthony J. Colavita(4) Director Age: 69	Since 1999***	37	Partner in the law firm of Anthony J. Colavita, P.C.	None
James P. Conn(4) Director Age: 67	Since 1989*	14	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)	Director of LaQuinta Corp. (hotels) and First Republic Bank (banking)
Frank J. Fahrenkopf, Jr. Director Age: 65	Since 1998***	5	President and Chief Executive Officer of the American Gaming Association; Partner in the law firm of Hogan & Hartson; Co-Chairman of the Commission on Presidential Debates; Former Chairman of the Republican National Committee	Director of First Republic Bank (banking)
Arthur V. Ferrara Director Age: 74	Since 2001**	9	Former Chairman of the Board and Chief Executive Officer of The Guardian Life Insurance Company of America (1993-1995); President, Chief Executive Officer and a Director prior thereto	Director of The Guardian Life Insurance Company of America and 5 mutual funds within the Guardian Fund Complex
Anthony R. Pustorino Director Age: 80	Since 1986*	17	Certified Public Accountant; Professor Emeritus, Pace University	Director of Lynch Corporation (diversified manufacturing)
Salvatore J. Zizza Director Age: 59	Since 1986***	25	Chairman, Hallmark Electrical Supplies Corp.	Director of Hollis Eden Pharmaceuticals and Earl Scheib, Inc. (automotive services)

Officers

<u>Name, Position(s), Address and Age(1)</u>	<u>Term of Office and Length of Time Served(2)</u>	<u>Principal Occupation(s) During Past Five Years</u>
Bruce N. Alpert President and Treasurer Age: 53	Since 1988	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988. Director and President of Gabelli Advisers, Inc. since 1988. Officer of all the registered investment companies in the Gabelli fund complex.
Carter W. Austin Vice President Age: 38	Since 2000	Vice President of Gabelli Funds, LLC since 1996. Vice President of Gabelli Dividend & Income Trust since 2003.
Dawn M. Donato Assistant Vice President Age: 37	Since 2004	Assistant Vice President of Gabelli Funds, LLC since 2004. Registered Representative for Gabelli & Company, Inc. since 2002; Senior Sales Representative for Manulife Wood Logan, Inc. prior to 2002.
Peter D. Goldstein Chief Compliance Officer Age: 51	Since 2004	Director of Regulatory Affairs for GAMCO Investors, Inc. since 2004. Chief Compliance Officer of all the registered investment companies in the Gabelli fund complex. Vice President of Goldman Sachs Asset Management from 2000-2004; Deputy General Counsel of GAMCO Investors, Inc. from 1998-2000.
James E. McKee Secretary Age: 42	Since 1995	Vice President, General Counsel and Secretary of GAMCO Investors, Inc. since 1999 and GAMCO Asset Management Inc. since 1993; Secretary of all the registered investment companies in the Gabelli fund complex.

(1) Address: One Corporate Center, Rye, NY 10580-1422, unless otherwise noted.

(2) The Equity Trust's Board of Directors is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three-year term. The three-year term for each class is as follows:

* Term continues until the Equity Trust's 2006 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

** Term continues until the Equity Trust's 2007 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

*** Term continues until the Equity Trust's 2008 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

(3) "Interested person" of the Equity Trust as defined in the 1940 Act. Messrs. Gabelli and Pöhl are each considered an "interested person" because of their affiliation with Gabelli Funds, the Equity Trust's investment adviser.

(4) As a Director, elected solely by holders of the Equity Trust's preferred stock.

**BENEFICIAL OWNERSHIP OF SHARES HELD IN THE EQUITY TRUST AND
THE FUND COMPLEX FOR EACH DIRECTOR**

Set forth in the table below is the dollar range of equity securities in the Equity Trust beneficially owned by each Director and the aggregate dollar range of equity securities in the Gabelli Fund complex beneficially owned by each Director.

<u>Name of Director</u>	<u>Dollar Range of Equity Securities in the Equity Trust *(1)</u>	<u>Aggregate Dollar Range of Equity Securities in all Registered Investment Companies Overseen by Directors in the Fund Complex*(1) (2)</u>
<u>Interested Directors:</u>		
Mario J. Gabelli	E	E
Karl Otto Pöhl	A	A
<u>Non-Interested Directors:</u>		
Dr. Thomas E. Bratter	E	E
Anthony J. Colavita**	C	E
James P. Conn	E	E
Frank J. Fahrenkopf, Jr.	A	B
Arthur V. Ferrara	C	E
Anthony R. Pustorino**	E	E
Salvatore J. Zizza	E	E

* Key to Dollar Ranges

- A. None
- B. \$1-\$10,000
- C. \$10,001-\$50,000
- D. \$50,001-\$100,000
- E. Over \$100,000

All shares were valued as of December 31, 2004.

** Messrs. Colavita and Pustorino each beneficially owned less than 1% of the common stock of Lynch Corporation each having a value of \$14,500 as of December 31, 2004. Lynch Corporation may be deemed to be controlled by Mario J. Gabelli and an affiliated person and in that event would be deemed to be under common control with Gabelli Funds.

- (1) This information has been furnished by each Director as of December 31, 2004. "Beneficial Ownership" is determined in accordance with Section 16a-1(a)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act").
- (2) The "Fund Complex" includes all the funds that are considered part of the same fund complex as the Equity Trust because they have common or affiliated investment advisers.

As of December 31, 2004, the Directors and Officers of the Equity Trust as a group beneficially owned approximately 1.1% of the outstanding shares of the Equity Trust.

Audit Committee

The role of the Equity Trust's Audit Committee is to assist the Board of Directors in its oversight of (i) the quality and integrity of the Equity Trust's financial statement reporting process and the independent audit and reviews thereof; (ii) the Equity Trust's accounting and financial reporting policies and practices, its internal controls and, as appropriate, the internal controls of certain of its service providers; (iii) the Equity Trust's compliance with legal and regulatory requirements; and (iv) the independent registered public accounting firm's qualifications, independence and performance. The Audit Committee also is required to

prepare an audit committee report pursuant to the rules of the Commission for inclusion in the Equity Trust's annual proxy statement. The Audit Committee operates pursuant to the Audit Committee Charter (the "Charter") that was most recently reviewed and approved by the Board of Directors on February 16, 2005.

Pursuant to the Charter, the Audit Committee is responsible for conferring with the Equity Trust's independent registered public accounting firm, reviewing annual financial statements, approving the selection of the Equity Trust's independent registered public accounting firm and overseeing the Equity Trust's internal controls. The Charter also contains provisions relating to the pre-approval by the Audit Committee of certain non-audit services to be provided by PricewaterhouseCoopers LLP ("PwC") to the Equity Trust and to Gabelli Funds and certain of its affiliates. The Audit Committee advises the full Board with respect to accounting, auditing and financial matters affecting the Equity Trust. As set forth in the Charter, management is responsible for maintaining appropriate systems for accounting and internal control, and the Equity Trust's independent registered public accounting firm is responsible for planning and carrying out proper audits and reviews. The independent registered public accounting firm is ultimately accountable to the Board of Directors and to the Audit Committee, as representatives of shareholders. The independent registered public accounting firm for the Equity Trust reports directly to the Audit Committee.

In performing its oversight function, at a meeting held on February 11, 2005, the Audit Committee reviewed and discussed with management of the Equity Trust and PwC the audited financial statements of the Equity Trust as of and for the fiscal year ended December 31, 2004, and discussed the audit of such financial statements with the independent registered public accounting firm.

In addition, the Audit Committee discussed with the independent registered public accounting firm the accounting principles applied by the Equity Trust and such other matters brought to the attention of the Audit Committee by the independent registered public accounting firm required by Statement of Auditing Standards No. 61, Communications with Audit Committees, as currently modified or supplemented. The Audit Committee also received from the independent registered public accounting firm the written disclosures and statements required by the Commission's independence rules, delineating relationships between the independent registered public accounting firm and the Equity Trust and discussed the impact that any such relationships might have on the objectivity and independence of the independent registered public accounting firm.

As set forth above, and as more fully set forth in the Charter, the Audit Committee has significant duties and powers in its oversight role with respect to the Equity Trust's financial reporting procedures, internal control systems and the independent audit process.

The Audit Committee met twice during the fiscal year ended December 31, 2004. The Audit Committee is composed of three of the Equity Trust's independent (as such term is defined by the New York Stock Exchange, Inc.'s listing standards (the "NYSE Listing Standards")) Directors, namely, Messrs. Colavita, Pustorino and Zizza. Each member of the Audit Committee has been determined by the Board of Directors to be financially literate.

