PROSPECTUS

$125,000,000

The Gabelli Equity Trust Inc.

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

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

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

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

This prospectus also describes shares of the Fund's Series E Auction Rate Cumulative Preferred Stock (the "Series E Auction Rate Preferred"), liquidation preference $25,000 per share. The dividend rate for the Series E Auction Rate Preferred will vary from dividend period to dividend period. The annual dividend rate for the initial dividend period for the Series E Auction Rate Preferred will be 1.15% of the liquidation preference of $25,000 per share. The initial dividend period is from the date of issuance through October 16, 2003. For subsequent dividend periods, the Series E Auction Rate Preferred will pay dividends based on a rate set at auction, usually held weekly.

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

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

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

	Series D Preferred Per Share	Total	Series E Auction Rate Preferred Per Share	Total
Public Offering Price(1)	$25.0000	$75,000,000	$25,000	$50,000,000
Underwriting Discount(2)	$ .7875	$ 2,362,500	$ 250	$ 500,000
Proceeds to the Fund (before expenses)(3)	$24.2125	$72,637,500	$24,750	$49,500,000

(1) Plus accumulated dividends, if any, from October 7, 2003.

(2) The Fund and the Investment Adviser have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(3) Offering expenses payable by the Fund are estimated at $490,000.

Citigroup **Merrill Lynch & Co.**

Gabelli & Company, Inc.

October 2, 2003

(Continued from previous page)

The shares of Series D Preferred and/or Series E Auction Rate Preferred being offered by this prospectus are being offered by the underwriters listed in this prospectus, subject to prior sale, when, as and if accepted by them and subject to certain conditions. The Fund expects that delivery of any shares of Series D Preferred or Series E Auction Rate Preferred will be made in book-entry form through the facilities of The Depository Trust Company ("DTC") on or about October 7, 2003.

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

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

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

The Fund expects that dividends paid on the Series D Preferred and Series E Auction Rate Preferred will consist of (i) long-term capital gain (gain from the sale of a capital asset held longer than 12 months), (ii) qualified dividend income (income from domestic and certain foreign corporations), and (iii) investment company taxable income (other than qualified dividend income, including short-term capital gain and interest income and non-qualified dividend income). For individuals, the maximum federal income tax rate on long-term capital gains is currently 15%, on qualified dividend income is 15%, and on other types of income is 35%. These tax rates are scheduled to apply through 2008. Over the past three years, approximately 89% of the Fund's distributions to stockholders consisted of long-term capital gain and, of the remaining 11% distributed to stockholders, 68% would have, under the current tax provisions, constituted qualified dividend income taxable at the 15% rate. Over the last one year, approximately 93% of the Fund's distributions to stockholders consisted of long-term capital gain and, of the remaining 7% distributed to stockholders, approximately 99% would have, under the current tax provisions, constituted qualified dividend income taxable at the 15% rate. We cannot assure you, however, as to what percentage of the dividends paid on the Series D Preferred or Series E Auction Rate Preferred will consist of long-term capital gains and qualified dividend income, which are currently taxed at lower rates for individuals than ordinary income. For a more detailed discussion, see "Taxation."

Neither the Series D Preferred nor the Series E Auction Rate Preferred may be issued unless it is rated "Aaa" by Moody's. In addition, the Series E Auction Rate Preferred may not be issued unless it is also rated "AAA" by S&P. In order to keep these ratings, the Fund will be required to maintain a minimum discounted asset coverage with respect to its outstanding Series D Preferred and Series E Auction Rate Preferred under guidelines established by each of Moody's and S&P. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Rating Agency Guidelines." The Fund is also required to maintain a minimum asset coverage by the Investment Company Act of 1940, as amended. If the Fund fails to maintain any of these minimum asset coverage requirements, the Fund can at its option (and in certain circumstances must) require, in accordance with its Charter and the requirements of the Investment Company Act of 1940, as amended, that some or all of its outstanding preferred stock, including the Series D Preferred and/or Series E Auction Rate Preferred, be redeemed. Otherwise, prior to September 26, 2008 the Series D Preferred will be redeemable at the option of the Fund only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. Subject to certain notice and other requirements (including those set forth in Section 23(c) of the Investment Company Act of 1940, as amended), the Fund at its option may redeem

(i) the Series D Preferred beginning on September 26, 2008 and (ii) the Series E Auction Rate Preferred following the initial dividend period (so long as the Fund has not designated a non-call period). In the event the Fund redeems the Series D Preferred, such redemption will be for cash at a redemption price equal to $25 per share plus accumulated but unpaid dividends (whether or not earned or declared) to the date of redemption. In the event the Fund redeems the Series E Auction Rate Preferred, such redemptions will be for cash, generally at a redemption price equal to $25,000 per share plus accumulated but unpaid dividends (whether or not earned or declared), though in limited circumstances the Fund's Board of Directors may also declare a redemption premium.

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

The Fund has also filed with the Securities and Exchange Commission a Statement of Additional Information, dated October 2, 2003, which contains additional information about the Fund. The Statement of Additional Information is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the Statement of Additional Information on page 68 of this prospectus. You may request a free copy of the Statement of Additional Information by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or calling the Fund toll-free at (800) 422-3554. You may also obtain the Statement of Additional Information as well as reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the Securities and Exchange Commission on the Securities and Exchange Commission's web site (http://www.sec.gov).

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

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

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SUMMARY

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

The Fund	The Fund is a closed-end, non-diversified, management investment company that has been in operation since August 21, 1986. The Fund was incorporated in Maryland on May 20, 1986. The Fund's outstanding shares of common stock, par value $.001 per share, are listed and traded on the New York Stock Exchange ("NYSE"). As of September 15, 2003, the sum of the net assets of the Fund plus the liquidation value of the Fund's outstanding preferred stock ($295 million) was approximately $1,253 million. As of September 15, 2003, the Fund had outstanding 136,014,878 shares of common stock, 6,600,000 shares of the 7.20% Tax Advantaged Series B Cumulative Preferred Stock (the "Series B Preferred") and 5,200 shares of the Series C Auction Rate Cumulative Preferred Stock (the "Series C Auction Rate Preferred"). The Fund completed its redemption of 100% of its outstanding 7.25% Tax Advantaged Cumulative Preferred Stock (the "Series A Preferred") on June 17, 2003. The Series B Preferred and the Series C Auction Rate Preferred have the same seniority with respect to dividends and liquidation preference.
The Offering	The Fund offers by this prospectus, in the aggregate, $125 million of preferred stock of either Series D Preferred or Series E Auction Rate Preferred, or a combination of both such series. The Series D Preferred and/or Series E Auction Rate Preferred are being offered by Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Gabelli & Company, Inc., as underwriters. Upon issuance, the Series D Preferred and the Series E Auction Rate Preferred will have equal seniority with respect to dividends and liquidation preference to the Fund's other outstanding preferred stock. See "Description of the Series D Preferred and Series E Auction Rate Preferred."
	Series D Preferred. The Fund is offering 3,000,000 shares of Series D Preferred, par value $.001 per share, liquidation preference of $25 per share, at a purchase price of $25 per share plus dividends, if any, that have accumulated from the commencement date of the dividend period during which such Series D Preferred is issued. Dividends on the shares of Series D Preferred will accumulate from the date on which such shares are issued. Application has been made to list the Series D Preferred on the NYSE and it is anticipated that trading of the Series D Preferred on the NYSE will commence within 30 days from the date of issuance.
	Series E Auction Rate Preferred. The Fund is offering 2,000 shares of Series E Auction Rate Preferred, par value $.001 per share, liquidation preference $25,000 per share, at a purchase price of $25,000 per share, plus dividends, if any, that have accumulated from

the commencement date of the dividend period during which such Series E Auction Rate Preferred is issued.

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

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

Investment Objectives and Methodology . . . .

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

Investment Methodology. In selecting securities for the Fund, the Investment Adviser normally will consider the following factors, among others: (i) the Investment Adviser's own evaluations of the private market value, cash flow, earnings per share and other fundamental aspects of the underlying assets and business of the company; (ii) the potential for capital appreciation of the securities; (iii) the interest or dividend income generated by the securities; (iv) the prices of the securities relative to other comparable securities; (v) whether the securities are entitled to the benefits of call protection or other protective covenants (e.g., events of acceleration or events of default for failure to comply with certain financial ratios or to satisfy other financial covenants or benchmarks); (vi) the existence of any anti-dilution protections or guarantees of the security; and (vii) the diversification of the portfolio of the Fund as to issuers. The Investment Adviser's investment philosophy with respect to equity securities seeks to identify securities of companies that are selling in the public market at a discount to their private market value, which the Investment Adviser defines as the value informed purchasers are willing to pay to acquire assets with similar characteristics. The Investment Adviser also normally evaluates the issuer's free cash flow and long-term earnings trends. Finally, the Investment Adviser looks for a catalyst – something in the company's industry or indigenous to the company or country itself that will surface additional value.

Portfolio Contents. Although under normal market conditions at least 80% of the Fund's total assets will consist of equity securities, when a temporary defensive posture is believed by the Investment Adviser to be warranted, the Fund may without limitation hold cash or invest its assets in money market instruments and repurchase agreements in respect of those instruments. The Fund may also invest up to 10% of the market value of its total assets during temporary defensive periods in shares of money market mutual funds that invest primarily in U.S. government securities and repurchase agreements in respect of those securities, which, in the absence of applicable exemptive relief are not affiliated with the Investment Adviser. Such actions on the part of the Fund may adversely affect its ability to achieve its secondary investment objective of income.

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

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

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

Series E Auction Rate Preferred. The holders of Series E Auction Rate Preferred are entitled to receive cash dividends, stated at annual rates of its $25,000 per share liquidation preference, that will vary from dividend period to dividend period. The table below shows the dividend rate, the dividend payment date and the number of days for the initial dividend period on the Series E Auction Rate Preferred.

	Initial Dividend Rate	Dividend Payment Date for Initial Dividend Period	Number of Days of Initial Dividend Period
Series E Auction Rate Preferred	1.15%	October 17, 2003	10

For subsequent dividend periods, the Series E Auction Rate Preferred will pay dividends based on a rate set at auctions, normally held weekly. In most instances dividends are payable weekly on the first business day following the end of the dividend period. If the day on which dividends otherwise would be paid is not a business day, then dividends will be paid on the first business day that falls after the end of the dividend period. The Fund may, subject to certain conditions, designate special dividend periods of more (or less) than seven days. The dividend payment date for any such special dividend period will be set out in the notice designating the special dividend period. Dividends on shares of Series E Auction Rate Preferred will be cumulative from the date such shares are issued and will be paid out of legally available funds.

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

Moody's Credit Rating	S&P Credit Rating	Applicable Percentage
AA3 or higher	AA- or higher	150%
A3 to A1	A- to A+	175%
Baa3 to Baa1	BBB- to BBB+	250%
Below Baa3	Below BBB-	275%

See "Description of the Series D Preferred and Series E Auction Rate Preferred — Dividends on the Series E Auction Rate Preferred — Maximum Rate." For example, calculated as of March 31, 2003 and June 30, 2003, respectively, the maximum rate for the Series E Auction Rate Preferred (assuming a rating of "Aaa" or above by Moody's and "AAA" or above by S&P) would have been approximately 1.82% and 1.53% for dividend periods of 90 days, and approximately 2.48% and 1.92% for dividend periods of two years.* There is no minimum applicable rate with respect to any dividend period.

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

Preferred Stock Dividends. Under current law, all preferred stock of the Fund must have the same seniority as to the payment of dividends. Accordingly, no full dividend will be declared or paid on any series of preferred stock of the Fund for any dividend period, or part thereof, unless full cumulative dividends due through the most recent dividend payment dates therefor for all series of outstanding preferred stock of the Fund are declared and paid. If full cumulative dividends due have not been declared and paid on all outstanding shares of preferred stock of the Fund ranking on a parity with the Series D Preferred and/or Series E Auction Rate Preferred as to the payment of dividends, any dividends being paid on the shares of such preferred stock (including any outstanding Series D Preferred and Series E Auction Rate Preferred) will be paid as nearly *pro rata* as possible in proportion to the respective amounts of dividends accumulated but unpaid on each such series of preferred stock on the relevant dividend payment date.

In the event that for any calendar year the total distributions on shares of the Fund's preferred stock exceed the Fund's investment company taxable income (as that term is defined in the Internal Revenue Code of 1986, as amended (the "Code"), determined without regard to the deduction for dividends paid) and net capital gain (i.e., the excess of its net realized long-term capital gain over its net realized short-term capital loss) allocable to those shares, the excess distributions will generally be treated as a tax-free return of capital (to the extent of the stockholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a stockholder's adjusted basis in his or her shares of preferred stock, thereby increasing the stockholder's potential gain or reducing his or her potential loss on the sale of the shares.

Common Stock. In order to allow its common stockholders to realize a predictable, but not assured, level of cash flow and some liquidity periodically on their investment without having to sell shares, the

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

Fund has adopted a policy, which may be modified at any time by its Board of Directors, of paying distributions on its common stock of at least 10% of average quarter-end assets attributable to common stock. For the fiscal year ending December 31, 2002, the Fund made distributions of $0.95 per share of common stock, none of which constituted a return of capital. The Fund has made quarterly distributions with respect to its shares of common stock since 1987. A portion of the returns during nine fiscal years since then have constituted a return of capital.

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

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

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

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

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

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

You may enter different types of orders for different portions of your Series E Auction Rate Preferred. You may also enter an order to buy additional Series E Auction Rate Preferred. All orders must be for whole shares. All orders you submit are irrevocable. There is a fixed number of Series E Auction Rate Preferred shares, and the dividend rate likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders seek to buy, the rating of the Series E Auction Rate Preferred and general economic conditions including then current interest rates. If you own Series E Auction Rate Preferred and submit a bid for them higher than the then-maximum rate, your bid will be treated as a sell order. If you do not enter an order for a dividend period of 28 days or less, the broker-dealer will assume that you want to continue to hold Series E Auction Rate Preferred. If you fail to submit an order and the dividend period is longer than 28 days, the broker-dealer will treat your failure to submit a bid as a sell order.

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

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

After each auction for the Series E Auction Rate Preferred the auction agent will pay to each broker-dealer, from funds provided by the Fund, a service charge equal to, in the case of any auction immediately preceding a dividend period of less than one year, the product of (i) a fraction, the numerator of which is the number of days in such dividend period and the denominator of which is 365, times (ii) ¼ of 1%, times (iii) $25,000, times (iv) the aggregate number of Series E Auction Rate Preferred shares placed by such broker-dealer at such auction or, in the case of any auction immediately preceding a dividend period of one year or longer, a percentage of the purchase price of the Series E Auction Rate Preferred placed by the broker-dealers at the auction agreed to by the Fund and the broker-dealers.

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

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

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

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

The auction procedures include a *pro rata* allocation of Series E Auction Rate Preferred shares for purchase and sale. This allocation process may result in an existing holder selling, or a potential holder buying, fewer shares than the number of Series E Auction Rate Preferred shares in its order. If this happens, broker-dealers that have designated themselves as existing holders or potential holders in respect of customer orders will be required to make appropriate *pro rata* allocations among their respective customers.

Settlement of purchases and sales will be made on the next business day (which also is a dividend payment date) after the auction date through DTC. Purchasers will pay for their Series E Auction Rate Preferred through broker-dealers in same-day funds to DTC against delivery to the broker-dealers. DTC will make payment to the sellers' broker-dealers in accordance with its normal procedures, which require broker-dealers to make payment against delivery in same-day funds. As used in this prospectus, a business day is a day on which the NYSE is open for trading, and which is not a Saturday, Sunday or any other day on which banks in New York City are authorized or obligated by law to close.

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

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

Tax Treatment of Preferred Stock Dividends . . . . The Fund expects that dividends paid on the Series D Preferred and Series E Auction Rate Preferred will consist of (i) long-term capital gain (gain from the sale of a capital asset held longer than 12 months), (ii) qualified dividend income (income from domestic and certain foreign corporations), and (iii) investment company taxable income (other than qualified dividend income), including interest income, short-term capital gain and income from certain hedging and interest rate transactions. For individuals, the maximum federal income tax rate on long-term capital gain is currently 15%, on qualified dividend income is 15%, and on other types of income is 35%. These tax rates are scheduled to apply through 2008. Over the past three years, approximately 89% of the Fund's distributions to stockholders consisted of long-term capital gain and, of the remaining 11% distributed to stockholders, 68% would have, under the current tax provisions, constituted qualified dividend income taxable at the 15% rate. Over the last one year, approximately 93% of the Fund's distributions to stockholders consisted of long-term capital gain and, of the remaining 7% distributed to stockholders, approximately 99% would have, under the current tax provisions, constituted qualified dividend income taxable at the 15% rate. We cannot assure you, however, as to what percentage of the dividends paid on the Series D Preferred or Series E Auction Rate Preferred will consist of long-term capital gains and qualified dividend income, which are taxed at lower rates for individuals than ordinary income. For a more detailed discussion, see "Taxation."

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

Series E Auction Rate Preferred. Before it can be issued, the Series E Auction Rate Preferred must receive both a rating of "Aaa" from Moody's and a rating of "AAA" from S&P. As with the Series D Preferred, the Articles Supplementary of the Fund setting forth the rights and preferences of the Series E Auction Rate Preferred contain certain tests that the Fund must satisfy to obtain and maintain a rating of "Aaa" from Moody's and "AAA" from S&P. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Rating Agency Guidelines."

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

The Fund estimates that if the shares offered hereby had been issued and sold as of September 15, 2003, the asset coverage under the 1940 Act would have been approximately 327% immediately following such issuance (after giving effect to the deduction of the underwriting discounts and estimated offering expenses for such shares of $3,352,500). The asset coverage would have been computed as follows:

> value of Fund assets less liabilities not constituting senior securities ($1,374,744,505) ÷ senior securities representing indebtedness plus liquidation preference of each class of preferred stock ($420,000,000), expressed as a percentage = 327%.

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

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

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

With respect to the Series E Auction Rate Preferred, any such redemption will be made for cash at a redemption price equal to $25,000 per share plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the redemption date, plus, in the case of Series E Auction Rate Preferred having a dividend period of more than one year, any applicable redemption premium determined by the Board of Directors. See "Description of the Series D Preferred and Series E Auction Rate Preferred —Redemption — Mandatory Redemption Relating to Asset Coverage Requirements."

In the event of a mandatory redemption, such redemption will be made from the Series D Preferred, the Series E Auction Rate Preferred or other preferred stock of the Fund in such proportions as the Fund may determine, subject to the limitations of the 1940 Act and Maryland law.

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

Series D Preferred. Commencing September 26, 2008 and at any time thereafter, the Fund at its option may redeem the Series D Preferred, in whole or in part, for cash at a redemption price per share equal to $25 plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date. If fewer than all of the shares of the Series D Preferred are to be redeemed, any such redemption of Series D Preferred shares will be made *pro rata* in accordance with the number of such shares held. Prior to September 26, 2008 the Series D Preferred will be subject to optional redemption by the Fund at the redemption price only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Redemption — Optional Redemption of the Series D Preferred."

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

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

The Fund redeemed 100% of its outstanding Series A Preferred on June 17, 2003. The Fund's outstanding Series B Preferred is redeemable at the option of the Fund beginning June 20, 2006. The Fund generally may redeem the outstanding Series C Auction Rate Preferred, in whole or in part, at any time other than during a non-call period. Such redemptions are subject to the limitations of the 1940 Act and Maryland law. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Redemption."

Voting Rights . . . . At all times, holders of the Fund's outstanding preferred stock (including the Series D Preferred and/or Series E Auction Rate Preferred), voting as a single class, will be entitled to elect two members of the Fund's Board of Directors, and holders of the preferred stock and common stock, voting as a single class, will elect the remaining directors. However, upon a failure by the Fund to pay dividends on any of its preferred stock in an amount equal to two full years dividends, holders of the preferred stock, voting as a single class, will have the right to elect additional directors that would then constitute a simple majority of the directors until all cumulative dividends on all shares of preferred stock have been paid or provided for. Holders of outstanding shares of Series D Preferred, Series E Auction Rate Preferred and any other preferred stock will vote separately as a class on certain other matters, as required under the Charter (including the applicable Articles Supplementary), the 1940 Act and Maryland law. Except as otherwise indicated in this prospectus and as otherwise required by applicable law, holders of Series D Preferred and/or Series E Auction Rate Preferred will be entitled to one vote per share on each matter submitted to a vote of stockholders and will vote together with the holders of common stock and any other preferred stock as a single class. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Voting Rights."

Liquidation Preference	The liquidation preference of the Series D Preferred is $25 per share. The liquidation preference of the Series E Auction Rate Preferred is $25,000 per share. Upon liquidation, holders of preferred stock will be entitled to receive the liquidation preference with respect to their shares of preferred stock plus an amount equal to accumulated but unpaid dividends with respect to such shares (whether or not earned or declared) to the date of distribution. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Liquidation Rights."
Use of Proceeds	The Fund will use the net proceeds from the offering to purchase additional portfolio securities in accordance with its investment objectives and policies. See "Use of Proceeds."
Listing of the Series D Preferred	Prior to its being offered, there has been no public market for the Series D Preferred. Following its issuance (if issued), the Series D Preferred is expected to be listed on the NYSE. However, during an initial period which is not expected to exceed 30 days after the date of its initial issuance, the Series D Preferred will not be listed on any securities exchange and, consequently, may be illiquid during that period.
Limitation on Secondary Market Trading of the Series E Auction Rate Preferred . .	The Series E Auction Rate Preferred will not be listed on an exchange. Broker-dealers may, but are not obliged to, maintain a secondary trading market in Series E Auction Rate Preferred outside of auctions. There can be no assurance that a secondary market will provide owners with liquidity. You may transfer Series E Auction Rate Preferred outside of auctions only to or through a broker-dealer that has entered into an agreement with the auction agent and the Fund, or other persons as the Fund permits.
Special Characteristics and Risks	Risk is inherent in all investing. Therefore, before investing in Series D Preferred or Series E Auction Rate Preferred you should consider the risks carefully. *Series D Preferred.* Primary risks specially associated with an investment in the Series D Preferred include: The market price for the Series D Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series D Preferred and other factors. During an initial period which is not expected to exceed 30 days after the date of its issuance, the Series D Preferred will not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series D Preferred, however, they have no

obligation to do so. Consequently, the Series D Preferred may be illiquid during such period. No assurances can be provided that listing on any securities exchange or market making by the underwriters will result in the market for Series D Preferred being liquid at any time.

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

If an auction fails, you may not be able to sell some or all of your Series E Auction Rate Preferred. The Fund is not obliged to redeem your Series E Auction Rate Preferred if an auction fails. The underwriters are not required to make a market in the Series E Auction Rate Preferred. No broker-dealer is obligated to maintain a secondary market for the Series E Auction Rate Preferred apart from the auctions.

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

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

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

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

In general, the Fund may redeem your Series E Auction Rate Preferred at any time and may redeem your Series D Preferred at any time after September 26, 2008, and may at any time redeem shares of either or both series to meet regulatory or rating agency requirements. Upon redemption, you may not be able to reinvest your proceeds at a rate that is the same as or higher than the Series D Preferred and/or Series E Auction Rate Preferred. Subject to such redemptions, these preferred shares are perpetual.

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

The Series D Preferred and/or Series E Auction Rate Preferred are not obligations of the Fund. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series D Preferred and/or Series E Auction Rate Preferred for the full redemption price.

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

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

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

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

The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include, among others, the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for the Series D Preferred and/or Series E Auction Rate Preferred. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet dividend payments on the preferred stock, or to redeem preferred stock when it may be disadvantageous to do so. See "Risk Factors and Special Considerations — Preferred Stock — Leverage Risk."

The Fund has entered into an interest rate swap transaction with respect to its outstanding Series C Auction Rate Preferred and may enter into an interest rate swap or cap transaction with respect to all or a portion of the Series E Auction Rate Preferred. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. See "How the Fund Manages Risk — Interest Rate Transactions."

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

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

Management and Fees . . . . Gabelli Funds, LLC serves as the Fund's investment adviser (the "Investment Adviser") and is compensated for its services and its related expenses at an annual rate of 1.00% of the Fund's average weekly net assets. The Investment Adviser is responsible for administration of the Fund and currently utilizes and pays the fees of a third party sub-administrator. Notwithstanding the foregoing, the Investment Adviser has voluntarily agreed to waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of the Fund's outstanding Series D Preferred or Series E Auction Rate Preferred, as the case may be, for any calendar year in which the net asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential waiver, is less than (i) in the case of the Series D Preferred, the stated annual dividend rate of such series and (ii) in the case of the Series E Auction Rate Preferred, the net cost of capital to the Fund with respect to the Series E Auction Rate Preferred for such year expressed as a percentage (including, without duplication, dividends paid by the Fund on the Series E Auction Rate Preferred and the net cost to the Fund of any associated swap or cap transaction if the Fund hedges its Series E Auction Rate

Preferred dividend obligations). This waiver will apply to the portion of the Fund's assets attributable to the Series D Preferred and Series E Auction Rate Preferred, respectively, for so long as any shares of such series remain outstanding. See "Management of the Fund."

Repurchase of Stock	The Fund may repurchase Series D Preferred or, outside of an auction, Series E Auction Rate Preferred when it is deemed advisable by the Board of Directors in compliance with the requirements of the 1940 Act and regulations thereunder and other applicable requirements. The Fund will not repurchase Series E Auction Rate Preferred at Auction. This Prospectus will serve as notice that the Fund may from time to time repurchase Series D Preferred when such shares are trading below the $25 per share liquidation preference. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Repurchase of Series D Preferred and Series E Auction Rate Preferred Stock." The Fund's Board of Directors has authorized the Fund to repurchase its common stock in the open market when the common stock is trading at a discount of 10% or more from net asset value. Such repurchases are subject to the Fund maintaining asset coverage on its preferred stock and to certain notice and other requirements, including those set forth in Rule 23c-1 under the 1940 Act. See "Description of Capital Stock and Other Securities — Common Stock." Through September 15, 2003, the Fund has repurchased in the open market zero shares of its common stock under this authorization. See "Description of Capital Stock and Other Securities — Common Stock."
Anti-takeover Provisions	Certain provisions of the Fund's charter (the "Charter") and the Fund's by-laws (the "By-Laws") may be regarded as "anti-takeover" provisions. Pursuant to these provisions, only one of three classes of directors is elected each year. In addition, the affirmative vote of the holders of 66 2/3% of each class of the Fund's outstanding voting stock, each voting as a separate class, is necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company or to authorize certain transactions between the Fund and a beneficial owner of more than 5% of any class of the Fund's capital stock. The vote of a majority (as defined in the 1940 Act) of the holders of the Fund's outstanding voting securities, voting as a single class, is also necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by, a principal stockholder. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their stock at a premium to the prevailing market price. See "Anti-takeover Provisions of the Charter and By-Laws."

Custodian, Transfer Agent, Auction Agent and Dividend Disbursing Agent . . . . . . State Street Bank and Trust Company (the "Custodian"), located at 150 Royall Street, Canton, MA 02021, serves as the custodian of the Fund's assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the Custodian will receive a monthly fee based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions.

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

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

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

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

In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the "counterparty") periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on the auction rate preferred stock. In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, the Fund would receive from the counterparty payments of the difference based on the notional amount of such cap.

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

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

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

Use of Leverage . . . . As provided in the 1940 Act, and subject to compliance with the Fund's investment limitations, the Fund may issue senior securities representing stock, such as preferred stock, so long as immediately following such issuance the stock will have an asset coverage of 200%. The use of leverage magnifies the impact of changes in net asset value. In addition, if the cost of leverage exceeds the return on the securities acquired with the proceeds of leverage, the use of leverage will diminish rather than enhance the return to the Fund. See "Investment Objectives and Policies — Special Investment Methods — Leveraging."

FINANCIAL HIGHLIGHTS

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

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

	Six Months Ended June 30, 2003 (unaudited)	Year Ended December 31, 2002(a)	2001(a)	2000(a)	1999(a)	1998(a)
Per Common Share Operating Performance:						
Net asset value, beginning of period	$ 6.28	$ 8.97	$ 10.89	$ 12.75	$ 11.47	$ 11.56
Net investment income	0.03	0.06	0.08	0.05	0.04	0.07
Net realized and unrealized gain (loss) on investments	0.95	(1.64)	(0.16)	(0.51)	3.25	1.09
Total from investment operations	0.98	(1.58)	(0.08)	(0.46)	3.29	1.16
Distributions to Preferred Stock Shareholders:						
Net investment income	(0.09)	(0.01)	(0.01)	(0.00)(c)	(0.00)(c)	(0.00)(c)
Net realized gain on investments	—-	(0.16)	(0.11)	(0.09)	(0.09)	(0.05)
Total distributions to preferred stock shareholders	(0.09)	(0.17)	(0.12)	(0.09)	(0.09)	(0.05)
Net Increase (Decrease) in Net Assets Attributable to Common Stockholders Resulting from Operations	0.89	(1.75)	(0.20)	(0.55)	3.20	1.11
Distributions to Common Stock Shareholders:						
Net investment income	(0.40)	(0.05)	(0.06)	(0.04)	(0.03)(b)	(0.06)
Net realized gain on investments	—-	(0.90)	(1.02)	(1.27)	(1.21)(b)	(1.10)
Paid-in capital	—-	(0.00)(c)	—	—	(0.68)(b)	—
Total distributions to common stock shareholders	(0.40)	(0.95)	(1.08)	(1.31)	(1.92)	(1.16)
Capital Share Transactions:						
Increase in net asset value from common stock share transactions	0.01	0.02	0.03	—	—	—
Decrease in net asset value from shares issued in rights offering	—	—	(0.62)	—	—	—
Offering costs for preferred shares charged to paid-in capital	(0.00)(c)	(0.01)	(0.05)	—	—	(0.04)
Total capital share transactions	0.01	0.01	(0.64)	—	—	(0.04)
Net Asset Value Attributable to Common Stock Shareholders, end of period	$ 6.78	$ 6.28	$ 8.97	$ 10.89	$ 12.75	$ 11.47
Net asset value total return†	14.50%	(21.00)%	(3.68)%	(4.39)%	29.49%	9.55%
Market value, end of period	$ 7.47	$ 6.85	$ 10.79	$ 11.44	$ 12.56	$ 11.56
Total investment return††	15.65%	(28.36)%	10.32%	1.91%	26.57%	9.23%
Ratios and Supplemental Data:						
Net assets including liquidation value of preferred shares, end of period (in 000's)	$ 1,216,575	$ 1,271,600	$ 1,465,369	$ 1,318,263	$ 1,503,641	$ 1,352,190
Net assets attributable to common stock, end of period (in 000's)	$ 921,575	$ 842,403	$ 1,166,171	$ 1,184,041	$ 1,368,981	$ 1,217,190
Ratio of net investment income to average net assets attributable to common stock	0.73%(k)	0.81%	0.81%	0.42%	0.34%	0.60%
Ratio of operating expenses to average net assets attributable to common stock (e)(g)	1.86%(k)	1.37%	1.12%	1.14%	1.27%	1.15%
Ratio of operating expenses to average total net assets including liquidation value of preferred shares (e)(g)	1.26%(k)	1.00%	0.95%	1.03%	1.15%	1.09%
Portfolio turnover rate	2.2%	27.1%	23.9%	32.1%	38.0%	39.8%
Preferred Stock:						
7.25% Cumulative Preferred Stock						
Liquidation value, end of period (in 000's)	$ —	$ 134,198	$ 134,198	$ 134,223	$ 134,660	$ 135,000
Total shares outstanding (in 000's)	—	5,368	5,368	5,369	5,386	5,400
Liquidation preference per share	$ —	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
Average market value (d)	$ —	$ 25.75	$ 25.39	$ 22.62	$ 24.43	$ 25.63
7.20% Cumulative Preferred Stock						
Liquidation value, end of period (in 000's)	$ 165,000	$ 165,000	$ 165,000	—	—	—
Total shares outstanding (in 000's)	6,600	6,600	6,600	—	—	—
Liquidation preference per share	$ 25.00	$ 25.00	$ 25.00	—	—	—
Average market value (d)	$ 27.12	$ 26.40	$ 25.60	—	—	—
Auction Rate Cumulative Preferred Stock						
Liquidation value, end of period (in 000's)	$ 130,000	$ 130,000	—	—	—	—
Total shares outstanding (in 000's)	5	5	—	—	—	—
Liquidation preference per share	$ 25,000	$ 25,000	—	—	—	—
Average market value (d)	$ 25,000	$ 25,000	—	—	—	—
Asset Coverage (f)	412%	296%	490%	982%	1,117%	1,001%
Asset Coverage Per Share (f)	$ 184.18	$ 106.20	$ 122.44	$ 245.54	$ 279.16	$ 250.41