Nominating Committee

The Board of Directors has a Nominating Committee composed of three independent (as such term is defined by the NYSE Listing Standards) Directors, namely, Messrs. Colavita, Ferrara and Zizza. The Nominating Committee met once during the fiscal year ended December 31, 2004. The Nominating Committee is responsible for identifying and recommending to the Board of Directors individuals believed to be qualified to become Board members in the event that a position is vacated or created. The Nominating Committee will consider Director candidates recommended by shareholders. In considering candidates submitted by shareholders, the Nominating Committee will take into consideration the needs of the Board of Directors, the qualifications of the candidate and the interests of shareholders. The Nominating Committee may also take into consideration the number of shares held by the recommending shareholder and the length of time that such shares have been held. To recommend a candidate for consideration by the Nominating

Committee, a shareholder must submit the recommendation in writing and must include the following information:

- The name of the shareholder and evidence of the shareholder's ownership of shares of the Equity Trust, including the number of shares owned and the length of time of ownership;
- The name of the candidate, the candidate's resume or a listing of his or her qualifications to be a Director of the Equity Trust and the person's consent to be named as a Director if selected by the Nominating Committee and nominated by the Board of Directors; and
- If requested by the Nominating Committee, a completed and signed directors' questionnaire.

The shareholder recommendation and information described above must be sent to James E. McKee, the Equity Trust's Secretary, c/o Gabelli Funds, LLC, and must be received by the Secretary no less than 120 days prior to the anniversary date of the Equity Trust's most recent annual meeting of shareholders or, if the meeting has moved by more than 30 days, a reasonable amount of time before the meeting.

The Nominating Committee believes that the minimum qualifications for serving as a Director of the Equity Trust are that the individual demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board of Directors' oversight of the business and affairs of the Equity Trust and have an impeccable record and reputation for honest and ethical conduct in both his or her professional and personal activities. In addition, the Nominating Committee examines a candidate's specific experiences and skills, time availability in light of other commitments, potential conflicts of interest and independence from management and the Equity Trust. The Nominating Committee also seeks to have the Board of Directors represent a diversity of backgrounds and experience.

The Equity Trust's Nominating Committee adopted a charter on May 12, 2004, and amended the charter on November 17, 2004. The charter can be found on the Equity Trust's website at www.gabelli.com.

Remuneration of Directors and Officers

The Equity Trust pays each Director who is not affiliated with Gabelli Funds or its affiliates a fee of \$12,000 per year plus \$1,500 per meeting attended in person and \$1,000 per telephonic meeting or Committee meeting, together with the Director's actual out-of-pocket expenses relating to his attendance at such meetings. In addition, effective in 2004, the Audit Committee Chairman receives an annual fee of \$3,000, the Proxy Voting Committee Chairman receives an annual fee of \$1,500 and the Nominating Committee Chairman receives an annual fee of \$2,000. The aggregate remuneration (not including out-of-pocket expenses) paid by the Equity Trust to such Directors during the year ended December 31, 2004 amounted to \$140,500. During the year ended December 31, 2004, the Directors of the Equity Trust met five times, one of which was a special meeting of Directors. Each Director then serving in such capacity attended at least 75% of the meetings of Directors and of any Committee of which he is a member.

The following table shows certain compensation information for the Directors and Officers of the Equity Trust for the fiscal year ended December 31, 2004. Officers who are employed by Gabelli Funds receive no compensation or expense reimbursement from the Equity Trust.

Compensation Table For The Fiscal Year Ended December 31, 2004

<u>Name of Person And Position</u>	<u>Aggregate Compensation From The Equity Trust</u>	<u>Total Compensation From The Equity Trust And Fund Complex Paid To Directors/Officers*</u>
<u>Directors:</u>		
Mario J. Gabelli, Chairman of the Board . . .	\$ 0	\$ 0 (24)
Dr. Thomas E. Bratter, Director	\$18,500	\$ 32,500 (3)
Anthony J. Colavita, Director	\$23,000	\$216,835 (36)
James P. Conn, Director	\$18,500	\$ 83,210 (13)
Frank J. Fahrenkopf, Jr., Director	\$18,500	\$ 53,500 (4)
Arthur V. Ferrara, Director	\$16,500	\$ 29,125 (9)
Karl Otto Pöhl, Director	\$ 0	\$ 5,085 (34)
Anthony R. Pustorino, Director	\$24,500	\$150,000 (17)
Salvatore J. Zizza, Director	\$21,000	\$137,179 (24)
<u>Officers:</u>		
Carter W. Austin**, Vice President	\$93,333	\$276,667 (2)
Dawn M. Donato, Assistant Vice President	\$69,583	\$ 69,583 (1)
Matthew A. Hultquist**, Vice President . . .	\$64,782	\$ 64,782 (1)

* Represents the total compensation paid to such persons during the calendar year ended December 31, 2004 by investment companies (including the Equity Trust) or portfolios thereof from which such person receives compensation that are considered part of the same fund complex as the Equity Trust because they have common or affiliated investment advisers. The number in parenthesis represents the number of such investment companies and portfolios.

** Mr. Austin ceased to be a paid employee of the Equity Trust as of June 30, 2004; however, he continues to serve as a Vice President of the Equity Trust. Mr. Hultquist resigned as an officer and employee of the Equity Trust effective as of December 22, 2004.

Limitation of Officers' and Directors' Liability

The Equity Trust's By-Laws provide that the Equity Trust, to the fullest extent permitted by law, will indemnify its current and former Directors and officers and may indemnify its employees or agents against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices or association with the Equity Trust. The By-Laws do not permit indemnification against any liability to which such person would be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office. Maryland law does not permit indemnification of present or former directors, officers, employees or agents in connection with any proceeding to which they may be made a party by reason of their service to the Equity Trust if (i) the act or omission of such person or entity was material to the matter giving rise to the proceeding and (a) was committed in bad faith; or (b) was the result of active and deliberate dishonesty; (ii) such person or entity actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, such person or entity had reasonable cause to believe that the act or omission was unlawful.

Under Maryland law, the Equity Trust is not permitted to indemnify for an adverse judgment in a suit by or in the right of the Equity Trust for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent or an entry of an order of

probation prior to judgment creates a rebuttable presumption that the director, officer, employee or agent did not meet the requisite standard of conduct required for permitted indemnification. The termination of any proceeding by judgment, order or settlement, however, does not create such a presumption.

The By-Laws and Maryland law permit the Equity Trust to advance reasonable expenses to current or former Directors, officers, employees and agents upon the Equity Trust's receipt of a written affirmation by such person or entity of its good faith belief that it has met the standard of conduct necessary for indemnification by the Equity Trust, and a written undertaking by such person or entity (or on its behalf) to repay the amount paid or reimbursed by the Equity Trust if it is ultimately determined that such person or entity did not meet the requisite standard of conduct. The By-Laws further require that one of the following conditions must also be met to advance payment of expenses: (i) the person or entity seeking indemnification shall provide a security in the form and amount acceptable to the Equity Trust for its undertaking; (ii) the Equity Trust is insured against losses arising by reason of the advance; (iii) approval by a majority of a quorum of the Directors of the Equity Trust who are neither "interested persons" as defined by Section 2(a)(19) of the 1940 Act nor parties to the proceeding, or (iv) a written opinion of independent legal counsel, based on a review of the facts readily available to the Equity Trust at the time the advance is proposed to be made, to the effect that there is reason to believe that the person or entity seeking indemnification will ultimately be found to be entitled to indemnification.

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by final judgment as being material to the cause of action. The Equity Trust's Charter provides for such a limitation, except to the extent such exemption is not permitted by the 1940 Act, as amended from time to time.

Investment Advisory and Administrative Arrangements

Investment Management. Gabelli Funds, located at One Corporate Center, Rye, New York 10580-1422, serves as the investment adviser to the Equity Trust pursuant to an investment advisory agreement. Gabelli Funds was organized in 1999 and is the successor to Gabelli Funds, Inc., which was organized in 1980. As of June 30, 2005, Gabelli Funds acted as registered investment adviser to 28 management investment companies with aggregate net assets of \$12.8 billion. Gabelli Funds, together with other affiliated investment advisers, had assets under management totaling approximately \$27.6 billion as of June 30, 2005. GAMCO Asset Management Inc., an affiliate of Gabelli Funds, acts as investment adviser for individuals, pension trusts, profit sharing trusts and endowments, and as a sub-adviser to management investment companies having aggregate assets of \$13.2 billion under management as of June 30, 2005. Gabelli Fixed Income LLC, an affiliate of Gabelli Funds, acts as investment adviser for The Treasurer's Fund and separate accounts having aggregate assets of approximately \$400 million under management as of June 30, 2005. Gabelli Advisers, Inc., an affiliate of Gabelli Funds, acts as investment manager to the Westwood Funds having aggregate assets of approximately \$400 million under management as of June 30, 2005.

Gabelli Funds is a wholly-owned subsidiary of GAMCO Investors, Inc., a New York corporation, whose Class A Common Stock is traded on the NYSE under the symbol "GBL." Mr. Mario J. Gabelli may be deemed a "controlling person" of Gabelli Funds on the basis of his ownership of a majority of the stock of GGCP, Inc., which owns a majority of the capital stock of GAMCO Investors, Inc.

Gabelli Funds has sole investment discretion for the Equity Trust's assets under the supervision of the Equity Trust's Board of Directors and in accordance with the Equity Trust's stated policies. Gabelli Funds will select investments for the Equity Trust and will place purchase and sale orders on behalf of the Equity Trust.