	Year Ended December 31,				
	1997(a)	1996(a)	1995(a)	1994(a)	1993(a)
Per Common Share Operating Performance:					
Net asset value, beginning of period	$ 9.77	$ 9.95	$ 9.46	$ 11.23	$ 10.58
Net investment income	0.08	0.11	0.13	0.14	0.14
Net realized and unrealized gain (loss) on investments	2.75	0.71	1.74	(0.08)	2.13
Total from investment operations	2.83	0.82	1.87	0.06	2.27
Distributions to Common Stock Shareholders:					
Net investment income	(0.08)	(0.11)	(0.13)	(0.14)(h)	(0.11)
In excess of net investment income	(0.00)(d)	—	—	—	—
Net realized gain on investments	(0.93)	(0.78)	(0.47)	(0.37)(h)	(0.77)
In excess of net realized gain on investments	—	(0.00)(c)	(0.02)	—	(0.02)
Paid-in capital	(0.03)	(0.11)	(0.38)	(1.32)(h)	(0.21)
Capital Share Transactions:					
Increase (decrease) in net asset value from Fund share transactions	—	—	(0.37)	—	(0.50)
Decrease in net asset value from shares issued in rights offering	—	—	—	—	—
Offering expenses charged to capital surplus	—	—	(0.01)	—	(0.01)
Total distributions	(1.04)	(1.00)	(1.00)	(1.83)	(1.11)
Net asset value, end of period	$ 11.56	$ 9.77	$ 9.95	$ 9.46	$ 11.23
Market value, end of period	$ 11.69	$ 9.38	$ 9.375	$ 9.625	$ 12.125
Net asset value total return †	30.46%	9.00%	20.60%	0.50%	22.40%
Total investment return ††	37.46%	11.00%	11.70%	(5.10)%	36.50%
Ratios to Average Net Assets Available to Common Stock Shareholders and Supplemental Data:					
Net assets, end of period (in 000's)	$ 1,210,570	$ 1,015,437	$ 1,034,091	$ 825,193	$ 937,773
Net assets attributable to common stock, end of period (in 000's)	1,210,570	1,015,437	1,034,091	825,193	937,773
Ratio of net investment income to average net assets attributable to common stock	0.76%	1.07%	1.26%	1.29%	1.25%
Ratio of operating expenses to average total net assets(i)	1.14%	1.18%	1.21%	1.19%	1.20%
Portfolio turnover rate	39.2%	18.9%	25.1%	22.2%	24.4%

† Based on net asset value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by stockholder. Total return for the period less than one year is not annualized.

†† Based on market value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by stockholder. Total return for the period less than one year is not annualized.

(a) Per share amounts have been calculated using the monthly average shares outstanding method.

(b) A distribution equivalent to $0.75 per share for The Gabelli Utility Trust spin-off from net investment income, realized short-term gains, realized long-term gains, and paid-in-capital were $0.01029, $0.07453, $0.34218 and $0.32300, respectively.

(c) Amount represents less than $0.005 per share.

(d) Based on weekly prices.

(e) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits for the years ended December 31, 2002, 2001 and 2000, the expense ratios of operating expenses to average net assets attributable to common stock would be 1.37%, 1.11% and 1.14%, respectively, and the expense ratios of operating expenses to average total net assets including liquidation value of preferred shares would be 1.00%, 0.94% and 1.03%, respectively.

(f) Asset coverage is calculated by combining all series of preferred stock.

(g) The Fund incurred interest expense during the six months ended June 30, 2003 and the year ended December 31, 2002. If interest expense had not been incurred, the expense ratio of operating expenses to average net assets attributable to common stock would be 1.37% and 1.19%, respectively, and the expense ratio of operating expenses to average total net assets including liquidation value of preferred shares would be 0.92% and 0.87%, respectively.

(h) Includes a distribution equivalent to $0.75 per share for The Gabelli Global Multimedia Trust Inc. spin-off comprising net investment income, realized short-term gains, and paid-in capital of $0.064, $0.031, and $0.655, respectively.

(i) Amounts are attributable to both common and preferred stock assets.

(j) Prior to 1998 there was no preferred stock outstanding.

(k) Annualized.

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

Year ended December 31,	Shares Outstanding	Asset Coverage Per Share	Involuntary Liquidation Preference Per Share	Average Market Value Per Share
2002	Series A Preferred: 5,367,900	$106.20	$25.00	$25.75
	Series B Preferred: 6,600,000	$106.20	$25.00	$26.40
	Series C Auction Rate Preferred: 5,200	$106.20	$25,000	$25,000
2001	Series A Preferred: 5,367,900	$122.44	$25.00	$25.39
	Series B Preferred: 6,600,000	$122.44	$25.00	$25.60
2000	Series A Preferred: 5,368,900	$245.54	$25.00	$22.62
1999	Series A Preferred: 5,386,400	$279.16	$25.00	$24.43
1998	Series A Preferred: 5,400,000	$250.41	$25.00	$25.63

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

USE OF PROCEEDS

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

THE FUND

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

CAPITALIZATION

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

	As of September 15, 2003 (unaudited)	
	Actual	**As Adjusted**
Preferred stock, $0.001 par value, 18,000,000 shares authorized. (The "Actual" column reflects Fund's outstanding capitalization as of September 15, 2003; the "As Adjusted" column assumes the issuance of an additional 3,000,000 shares of Series D Preferred and 2,000 shares of Series E Auction Rate Preferred, $25 and $25,000 liquidation preference, respectively)	$ 295,000,000	$ 420,000,000
Stockholders' Equity Applicable to shares of common stock		
Common stock, $.001 par value per share; 182,000,000 shares authorized, 136,014,878 shares outstanding	136,015	136,015
Paid-in surplus*	873,744,705	870,392,205
Accumulated distributions in excess of net investment income	(84,923,457)	(84,923,457)
Accumulated net realized loss from investment transactions	(2,169,658)	(2,169,658)
Net unrealized appreciation	171,309,400	171,309,400
Net assets applicable to common stockholders	958,097,005	954,744,505
Net assets, plus liquidation preference of preferred stock	$ 1,253,097,005	$ 1,374,744,505

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

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

INVESTMENT OBJECTIVES AND POLICIES

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

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

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

The Fund seeks to achieve its secondary investment objective of income, in part, by investing up to 10% of its total assets in a portfolio consisting primarily of high-yielding, fixed-income securities, such as corporate bonds, debentures, notes, convertible securities, preferred stocks and domestic and foreign government obligations. Generally, debt securities purchased by the Fund will be rated in the lower rating categories of recognized statistical rating agencies, such as securities rated CCC or lower by S&P or Caa or lower by Moody's, or will be nonrated securities of comparable quality. These debt securities are predominantly speculative and involve major risk exposure to adverse conditions and are often referred to in the financial press as "junk bonds."

No assurance can be given that the Fund's investment objectives will be achieved.

Investment Methodology of the Fund

In selecting securities for the Fund, the Investment Adviser normally will consider the following factors, among others:

- the Investment Adviser's own evaluations of the private market value, cash flow, earnings per share and other fundamental aspects of the underlying assets and business of the company;

- the potential for capital appreciation of the securities;
- the interest or dividend income generated by the securities;
- the prices of the securities relative to other comparable securities;
- whether the securities are entitled to the benefits of call protection or other protective covenants;
- the existence of any anti-dilution protections or guarantees of the security; and
- the diversification of the portfolio of the Fund as to issuers.

The Investment Adviser's investment philosophy with respect to equity securities seeks to identify assets that are selling in the public market at a discount to their private market value. The Investment Adviser defines private market value as the value informed purchasers are willing to pay to acquire assets with similar characteristics. The Investment Adviser also normally evaluates the issuers' free cash flow and long-term earnings trends. Finally, the Investment Adviser looks for a catalyst, something indigenous to the company, its industry or country that will surface additional value.

Certain Investment Practices

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

The Fund may also invest in the debt securities of foreign governments. Although such investments are not a principal strategy of the Fund, there is no independent limit on the Fund's ability to invest in the debt securities of foreign governments.

Temporary Defensive Investments. Subject to the Fund's investment restrictions, when a temporary defensive period is believed by the Investment Adviser to be warranted ("temporary defensive periods"), the Fund may, without limitation, hold cash or invest its assets in securities of U.S. government sponsored instrumentalities, in repurchase agreements in respect of those instruments, and in certain high grade commercial paper instruments. During temporary defensive periods the Fund may also invest in money market mutual funds that invest primarily in securities of U.S. government sponsored instrumentalities and repurchase agreements in respect of those instruments. Under current law, in the absence of an exemptive order, such money market mutual funds will not be affiliated with the Investment Adviser. Obligations of certain agencies and instrumentalities of the U.S. government, such as the Government National Mortgage Association, are supported by the "full faith and credit" of the U.S. government; others, such as those of the Export-Import Bank of the U.S., are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. government to purchase the agency's obligations; and still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. No assurance can be given that the U.S. government would provide financial support to U.S. government sponsored instrumentalities if it is not obligated to do so by law. During temporary defensive periods, the Fund may be less likely to achieve its secondary investment objective of income.

Lower Rated Securities. The Fund may invest up to 10% of its total assets in fixed-income securities rated in the lower rating categories (as described below) of recognized statistical rating agencies, such as securities rated "CCC" or lower by S&P or "Caa" or lower by Moody's, or non-rated securities of comparable quality. These debt securities are predominantly speculative and involve major risk exposure to adverse conditions and are often referred to in the financial press as "junk bonds."

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

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

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

As part of its investments in lower rated fixed-income securities, the Fund may invest in securities of issuers in default. The Fund will only make an investment in securities of issuers in default when the Investment Adviser believes that such issuers will honor their obligations or emerge from bankruptcy protection and the value of these securities will appreciate. By investing in the securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of the securities will not appreciate.

Other Investments. In addition to the investment methods discussed under " — Special Investment Methods," the Fund is permitted to invest in special situations, illiquid securities, warrants, options and other rights. A discussion of these investments and techniques (and the risks associated with them) and further information on the investment objectives and policies of the Fund are set forth in the SAI.

Special Investment Methods.

Futures Contracts and Options Thereon. On behalf of the Fund, the Investment Adviser may, subject to the Fund's investment restrictions and guidelines of the Board of Directors, purchase and sell financial futures contracts and options thereon which are traded on a commodities exchange or board of trade for certain hedging, yield enhancement and risk management purposes. These futures contracts and related options may be on debt securities, financial indices, securities indices, U.S. government securities and foreign currencies. A financial futures contract is an agreement to purchase or sell an agreed amount of securities or currencies at a set price for delivery in the future.

The Investment Adviser has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act and therefore is not subject to the registration requirements under the Commodity Exchange Act. Accordingly, the Fund's investments in derivative instruments described in this prospectus and in the 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 Fund's investment restrictions place certain limitations and prohibitions on the Fund's ability to purchase or sell commodities or commodity contracts. See " — Investment Restrictions." In addition, investment in futures contracts and related options generally will be limited by the rating agency guidelines applicable to any of the Fund's outstanding preferred stock.

Forward Currency Exchange Contracts. Subject to guidelines of the Board of Directors, the Fund may enter into forward foreign currency exchange contracts to protect the value of its portfolio against future changes in the level of currency exchange rates. The Fund may enter into such contracts 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 a forward contract to purchase or sell currency. A forward contract on foreign currency is 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 Fund's dealings in forward contracts generally will be limited to hedging involving either specific transactions or portfolio positions. The Fund does not have an independent limitation on its investments in foreign futures contracts and options on foreign currency futures contracts. See "Investment Objectives and Policies — Investment Practices" in the SAI.

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

- dependence on the Investment Adviser's ability to predict correctly movements in the direction of interest rates, securities prices and currency markets;

- imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged;

- the fact that skills needed to use these strategies are different from those needed to select portfolio securities;

- the possible absence of a liquid secondary market for any particular instrument at any time;

- the possible need to defer closing out certain hedged positions to avoid adverse tax consequences; and

- the possible inability of the Fund to purchase or sell a security at a time that otherwise would be favorable for it to do so, or the possible need for the Fund to sell a security at a disadvantageous time due to a need for the Fund to maintain "cover" or to segregate securities in connection with the hedging techniques.

See "Risk Factors and Special Considerations — Futures Transactions."

Repurchase Agreements. The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Bank of New York and member banks of the Federal Reserve System which furnish collateral at least equal in value or market price to the amount of their repurchase obligation. The Fund will not enter into repurchase agreements with the Adviser or its affiliates. In a repurchase agreement, the Fund purchases a debt security from a seller which undertakes to repurchase the security at a specified resale price on an agreed future date. Repurchase agreements are generally for one business day but may have longer durations. The SEC has taken the position that, in economic reality, a repurchase agreement is a loan by the Fund to the other party to the transaction secured by securities transferred to the Fund. The resale price generally exceeds the purchase price by an amount which reflects an agreed upon market interest rate for the term of the repurchase agreement. The principal risk is that, if the seller defaults, the Fund might suffer a loss to the extent that the proceeds from the sale of the underlying securities and other collateral held by the Fund are less than the repurchase price. In the event of a default or bankruptcy by a seller, the Fund will promptly seek to liquidate the collateral. The Board of Directors will monitor the creditworthiness of the counterparty to the repurchase agreements.

If the financial institution which is a party to the repurchase agreement petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under these circumstances, there may be a restriction on the Fund's ability to sell the collateral and the Fund would suffer a loss.

Loans of Portfolio Securities. To increase income, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions if (i) the loan is collateralized in accordance with applicable regulatory requirements and (ii) no loan will cause the value of all loaned securities to exceed 20% of the value of the Fund's total assets.

If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates and the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over the value of the collateral. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in collateral should the borrower of the securities fail financially. While these loans of portfolio securities will be made in accordance with guidelines approved by the Board of Directors, there can be no assurance that borrowers will not fail financially. On termination of the loan, the borrower is required to return the securities to the Fund, and any gain or loss in the market price during the loan would inure to the Fund. If the counterparty to the loan petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under these circumstances, there may be a restriction on the Fund's ability to sell the collateral and the Fund would suffer a loss. See "Investment Objectives and Policies — Investment Practices" in the SAI.

Borrowing. The Fund may borrow money in accordance with its investment restrictions, including as a temporary measure for extraordinary or emergency purposes. The Fund may not borrow for investment purposes. See "Investment Restrictions" in the SAI.

Leveraging. As provided in the 1940 Act, and subject to compliance with the Fund's investment limitations, the Fund may issue senior securities representing stock, such as preferred stock, so long as immediately following such issuance of stock, the Fund's total assets exceed 200% of the amount of such stock. The use of leverage magnifies the impact of changes in net asset value. For example, a fund that uses 33% leverage will show a 1.5% increase or decline in net asset value for each 1% increase or decline in the value of its total assets. In addition, if the cost of leverage exceeds the return on the securities acquired with the proceeds of leverage, the use of leverage will diminish rather than enhance the return to the Fund. The use of leverage generally increases the volatility of returns to the Fund. See "Risk Factors and Special Considerations — Preferred Stock — Leverage Risk."

Further information on the investment objectives and policies of the Fund are set forth in the SAI.

Investment Restrictions. The Fund has adopted certain investment restrictions as fundamental policies of the Fund. Under the 1940 Act, a fundamental policy may not be changed without the vote of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Fund (voting together as a single class). In addition, pursuant to the Fund's Articles Supplementary, a majority, as defined in the 1940 Act, of the outstanding preferred stock of the Fund (voting separately as a single class) is also required to change a fundamental policy. The Fund's investment restrictions are more fully discussed under "Investment Restrictions" in the SAI.

Portfolio Turnover. The Fund will buy and sell securities to accomplish its investment objective. The investment policies of the Fund may lead to frequent changes in investments, particularly in periods of rapidly fluctuating interest or currency exchange rates. The portfolio turnover may be higher than that of other investment companies.

Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. The portfolio turnover rate is computed by dividing the lesser of the amount of the securities purchased or securities sold by the average monthly value of securities owned during the year (excluding securities whose maturities at acquisition were one year or less). To the extent the Fund experiences high portfolio turnover, such turnover is likely to decrease tax advantages to individual investors in the Fund to the extent it results in a decrease of the long term capital gains portion of distributions to stockholders.

The portfolio turnover rates of the Fund for the fiscal years ending December 31, 2002, December 31, 2001 and December 31, 2000 were 27.1%, 23.9% and 32.1%, respectively.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Investors should consider the following risk factors and special considerations associated with investing in the Fund.

Preferred Stock

General. There are a number of risks associated with an investment in the Series D Preferred or Series E Auction Rate Preferred. The market value for the Series D Preferred and/or Series E Auction Rate Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series D Preferred or Series E Auction Rate Preferred and other factors. The Series D Preferred and/or Series E Auction Rate Preferred are subject to optional and mandatory redemption by the Fund under specified circumstances and investors may not be able to reinvest the proceeds of any such redemption in an investment providing the same or a better rate of return than that of the Series D Preferred or Series E Auction Rate Preferred. Subject to optional and mandatory redemption by the Fund, the Series D Preferred and/or Series E Auction Rate Preferred are perpetual. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Redemption."

The credit rating on the Series D Preferred or Series E Auction Rate Preferred could be reduced or withdrawn while an investor holds shares, and the credit rating does not eliminate or mitigate the risks of investing in the Series D Preferred or Series E Auction Rate Preferred. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series D Preferred or Series E Auction Rate Preferred.

The Series D Preferred and the Series E Auction Rate Preferred are not obligations of the Fund. The Series D Preferred and/or Series E Auction Rate Preferred would be junior in respect of dividends and liquidation preference to any indebtedness incurred by the Fund. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series D Preferred and/or Series E Auction Rate Preferred for the full redemption price.

In addition, the Fund has adopted a policy of distributing to its common stockholders at least 10% of average quarter-end assets attributable to the common stock. In the event investment returns do not provide sufficient amounts to fund such distributions, the Fund may be required to return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the Fund's outstanding preferred shares, including the Series D Preferred and Series E Auction Rate Preferred. The Fund has made quarterly distributions with respect to its shares of common stock since 1987. A portion of the returns during nine fiscal years since then have constituted a return of capital.

Leverage Risk. The Fund uses financial leverage for investment purposes by issuing preferred stock. It is currently anticipated that, taking into account the Series D Preferred and/or Series E Auction Rate Preferred being offered in this prospectus, the amount of leverage will represent approximately 30.5% of the Fund's managed assets (as defined below) as of September 15, 2003. The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for the Series D Preferred and/or Series E Auction Rate Preferred. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet dividend or interest payments on the debt or preferred stock, or to redeem preferred stock or repay debt, when it may be disadvantageous to do so. Also, if the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common stock dividend payments and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Code. See "Taxation."

Because the fee paid to the Investment Adviser will be calculated on the basis of the Fund's managed assets, which equal the aggregate net asset value of the common stock plus assets attributable to outstanding shares of its preferred stock, with no deduction for the liquidation preference of such shares of preferred stock (rather than only on the basis of net assets attributable to the common stock), the fee may be higher when leverage is utilized, giving the Investment Adviser an incentive to utilize leverage. However, the Investment Adviser has agreed not to accept an incremental fee with respect to any series of its outstanding preferred stock unless the Fund's total return at least equals the cost of capital on such series of the preferred stock. See "Management of the Fund — General."

Restrictions on Dividends and Other Distributions. Restrictions imposed on the declaration and payment of dividends or other distributions to the holders of the Fund's common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair the Fund's ability to maintain its qualification as a regulated investment company for federal income tax purposes. While the Fund intends to redeem its preferred stock (including the Series D Preferred and/or Series E Auction Rate Preferred) to the extent necessary to enable the Fund to distribute its income as required to maintain its qualification as a regulated investment company under the Code, there can be no assurance that such actions can be effected in time to meet the Code requirements. See "Taxation" in the SAI.

Ratings and Asset Coverage Risk. While it is a condition to the closing of the offering that Moody's assigns a rating of "Aaa" to any Series D Preferred and any Series E Auction Rate Preferred, and that S&P assigns a rating of "AAA" to any Series E Auction Rate Preferred, the ratings do not eliminate or necessarily mitigate the risks of investing in Series D Preferred or Series E Auction Rate Preferred. The credit rating on the Series D Preferred or Series E Auction Rate Preferred could be reduced or withdrawn while an investor holds shares, which would likely have an adverse effect on the market value of the Series D Preferred or Series E Auction Rate Preferred. A reduction or withdrawal of the credit ratings on the Series E Auction Rate Preferred may also make your Series E Auction Rate Preferred shares less liquid at an auction or in the secondary market.

In addition, if a rating agency rating the Series E Auction Rate Preferred at the Fund's request downgrades the Series E Auction Rate Preferred, the maximum rate on the Series E Auction Rate Preferred will increase. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Rating Agency Guidelines" for a description of the asset maintenance tests the Fund must meet. In addition, should the rating on the Fund's preferred stock be lowered or withdrawn by the relevant rating agency, the Fund may also be required to redeem all or part of its outstanding preferred stock.

Special Risks of the Series D Preferred

Illiquidity Prior to Exchange Listing. Prior to the offering, there has been no public market for the Series D Preferred. In the event the Series D Preferred is issued, prior application will have been made to list the Series D Preferred on the NYSE. However, during an initial period, which is not expected to exceed 30 days after the date of its initial issuance, the Series D Preferred may not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series D Preferred, though, they have no obligation to do so. Consequently, an investment in the Series D Preferred may be illiquid during such period.

Special Risks of the Series E Auction Rate Preferred

Auction Risk. You may not be able to sell your Series E Auction Rate Preferred at an auction if the auction fails, i.e., if there is more Series E Auction Rate Preferred offered for sale than there are buyers for those shares. Also, if you place an order (a hold order) at an auction to retain Series E Auction Rate Preferred only at a specified rate that exceeds the rate set at the auction, you will not retain your Series E Auction Rate Preferred. Additionally, if you place a hold order without specifying a rate below which you would not wish to continue to hold your shares and the auction sets a below-market rate, you will receive a lower rate of return on your shares than the market rate. Finally, the dividend period may be changed, subject to certain conditions and with notice to the holders of the Series E Auction Rate Preferred, which could also affect the liquidity of your investment. See "Description of the Series D Preferred and Series E Auction Rate Preferred" and "The Auction of Series E Auction Rate Preferred."

Secondary Market Risk. If you try to sell your Series E Auction Rate Preferred between auctions, you may not be able to sell them for $25,000 per share or $25,000 per share plus accumulated dividends. If the Fund has designated a special dividend period of more than seven days, changes in interest rates could affect the price you would receive if you sold your shares in the secondary market. Broker-dealers that maintain a secondary trading market for the Series E Auction Rate Preferred are not required to maintain this market, and the Fund is not required to redeem Series E Auction Rate Preferred if either an auction or an attempted secondary market sale fails because of a lack of buyers. The Series E Auction Rate Preferred is not registered on a stock exchange or the NASDAQ stock market. If you sell your Series E Auction Rate Preferred to a broker-dealer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the last auction or during a special dividend period.

Long-term Objective

The Fund is intended for investors seeking long-term capital growth. The Fund is not meant to provide a vehicle for those who wish to play short-term swings in the stock market. An investment in shares of the Fund should not be considered a complete investment program. Each stockholder should take into account the Fund's investment objectives as well as the stockholder's other investments when considering an investment in the Fund.

Non-diversified Status

The Fund is classified as a "non-diversified" investment company under the 1940 Act, which means the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. However, the Fund has in the past conducted and intends to conduct its operations so as to qualify as a "regulated investment company," or RIC, for purposes of the Code, which will relieve it of any liability for federal income tax to the extent its earnings are distributed to stockholders. To qualify as a "regulated investment company," among other requirements, the Fund will limit its investments so that, with certain exceptions, at the close of each quarter of the taxable year:

- not more than 25% of the market value of its total assets will be invested in the securities (other than U.S. government securities or the securities of other RICs) of a single issuer or any two or more issuers that the Fund controls and which are determined to be engaged in the same, similar or related trades or businesses; and

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

As a non-diversified investment company, the Fund may invest in the securities of individual issuers to a greater degree than a diversified investment company. As a result, the Fund may be more vulnerable to events affecting a single issuer and therefore, subject to greater volatility than a fund that is more broadly diversified. Accordingly, an investment in the Fund may present greater risk to an investor than an investment in a diversified company.

Market Value and Net Asset Value

The Fund is a closed-end, non-diversified, management investment company. Shares of closed-end funds are bought and sold in the securities markets and may trade at either a premium or discount from net asset value. Listed shares of closed-end investment companies frequently trade at a discount from net asset value. This characteristic of stock of a closed-end fund is a risk separate and distinct from the risk that the Fund's net asset value will decrease. The Fund cannot predict whether its listed stock will trade at, below or above net asset value. Stockholders desiring liquidity may, subject to applicable securities laws, trade their common stock in the Fund on the NYSE or other markets on which such stock may trade at the then-current market value, which may differ from the then-current net asset value. Stockholders will incur brokerage or other transaction costs to sell stock.

Lower Rated Securities

The Fund may invest up to 10% of its total assets in fixed-income securities rated in the lower rating categories of recognized statistical rating agencies. These high yield securities, also sometimes referred to as "junk bonds," generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following:

- greater volatility;
- greater credit risk;
- potentially greater sensitivity to general economic or industry conditions;
- potential lack of attractive resale opportunities (illiquidity); and
- additional expenses to seek recovery from issuers who default.

The market value of lower-rated securities may be more volatile than the market value of higher-rated securities and generally tends to reflect the market's perception of the creditworthiness of the issuer and short-term market developments to a greater extent than more highly rated securities, which primarily reflect fluctuations in general levels of interest rates.

Ratings are relative and subjective and not absolute standards of quality. Securities ratings are based largely on the issuer's historical financial condition and the rating agencies' analysis at the time of rating. Consequently, the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition.

As a part of its investment in lower rated fixed-income securities, the Fund may invest in the securities of issuers in default. The Fund will invest in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations and emerge from bankruptcy protection and that the value of such issuers' securities will appreciate. By investing in the securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of these securities will not appreciate.

For a further description of lower rated securities and the risks associated therewith, see "Investment Objectives and Policies — Investment Practices" in the SAI. For a description of the ratings categories of certain recognized statistical ratings agencies, see Appendix A to this prospectus.

Foreign Securities

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

There may be less publicly available information about a foreign company than a U.S. company. Foreign securities markets may have substantially less volume than U.S. securities markets and some foreign company securities are less liquid than securities of otherwise comparable U.S. companies. A portfolio of foreign securities may also be adversely affected by fluctuations in the rates of exchange between the currencies of different nations and by exchange control regulations. Foreign markets also have different clearance and settlement procedures that could cause the Fund to encounter difficulties in purchasing and selling securities on such markets and may result in the Fund missing attractive investment opportunities or experiencing loss. In addition, a portfolio that includes foreign securities can expect to have a higher expense ratio because of the increased transaction costs on non-U.S. securities markets and the increased costs of maintaining the custody of foreign securities. The Fund does not have an independent limit on the amount of its assets that it may invest in the securities of foreign issuers.

The Fund also may purchase sponsored American Depository Receipts ("ADRs") or U.S. denominated securities of foreign issuers. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with foreign securities may also apply to ADRs. In addition, the underlying issuers of certain depository receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute stockholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities.

Interest Rate Transactions

The Fund has entered into an interest rate swap transaction with respect to its outstanding Series C Auction Rate Preferred, and may enter into an interest rate swap or cap transaction with respect to all or a portion of the Series E Auction Rate Preferred. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. See "How the Fund Manages Risk — Interest Rate Transactions."

Futures Transactions

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 Fund due to the use of hedging;
- possible reduction in value of both the securities hedged and the hedging instrument;
- possible lack of liquidity due to daily limits or price fluctuations;
- imperfect correlation between the contracts and the securities being hedged; and
- losses from investing in futures transactions that are potentially unlimited and the segregation requirements for such transactions.

For a further description of the Fund's investments in futures, see "Investment Objectives and Policies — Investment Practices" in the SAI.

Forward Currency Exchange Contracts

The use of forward currency contracts may involve certain risks, including the failure of the counter party to perform its obligations under the contract and that the use of forward contracts may not serve as a complete hedge because of an imperfect correlation between movements in the prices of the contracts and the prices of the currencies hedged or used for cover. For a further description of such investments, see "Investment Objectives and Policies — Investment Practices" in the SAI.

Dependence on Key Personnel

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

Current Market Uncertainties

The war with Iraq, its aftermath and the continuing occupation of Iraq are likely to have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the occupation cannot be predicted with any certainty. Terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 closed some of the U.S. markets for a four-day period and the occurrence of similar events in the future cannot be ruled out. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead to, increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally.

Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect individual issuers or related groups of issuers, securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to the Series D Preferred and/or Series E Auction Rate Preferred.

Anti-takeover Provisions

The Fund's Charter includes provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. See "Anti-takeover Provisions of the Charter and By-Laws."

HOW THE FUND MANAGES RISK

Investment Restrictions

The Fund has adopted certain investment limitations designed to limit investment risk and maintain portfolio diversification. Under the 1940 Act, a fundamental policy may not be changed without the vote of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Fund (voting together as a single class). In addition, pursuant to the Fund's Articles Supplementary, a majority, as defined in the 1940 Act, of the outstanding preferred stock of the Fund (voting separately as a single class) is also required to change a fundamental policy. The Fund may become subject to guidelines that are more limiting than the investment restrictions set forth above in order to obtain and maintain ratings from Moody's or S&P on its preferred stock.

Interest Rate Transactions

The Fund has entered into an interest rate swap transaction with respect to its outstanding Series C Auction Rate Preferred and may enter into interest rate swap or cap transactions in relation to all or a portion of the Series E Auction Rate Preferred in order to manage the impact on its portfolio of changes in the dividend rate of the Series E Auction Rate Preferred. Through these transactions the Fund may, for example, obtain the equivalent of a fixed rate for such auction rate preferred stock that is lower than the Fund would have to pay if it issued fixed rate preferred stock.

The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the "counterparty") periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on its auction rate preferred stock. In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred stock dividends when due in accordance with the Articles Supplementary even if the counterparty defaulted. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at that point in time, such a default could negatively affect the Fund's ability to make dividend payments on the Series D Preferred and Series E Auction Rate Preferred. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments on the Series D Preferred and Series E Auction Rate Preferred. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, resulting in a decline in the asset coverage for the Series D Preferred and Series E Auction Rate Preferred. A sudden and dramatic decline in interest rates may result in a significant decline in the asset coverage. Under the Articles Supplementary, if the Fund fails to maintain the required asset coverage on the outstanding preferred stock (including the Series D Preferred and Series E Auction Rate Preferred) or fails to comply with other covenants, the Fund may be required to redeem some or all of these shares. The Fund may also choose to redeem some or all of the Series E Auction Rate Preferred at any time. Such redemption would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Early termination of a swap could result in a termination payment by the Fund to the counterparty, while early termination of a cap could result in a termination payment to the Fund.

The Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund intends to segregate cash or liquid securities having a value at least equal to the value of the Fund's net payment obligations under any swap transaction, marked to market daily. The Fund does not presently intend to enter into interest rate swap or cap transactions relating to Series E Auction Rate Preferred in a notional amount in excess of the outstanding amount of the Series E Auction Rate Preferred. The Fund will monitor any such swap with a view to ensuring that the Fund remains in compliance with all applicable regulatory investment policy and tax requirements.