Advisory Agreement. Under the terms of the Equity Trust's Investment Advisory Agreement (the "Advisory Agreement"), Gabelli Funds manages the portfolio of the Equity Trust in accordance with its stated investment objectives and policies, makes investment decisions for the Equity Trust, places orders to purchase and sell securities on behalf of the Equity Trust and manages the Equity Trust's other business and

affairs, all subject to the supervision and direction of its Board of Directors. In addition, under the Advisory Agreement, Gabelli Funds oversees the administration of all aspects of the Equity Trust's business and affairs and provides, or arranges for others to provide, at Gabelli Funds' expense, certain enumerated services, including maintaining the Equity Trust's books and records, preparing reports to its stockholders and supervising the calculation of the net asset value of its stock. All expenses of computing the Equity Trust's net asset value, including any equipment or services obtained solely for the purpose of pricing shares of stock or valuing the Equity Trust's investment portfolio, will be an expense of the Equity Trust under the Advisory Agreement unless Gabelli Funds voluntarily assumes responsibility for such expense.

The Advisory Agreement combines investment advisory and administrative responsibilities in one agreement. For services rendered by Gabelli Funds on behalf of the Equity Trust under the Advisory Agreement, the Equity Trust pays Gabelli Funds a fee computed weekly and paid monthly at the annual rate of 1.00% of its average weekly net assets plus the liquidation value of any outstanding preferred stock. Gabelli Funds has agreed to reduce the management fee on the incremental assets attributable to the preferred stock during the fiscal year if the total return of the net asset value of Equity Trust Common Stock (the "Common Shares"), including distributions and advisory fee subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series of the preferred stock.

For the years ended December 31, 2002, December 31, 2003, and December 31, 2004, Gabelli Funds was paid \$9,835,224, \$12,895,377, and \$15,167,775, respectively, for advisory and administrative services rendered to the Equity Trust.

The Advisory Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder, Gabelli Funds is not liable for any error or judgment or mistake of law or for any loss suffered by the Equity Trust. As part of the Advisory Agreement, the Equity Trust has agreed that the name "Gabelli" is Gabelli Funds property, and that in the event Gabelli Funds ceases to act as an investment adviser to the Equity Trust, the Equity Trust will change its name to one not including "Gabelli."

Pursuant to its terms, the Advisory Agreement will remain in effect with respect to the Equity Trust from year to year if approved annually (i) by the Equity Trust's Board of Directors or by the holders of a majority of its outstanding voting securities and (ii) by a majority of the Directors who are not "interested persons" (as defined in the 1940 Act) of any party to the Advisory Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval.

PORTFOLIO MANAGER INFORMATION

Other Accounts Managed

The information below lists other accounts for which the Equity Trust's portfolio managers were primarily responsible for the day-to-day management during the fiscal year ended December 31, 2004.

<u>Name of Portfolio Manager</u>	<u>Types of Accounts</u>	<u>Total Number of Accounts Managed</u>	<u>Total Assets</u>	<u>Number of Accounts Managed with Advisory Fee Based on Performance</u>	<u>Total Assets with Advisory Fee Based on Performance</u>
Mario J. Gabelli . . .	Registered Investment Companies	24	\$11.1B*	5	\$493.8M*
	Other Pooled Investment Vehicles	14	\$707.7M*	14	\$707.7M
	Other Accounts	1,747	\$9.9B	3	\$ 1.2B
<u>Name of Portfolio Manager</u>	<u>Types of Accounts</u>	<u>Total Number of Accounts Managed</u>	<u>Total Assets</u>	<u>Number of Accounts Managed with Advisory Fee Based on Performance</u>	<u>Total Assets with Advisory Fee Based on Performance</u>
Caesar M.P. Bryan	Registered Investment Companies	4	\$409.1M*	0	\$ 0
	Other Pooled Investment Vehicles	2	\$26.9M*	2	\$26.9M*
	Other Accounts	1	\$1.6M	0	\$ 0

* Represents the portion of assets for which the portfolio manager has primary responsibility in the accounts indicated. The accounts indicated may contain additional assets under the primary responsibility of other portfolio managers.

Potential Conflicts of Interest.

Actual or apparent conflicts of interest may arise when the portfolio manager also has day-to-day management responsibilities with respect to one or more other accounts. These potential conflicts include:

Allocation of Limited Time and Attention. Because the portfolio manager manages many accounts, he may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as if he were to devote substantially more attention to the management of only a few accounts.

Allocation of Limited Investment Opportunities. If the portfolio manager identifies an investment opportunity that may be suitable for multiple accounts, the Equity Trust may not be able to take full advantage of that opportunity because the opportunity may need to be allocated among all or many of these accounts.

Pursuit of Differing Strategies. At times, the portfolio manager may determine that an investment opportunity may be appropriate for only some of the accounts for which he exercises investment responsibility, or may decide that certain of these accounts should take differing positions with respect to a particular security. In these cases, the portfolio manager may execute differing or opposite transactions for one or more accounts which may affect the market price of the security or the execution of the transactions, or both, to the detriment of one or more of his accounts.

Selection of Broker/Dealers. Because of the portfolio manager's position with the distributor of funds affiliated with the Equity Trust and his indirect majority ownership interest in such distributor, he may have an incentive to use the distributor to execute portfolio transactions for the Equity Trust even if using the distributor is not in the best interest of the Equity Trust.

Variation in Compensation. A conflict of interest may arise where the financial or other benefits available to the portfolio manager differ among the accounts that he manages. If the structure of Gabelli Funds' management fee or the portfolio manager's compensation differs among accounts (such as where certain funds or accounts pay higher management fees or performance-based management fees), the portfolio manager may be motivated to favor certain funds or accounts over others. The portfolio manager also may be motivated to favor funds or accounts in which he has an investment interest, or in which Gabelli Funds or its affiliates have investment interests. In Mr. Gabelli's case, Gabelli Funds' compensation (and expenses) for the Equity Trust is marginally greater as a percentage of assets than for certain other accounts and is less than for certain other accounts managed by Mr. Gabelli, while his personal compensation structure varies with near-term performance to a greater degree in certain performance fee-based accounts than with non-performance-based accounts. In addition, he has investment interests in several of the funds managed by Gabelli Funds and its affiliates. Gabelli Funds and the Equity Trust have adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for Gabelli Funds and its staff members. However, there is no guarantee that such policies and procedures will be able to detect and address every situation in which an actual or potential conflict may arise. In Mr. Bryan's case, his compensation is not affected by changes in assets of the Equity Trust while it is for other accounts that he manages.

Compensation Structure. Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by Gabelli Funds for managing the Equity Trust. Net revenues are determined by deducting from gross investment management fees the firm's expenses (other than Mr. Gabelli's compensation) allocable to the Equity Trust. Additionally, he receives similar incentive-based variable compensation for managing other accounts within the firm. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. One of the other registered investment companies managed by Mr. Gabelli has a performance (fulcrum) fee arrangement for which his compensation is adjusted up or down based on the performance of the investment company relative to an index. Mr. Gabelli manages other accounts with performance fees. Compensation for managing these accounts has two components. One component of the fee is based on a percentage of net revenues received by Gabelli Funds for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of such performance fee is paid to Mr. Gabelli. As an executive officer of Gabelli Funds' parent company, GAMCO Investors, Inc., Mr. Gabelli also receives ten percent of the net operating profits of the parent company. Mr. Gabelli receives no base salary, no annual bonus and no stock options.

The compensation of other portfolio managers in the Gabelli organization is structured to enable it to attract and retain highly qualified professionals in a competitive environment. Mr. Bryan receives a compensation package that includes a minimum draw or base salary, equity-based incentive compensation via awards of stock options, and incentive-based variable compensation based on a percentage of net revenues received by Gabelli Funds for managing certain accounts other than the Equity Trust to the extent that the amount exceeds a minimum level of compensation. Net revenues are determined by deducting from gross investment management fees certain of the firm's expenses (other than Mr. Bryan's compensation) allocable to such other accounts. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. Equity-based incentive compensation is based on an evaluation by Gabelli Funds' parent, GAMCO Investors, Inc., of quantitative and qualitative performance evaluation criteria.

Mr. Bryan's compensation for managing other pooled investment accounts is based on a percentage of net revenues received by Gabelli Funds for managing the account. Compensation for managing accounts that have a performance-based fee will have two components. One component is based on a percentage of net revenues received by Gabelli Funds for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of the performance fee is paid to the portfolio manager.

Ownership of Shares in the Equity Trust. Set forth in the table below is the dollar range of equity securities in the Equity Trust beneficially owned by Messrs. Gabelli and Bryan:

<u>Name</u>	<u>Dollar Range of Equity Securities Held in Equity Trust*</u>
Mario J. Gabelli	G
Caesar M.P. Bryan	A

*** KEY TO DOLLAR RANGES — INFORMATION AS OF DECEMBER 31, 2004**

- A. None
- B. \$1 - \$10,000
- C. \$10,001 - \$50,000
- D. \$50,001 - \$100,000
- E. \$100,001 - \$500,000
- F. \$500,001 - \$1,000,000
- G. over \$1,000,000

Proxy Voting Procedures

The Equity Trust has adopted the proxy voting procedures of Gabelli Funds and has directed Gabelli Funds to vote all proxies relating to the Equity Trust’s voting securities in accordance with such procedures. The proxy voting procedures are set forth below as Appendix A to this SAI.