MANAGEMENT OF THE FUND

General

The Fund's Directors (who, with the Fund's officers, are described in the SAI) have overall responsibility for the management of the Fund. The Board decides upon matters of general policy and reviews the actions of the Investment Adviser, Gabelli Funds, LLC, located at One Corporate Center, Rye, New York 10580-1422, and the Sub-Administrator (as defined below). Pursuant to an Investment Advisory Agreement with the Fund, the Investment Adviser, under the supervision of the Fund's Board of Directors, provides a continuous investment program for the Fund's portfolio; provides investment research and makes and executes recommendations for the purchase and sale of securities; provides all facilities and personnel, including officers required for its administrative management; and pays the compensation of all officers and directors of the Fund who are its affiliates. As compensation for its services and the related expenses borne by the Investment Adviser, the Fund pays the Investment Adviser a fee, computed daily and payable monthly, equal, on an annual basis, to 1.00% of the Fund's average weekly net assets. However, the Investment Adviser has voluntarily agreed to waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of, as the case may be, its outstanding Series D Preferred and/or Series E Auction Rate Preferred for any calendar year in which the net asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential waiver, is less than (i) in the case of the Series D Preferred, the stated annual dividend rate of such series and (ii) in the case of the Series E Auction Rate Preferred, the net cost of capital to the Fund with respect to the Series E Auction Rate Preferred for such year expressed as a percentage (including, without duplication, dividends paid by the Fund on the Series E Auction Rate Preferred and the net cost to the Fund of any associated swap or cap transaction if the Fund hedges its Series E Auction Rate Preferred dividend obligations). This waiver will apply to the portion of the Fund's assets attributable to the Series D Preferred and Series E Auction Rate Preferred, respectively, for so long as any shares of such series remain outstanding. The Investment

Adviser has voluntarily agreed to similar waivers with respect to the Fund's outstanding Series B Preferred and Series C Auction Rate Preferred.

For purposes of the calculation of the fees payable to the Investment Adviser by the Fund, average weekly net assets of the Fund are determined at the end of each month on the basis of its average net assets for each week during the month. The assets for each weekly period are determined by averaging the net assets at the end of a week with the net assets at the end of the prior week.

The Investment Adviser

Gabelli Funds, LLC acts as the Fund's Investment Adviser pursuant to an advisory agreement with the Fund. The Investment Adviser is a New York corporation with principal offices located at One Corporate Center, Rye, New York 10580. The Investment Adviser was organized in 1999 and is the successor to Gabelli Funds, Inc., which was organized in 1980. As of June 30, 2003, the Investment Adviser acted as registered investment adviser to 19 management investment companies with aggregate net assets of $9.3 billion. The Investment Adviser, together with other affiliated investment advisers noted below had assets under management totaling approximately $21.9 billion as of June 30, 2003. GAMCO Investors, Inc., an affiliate of the Investment Adviser, 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 $10.8 billion under management as of June 30, 2003. Gabelli Fixed Income LLC, an affiliate of the Investment Adviser, acts as investment adviser for The Treasurer's Fund and separate accounts having aggregate assets of $1.2 billion under management as of June 30, 2003. Gabelli Advisers, Inc., an affiliate of the Investment Adviser, acts as investment manager to the Gabelli Westwood Funds having aggregate assets of $493 million under management as of June 30, 2003.

The Investment Adviser is a wholly-owned subsidiary of Gabelli Asset Management 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 the Investment Adviser on the basis of his ownership of a majority of the stock of the Gabelli Group Capital Partners, Inc., which owns a majority of the capital stock of Gabelli Asset Management Inc.

Payment of Expenses

The Investment Adviser is obligated to pay expenses associated with providing the services contemplated by the Investment Advisory Agreement between the Fund and the Investment Adviser (the Advisory Agreement") including compensation of and office space for its officers and employees connected with investment and economic research, trading and investment management and administration of the Fund, as well as the fees of all directors of the Fund who are affiliated with the Investment Adviser. The Fund pays all other expenses incurred in its operation including, among other things, expenses for legal and independent accountants' services, costs of printing proxies, stock certificates and stockholder reports, charges of the custodian, any subcustodian and transfer and dividend paying agent, expenses in connection with its respective automatic dividend reinvestment and voluntary cash purchase plan, SEC fees, fees and expenses of unaffiliated directors, accounting and pricing costs, including costs of calculating the net asset value of the Fund, membership fees in trade associations, fidelity bond coverage for its officers and employees, directors' and officers' errors and omission insurance coverage, interest, brokerage costs, taxes, stock exchange listing fees and expenses, expenses of qualifying its stock for sale in various states, litigation and other extraordinary or non-recurring expenses, and other expenses properly payable by the Fund.

In addition to the fees of the Investment Adviser, the Fund is responsible for the payment of all its other expenses incurred in the operation of the Fund, which include, among other things, expenses for legal and independent accountant's services, stock exchange listing fees, expenses relating to the offering of preferred stock, rating agency fees, costs of printing proxies, stock certificates and stockholder reports, charges of State Street Bank and Trust Company ("State Street" or the "Custodian"), charges of EquiServe and The Bank of New York, SEC fees, fees and expenses of unaffiliated directors, accounting and printing costs, the Fund's *pro rata* portion of membership fees in trade organizations, fidelity bond coverage for the Fund's officers and employees, interest, brokerage costs, taxes, expenses of qualifying the Fund for sale in various states, expenses of personnel performing stockholder servicing functions, litigation and other extraordinary or non-recurring expenses and other expenses properly payable by the Fund.

Selection of Securities Brokers

The Investment Advisory Agreement contains provisions relating to the selection of securities brokers to effect the portfolio transactions of the Fund. Under those provisions, the Investment Adviser may (i) direct Fund portfolio brokerage to Gabelli & Company, Inc. or other broker-dealer affiliates of the Investment Adviser and (ii) pay commissions to brokers other than Gabelli & Company, Inc. that are higher than might be charged by another qualified broker to obtain brokerage and/or research services considered by the Investment Adviser to be useful or desirable for its investment management of the Fund and/or its other advisory accounts or those of any investment adviser affiliated with it. The SAI contains further information about the Investment Advisory Agreement including a more complete description of the advisory and expense arrangements, exculpatory and brokerage provisions, as well as information on the brokerage practices of the Fund.

Portfolio Manager

Mario J. Gabelli is currently and has been responsible for the day-to-day management of the Fund since its formation. Mr. Gabelli has served as Chairman, President and Chief Investment Officer of the Investment Adviser since 1980. Mr. Gabelli also serves as Portfolio Manager for several other funds in the Gabelli fund family. Because of the diverse nature of Mr. Gabelli's responsibilities, he will devote less than all of his time to the day-to-day management at the Fund. Over the past five years, Mr. Gabelli has served as Chairman of the Board and Chief Executive Officer of Gabelli Asset Management Inc.; Chief Investment Officer of GAMCO Investors, Inc.; and Vice Chairman of the Board of Lynch Corporation, a diversified manufacturing company, and Vice Chairman of the Board and Chief Executive Officer of Lynch Interactive Corporation, a multimedia and communications services company.

A portion of the Fund's foreign holdings are managed by Caesar Bryan. For the last five years, Mr. Bryan has served as the portfolio manager of the Gabelli International Growth Fund and as co-manager of the Gabelli Global Opportunity Fund and the Gabelli Global Growth Fund.

Non-resident Director

Karl Otto Pöhl, a director of the Fund, resides outside the United States and all or a significant portion of his assets are located outside the United States. Mr. Pöhl does not have an authorized agent in the United States to receive service of process. As a result, it may not be possible for investors to effect service of process within the United States or to enforce against Mr. Pöhl in United States courts judgments predicated upon civil liability provisions of United States securities laws. It may also not be possible to enforce against Mr. Pöhl in foreign courts judgments of United States courts or liabilities in original actions predicated upon civil liability provisions of the United States securities laws.

Sub-Administrator

The Investment Adviser has entered into sub-administration agreement with PFPC Inc. (the "Sub-Administrator") pursuant to which the Sub-Administrator provides certain administrative services necessary for the Fund's operations which do not include the investment advisory and portfolio management services provided by the Investment Adviser. For these services and the related expenses borne by the Sub-Administrator, the Investment Adviser pays a prorated monthly fee at the annual rate of .0275% of the first $10.0 billion of the aggregate average net assets of the Fund and all other funds advised by the Investment Adviser and administered by the Sub-Administrator, .0125% of the aggregate average net assets exceeding $10 billion and .01% of the aggregate average net assets in excess of $15 billion. The Sub-Administrator has its principal office at 760 Moore Road, King of Prussia, Pennsylvania 19406.

PORTFOLIO TRANSACTIONS

Principal transactions are not entered into with affiliates of the Fund. However, Gabelli & Company, Inc., an affiliate of the Investment Adviser, may execute portfolio transactions on stock exchanges and in the over-the-counter markets on an agency basis and receive a stated commission therefor. For a more detailed discussion of the Fund's brokerage allocation practices, see "Portfolio Transactions" in the SAI.

DIVIDENDS AND DISTRIBUTIONS

The Fund may retain for reinvestment, and pay the resulting federal income taxes on, its net capital gain, if any, although the Fund reserves the authority to distribute its net capital gain in any year. The Fund has a policy, which may be modified at any time by its Board of Directors, of paying quarterly distributions on its common stock of 10% of the Fund's quarterly net asset value attributable to common stock. This policy permits holders of common stock to realize a predictable, but not assured, level of cash flow and some liquidity periodically with respect to their common stock without having to sell shares. To avoid paying income tax at the corporate level, the Fund will distribute substantially all of its investment company taxable income and net capital gain. In the event that the Fund's investment company taxable income and net capital gain exceed the total of the Fund's monthly distributions, the Fund intends to pay such excess once a year. If, for any calendar year, the total quarterly distributions exceed investment company taxable income and net capital gain, the excess will generally be treated as a tax-free return of capital up to the amount of a stockholder's tax basis in the stock. The amount treated as a tax-free return of capital will reduce a stockholder's tax basis in the stock, thereby increasing such stockholder's potential gain or reducing his or her potential loss on the sale of the stock. Any amounts distributed to a stockholder in excess of the basis in the stock will be taxable to the stockholder as capital gain. See "Taxation" below.

In the event the Fund distributes amounts in excess of its investment company taxable income and net capital gain, such distributions will decrease the Fund's total assets and, therefore, have the likely effect of increasing the Fund's expense ratio. In addition, in order to make such distributions, the Fund might have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action.

The Fund, along with other closed-end registered investment companies advised by the Investment Adviser, has obtained an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting the Fund to make periodic distributions of long-term capital gains provided that any distribution policy of the Fund with respect to its common stock calls for periodic (e.g., quarterly or semi-annually, but in no event more frequently than monthly) distributions in an amount equal to a fixed percentage of the Fund's average net asset value over a specified period of time or market price per share of common stock at or about the time of distribution or pay-out of a fixed dollar amount. The exemption also permits the Fund to make distributions with respect to its preferred stock in accordance with such stock's terms.

DESCRIPTION OF THE SERIES D PREFERRED AND SERIES E AUCTION RATE PREFERRED

The Fund offers by this prospectus, in the aggregate, $125 million of preferred stock of either Series D Preferred or Series E Auction Rate Preferred, or a combination of both such series. The following is a brief description of the terms of each of the Series D Preferred and the Series E Auction Rate Preferred. This description does not purport to be complete and is qualified by reference to the Fund's Charter, including the provisions of the Articles Supplementary establishing each of the Series D Preferred and the Series E Auction Rate Preferred. For complete terms of the Series D Preferred or the Series E Auction Rate Preferred, including definitions of terms used in this prospectus, please refer to the actual terms of such series, which are set forth in the applicable Articles Supplementary.

General

Under its Charter, the Fund is authorized to issue up to 200,000,000 shares of capital stock. The Fund is authorized to issue up to 18,000,000 shares of preferred stock, of which up to 6,006,000 shares of preferred stock may be designated as Series D Preferred and/or Series E Auction Rate Preferred. No fractional shares of either series will be issued. The Board of Directors reserves the right to issue additional shares of preferred stock, including Series D Preferred or Series E Auction Rate Preferred, from time to time, subject to the restrictions in the Fund's Charter and the 1940 Act.

If and when issued, the Series D Preferred will have a liquidation preference of $25 per share and the Series E Auction Rate Preferred will have a liquidation preference of $25,000 per share. Upon a liquidation, each holder of Series D Preferred or Series E Auction Rate Preferred will be entitled to receive out of the assets of the Fund available for distribution to stockholders (after payment of claims of the Fund's creditors but before any distributions with respect to the Fund's common stock or any other stock of the Fund ranking junior to the Series D Preferred and Series E Auction Rate Preferred as to liquidation payments) an amount per share equal to such share's liquidation preference plus any accumulated but unpaid dividends (whether or not earned or declared) to the date of distribution and such stockholders shall be entitled to no further participation in any distribution or payment in connection with such liquidation. The Series D Preferred and the Series E Auction Rate Preferred will rank on a parity with shares of any other series of preferred stock of the Fund as to the payment of dividends and the distribution of assets upon liquidation. Series D Preferred and Series E Auction Rate Preferred shares each carry one vote per share on all matters on which such stock is entitled to vote. The Series D Preferred and the Series E Auction Rate Preferred will, upon issuance, be fully paid and nonassessable and will have no preemptive, exchange or conversion rights. Any Series D Preferred or Series E Auction Rate Preferred repurchased or redeemed by the Fund will be classified as authorized but unissued preferred stock. The Board of Directors may by resolution classify or reclassify any authorized but unissued capital stock of the Fund from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or terms or conditions of redemption. The Fund may not issue any class of stock senior to the Series D Preferred and/or Series E Auction Rate Preferred.

Rating Agency Guidelines

Upon issuance, both the Series D Preferred and the Series E Auction Rate Preferred will be rated "Aaa" by Moody's. In addition, the Series E Auction Rate Preferred will also be rated "AAA" by S&P. The Fund is required under Moody's and S&P guidelines to maintain assets having in the aggregate a discounted value at least equal to the Basic Maintenance Amount (as defined below) for its outstanding preferred stock, including any outstanding Series D Preferred or Series E Auction Rate Preferred, with respect to the separate guidelines Moody's and S&P has each established for determining discounted value. To the extent any particular portfolio holding does not satisfy the applicable rating agency's guidelines, all or a portion of such holding's value will not be included in the calculation of discounted value (as defined by such rating agency). The Moody's and S&P guidelines also impose certain diversification requirements and industry concentration limitations on the Fund's overall portfolio, and apply specified discounts to securities held by the Fund (except certain money market securities). The "Basic Maintenance Amount" is equal to (i) the sum of (a) the aggregate liquidation preference of the preferred stock then outstanding plus (to the extent not included in the liquidation preference of such preferred stock) an amount equal to the aggregate accumulated but unpaid dividends (whether or not earned or declared) in respect of such preferred stock, (b) the total principal of any debt (plus accrued and projected interest), (c) certain Fund expenses and (d) certain other current liabilities (excluding any unpaid dividends on the Fund's common stock) less (ii) the Fund's (a) cash and (b) assets consisting of indebtedness which (x) are to mature prior to or on the date of redemption or repurchase of the preferred stock, (y) are U.S. Government Obligations or evidences of indebtedness rated at least Aaa, P-1, VMIG-1 or MIG-1 by Moody's or AAA, SP-1+ or A-1+ by Standard and Poor's, and (z) are held by the Fund for the payment of dividends or distributions, the amounts needed to redeem or repurchase preferred stock, or the Fund's liabilities.

If the Fund does not timely cure a failure to maintain a discounted value of its portfolio equal to the Basic Maintenance Amount in accordance with the requirements of the applicable rating agency or agencies then rating the Series D Preferred or the Series E Auction Rate Preferred at the request of the Fund, the Fund may, and in certain circumstances will be required to, mandatorily redeem preferred stock, including the Series D Preferred or the Series E Auction Rate Preferred, as described below under " — Redemption."

The Fund may, but is not required to, adopt any modifications to the rating agency guidelines that may hereafter be established by Moody's or S&P. Failure to adopt any such modifications, however, may result in a change in the relevant rating agency's ratings or a withdrawal of such ratings altogether. In addition, any rating agency providing a rating for the Series D Preferred or the Series E Auction Rate Preferred at the request of the Fund may, at any time, change or withdraw any such rating. The Board of Directors, without further action by the stockholders, may amend, alter, add to or repeal certain of the definitions and related provisions that have been adopted by the Fund pursuant to the rating agency guidelines if the Board determines that such modification is necessary to prevent a reduction in rating of the shares of preferred stock by Moody's and/or S&P, as the case may be, is in the best interests of the holders of shares of common stock and is not adverse to the holders of preferred stock in view of advice to the Fund by Moody's and/or S&P (or such other rating agency then rating the Series D Preferred and/or Series E Auction Rate Preferred at the request of the Fund) that such modification would not adversely affect, as the case may be, its then current rating of the Series D Preferred and/or the Series E Auction Rate Preferred.