Information on how proxies relating to the Equity Trust’s voting securities were voted by the Gabelli Funds during the most recent 12 month period ended June 30th is available, upon request, by calling (800) 422-3554 or on the website of the Commission at <http://www.sec.gov>.

Code of Ethics

The Equity Trust and the Gabelli Funds have adopted a code of ethics (the “Code of Ethics”) under Rule 17j-1 under the 1940 Act. The Code of Ethics permits personnel, subject to the Code of Ethics and its restrictive provisions, to invest in securities, including securities that may be purchased or held by the Equity Trust. The Code of Ethics can be reviewed and copied at the Commission’s Public Reference Room in Washington, D.C. Information on the operations of the Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. The Code of Ethics is also available on the EDGAR database on the Commission’s web site at <http://www.sec.gov>. Copies of the Code of Ethics may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the Commission’s Public Reference Room Section, Washington, D.C. 20549-0102.

PORTFOLIO TRANSACTIONS

Subject to policies established by the Board of Directors of the Equity Trust, Gabelli Funds is responsible for placing purchase and sale orders and the allocation of brokerage on behalf of the Equity Trust. Transactions in equity securities are in most cases effected on U.S. stock exchanges and involve the payment of negotiated brokerage commissions. In general, there may be no stated commission in the case of securities traded in over-the-counter markets, but the prices of those securities may include undisclosed commissions or mark-ups. Principal transactions are not entered into with affiliates of the Equity Trust. However, Gabelli & Company, Inc. may execute transactions in the over-the-counter markets on an agency basis and receive a stated commission therefrom. To the extent consistent with applicable provisions of the 1940 Act and the rules and exemptions adopted by the Commission thereunder, as well as other regulatory requirements, the Equity Trust’s Board of Directors has determined that portfolio transactions may be executed through Gabelli & Company, Inc. and its broker-dealer affiliates if, in the judgment of Gabelli Funds, the use of those broker-dealers is likely to result in price and execution at least as favorable as those of other qualified broker-dealers

and if, in particular transactions, those broker-dealers charge the Equity Trust a rate consistent with that charged to comparable unaffiliated customers in similar transactions. The Equity Trust has no obligations to deal with any broker or group of brokers in executing transactions in portfolio securities. In executing transactions, Gabelli Funds seeks to obtain the best price and execution for the Equity Trust, taking into account such factors as price, size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While Gabelli Funds generally seeks reasonably competitive commission rates, the Equity Trust does not necessarily pay the lowest commission available.

Subject to obtaining the best price and execution, brokers who provide supplemental research, market and statistical information to Gabelli Funds or its affiliates may receive orders for transactions by the Equity Trust. The term "research, market and statistical information" includes advice as to the value of securities, and advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. Information so received will be in addition to and not in lieu of the services required to be performed by Gabelli Funds under the Advisory Agreement and the expenses of Gabelli Funds will not necessarily be reduced as a result of the receipt of such supplemental information. Such information may be useful to Gabelli Funds and its affiliates in providing services to clients other than the Equity Trust, and not all such information is used by Gabelli Funds in connection with the Equity Trust. Conversely, such information provided to Gabelli Funds and its affiliates by brokers and dealers through whom other clients of Gabelli Funds and its affiliates effect securities transactions may be useful to Gabelli Funds in providing services to the Equity Trust.

Although investment decisions for the Equity Trust are made independently from those of the other accounts managed by Gabelli Funds and its affiliates, investments of the kind made by the Equity Trust may also be made by those other accounts. When the same securities are purchased for or sold by the Equity Trust and any of such other accounts, it is the policy of Gabelli Funds and its affiliates to allocate such purchases and sales in a manner deemed fair and equitable to all of the accounts, including the Equity Trust.

For the fiscal years ended December 31, 2002, December 31, 2003 and December 31, 2004, the Equity Trust paid a total of \$487,920, \$837,474 and \$1,249,931 respectively, in brokerage commissions, of which Gabelli & Company, Inc. and its affiliates received, \$337,436, \$426,925 and \$835,136, respectively. The amount received by Gabelli & Company, Inc. and its affiliates from the Equity Trust in respect of brokerage commissions for the fiscal year ended December 31, 2004 represented approximately 66.81% of the aggregate dollar amount of brokerage commissions paid by the Equity Trust for such period and approximately 66.95% of the aggregate dollar amount of transactions by the Equity Trust for such period. The brokerage commissions paid by the Equity Trust for the fiscal year ended December 31, 2004 increased from the two prior fiscal years, in part, because of the \$125 million in proceeds from the offering of Series D Preferred Stock and Series E Auction Rate Preferred Stock.

Repurchase of Shares

Holders of Common Shares do not, and will not, have the right to require the Equity Trust to repurchase their stock. The Equity Trust, however, may repurchase its Common Shares from time to time as and when it deems such a repurchase advisable, subject to maintaining required asset coverage for each series of outstanding preferred stock. The Board of Directors has adopted a policy to authorize such repurchases when Common Shares are trading at a discount of 10% or more from net asset value. The policy does not limit the amount of Common Shares that can be repurchased. The percentage of the discount from net asset value at which share repurchases will be authorized may be changed by the Board of Directors. Pursuant to the 1940 Act, the Equity Trust may repurchase its Common Shares on a securities exchange (provided that the Equity Trust has informed its stockholders within the preceding six months of its intention to repurchase such stock) or pursuant to tenders or as otherwise permitted in accordance with Rule 23c-1 under the 1940 Act. Under that Rule, certain conditions must be met regarding, among other things, distribution of net income for the preceding fiscal year, status of the seller, price paid, brokerage commissions, prior notice to stockholders of an

intention to purchase stock and purchasing in a manner and on a basis that does not discriminate unfairly against the other stockholders through their interest in the Equity Trust.

When the Equity Trust repurchases its Common Shares for a price below net asset value, the net asset value of the Common Shares that remains outstanding will be enhanced, but this does not necessarily mean that the market price of the outstanding Common Shares will be affected, either positively or negatively. During the year ended December 31, 2004, and the six months ended June 30, 2005, the Equity Trust did not repurchase any shares of its Common Shares in the open market.

Portfolio Turnover

The Equity Trust does not engage in the trading of securities for the purpose of realizing short-term profits, but adjusts its portfolio as it deems advisable in view of prevailing or anticipated market conditions to accomplish its investment objective. A high rate of portfolio turnover involves correspondingly greater brokerage commission expenses than a lower rate, which expenses must be borne by the Equity Trust and its shareholders. High portfolio turnover may also result in the realization of substantial net short-term capital gains and any distributions resulting from such gains will be taxable at ordinary income rates for U.S. federal income tax purposes.

AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN

Under the Equity Trust's Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan (the "Plan"), a stockholder whose Common Shares are registered in his own name will have all distributions reinvested automatically by Computershare Shareholder Services, Inc. ("Computershare"), which is agent under the Plan, unless the stockholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in "street name") will be reinvested by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee or the stockholder elects to receive distributions in cash. Investors who own Common Shares registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to investors who do not participate in the Plan will be paid by check mailed directly to the record holder by Computershare as dividend disbursing agent.

Under the Plan, whenever the market price of the Common Shares is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividend or capital gains distribution, participants in the Plan are issued Common Shares, valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then-current market price of the Common Shares. The valuation date is the dividend or distribution payment date or, if that date is not a NYSE trading day, the next preceding trading day. If the net asset value of the Common Shares at the time of valuation exceeds the market price of the Common Shares, participants will receive Common Shares from the Equity Trust, valued at market price. If the Equity Trust should declare a dividend or capital gains distribution payable only in cash, Computershare will purchase the Common Shares for such Plan in the open market, on the NYSE or elsewhere, for the participants' accounts, except that Computershare will endeavor to terminate purchases in the open market and cause the Equity Trust to issue Common Shares at the greater of net asset value or 95% of market value if, following the commencement of such purchases, the market value of the Common Shares exceeds net asset value.

Participants in the Plan have the option of making additional cash payments to Computershare, semi-monthly, for investment in the Common Shares as applicable. Such payments may be made in any amount from \$250 to \$10,000. Computershare will use all funds received from participants to purchase Common Shares in the open market on or about the 1st and 15th of each month. Computershare will charge each stockholder who participates \$0.75, plus a pro rata share of the brokerage commissions. Brokerage charges for such purchases are expected to be less than the usual brokerage charge for such transactions. It is suggested that participants send voluntary cash payments to Computershare in a manner that ensures that Computershare will receive these payments approximately 10 days before the 1st and 15th of the month. A participant

may without charge withdraw a voluntary cash payment by written notice, if the notice is received by Computershare at least 48 hours before such payment is to be invested.

Computershare maintains all stockholder accounts in the Plan and furnishes written confirmations of all transactions in the account, including information needed by stockholders for personal and tax records. Common Shares in the account of each Plan participant will be held by Computershare in noncertificated form in the name of the participant. A Plan participant may send its share certificates to Computershare so that the shares represented by such certificates will be held by Computershare in the participant's stockholder account under the Plan. In the case of stockholders such as banks, brokers or nominees, which hold shares for others who are the beneficial owners, Computershare will administer the Plan on the basis of the number of Common Shares certified from time to time by the stockholder as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who participate in the Plan.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Equity Trust reserves the right to amend or terminate its Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of such Plan at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by Computershare on at least 90 days' written notice to the participants in such Plan. All correspondence concerning the Plan should be directed to Computershare at P.O. Box 43010, Providence, RI 02940-3010.

TAXATION

The following discussion is a brief summary of certain United States federal income tax considerations affecting the Equity Trust and its shareholders. No attempt is made to present a detailed explanation of all federal, state, local and foreign tax concerns affecting the Equity Trust and its Shareholders (including Shareholders who own large positions in the Equity Trust), and the discussions set forth here and in the Prospectus do not constitute tax advice. Investors are urged to consult their own tax advisers with any specific questions relating to federal, state, local and foreign taxes. The discussion reflects applicable tax laws of the United States as of the date of this SAI, which tax laws may be changed or subject to new interpretations by the courts or the Internal Revenue Service (the "IRS") retroactively or prospectively.

Taxation of the Equity Trust

The Equity Trust has qualified as and intends to continue to qualify as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). If it so qualifies, the Equity Trust will not be subject to U.S. federal income tax on the portion of its investment company taxable income (as defined in the Code) without regard to the deduction for dividends paid and on its net capital gain (i.e., the excess of its net realized long-term capital gain over its net realized short-term capital loss), if any, which it distributes to its stockholders in each taxable year, provided that an amount equal to at least 90% of the sum of its investment company taxable income and any net tax-exempt interest income for the taxable year is distributed to its stockholders.

Qualification as a RIC requires, among other things, that the Equity Trust: (i) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, other income (including gains from options, futures or forward contracts) derived with respect to its business of investing in stock, securities or currencies and net income derived from an interest in "qualified publicly traded partnerships" (as defined in the Code) and (ii) diversify its holdings so that, at the end of each quarter of each taxable year, subject to certain exceptions, (a) at least 50% of the market value of the Equity Trust's assets is represented by cash, cash items, U.S. Government Obligations, securities of other RICs 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 Equity Trust's assets and 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the value of its assets is invested in the securities (other than U.S. Government Obligations or the securities of other RICs) of any one issuer, or any two or more issuers that the Equity Trust controls and which are

determined to be engaged in the same or similar trades or businesses or related trades or businesses or in the securities of one or more qualified publicly traded partnerships (as defined in the Code).

If the Equity Trust were unable to satisfy the 90% distribution requirement or otherwise were to fail to qualify as a RIC in any year, it would be taxed in the same manner as an ordinary corporation and distributions to the Equity Trust's stockholders would not be deductible by the Equity Trust in computing its taxable income. To qualify again to be taxed as a RIC in a subsequent year, the Equity Trust would be required to distribute to preferred stockholders and common stockholders its earnings and profits attributable to non-RIC years reduced by an interest charge on 50% of such earnings and profits payable by the Equity Trust to the IRS. In addition, if the Equity Trust failed to qualify as a RIC for a period greater than two taxable years, then the Equity Trust would be required to recognize and pay tax on any net built-in gains (the excess of aggregate gains, including items of income, over aggregate losses that would have been realized if the Equity Trust had been liquidated) or, alternatively, to elect to be subject to taxation on such built-in gains recognized for a period of ten years, in order to qualify as a RIC in a subsequent year.

Under the Code, amounts not distributed by a RIC on a timely basis in accordance with a calendar year distribution requirement are subject to a 4% excise tax. To avoid the tax, the Equity Trust must distribute during each calendar year, an amount at least equal to the sum of (i) 98% of its ordinary income for the calendar year, (ii) 98% of its capital gain net income (both long-term and short-term) for the one year period ending on October 31 of such year (unless an election is made to use the Equity Trust's fiscal year), and (iii) all ordinary income and capital gain net income for previous years that were not previously distributed or subject to tax under Subchapter M of the Code. A distribution will be treated as paid during the calendar year if it is paid during the calendar year or declared by the Equity Trust in October, November or December of the year, payable to stockholders of record on a date during such a month and paid by the Equity Trust during January of the following year. Any such distributions paid during January of the following year will be deemed to be received on December 31 of the year the distributions are declared, rather than when the distributions are received. While the Equity Trust intends to distribute its ordinary income and capital gain net income in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Equity Trust's ordinary income and capital gain net income will be distributed to avoid entirely the imposition of the tax. In such event, the Equity Trust will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

Gain or loss on the sales of securities by the Equity Trust will be long-term capital gain or loss if the securities have been held by the Equity Trust for more than one year. Gain or loss on the sale of securities held for one year or less will be short-term capital gain or loss.

Foreign currency gain or loss on non-U.S. dollar denominated bonds and other similar debt instruments and on any non-U.S. dollar denominated futures contracts, options and forward contracts that are not section 1256 contracts (as defined below) generally will be treated as ordinary income and loss.

Investment by the Equity Trust in certain "passive foreign investment companies" ("PFICs") could subject the Equity Trust to federal income tax (including interest charges) on certain distributions or dispositions with respect to those investments which cannot be eliminated by making distributions to stockholders. Elections may be available to the Equity Trust to mitigate the effect of this tax but such elections generally accelerate the recognition of income without the receipt of cash. Dividends paid by PFICs will not qualify for the reduced tax rates discussed below under "Taxation of Stockholders."

The Equity Trust may invest in debt obligations purchased at a discount with the result that the Equity Trust may be required to accrue income for federal income tax purposes before amounts due under the obligations are paid. The Equity Trust may also invest in securities rated in the medium to lower rating categories of nationally recognized rating organizations, and in unrated securities ("high yield securities"). A portion of the interest payments on such high yield securities may be treated as dividends for federal income tax purposes.

As a result of investing in stock of PFICs or securities purchased at a discount or any other investment that produces income that is not matched by a corresponding cash distribution to the Equity Trust, the Equity

Trust could be required to include, in current income, income it has not yet received. Any such income would be treated as income earned by the Equity Trust and therefore would be subject to the distribution requirements of the Code. This might prevent the Equity Trust from distributing 90% of its investment company taxable income as is required in order to avoid Equity Trust-level federal income taxation on all of its income, or might prevent the Equity Trust from distributing enough ordinary income and capital gain net income to avoid completely the imposition of the excise tax. To avoid this result, the Equity Trust may be required to borrow money or dispose of other securities to be able to make distributions to its stockholders.

If the Equity Trust does not meet the asset coverage requirements of the 1940 Act and the Articles Supplementary, the Equity Trust will be required to suspend distributions to the holders of the common stock until the asset coverage is restored. Such a suspension of distributions might prevent the Equity Trust from distributing 90% of its investment company taxable income as is required in order to avoid Equity Trust-level federal income taxation on all of its income, or might prevent the Equity Trust from distributing enough income and capital gain net income to avoid completely imposition of the excise tax. Upon any failure to meet the asset coverage requirements of the 1940 Act or the Articles Supplementary, the Equity Trust may, and in certain circumstances will be required to partially redeem shares of Preferred Stock in order to restore the requisite asset coverage and avoid the adverse consequences to the Equity Trust and its stockholders of failing to qualify as a RIC. If asset coverage were restored, the Equity Trust would again be able to pay dividends and would generally be able to avoid Equity Trust-level federal income taxation on the income that it distributes.

Hedging Transactions

Certain options, futures contracts and options on futures contracts are “section 1256 contracts.” Any gains or losses on section 1256 contracts are generally considered 60% long-term and 40% short-term capital gains or losses (“60/40”). Also, section 1256 contracts held by the Equity Trust at the end of each taxable year are “marked-to-market” with the result that unrealized gains or losses are treated as though they were realized and the resulting gain or loss is treated as 60/40 gain or loss.

Hedging transactions undertaken by the Equity Trust may result in “straddles” for federal income tax purposes. The straddle rules may affect the character of gains (or losses) realized by the Equity Trust. In addition, losses realized by the Equity Trust on positions that are part of a straddle may be deferred under the straddle rules, rather than being taken into account in calculating the taxable income for the taxable year in which such losses are realized. Further, the Equity Trust may be required to capitalize, rather than deduct currently, any interest expense on indebtedness incurred or continued to purchase or carry any positions that are part of a straddle.

The Equity Trust may make one or more of the elections available under the Code which are applicable to straddles. If the Equity Trust makes any of the elections, the amount, character and timing of the recognition of gains or losses from the affected straddle positions may be determined under rules that vary according to the election(s) made. The rules applicable under certain of the elections accelerate the recognition of gain or loss from the affected straddle positions.

Because application of the straddle rules may affect the character and timing of the Equity Trust’s gains, losses and deductions, the amount which must be distributed to stockholders, and which will be taxed to stockholders as ordinary income or long-term capital gain, may be increased or decreased substantially as compared to a fund that did not engage in such hedging transactions.