The Board of Directors may amend the Articles Supplementary definition of "Maximum Rate" (the "maximum rate" as defined below under " — Dividends on the Series E Auction Rate Preferred — Maximum Rate") to increase the percentage amount by which the applicable reference rate is multiplied to determine the maximum rate without the vote or consent of the holders of Series E Auction Rate

Preferred or any other stockholder of the Fund, but only after consultation with the broker-dealers and with confirmation from each applicable rating agency that the Fund could meet applicable rating agency asset coverage tests immediately following any such increase

As described by Moody's and S&P, the ratings assigned to the Series D Preferred and the Series E Auction Rate Preferred are assessments of the capacity and willingness of the Fund to pay the obligations of each of the Series D Preferred and the Series E Auction Rate Preferred. The ratings on the Series D Preferred and the Series E Auction Rate Preferred are not recommendations to purchase, hold or sell shares of either series, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The rating agency guidelines also do not address the likelihood that an owner of Series D Preferred or Series E Auction Rate Preferred will be able to sell such shares on an exchange, in an auction or otherwise. The ratings are based on current information furnished to Moody's and S&P by the Fund and the Investment Adviser and information obtained from other sources. The ratings may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information.

The rating agency guidelines will apply to the Series D Preferred or Series E Auction Rate Preferred, as the case may be, only so long as such rating agency is rating such shares at the request of the Fund. The Fund will pay fees to Moody's and S&P for rating the Series D Preferred and the Series E Auction Rate Preferred.

Asset Maintenance Requirements

In addition to the requirements summarized under " — Rating Agency Guidelines" above, the Fund must also satisfy asset maintenance requirements under the 1940 Act with respect to its preferred stock. The 1940 Act requirements are summarized below.

The Fund will be required under the Articles Supplementary for each of the Series D Preferred and/or Series E Auction Rate Preferred to determine whether it has, as of the last business day of each March, June, September and December of each year, an "asset coverage" (as defined in the 1940 Act) of at least 200% (or such higher or lower percentage as may be required at the time under the 1940 Act) with respect to all outstanding senior securities of the Fund that are stock, including any outstanding Series D Preferred and the Series E Auction Rate Preferred. If the Fund fails to maintain the asset coverage required under the 1940 Act on such dates and such failure is not cured within 60 calendar days, in the case of the Series D Preferred, or 10 business days, in the case of the Series E Auction Rate Preferred, (including the Series D Preferred or Series E Auction Rate Preferred) the Fund may, and in certain circumstances will be required to, mandatorily redeem shares of preferred stock sufficient to satisfy such asset coverage. See " — Redemption" below.

If the shares of Series D Preferred and/or Series E Auction Rate Preferred offered hereby had been issued and sold as of September 15, 2003, the asset coverage required under the 1940 Act (after giving effect to the deduction of the underwriting discounts and estimated offering expenses for such shares of $3,352,500), would have been computed as follows:

> value of Fund assets less liabilities not constituting senior securities ($1,374,744,505) ÷ senior securities representing indebtedness plus liquidation preference of each class of preferred stock ($420,000,000) expressed as a percentage = 327%.

Dividends on the Series D Preferred

Upon issuance of the Series D Preferred (if issued), holders of shares of Series D Preferred will be entitled to receive, when, as and if declared by the Board of Directors of the Fund out of funds legally available therefor, cumulative cash dividends, at the annual rate of 5.875% (computed on the basis of a 360-day year consisting of twelve 30-day months) of the liquidation preference of $25 per share, payable quarterly on March 26, June 26, September 26 and December 26 in each year or, if any such day is not a business day, the immediately succeeding business day. Such dividends will commence on December 26, 2003, and will be payable to the persons in whose names the shares of Series D Preferred are registered at the close of business on the fifth preceding business day.

Dividends on the Series E Auction Rate Preferred

General. Upon issuance of the Series E Auction Rate Preferred (if issued), the holders of Series E Auction Rate Preferred will be entitled to receive cash dividends stated at annual rates as a percentage of its $25,000 per share liquidation preference, that will vary from dividend period to dividend period. The dividend rate for the initial dividend period for any Series E Auction Rate Preferred offered in this prospectus will be the rate set out on the cover of this prospectus. For subsequent dividend periods, the Series E Auction Rate Preferred will pay dividends based on a rate set at the auction, normally held weekly, but the rates set at the auction will not exceed the maximum rate. Dividend periods generally will be seven days, and the dividend periods generally will begin on the first business day after an auction. In most instances, dividends will also be paid weekly, on the business day following the end of the dividend period. The Fund, subject to some limitations, may change the length of the dividend periods, designating them as "special dividend periods," as described below.

Dividend Payments. Except as described below, the dividend payment date will be the first business day after the dividend period ends. The dividend payment dates for special dividend periods of more (or less) than seven days will be set out in the notice designating a special dividend period. See " — Designation of Special Dividend Periods" for a discussion of payment dates for a special dividend period.

Dividends on Series E Auction Rate Preferred will be paid on the dividend payment date to holders of record as their names appear on the Fund's stock ledger or stock records on the business day next preceding the dividend payment date. If dividends are in arrears, they may be declared and paid at any time to holders of record as their names appear on the Fund's stock ledger or stock records on a date not more than 15 days before the payment date, as the Fund's Board of Directors may fix.

The dividend paying agent, in accordance with its current procedures, is expected to credit in same-day funds on each dividend payment date dividends received from the Fund to the accounts of broker-dealers who act on behalf of holders of the Series E Auction Rate Preferred. Such broker-dealers, in turn, are expected to distribute dividend payments to the person for whom they are acting as agents. If a broker-dealer does not make dividends available to Series E Auction Rate Preferred holders in same-day funds, these stockholders will not have funds available until the next business day.

Dividend Rate Set at Auction. The Series E Auction Rate Preferred pays dividends based on a rate set at auction at which Series E Auction Rate Preferred may be bought and sold. The auction usually is held weekly, but may be held more or less frequently. The Bank of New York, the auction agent, reviews orders from broker-dealers on behalf of existing holders who wish to sell, hold at the auction rate, or hold only at a specified dividend rate, and on behalf of potential holders who wish to buy Series E Auction Rate Preferred. The auction agent then determines the lowest dividend rate that will result in all of the Series E Auction Rate Preferred continuing to be held. See "The Auction of Series E Auction Rate Preferred."

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

Determination of Dividend Rates. The Fund computes the dividends per share by multiplying the applicable rate determined at the auction by a fraction, the numerator of which normally is the number of days in such dividend period and the denominator of which is 360. This applicable rate is then multiplied by $25,000 to arrive at the dividend per share.

Maximum Rate. The dividend rate that results from an auction for the Series E Auction Rate Preferred will not be greater than the applicable "maximum rate." The maximum rate means (i) in the case of a dividend period of 184 days or less, the applicable percentage of the "AA" Financial Composite Commercial Paper Rate on the date of such auction determined as set forth in the following chart based on the lower of the credit ratings assigned to the Series E Auction Rate Preferred by Moody's and S&P or (ii) in the case of a dividend period of longer than 184 days, the applicable percentage of the Treasury Index Rate.

Credit Rating for Series E Auction Rate Preferred

Moody's Credit Rating	S&P Credit Rating	Applicable Percentage
Aa3 or higher	AA- or higher	150%
A3 to A1	A- to A+	175%
Baa3 to Baa1	BBB- to BBB+	250%
Below Baa3	Below BBB-	275%

The "Treasury Index Rate" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities having the same number of 30-day periods to maturity as the length of the applicable dividend period, determined, to the extent necessary, by linear interpolation based upon the yield for such securities having the next shorter and next longer number of 30-day periods to maturity treating all dividend periods with a length greater than the longest maturity for such securities as having a length equal to such longest maturity, in all cases based upon data set forth in the most recent weekly statistical release published by the Board of Governors of the Federal Reserve System (currently in H.15 (519)); provided, however, that if the most recent such statistical release will not have been published during the 15 days preceding the date of computation, the foregoing computations will be based upon the average of comparable data as quoted to the Fund by at least three recognized dealers in U.S. government securities selected by the Fund.

There is no minimum dividend rate in respect of any dividend period.

Effect of Failure to Pay Dividends in a Timely Manner. If the Fund fails to pay the paying agent the full amount of any dividend for the Series E Auction Rate Preferred in a timely manner, but the Fund cures the failure and pays any late charge before 12:00 noon, New York City time on the third business day following the date the failure occurred, no default will be deemed to have occurred and the dividend rate for the dividend period immediately following the dividend with respect to which the dividend payment default would otherwise have occurred will be the applicable rate set at the auction for such dividend period.

However, if the Fund does not effect a timely cure, the dividend rate for the Series E Auction Rate Preferred for such default period, and any subsequent dividend period for which such default is continuing, will be the default rate. In the event the Fund fully pays all default amounts due during a dividend period, the dividend rate for the remainder of that dividend period will be, as the case may be, the applicable rate (for the first dividend period following a dividend default) or the then-maximum rate (for any subsequent dividend period for which such default is continuing).

The default rate means 300% of the applicable "AA" Financial Composite Commercial Paper Rate for a dividend period of 184 days or fewer and 300% of the applicable Treasury Index Rate for a dividend period of longer than 184 days. Late charges are also calculated at the applicable default rate.

Designation of Special Dividend Periods. The Fund may instruct the auction agent to hold auctions more or less frequently than weekly and may designate dividend periods longer or shorter than one week. The Fund may do this if, for example, the Fund expects that short-term rates might increase or market conditions otherwise change, in an effort to optimize the effect of the Fund's leverage on holders of its common stock. The Fund does not currently expect to hold auctions and pay dividends less frequently than weekly or establish dividend periods longer or shorter than one week. If the Fund designates a special dividend period, changes in interest rates could affect the price received if shares of Series E Auction Rate Preferred are sold in the secondary market.

Any designation of a special dividend period will be effective only if (i) notice thereof will have been given as provided for in the Charter, (ii) any failure to pay in a timely matter to the auction agent the full amount of any dividend on, or the redemption price of, the Series E Auction Rate Preferred will have been cured as provided for in the Charter, (iii) the auction immediately preceding the special dividend period was not a failed auction, (iv) if the Fund will have mailed a notice of redemption with respect to Series E Auction Rate Preferred, the Fund will have deposited with the paying agent all funds necessary for such redemption, and (v) the Fund has confirmed that as of the auction date next preceding the first day of such special dividend period, it has assets with an aggregate discounted value at least equal to the Basic Maintenance Amount (as defined below), and the Fund has consulted with the broker-dealers for the Series E Auction Rate Preferred and has provided notice of such designation and a Basic Maintenance Report to each rating agency then rating the Series E Auction Rate Preferred at the request of the Fund.

The dividend payment date for any special dividend period will be the first business day after the end of the special dividend period. In addition, for special dividend periods of (x) at least 91 days but not more than one year, dividend payment dates will occur on the 91st, 181st and 271st days within such dividend period, if applicable, and on the business day following the last day of such dividend period and (y) of more than one year, dividend payment dates will occur on each March 26, June 26, September 26 and December 26 during the special dividend period.

Before the Fund designates a special dividend period: (1) at least seven business days (or two business days in the event the duration of the dividend period prior to such special dividend period is less than eight days) and not more than 30 business days before the first day of the proposed special dividend period, the Fund will issue a press release stating its intention to designate a special dividend period and inform the auction agent of the proposed special dividend period by telephonic or other means and confirm it in writing promptly thereafter and (2) the Fund must inform the auction agent of the proposed special dividend period by 3:00 p.m., New York City time on the second business day before the first day of the proposed special dividend period.

See the SAI for more information.

Restrictions on Dividends and Other Distributions for the Series D Preferred and the Series E Auction Rate Preferred

So long as any Series D Preferred or Series E Auction Rate Preferred is outstanding, the Fund may not pay any dividend or distribution (other than a dividend or distribution paid in common stock or in options, warrants or rights to subscribe for or purchase common stock) in respect of the common stock or call for redemption, redeem, purchase or otherwise acquire for consideration any common stock (except by conversion into or exchange for shares of common stock of the Fund ranking junior to the Series D Preferred and/or Series E Auction Rate Preferred as to the payment of dividends and the distribution of assets upon liquidation), unless:

- the Fund has declared and paid (or provided to the relevant dividend paying agent) all cumulative dividends on the Fund's preferred stock, including the Series D Preferred and/or Series E Auction Rate Preferred, due on or prior to the date of such common stock dividend or distribution;

- the Fund has redeemed the full number of shares of common stock of Series D Preferred and/or Series E Auction Rate Preferred to be redeemed pursuant to any mandatory redemption provision in the Fund's Charter; and

- after paying the dividend, the Fund meets applicable asset coverage requirements described under " — Rating Agency Guidelines" and " — Asset Maintenance Requirements."

No full dividend will be declared or paid on the Series D Preferred or Series E Auction Rate Preferred for any dividend period, or part thereof, unless full cumulative dividends due through the most recent dividend payment dates therefor for all outstanding series of preferred stock of the Fund ranking on a parity with the Series D Preferred and Series E Auction Rate Preferred as to the payment of dividends have been or contemporaneously are declared and paid. If full cumulative dividends due have not been paid on all outstanding shares of preferred stock of the Fund ranking on a parity with the Series D Preferred and/or Series E Auction Rate Preferred as to the payment of dividends, any dividends being paid on the shares of such preferred stock (including the Series D Preferred and/or Series E Auction Rate Preferred) will be paid as nearly *pro rata* as possible in proportion to the respective amounts of dividends accumulated but unpaid on each such series of preferred stock on the relevant dividend payment date.

Redemption

Mandatory Redemption Relating to Asset Coverage Requirements. Consistent with its Charter and the 1940 Act, the Fund may, and in certain circumstances will be required to, mandatorily redeem preferred stock (including, at its discretion, the Series D Preferred or Series E Auction Rate Preferred) in the event that:

- the Fund fails to maintain the asset coverage requirements specified under the 1940 Act and such failure is not cured on or before 60 days, in the case of the Series D Preferred, or 10 business days, in the case of the Series E Auction Rate Preferred, following such failure; or

- the Fund fails to maintain the asset coverage requirements as calculated in accordance with the applicable rating agency guidelines as of any monthly valuation date, and such failure is not cured on or before 10 business days after such valuation date.

The redemption price for each of the Series D Preferred and Series E Auction Rate Preferred subject to mandatory redemption will be, respectively, $25 per share and $25,000 per share, in each case plus an amount equal to any accumulated but unpaid dividends (whether or not earned or declared) to the date fixed for redemption, plus, in the case of Series E Auction Rate Preferred having a dividend period of more than one year, any applicable redemption premium determined by the Board of Directors.

The number of shares of preferred stock that will be redeemed in the case of a mandatory redemption will equal the minimum number of outstanding shares of preferred stock the redemption of which, if such redemption had occurred immediately prior to the opening of business on the applicable cure date, would have resulted in the relevant asset coverage requirement having been met or, if the required asset coverage cannot be so restored, all of the shares of preferred stock. In the event that shares of preferred stock are redeemed due to a failure to satisfy the 1940 Act asset coverage requirements, the Fund may, but is not required to, redeem a sufficient number of shares of preferred stock so that the Fund's assets exceed the asset coverage requirements under the 1940 Act after the redemption by 10% (that is, 220% asset coverage). In the event that shares of preferred stock are redeemed due to a failure to satisfy applicable rating agency guidelines, the Fund may, but is not required to, redeem a sufficient number of shares of preferred stock so that the Fund's discounted portfolio value (as determined in accordance with the applicable rating agency guidelines) after redemption exceeds the asset coverage requirements of each applicable rating agency by up to 10% (that is, 110% rating agency asset coverage). In addition, as discussed under " — Optional Redemption of the Series D Preferred" and "Optional Redemption of the Series E Auction Rate Preferred" below, the Fund generally may exercise its optional redemption rights with respect to the Series E Auction Rate Preferred at any time.

If the Fund does not have funds legally available for the redemption of, or is otherwise unable to redeem, all the shares of preferred stock to be redeemed on any redemption date, the Fund will redeem on such redemption date that number of shares for which it has legally available funds, or is otherwise able to redeem, from the holders whose shares are to be redeemed ratably on the basis of the redemption price of such shares, and the remainder of those shares to be redeemed will be redeemed on the earliest practicable date on which the Fund will have funds legally available for the redemption of, or is otherwise able to redeem, such shares upon written notice of redemption.