Foreign Taxes. Since the Equity Trust may invest in foreign securities, its income from such securities may be subject to non-U.S. taxes. The Equity Trust will not be eligible to elect to “pass-through” to stockholders of the Equity Trust the ability to use the foreign tax deduction or foreign tax credit for foreign taxes paid with respect to qualifying taxes.

Taxation of U.S. Stockholders

The Equity Trust will determine either to distribute or to retain for reinvestment all or part of its net capital gain. If any such gains are retained, the Equity Trust will be subject to a tax of 35% of such amount. In

that event, the Equity Trust expects to designate the retained amount as undistributed capital gains in a notice to its stockholders, each of whom (i) will be required to include in income for tax purposes as long-term capital gain its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Equity Trust against its federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its basis in its shares of the Equity Trust by an amount equal to 65% of the amount of undistributed capital gains included in such stockholder's gross income.

Distributions paid by the Equity Trust from its net investment income or from an excess of net short-term capital gains over net-long term capital losses generally are taxable as ordinary income to the extent of the Equity Trust's earnings and profits. Such distributions (if designated by the Equity Trust) may, however, qualify (provided holding period and other requirements are met at the Equity Trust and stockholder level) (i) for the dividends received deduction available to corporations, but only to the extent that the Equity Trust's income consists of dividends received from U.S. corporations and (ii) (effective for taxable years through December 31, 2008), as qualified dividend income eligible for the reduced maximum rate to individuals of generally 15% (5% for individuals in lower tax brackets) to the extent that the Equity Trust receives qualified dividend income.

Qualified dividend income is, in general, dividend income from taxable domestic corporations and certain foreign corporations (e.g., generally, foreign corporations incorporated in a possession of the United States or in certain countries with a comprehensive tax treaty with the United States, or the stock of which is readily tradable on an established securities market in the United States). Distributions of net capital gain designated as capital gain dividends, if any, are taxable to stockholders at rates applicable to long-term capital gains regardless of how long the stockholder has held shares of the Equity Trust's stock, and are not eligible for the dividends received deduction. The tax rate on net long-term capital gain of individuals is generally 15% (5% for individuals in lower brackets) for such gain realized before January 1, 2009. Distributions in excess of the Equity Trust's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gain to such holder (assuming the stock is held as a capital asset). For non-corporate taxpayers, investment company taxable income (other than qualified dividend income) will currently be taxed at a maximum rate of 35%. For corporate taxpayers, both investment company taxable income and net capital gain are taxed at a maximum rate of 35%.

Stockholders may be entitled to offset their capital gain dividends with capital losses. There are a number of statutory provisions affecting when capital losses may be offset against capital gains, and limiting the use of losses from certain investments and activities. Accordingly, stockholders with capital losses are urged to consult their tax advisers.

The price of stock purchased at any time may reflect the amount of a forthcoming distribution. Those purchasing stock just prior to a distribution will receive a distribution which will be taxable to them even though it represents in part a return of invested capital.

Upon a sale or exchange of stock, a stockholder will realize a taxable gain or loss depending upon his or her basis in the stock. Such gain or loss will be treated as long-term capital gain or loss if the stock has been held for more than one year. Any loss realized on a sale or exchange will be disallowed to the extent the stock disposed of is replaced within a 61-day period beginning 30 days before and ending 30 days after the date that the stock is disposed of. In such a case, the basis of the stock acquired will be adjusted to reflect the disallowed loss.

Any loss realized by a stockholder on the sale of Equity Trust stock held by the stockholder for six months or less will be treated for tax purposes as a long-term capital loss to the extent of any capital gain dividends received by the stockholder (or amounts credited to the stockholder as an undistributed capital gain) with respect to such stock.

Based in part on a lack of present intention on the part of the Equity Trust to voluntarily redeem the Series C and Series E Auction Rate Preferred at any time in the future, the Equity Trust intends to take the position that under present law the Series C and Series E Auction Rate Preferred will constitute stock, rather than debt of the Equity Trust. It is possible, however, that the IRS could take a contrary position asserting, for

example, that the Series C and Series E Auction Rate Preferred constitute debt of the Equity Trust. If that position were upheld, distributions on the Series C and Series E Auction Rate Preferred would be considered interest, taxable as ordinary income regardless of the taxable income of the Equity Trust. The Equity Trust believes this position, if asserted, would be unlikely to prevail.

The IRS has taken the position that if a RIC has two classes of stock, it may designate distributions made to each class in any year as consisting of no more than such class's proportionate share of particular types of income, such as long-term capital gain. A class's proportionate share of a particular type of income is determined according to the percentage of total dividends paid by the RIC during such year that was paid to such class. Consequently, the Equity Trust will designate distributions made to the common stockholders and preferred stockholders as consisting of particular types of income in accordance with the classes' proportionate shares of such income. Because of this rule, the Equity Trust is required to allocate a portion of its net capital gain, qualified dividend income and dividends qualifying for the dividends received deduction to common stockholders and preferred stockholders. The amount of net capital gain, qualified dividend income and dividends qualifying for the dividends received deduction allocable between the common stockholders and the preferred stockholders will depend upon the amount of such net capital gain, qualified dividend income and dividends qualifying for the dividends received deduction realized by the Equity Trust, and the total dividends paid by the Equity Trust on the Common Shares and Preferred Stock during a taxable year.

Ordinary income dividends and capital gain dividends also may be subject to state and local taxes. Stockholders are urged to consult their own tax advisers regarding specific questions about the U.S. federal (including the application of the alternative minimum tax rules), state, local or foreign tax consequences to them of investing in the Equity Trust.

If a stockholder recognizes a loss with respect to the fund's shares of \$2 million or more for an individual stockholder or \$10 million or more for a corporate stockholder, the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, stockholders of a regulated investment company are not excepted. Future guidance may extend the current exception from this reporting requirement to stockholders of most or all regulated investment companies. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Stockholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

Backup Withholding

The Equity Trust may be required to withhold federal income tax on all taxable distributions and redemption proceeds payable to non-corporate stockholders who fail to provide the Equity Trust with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be refunded or credited against such stockholder's federal income tax liability, if any, provided that the required information is furnished to the IRS.

Taxation of Non-U.S. Stockholders

Dividends paid by the Fund to non-U.S. stockholders are generally subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty to the extent derived from investment income and short-term capital gains. In order to obtain a reduced rate of withholding, a non-U.S. stockholder will be required to provide an IRS Form W-8BEN certifying its entitlement to benefits under a treaty. The withholding tax does not apply to regular dividends paid to a non-U.S. stockholder who provides a Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. stockholder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. stockholder were a U.S. stockholder. A non-U.S. corporation receiving effectively connected dividends may also be subject to additional "branch profits tax" imposed at a rate of 30% (or lower treaty rate).

In general, United States federal withholding tax will not apply to any gain or income realized by a non-U.S. stockholder in respect of any distributions of net long-term capital gains over net short-term capital losses, exempt-interest dividends, or upon the sale or other disposition of shares of the Fund.

Recently enacted legislation generally exempts from United States federal withholding tax properly-designated dividends that (i) are paid in respect of the Fund's "qualified net interest income" (generally, the Fund's U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which the Fund is at least a 10% stockholder, reduced by expenses that are allocable to such income) and (ii) are paid in respect of the Fund's "qualified short-term capital gains" (generally, the excess of the Fund's net short-term capital gain over the Fund's long-term capital loss for such taxable year). This legislation applies for taxable years beginning before January 1, 2008. In order to qualify for this exemption from withholding, a non-U.S. stockholder will need to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or substitute Form).

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative, judicial or administrative action, either prospectively or retroactively. Persons considering an investment in Common Shares of the Fund should consult their own tax advisors regarding the purchase, ownership and disposition of Common Shares of the Fund.

GENERAL INFORMATION

COUNSEL AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, is counsel to the Equity Trust. As to certain matters of Maryland law, Willkie Farr & Gallagher LLP will rely on the opinion of Venable LLP.

PricewaterhouseCoopers LLP, independent registered public accounting firm, 300 Madison Avenue, New York, New York 10017, serves as the independent registered public accounting firm of the Fund and will annually render an opinion on the financial statements of the Fund.

BENEFICIAL OWNERS

As of September 1, 2005, there are no persons known to the Equity Trust who may be deemed beneficial owners of 5% or more of shares of the Equity Trust's Common Shares because they possessed or shared voting or investment power with respect to the Equity Trust's Common Shares.

FINANCIAL STATEMENTS

The unaudited financial statements included in the Semi-Annual Report to the Equity Trust's Shareholders for the fiscal period ended June 30, 2005 are incorporated by reference from the Equity Trust's Semi-Annual Report to Shareholders. The audited financial statements included in the Annual Report to the Equity Trust's Shareholders for the fiscal year ended December 31, 2004, together with the report of PricewaterhouseCoopers LLP thereon, are incorporated herein by reference from the Equity Trust's Annual Report to Shareholders. All other portions of the Annual Report to Shareholders and Semi-Annual Report to Shareholders are not incorporated herein by reference and are not part of the Registration Statement. A copy of the Annual Report to Shareholders may be obtained without charge by writing to the Equity Trust at its address at One Corporate Center, Rye, New York 10580-1422 or by calling the Equity Trust toll-free at (800)-GABELLI (422-3554).