If fewer than all shares of the Fund's outstanding preferred stock are to be redeemed, the Fund, at its discretion and subject to the limitations of the 1940 Act and Maryland law, will select one or more series of preferred stock from which shares will be redeemed and the amount of preferred stock to be redeemed from each such series. If fewer than all of the shares of a series of preferred stock are to be redeemed, such redemption will be made as among the holders of that series *pro rata* in accordance with the respective number of shares of such series held by each such holder on the record date for such redemption (or by such other equitable method as the Fund may determine). If fewer than all shares of the preferred stock held by any holder are to be redeemed, the notice of redemption mailed to such holder will specify the number of shares to be redeemed from such holder, which may be expressed as a percentage of shares held on the applicable record date.

Optional Redemption of the Series D Preferred. Prior to September 26, 2008, the shares of Series D Preferred are not subject to optional redemption by the Fund unless such redemption is necessary, in the judgment of the Fund, to maintain the Fund's status as a regulated investment company under the Code. Commencing on September 26, 2008, and thereafter, the Fund may at any time redeem shares of Series D Preferred in whole or in part for cash at a redemption price per share equal to $25 per share plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date. Such redemptions are subject to the notice requirements set forth under " — Redemption Procedures" and the limitations of the 1940 Act and Maryland law.

Optional Redemption of the Series E Auction Rate Preferred. The Fund may, at its option, redeem the Series E Auction Rate Preferred, in whole or in part, at any time following the initial dividend period so long as the Fund has not designated a non-call period. The Fund may designate a non-call period during a dividend period of more than seven days. In the case of Series E Auction Rate Preferred having a dividend period of one year or less, the redemption price per share will equal $25,000 plus an amount equal to any accumulated but unpaid dividends thereon (whether or not earned or declared) to the redemption date, and in the case of Series E Auction Rate Preferred having a dividend period of more than one year, for the redemption price plus any redemption premium applicable during such dividend period. Such redemptions are subject to the notice requirements set forth under " — Redemption Procedures" and the limitations of the 1940 Act and Maryland law.

Redemption Procedures. A notice of redemption with respect to an optional redemption will be given to the holders of record of preferred stock selected for redemption not less than 15 days (subject to NYSE requirements), in the case of the Series D Preferred, and not less than 7 days, in the case of the Series E Auction Rate Preferred, nor, in both cases, more than 40 days prior to the date fixed for redemption. Preferred stockholders may receive shorter notice in the event of a mandatory redemption. Each notice of redemption will state (i) the redemption date, (ii) the number or percentage of shares of preferred stock to be redeemed (which may be expressed as a percentage of such shares outstanding), (iii) the CUSIP number(s) of such shares, (iv) the redemption price (specifying the amount of accumulated dividends to be included therein), (v) the place or places where such shares are to be redeemed, (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date, (vii) the provision of the Articles Supplementary under which the redemption is being made and (viii) any conditions precedent to such redemption. No defect in the notice of redemption or in the mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law.

The holders of Series D Preferred or Series E Auction Rate Preferred will not have the right to redeem their shares of the Fund at their option.

Liquidation Rights

Upon a liquidation, dissolution or winding up of the affairs of the Fund (whether voluntary or involuntary), holders of Series D Preferred or Series E Auction Rate Preferred then outstanding will be entitled to receive out of the assets of the Fund available for distribution to stockholders, after satisfying claims of creditors but before any distribution or payment of assets is made to holders of the common stock or any other class of stock of the Fund ranking junior to the Series D Preferred or Series E Auction

Rate Preferred as to liquidation payments, a liquidation distribution in the amount of $25 per share, in the case of the Series D Preferred, or $25,000 per share, in the case of the Series E Auction Rate Preferred, in either case plus an amount equal to all unpaid dividends accumulated to and including the date fixed for such distribution or payment (whether or not earned or declared by the Fund but excluding interest thereon), and such holders will be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up. If, upon any liquidation, dissolution or winding up of the affairs of the Fund (whether voluntary or involuntary) the assets of the Fund available for distribution among the holders of all outstanding shares of preferred stock of the Fund ranking on a parity with the Series D Preferred and/or Series E Auction Rate Preferred as to payment upon liquidation will be insufficient to permit the payment in full to such holders of the Series D Preferred and/or Series E Auction Rate Preferred and other parity preferred stock of the amounts due upon liquidation with respect to such shares, then such available assets will be distributed among the holders of the Series D Preferred, the Series E Auction Rate Preferred and such other parity preferred stock ratably in proportion to the respective preferential amounts to which they are entitled. Unless and until the liquidation payments due to holders of the Series D Preferred and/or Series E Auction Rate Preferred and such other parity preferred stock have been paid in full, no dividends or distributions will be made to holders of the common stock or any other stock of the Fund ranking junior to the Series D Preferred and/or Series E Auction Rate Preferred and other parity preferred stock as to liquidation.

Voting Rights

Except as otherwise stated in this prospectus, specified in the Fund's Charter or resolved by the Board of Directors or as otherwise required by applicable law, holders of the Series D Preferred and/or Series E Auction Rate Preferred shall be entitled to one vote per share held on each matter submitted to a vote of the stockholders of the Fund and will vote together with holders of shares of common stock and of any other preferred stock then outstanding as a single class.

In connection with the election of the Fund's directors, holders of the outstanding shares of Series D Preferred, Series E Auction Rate Preferred and the other series of preferred stock, voting together as a single class, will be entitled at all times to elect two of the Fund's directors, and the remaining directors will be elected by holders of shares of common stock and holders of the Series D Preferred, Series E Auction Rate Preferred and other series of preferred stock, voting together as a single class. In addition, if (i) at any time dividends on outstanding shares of the Series D Preferred, Series E Auction Rate Preferred and/or any other preferred stock are unpaid in an amount equal to at least two full years dividends thereon and sufficient cash or specified securities have not been deposited with the applicable paying agent for the payment of such accumulated dividends or (ii) at any time holders of any other series of preferred stock are entitled to elect a majority of the directors of the Fund under the 1940 Act or the Articles Supplementary creating such shares, then the number of directors constituting the Board of Directors automatically will be increased by the smallest number that, when added to the two directors elected exclusively by the holders of the Series D Preferred, Series E Auction Rate Preferred and other series of preferred stock as described above, would then constitute a simple majority of the Board of Directors as so increased by such smallest number. Such additional directors will be elected by the holders of the Series D Preferred, Series E Auction Rate Preferred and the other series of preferred stock, voting together as a single class, at a special meeting of stockholders which will be called as soon as practicable and will be held not less than 10 or more than 20 days after the mailing date of the meeting notice. If the Fund fails to send such meeting notice or to call such a special meeting, the meeting may be called by any preferred stockholder on like notice. The terms of office of the persons who are directors at the time of that election will continue. If the Fund thereafter pays or declares and sets apart for payment in full, all dividends payable on all outstanding shares of preferred stock for all past dividend periods or the holders of other series of preferred stock are no longer entitled to elect such additional directors, the additional voting rights of the holders of the preferred stock as described above will cease, and the terms of office of all of the additional directors elected by the holders of the preferred stock (but not of the directors with respect to whose election the holders of shares of common stock were entitled to vote or the two directors the holders of shares of preferred stock have the right to elect as a separate class in any event) will terminate.

So long as shares of Series D Preferred or Series E Auction Rate Preferred are outstanding, the Fund will not, without the affirmative vote of the holders of a majority (as defined in the 1940 Act) of the shares of preferred stock outstanding at the time (including the Series D Preferred or Series E Auction Rate Preferred, as applicable), voting separately as one class, amend, alter or repeal the provisions of the Fund's Charter, whether by merger, consolidation or otherwise, so as to materially adversely affect any of the contract rights expressly set forth in the Charter with respect to such shares of preferred stock. Also, to the extent permitted under the 1940 Act, in the event shares of more than one series of preferred stock are outstanding, the Fund will not approve any of the actions set forth in the preceding sentence which materially adversely affects the contract rights expressly set forth in the Charter with respect to such shares of a series of preferred stock (such as the Series D Preferred or Series E Auction Rate Preferred) differently than those of a holder of shares of any other series of preferred stock without the affirmative vote of the holders of at least a majority of the shares of preferred stock of each series materially adversely affected and outstanding at such time (each such materially adversely affected series voting separately as a class to the extent its rights are affected differently).

Under the Charter and applicable provisions of Maryland law, the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding shares of the preferred stock (including the Series D Preferred and/or Series E Auction Rate Preferred), voting together as a single class, will be required to approve any plan of reorganization adversely affecting the preferred stock. The approval of 66 2/3% of each class, voting separately, of the Fund's outstanding voting stock must approve the conversion of the fund from a closed-end to an open-end investment company. The approval of a majority (as that term is defined in the 1940 Act) of the Fund's outstanding preferred stock and a majority (as that term is defined in the 1940 Act) of the Fund's outstanding voting securities are required to approve any action requiring a vote of security holders under Section 13(a) of the 1940 Act (other than a conversion of the Fund from a closed-end to open-end investment company), including, among other things, changes in the Fund's investment objective or changes in the investment restrictions described as fundamental policies under "Investment Objectives and Policies" in this prospectus and "Investment Restrictions" in the SAI.

The calculation of the elements and definitions of certain terms of the rating agency guidelines may be modified by action of the Board of Directors without further action by the stockholders if the Board of Directors determines that such modification is necessary to prevent a reduction in rating of the shares of preferred stock by Moody's and/or S&P (or any other rating agency then rating the Series D Preferred or Series E Auction Rate Preferred at the request of the Fund), as the case may be, or is in the best interests of the holders of shares of common stock and is not adverse to the holders of preferred stock in view of advice to the Fund by the relevant rating agencies that such modification would not adversely affect its then-current rating of the preferred stock.

The foregoing voting provisions will not apply to any Series D Preferred or Series E Auction Rate Preferred if, at or prior to the time when the act with respect to which such vote otherwise would be required will be effected, such shares will have been redeemed or called for redemption and sufficient cash or cash equivalents provided to the applicable paying agent to effect such redemption. The holders of Series D Preferred and/or Series E Auction Rate Preferred will have no preemptive rights or rights to cumulative voting.

Limitation on Issuance of Preferred Stock

So long as the fund has preferred stock outstanding, subject to receipt of approval from the rating agencies of each series of preferred stock outstanding, and subject to compliance with the Fund's investment objective, policies and restrictions, the Fund may issue and sell shares of one or more other series of additional preferred stock provided that the Fund will, immediately after giving effect to the issuance of such additional preferred stock and to its receipt and application of the proceeds thereof (including, without limitation, to the redemption of preferred stock to be redeemed out of such proceeds) have an "asset coverage" for all senior securities of the Fund which are stock, as defined in the 1940 Act, of at least 200% of the sum of the liquidation preference of the shares of preferred stock of the Fund then outstanding and all indebtedness of the Fund constituting senior securities and no such additional preferred stock will have any preference or priority over any other preferred stock of the Fund upon the distribution of the assets of the Fund or in respect of the payment of dividends.

The Fund does not currently intend to offer additional shares of preferred stock or senior securities representing indebtedness. However, the Fund will monitor market conditions, including, among other things, interest rates and the asset levels of the Fund, and will consider from time to time whether to offer additional preferred stock or securities representing indebtedness and may issue such additional securities if the Board of Directors concludes that such an offering would be consistent with the Fund's Charter and applicable law, and in the best interest of existing common stockholders.

Repurchase of Series D Preferred and Series E Auction Rate Preferred Stock

The Fund is a closed-end investment company and, as such, holders of the Series D Preferred or Series E Auction Rate Preferred do not and will not have the right to redeem their preferred stock of the Fund. The Fund, however, may repurchase Series D Preferred or, outside of an auction, Series E Auction Rate Preferred when it is deemed advisable by the Board of Directors in compliance with the requirements of the 1940 Act and regulations thereunder and other applicable requirements. Unlike a redemption of the Series D Preferred and/or the Series E Auction Rate Preferred, where stockholders are subject to the redemption terms, in a repurchase offer the Fund is purchasing stock on an exchange (with respect to the Series D Preferred only) or is through private transactions or tender offers soliciting repurchases, and stockholders may choose whether or not to sell. The Fund will not repurchase Series E Auction Rate Preferred at Auction. See "The Auction of Series E Auction Rate Preferred."

This Prospectus will serve as notice that the Fund may from time to time repurchase Series D Preferred when such shares are trading below the $25 per share liquidation preference.

Book-Entry

Shares of Series D Preferred will initially be held in the name of Cede & Co. as nominee for DTC. The Fund will treat Cede & Co. as the holder of record of the Series D Preferred for all purposes. In accordance with the procedures of DTC, however, purchasers of Series D Preferred will be deemed the beneficial owners of stock purchased for purposes of dividends, voting and liquidation rights. Purchasers of Series D Preferred may obtain registered certificates by contacting the Transfer Agent.

Shares of Series E Auction Rate Preferred will initially be held by the auction agent as custodian for Cede & Co., in whose name the shares of the Series E Auction Rate Preferred shall be registered. The Fund will treat Cede & Co. as the holder of record of the Series E Auction Rate Preferred for all purposes.

THE AUCTION OF SERIES E AUCTION RATE PREFERRED

Summary of Auction Procedures

The following is a brief summary of the auction procedures for the Series E Auction Rate Preferred, which are described in more detail in the SAI. These auction procedures are complicated, and there are exceptions to these procedures. Many of the terms in this section have a special meaning. Accordingly, this description does not purport to be complete and is qualified, in its entirety, by reference to the Fund's Charter, including the provisions of the Articles Supplementary establishing the Series E Auction Rate Preferred.

The auctions determine the dividend rate for the Series E Auction Rate Preferred, but each dividend rate will not be higher than the maximum rate. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Dividends on the Series E Auction Rate Preferred." If you own shares of Series E Auction Rate Preferred, you may instruct your broker-dealer to enter one of three kinds of orders in the auction with respect to your stock: sell, bid and hold.

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

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

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

You may enter different types of orders for different portions of your Series E Auction Rate Preferred. You may also enter an order to buy additional Series E Auction Rate Preferred. All orders must be for whole shares of stock. All orders you submit are irrevocable. There is a fixed number of shares of Series E Auction Rate Preferred, and the dividend rate likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders seek to buy, the rating of the Series E Auction Rate Preferred and general economic conditions including current interest rates. If you own Series E Auction Rate Preferred and submit a bid for them higher than the then-maximum rate, your bid will be treated as a sell order. If you do not enter an order, the broker-dealer will assume that you want to continue to hold Series E Auction Rate Preferred, but if you fail to submit an order and the dividend period is longer than 28 days, the broker-dealer will treat your failure to submit a bid as a sell order.

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

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

The auction agent after each auction for the Series E Auction Rate Preferred will pay to each broker-dealer, from funds provided by the Fund, a service charge equal to, in the case of any auction immediately preceding a dividend period of less than 365 days, the product of (i) a fraction, the numerator of which is the number of days in such dividend period and the denominator of which is 365, times (ii) ¼ of 1%, times (iii) $25,000, times (iv) the aggregate number of shares of Series E Auction Rate Preferred placed by such broker-dealer at such auction or, in the case of any auction immediately preceding a dividend period of one year or longer, a percentage of the purchase price of the Series E Auction Rate Preferred placed by the broker-dealers at the auction agreed to by the Fund and the broker-dealers.

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

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

The auction agent will not consider a bid above the then-maximum rate. The purpose of the maximum rate is to place an upper limit on dividends with respect to the Series E Auction Rate Preferred and in so doing to help protect the earnings available to pay dividends on common stock, and to serve as the dividend rate in the event of a failed auction (that is, an auction where there are more Series E Auction Rate Preferred offered for sale than there are buyers for those shares).

If broker-dealers submit or are deemed to submit hold orders for all outstanding Series E Auction Rate Preferred, the auction is considered an "all hold" auction and the dividend rate for the next dividend period will be the "all hold rate," which is 80% of the "AA" Financial Composite Commercial Paper Rate, as determined in accordance with procedures set forth in the Articles Supplementary establishing the Series E Auction Rate Preferred. See "Description of the Series D Preferred and Series E Auction Rate Preferred — Dividends on the Series E Auction Rate Preferred — Maximum Rate."