The Equity Trust files its complete schedule of portfolio holdings for the first and third quarters of its respective fiscal year with the Commission on Form N-Q. The Equity Trust's Form N-Q is available on the Commission's website at <http://www.sec.gov>. The Equity Trust's Form N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information regarding the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

GAMCO Investors, Inc. and AFFILIATES**The Voting of Proxies on Behalf of Clients**

Rules 204(4)-2 and 204-2 under the Investment Advisers Act of 1940 and Rule 30bl-4 under the Investment Company Act of 1940 require investment advisers to adopt written policies and procedures governing the voting of proxies on behalf of their clients. These procedures will be used by Gabelli Asset Management Inc., Gabelli Funds, LLC and Gabelli Advisers, Inc. (collectively, the “Advisers”) to determine how to vote proxies relating to portfolio securities held by their clients, including the procedures that the Advisers use when a vote presents a conflict between the interests of the shareholders of an investment company managed by one of the Advisers, on the one hand, and those of the Advisers; the principal underwriter; or any affiliated person of the investment company, the Advisers, or the principal underwriter. These procedures will not apply where the Advisers do not have voting discretion or where the Advisers have agreed with a client to vote the client’s proxies in accordance with specific guidelines or procedures supplied by the client (to the extent permitted by ERISA).

I. Proxy Voting Committee

The Proxy Voting Committee was originally formed in April 1989 for the purpose of formulating guidelines and reviewing proxy statements within the parameters set by the substantive proxy voting guidelines originally published by Gabelli Asset Management Inc. in 1988 and updated periodically, a copy of which are appended to this Appendix. The Committee will include representatives of Research, Administration, Legal, and the Advisers. Additional or replacement members of the Committee will be nominated by the Chairman and voted upon by the entire Committee. As of December 31, 2004, the members are: Bruce N. Alpert, Chief Operating Officer of Gabelli Funds, LLC, Ivan Arteaga, Portfolio Manager, Caesar M. P. Bryan, Portfolio Manager, Stephen DeTore, Deputy General Counsel, Joshua Fenton, Director of Buy-Side Research, Douglas R. Jamieson, Chief Operating Officer of GAMCO, James E. McKee, General Counsel, Karyn-Marie Prylucki, Director of Proxy Voting Services, William S. Selby, Managing Director of GAMCO, Howard F. Ward, Portfolio Manager and Peter D. Zaglio, Senior Vice President. Peter D. Zaglio currently chairs the Committee. In his absence, the Director of Research will chair the Committee. Meetings are held on an as needed basis to form views on the manner in which the Advisers should vote proxies on behalf of their clients. In general, the Director of Proxy Voting Services, using the Proxy Guidelines, recommendations of Institutional Shareholder Services Corporate Governance Service (“ISS”), other third-party services and the analysts of Gabelli & Company, Inc., will determine how to vote on each issue. For non-controversial matters, the Director of Proxy Voting Services may vote the proxy if the vote is (1) consistent with the recommendations of the issuer’s Board of Directors and not contrary to the Proxy Guidelines; (2) consistent with the recommendations of the issuer’s Board of Directors and is a non-controversial issue not covered by the Proxy Guidelines; or (3) the vote is contrary to the recommendations of the Board of Directors but is consistent with the Proxy Guidelines. In those instances, the Director of Proxy Voting Services or the Chairman of the Committee may sign and date the proxy statement indicating how each issue will be voted. All matters identified by the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department as controversial, taking into account the recommendations of ISS or other third party services and the analysts of Gabelli & Company, Inc., will be presented to the Proxy Voting Committee. If the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department has identified the matter as one that (1) is controversial; (2) would benefit from deliberation by the Proxy Voting Committee; or (3) may give rise to a conflict of interest between the Advisers and their clients, the Chairman of the Committee will initially determine what vote to recommend that the Advisers should cast and the matter will go before the Committee. For matters submitted to the Committee, each member of the Committee will receive, prior to the meeting, a copy of the proxy statement, any relevant third party research, a summary of any views provided by the Chief Investment Officer and any recommendations by Gabelli & Company, Inc. analysts. The Chief Investment Officer or the Gabelli & Company, Inc. analysts may be invited to present their viewpoints. If the Legal Department believes that the matter before the committee is one with respect to

which a conflict of interest may exist between the Advisers and their clients, counsel will provide an opinion to the Committee concerning the conflict. If the matter is one in which the interests of the clients of one or more of the Advisers may diverge, counsel will so advise and the Committee may make different recommendations as to different clients. For any matters where the recommendation may trigger appraisal rights, counsel will provide an opinion concerning the likely risks and merits of such an appraisal action. Each matter submitted to the Committee will be determined by the vote of a majority of the members present at the meeting. Should the vote concerning one or more recommendations be tied in a vote of the Committee, the Chairman of the Committee will cast the deciding vote. The Committee will notify the proxy department of its decisions and the proxies will be voted accordingly. Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy Guidelines and will review each matter on its own merits. Written minutes of all Proxy Voting Committee meetings will be maintained. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues. If the vote cast either by the analyst or as a result of the deliberations of the Proxy Voting Committee runs contrary to the recommendation of the Board of Directors of the issuer, the matter will be referred to legal counsel to determine whether an amendment to the most recently filed Schedule 13D is appropriate.

II. Social Issues and Other Client Guidelines

If a client has provided special instructions relating to the voting of proxies, they should be noted in the client's account file and forwarded to the proxy department. This is the responsibility of the investment professional or sales assistant for the client. In accordance with Department of Labor guidelines, the Advisers' policy is to vote on behalf of ERISA accounts in the best interest of the plan participants with regard to social issues that carry an economic impact. Where an account is not governed by ERISA, the Advisers will vote shares held on behalf of the client in a manner consistent with any individual investment/voting guidelines provided by the client. Otherwise the Advisers will abstain with respect to those shares.

III. Client Retention of Voting Rights

If a client chooses to retain the right to vote proxies or if there is any change in voting authority, the following should be notified by the investment professional or sales assistant for the client: Operations Legal Department, Proxy Department and the Investment professional assigned to the account. In the event that the Board of Directors (or a Committee thereof) of one or more of the investment companies managed by one of the Advisers has retained direct voting control over any security, the Proxy Voting Department will provide each Board Member (or Committee member) with a copy of the proxy statement together with any other relevant information including recommendations of ISS or other third-party services.

IV. Voting Records

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers' staff may request proxy-voting records for use in presentations to current or prospective clients. Requests for proxy voting records should be made at least ten days prior to client meetings. If a client wishes to receive a proxy voting record on a quarterly, semi-annual or annual basis, please notify the Proxy Voting Department. The reports will be available for mailing approximately ten days after the quarter end of the period. First quarter reports may be delayed since the end of the quarter falls during the height of the proxy season. A letter is sent to the custodians for all clients for which the Advisers have voting responsibility instructing them to forward all proxy materials to: [Adviser name], Attn: Proxy Voting Department, One Corporate Center, Rye, New York 10580-1433, The sales assistant sends the letters to the custodians along with the trading/DTC instructions. Proxy voting records will be retained in compliance with Rule 204-2 under the Investment Advisers Act.

V. Voting Procedures

1. Custodian banks, outside brokerage firms and Wexford Clearing Services Corporation are responsible for forwarding proxies directly to GAMCO. Proxies are received in one of two forms:
 - Shareholder Vote Authorization Forms (VAFs) — Issued by ADP. VAFs must be voted through the issuing institution causing a time lag. ADP is an outside service contracted by the various institutions to issue proxy materials.
 - Proxy cards which may be voted directly.
2. Upon receipt of the proxy, the number of shares each form represents is logged into the proxy system according to security.
3. In the case of a discrepancy such as an incorrect number of shares, an improperly signed or dated card, wrong class of security, etc., the issuing custodian is notified by phone. A corrected proxy is requested. Any arrangements are made to insure that a proper proxy is received in time to be voted (overnight delivery, fax, etc.). When securities are out on loan on record date, the custodian is requested to supply written verification.
4. Upon receipt of instructions from the proxy committee (see Administrative), the votes are cast and recorded for each account on an individual basis. Since January 1, 1992, records have been maintained on the Proxy Edge system. The system is backed up regularly. From 1990 through 1991, records were maintained on the PROXY VOTER system and in hardcopy format. Prior to 1990, records were maintained on diskette and in hardcopy format. PROXY EDGE records include: Security Name and Cusip Number, Date and Type of Meeting (Annual, Special, Contest), Client Name, Adviser or Fund Account, Number, Directors' Recommendation, How GAMCO voted for the client on each issue, The rationale for the vote when it appropriate Records prior to the institution of the PROXY EDGE system include: Security name, Type of Meeting (Annual, Special, Contest), Date of Meeting, Name of Custodian, Name of Client Custodian, Account Number, Adviser or Fund Account Number, Directors' recommendation, How the Adviser voted for the client on each issue, Date the proxy statement was received and by whom, Name of person posting the vote, Date and method by which the vote was cast. From these records individual client proxy voting records are compiled. It is our policy to provide institutional clients with a proxy voting record during client reviews. In addition, we will supply a proxy voting record at the request of the client on a quarterly, semi-annual or annual basis.
5. VAFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.
6. Shareholder Vote Authorization Forms issued by ADP are always sent directly to a specific individual at ADP.
7. If a proxy card or VAF is received too late to be voted in the conventional matter, every attempt is made to vote on one of the following manners:
 - VAFs can be faxed to ADP up until the time of the meeting. This is followed up by mailing the original form
 - When a solicitor has been retained, the solicitor is called. At the solicitor's direction, the proxy is faxed.
8. In the case of a proxy contest, records are maintained for each opposing entity.
9. Voting in Person
 - a) At times it may be necessary to vote the shares in person. In this case, a "legal proxy" is obtained in the following manner:
 - Banks and brokerage firms using the services at ADP: A call is placed to ADP requesting legal proxies. The VAFs are then sent overnight to ADP. ADP issues individual legal proxies and sends

them back via overnight. A lead-time of at least two weeks prior to the meeting is needed to do this. Alternatively, the procedures detailed below for banks not using ADP may be implemented.

- Banks and brokerage firms issuing proxies directly: The bank is called and/or faxed and a legal proxy is requested. All legal proxies should appoint: “Representative of [Adviser name] with full power of substitution.”
- b) The legal proxies are given to the person attending the meeting along with the following supplemental material:
- A limited Power of Attorney appointing the attendee an Adviser representative.
 - A list of all shares being voted by custodian only. Client names and account numbers are not included. This list must be presented, along with the proxies, to the Inspectors of Elections and/or tabulator at least one-half hour prior to the scheduled start of the meeting. The tabulator must “qualify” the votes (i.e. determine if the vote have previously been cast, if the votes have been rescinded, etc. vote have previously been cast, etc.).
 - A sample ERISA and Individual contract.
 - A sample of the annual authorization to vote proxies form.
 - A copy of our most recent Schedule 13D filing (if applicable).

PROXY VOTING GUIDELINES

General Policy Statement

It is the policy of GAMCO Investors, Inc. to vote in the best economic interests of our clients. As we state in our Magna Carta of Shareholders Rights, established in May 1988, we are neither for nor against management. We are for shareholders. At our first proxy committee meeting in 1989, it was decided that each proxy statement should be evaluated on its own merits within the framework first established by our Magna Carta of Shareholders Rights. The attached guidelines serve to enhance that broad framework. We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short-and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

Board of Directors

The advisers do not consider the election of the Board of Directors a routine issue. Each slate of directors is evaluated on a case-by-case basis. Factors taken into consideration include:

- Historical responsiveness to shareholders. This may include such areas as:
 - Paying greenmail
 - Failure to adopt shareholder resolutions receiving a majority of shareholder votes
- Qualifications
- Nominating committee in place
- Number of outside directors on the board
- Attendance at meetings
- Overall performance

Selection of Auditors

In general, we support the Board of Directors' recommendation for auditors.

Blank Check Preferred Stock

We oppose the issuance of blank check preferred stock. Blank check preferred stock allows the company to issue stock and establish dividends, voting rights, etc. without further shareholder approval.

Classified Board

A classified board is one where the directors are divided into classes with overlapping terms. A different class is elected at each annual meeting. While a classified board promotes continuity of directors facilitating long range planning, we feel directors should be accountable to shareholders on an annual basis. We will look at this proposal on a case-by-case basis taking into consideration the board's historical responsiveness to the rights of shareholders. Where a classified board is in place we will generally not support attempts to change to an annually elected board. When an annually elected board is in place, we generally will not support attempts to classify the board.

Increase Authorized Common Stock

The request to increase the amount of outstanding shares is considered on a case-by-case basis. Factors taken into consideration include:

- Future use of additional shares
 - Stock split
 - Stock option or other executive compensation plan
 - Finance growth of company/strengthen balance sheet
 - Aid in restructuring
 - Improve credit rating
 - Implement a poison pill or other takeover defense
- Amount of stock currently authorized but not yet issued or reserved for stock option plans
- Amount of additional stock to be authorized and its dilutive effect

We will support this proposal if a detailed and verifiable plan for the use of the additional shares is contained in the proxy statement.

Confidential Ballot

We support the idea that a shareholder's identity and vote should be treated with confidentiality. However, we look at this issue on a case-by-case basis. In order to promote confidentiality in the voting process, we endorse the use of independent Inspectors of Election.

Cumulative Voting

In general, we support cumulative voting. Cumulative voting is a process by which a shareholder may multiply the number of directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or more candidates. Where cumulative voting is in place, we will vote against any proposal to rescind this shareholder right. Cumulative voting may result in a minority block of stock gaining representation on the board. When a proposal is made to institute cumulative voting, the proposal will be reviewed on a case-by-case basis. While we feel that each board member should represent all shareholders, cumulative voting provides minority shareholders an opportunity to have their views represented.

Director Liability and Indemnification

We support efforts to attract the best possible directors by limiting the liability and increasing the indemnification of directors, except in the case of insider dealing.

Equal Access to the Proxy

The SEC's rules provide for shareholder resolutions. However, the resolutions are limited in scope and there is a 500 word limit on proponents' written arguments. Management has no such limitations. While we support equal access to the proxy, we would look at such variables as length of time required to respond, percentage of ownership, etc.

Fair Price Provisions

Charter provisions requiring a bidder to pay all shareholders a fair price are intended to prevent two-tier tender offers that may be abusive. Typically, these provisions do not apply to board-approved transactions. We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits. Reviewed on a case-by-case basis.

Golden Parachutes

Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover. We support any proposal that would assure management of its own welfare so that they may continue to make decisions in the best interest of the company and shareholders even if the decision results in them losing their job. We do not, however, support excessive golden parachutes. Therefore, each proposal will be decided on a case-by-case basis. Note: Congress has imposed a tax on any parachute that is more than three times the executive's average annual compensation.

Anti-Greenmail Proposals

We do not support greenmail. An offer extended to one shareholder should be extended to all shareholders equally across the board.

Limit Shareholders' Rights to Call Special Meetings

We support the right of shareholders to call a special meeting.

Consideration of Nonfinancial Effects of a Merger

This proposal releases the directors from only looking at the financial effects of a merger and allows them the opportunity to consider the merger's effects on employees, the community, and consumers. As a fiduciary, we are obligated to vote in the best economic interests of our clients. In general, this proposal does not allow us to do that. Therefore, we generally cannot support this proposal. Reviewed on a case-by-case basis.

Mergers, Buyouts, Spin-Offs, Restructurings

Each of the above is considered on a case-by-case basis. According to the Department of Labor, we are not required to vote for a proposal simply because the offering price is at a premium to the current market price. We may take into consideration the long term interests of the shareholders.

Military Issues

Shareholder proposals regarding military production must be evaluated on a purely economic set of criteria for our ERISA clients. As such, decisions will be made on a case-by-case basis. In voting on this proposal for our non-ERISA clients, we will vote according to the client's direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

Northern Ireland

Shareholder proposals requesting the signing of the MacBride principles for the purpose of countering the discrimination of Catholics in hiring practices must be evaluated on a purely economic set of criteria for our ERISA Clients.

As such, decisions will be made on a case-by-case basis. In voting on this proposal for our non-ERISA clients, we will vote according to client direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

Opt Out of State Anti-Takeover Law

This shareholder proposal requests that a company opt out of the coverage of the state's takeover statutes. Example: Delaware law requires that a buyer must acquire at least 85% of the company's stock before the buyer can exercise control unless the board approves. We consider this on a case-by-case basis. Our decision will be based on the following:

- State of Incorporation

- Management history of responsiveness to shareholders
- Other mitigating factors

Poison Pill

In general, we do not endorse poison pills. In certain cases where management has a history of being responsive to the needs of shareholders and the stock is very liquid, we will reconsider this position.

Reincorporation

Generally, we support reincorporation for well-defined business reasons. We oppose reincorporation if proposed solely for the purpose of reincorporating in a state with more stringent anti-takeover statutes that may negatively impact the value of the stock.

Stock Option Plans

Stock option plans are an excellent way to attract, hold and motivate directors and employees. However, each stock option plan must be evaluated on its own merits, taking into consideration the following:

- Dilution of voting power or earnings per share by more than 10%
- Kind of stock to be awarded, to whom, when and how much
- Method of payment
- Amount of stock already authorized but not yet issued under existing stock option plans

Supermajority Vote Requirements

Supermajority vote requirements in a company's charter or bylaws require a level of voting approval in excess of a simple majority of the outstanding shares. In general, we oppose supermajority-voting requirements. Supermajority requirements often exceed the average level of shareholder participation. We support proposals' approvals by a simple majority of the shares voting.

Limit Shareholders Right to Act by Written Consent

Written consent allows shareholders to initiate and carry on a shareholder action without having to wait until the next annual meeting or to call a special meeting. It permits action to be taken by the written consent of the same percentage of the shares that would be required to effect proposed action at a shareholder meeting. Reviewed on a case-by-case basis.