The auction procedures include a *pro rata* allocation of shares of Series E Auction Rate Preferred for purchase and sale. This allocation process may result in an existing holder continuing to hold or selling, or a potential holder buying, fewer shares than the number of shares of Series E Auction Rate Preferred in its order. If this happens, broker-dealers will be required to make appropriate *pro rata* allocations among their respective customers.

Settlement of purchases and sales will be made on the next business day (which also is a dividend payment date) after the auction date through DTC. Purchasers will pay for their Series E Auction Rate Preferred through broker-dealers in same-day funds to DTC against delivery to the broker-dealers. DTC will make payment to the sellers' broker-dealers in accordance with its normal procedures, which require broker-dealers to make payment against delivery in same-day funds. As used in this prospectus, a business day is a day on which the NYSE is open for trading, and which is not a Saturday, Sunday or any other day on which banks in New York City are authorized or obligated by law to close.

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

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

The following is a simplified example of how a typical auction works. Assume that the Fund has 1,000 outstanding shares of Series E Auction Rate Preferred and three current holders. The three current holders and three potential holders submit orders through broker-dealers at the auction:

Current Holder A	Owns 500 shares, wants to sell all 500 shares if auction rate is less than 1.6%	Bid order at 1.6% rate for all 500 shares
Current Holder B	Owns 300 shares, wants to hold	Hold order – will take the auction rate
Current Holder C	Owns 200 shares, wants to sell all 200 shares if auction rate is less than 1.4%	Bid order at 1.4% rate for all 200 shares
Potential Holder D	Wants to buy 200 shares	Places order to buy at or above 1.5%
Potential Holder E	Wants to buy 300 shares	Places order to buy at or above 1.4%
Potential Holder F	Wants to buy 200 shares	Places order to buy at or above 1.6%

The lowest dividend rate that will result in all 1,000 Series E Auction Rate Preferred shares continuing to be held is 1.5% (the offer by D). Therefore, the dividend rate will be 1.5%. Current holders B and C will continue to own their shares. Current holder A will sell its shares because A's dividend rate bid was higher than the dividend rate. Potential holder D will buy 200 shares and potential holder E will buy 300 shares because their bid rates were at or below the dividend rate. Potential holder F will not buy any shares because its bid rate was above the dividend rate.

Secondary Market Trading and Transfer of Series E Auction Rate Preferred

The underwriters are not required to make a market in the Series E Auction Rate Preferred. The broker-dealers (including the underwriters) may maintain a secondary trading market for outside of auctions, but they are not required to do so. There can be no assurance that a secondary trading market for the Series E Auction Rate Preferred will develop or, if it does develop, that it will provide owners with liquidity of investment. The Series E Auction Rate Preferred will not be registered on any stock exchange or on the NASDAQ market. Investors who purchase Series E Auction Rate Preferred in an auction for a special dividend period should note that because the dividend rate on such shares will be fixed for the length of that dividend period, the value of such shares may fluctuate in response to the changes in interest rates and may be more or less than their original cost if sold on the open market in advance of the next auction thereof, depending on market conditions.

You may sell, transfer, or otherwise dispose of the Series E Auction Rate Preferred only in whole shares and only pursuant to a bid or sell order placed with the auction agent in accordance with the auction procedures, to the Fund or its affiliates or to or through a broker-dealer that has been selected by the Fund or to such other persons as may be permitted by the Fund. However, if you hold your Series E Auction Rate Preferred in the name of a broker-dealer, a sale or transfer of your Series E Auction Rate Preferred to that broker-dealer, or to another customer of that broker-dealer, will not be considered a sale or transfer for purposes of the foregoing if the shares remain in the name of the broker-dealer immediately after your transaction. In addition, in the case of all transfers other than through an auction, the broker-dealer (or other person, if the Fund permits) receiving the transfer must advise the auction agent of the transfer.

Further description of the auction procedures can be found in the SAI.

DESCRIPTION OF CAPITAL STOCK AND OTHER SECURITIES

Common Stock

The Fund, which was incorporated under the laws of the State of Maryland on May 20, 1986, is authorized to issue 200,000,000 shares of common stock, par value $.001 per share. Each share has equal voting, dividend, distribution and liquidation rights. The shares of capital stock issued and outstanding are fully paid and non-assessable. Shares of the common stock are not redeemable and have no preemptive, conversion or cumulative voting rights. The Fund's shares of common stock are listed and traded on the NYSE under the symbol "GAB." The Fund is authorized, subject to maintaining required asset coverage for each series of outstanding preferred stock, to repurchase its common stock on the open market when the shares are trading at a discount of 10% or more (or such other percentage as the Board of Directors may determine from time to time) from their net asset value.

Stockholders whose common stock is registered in their own name will have all distributions reinvested pursuant to the Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan. For a more detailed discussion of the Fund's reinvestment plan, see "Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan" in the SAI.

Preferred Stock

Currently, 18,000,000 shares of the Fund's capital stock have been classified by the Board of Directors as preferred stock, par value $.001 per share. The terms of such preferred stock may be fixed by the Board of Directors and may materially limit and/or qualify the rights of the holders of the Fund's common stock. As of September 15, 2003, the Fund had no outstanding shares of Series A Preferred, 6,600,000 shares of Series B Preferred and 5,200 shares of Series C Auction Rate Preferred, which, along with the Series D Preferred and/or Series E Auction Rate Preferred being issued in connection with this prospectus, are senior securities of the Fund. The Series B Preferred is rated "Aaa" by Moody's and the Series C Auction Rate Preferred is rated "Aaa" by Moody's and "AAA" by Standard and Poor's and each is ranked on a parity with the Series D Preferred and Series E Auction Rate Preferred as to dividend and liquidation preference.

Dividends on the Series B Preferred accumulate at an annual rate of 7.20% of the liquidation preference of $25 per share, are cumulative from the date of original issuance thereof and are payable quarterly on March 26, June 26, September 26 and December 26 in each year. The Series B Preferred is rated "Aaa" by Moody's and the Fund is required to meet similar asset coverage requirements with respect to the Series B Preferred as are described in this prospectus for the Series D Preferred. The Fund's outstanding Series B Preferred is redeemable at the option of the Fund beginning June 20, 2006. The Series B Preferred is listed and traded on the NYSE under the symbol "GAB PrB".

Dividends on the Series C Auction Rate Preferred accumulate at the rate set at auction. The Fund is required to meet similar coverage requirements with respect to the Series C Auction Rate Preferred as are described in this prospectus for the Series E Auction Rate Preferred. The Series C Auction Rate Preferred is rated "Aaa" by Moody's and "AAA" by S&P. The liquidation preference of the Series C Auction Rate Preferred is $25,000. The Fund generally may redeem the outstanding Series C Auction Rate Preferred, in whole or in part, at any time other than during a non-call period. The Series C Auction Rate Preferred is not traded on any exchange.

The following table shows (i) the classes of capital stock authorized, (ii) the number of shares authorized in each class, and (iii) the number of shares outstanding in each class as of September 15, 2003.

CLASS OF STOCK	AMOUNT AUTHORIZED	AMOUNT OUTSTANDING*
Common Stock	182,000,000	136,014,878
Series A Preferred	5,750,000	0
Series B Preferred	10,000,000	6,600,000
Series C Auction Rate Preferred	6,000	5,200
Preferred Stock	244,000	0

* Does not include the Series D Preferred or Series E Auction Rate Preferred being offered pursuant to this prospectus.

TAXATION

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and its stockholders. No attempt is made to present a detailed explanation of all U.S. federal, state, local and foreign tax concerns affecting the Fund and its stockholders (including stockholders owning large positions in the Fund), and the discussion set forth herein does not constitute tax advice. Investors are urged to consult their own tax advisers to determine the tax consequences to them of investing in the Fund. The discussion reflects applicable tax laws of the United States as of the date of this prospectus, 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 Fund

The Fund has elected to be treated and has qualified as, and intends to continue to qualify as, a regulated investment company under Subchapter M of the Code. Accordingly, the Fund must, among other things, (i) derive in each taxable year at least 90% of its gross income (including tax-exempt interest) from dividends, interest, payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gain from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or currencies; and (ii) diversify its holdings so that, at the end of each quarter of each taxable year (a) at least 50% of the market value of the Fund's total assets is represented by cash and cash items, U.S. government securities, the securities of other regulated investment companies and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the market value of the Fund's total assets is invested in the securities of any issuer (other than U.S. government securities and the securities of other regulated investment companies) or of any two or more issuers that the Fund controls and that are determined to be engaged in the same business or similar or related trades or businesses.

As a regulated investment company, the Fund generally is not subject to U.S. federal income tax on income and gains that it distributes each taxable year to stockholders, if it distributes at least 90% of the sum of the Fund's (i) investment company taxable income (as that term is defined in the Code) determined without regard to the deduction for dividends paid, and (ii) its net tax-exempt interest (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute at least annually substantially all of such income.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax at the Fund level. To avoid the tax, the Fund must distribute during each calendar year an amount at least equal to the sum of (i) 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year, (ii) 98% of its capital gains in excess of its capital losses (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made to use the Fund's fiscal year), and (iii) certain undistributed amounts from previous years on which the Fund paid no U.S. federal income tax. While the Fund intends to distribute any income and capital gains in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's taxable income and capital gains will be distributed to avoid entirely the imposition of the tax. In that event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirement.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to stockholders, and such distributions will be taxable to the stockholders as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits.

Taxation of Stockholders

Distributions paid to you by the Fund from its net investment income or from an excess of net short-term capital gains over net long-term capital losses (together referred to hereinafter as "ordinary income dividends") are generally taxable to you as ordinary income to the extent of the Fund's earning and profits. Such dividends (if designated by the Fund) may, however, qualify (provided holding period and other requirements are met at the Fund and stockholder level) (i) for the dividends received deduction in the case of corporate stockholders to the extent that the Fund's income consists of qualifying dividend income from U.S. corporations and (ii) under the recently enacted Jobs and Growth Tax Relief Reconciliation Act of 2003 (effective for taxable years after December 31, 2002 through December 31, 2008) ("2003 Tax Act"), 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 Fund 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 made to you from an excess of net long-term capital gains over net short-term capital losses ("capital gain dividends"), including capital gain dividends credited to you but retained by the Fund, are taxable to you as long-term capital gains if they have been properly designated by the Fund, regardless of the length of time you have owned Fund stock. Under the 2003 Tax Act, the tax rate on net long-term capital gain of individuals is reduced generally from 20% to 15% (5% for individuals in lower brackets) for such gain realized after May 6, 2003 and before January 1, 2009. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of your stock and, after such adjusted tax basis is reduced to zero, will constitute capital gains to you (assuming the stock is held as a capital asset). Generally, not later than 60 days after the close of its taxable year, the Fund will provide you with a written notice designating the amount of any qualified dividend income or capital gain dividends and other distributions. Over the past three years, approximately 89% of the Fund's distributions to stockholders consisted of long-term capital gain and, of the remaining 11% distributed to stockholders, 68% would have, under the current tax provisions, constituted qualified dividend income taxable at the 15% rate. Over the last one year, approximately 93% of the Fund's distributions to stockholders consisted of long-term capital gain and, of the remaining 7% distributed to stockholders, approximately 99% would have, under the current tax provisions, constituted qualified dividend income taxable at the 15% rate. We cannot assure you, however, as to what percentage of the dividends paid on the Series D Preferred or Series E Auction Rate Preferred will consist of long-term capital gains and qualified dividend income, which are currently taxed at lower rates for individuals than ordinary income.

The sale or other disposition of common stock of the Fund will generally result in capital gain or loss to you, and will be long-term capital gain or loss if the stock has been held for more than one year at the time of sale. Any loss upon the sale or exchange of Fund stock held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by you. A loss realized on a sale or exchange of stock of the Fund will be disallowed if other substantially identical Fund stock is acquired within a 61-day period beginning 30 days before and ending 30 days after the date that the stock is disposed of. In such case, the basis of the stock acquired will be adjusted to reflect the disallowed loss. Present law taxes both long-term and short-term capital gains of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, under the 2003 Act, short-term capital gains will currently be taxed at a maximum rate of 35% while long-term capital gains generally will be taxed at a maximum rate of 15%.

If the Fund pays you a dividend in January that was declared in the previous October, November or December to stockholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by you on December 31 of the year in which the dividend was declared.

The Fund is required in certain circumstances to backup withhold on taxable dividends and certain other payments paid to non-corporate holders of the Fund's stock who do not furnish the Fund with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

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

Series E Auction Rate Preferred would be considered interest, taxable as ordinary income regardless of the taxable income of the Fund. The Fund believes this position, if asserted, would be unlikely to prevail.

The foregoing is a general and abbreviated summary of the provisions of the Code and the Treasury regulations in effect as they directly govern the taxation of the Fund and its stockholders. These provisions are subject to change by legislative or administrative action, and any such change may be retroactive. A more complete discussion of the tax rules applicable to the Fund and its stockholders can be found in the Statement of Additional Information that is incorporated by reference into this prospectus. Stockholders are urged to consult their tax advisers regarding specific questions as to U.S. federal, foreign, state, local income or other taxes.

ANTI-TAKEOVER PROVISIONS OF THE CHARTER AND BY-LAWS

The Fund presently has provisions in its Charter and By-Laws which could have the effect of limiting, in each case:

- the ability of other entities or persons to acquire control of the Fund;
- the Fund's freedom to engage in certain transactions; or
- the ability of the Fund's Directors or stockholders to amend the Charter and By-Laws or effectuate changes in the Fund's management.

These provisions may be regarded as "anti-takeover" provisions. The Board of Directors of the Fund is divided into three classes, each having a term of no more than three years. Each year the term of one class of Directors will expire. Accordingly, only those Directors in one class may be changed in any one year, and it would require two years to change a majority of the Board of Directors. Such system of electing Directors may have the effect of maintaining the continuity of management and, thus, make it more difficult for the stockholders of the Fund to change the majority of Directors. See "Management of the Fund" in the SAI. A Director of the Fund may be removed only for cause and by a vote of a majority of the votes entitled to be cast for the election of Directors of the Fund.

In addition, the affirmative vote of the holders of 66 2/3% of the Fund's outstanding shares of each class (voting separately) is required to authorize the conversion of the Fund from a closed-end to an open-end investment company or generally to authorize any of the following transactions:

- the merger or consolidation of the Fund with any entity;
- the issuance of any securities of the Fund for cash to any entity or person;
- the sale, lease or exchange of all or any substantial part of the assets of the Fund to any entity or person (except assets having an aggregate fair market value of less than $1,000,000); or
- the sale, lease or exchange to the Fund, in exchange for securities of the Fund, of any assets of any entity or person (except assets having an aggregate fair market value of less than $1,000,000);

if such corporation, person or entity is directly, or indirectly through affiliates, the beneficial owner of more than 5% of the outstanding shares of any class of capital stock of the Fund. However, such vote would not be required when, under certain conditions, the Board of Directors approves the transaction.

Reference is made to the Charter and By-Laws of the Fund, on file with the SEC. In addition, the vote of a majority (as defined in the 1940 Act) of the holders of the Fund's outstanding voting securities, voting as a single class, is also necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company.

Further, unless a higher percentage is provided for under the Charter, the affirmative vote of a majority (as defined in the 1940 Act) of the votes entitled to be cast by holders of outstanding shares of the Fund's preferred stock, voting as a separate class, will be required to approve any plan of reorganization adversely affecting such stock or any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changing the Fund's investment objectives or changing the investment restrictions described as fundamental policies under "Investment Restrictions" in the SAI.

Maryland corporations that are subject to the Securities Exchange Act of 1934 and have at least three outside directors, such as the Fund, may by board resolution elect to become subject to certain corporate governance provisions set forth in the Maryland corporate law, even if such provisions are inconsistent with the corporation's charter and by-laws. Accordingly, notwithstanding its Charter or By-Laws, under Maryland law the Fund's Board of Directors may elect by resolution to, among other things:

- require that special meetings of stockholders be called only at the request of stockholders entitled to cast at least a majority of the votes entitled to be cast at such meeting;

- reserve for the Board the right to fix the number of Fund directors;

- provide that directors are subject to removal only by the vote of the holders of two-thirds of the stock entitled to vote; and

- retain for the Board sole authority to fill vacancies created by the death, removal or resignation of a director, with any director so appointed to serve for the balance of the unexpired term rather than only until the next annual meeting of stockholders.

The Board may make any of the foregoing elections without amending the Fund's Charter or By-Laws and without stockholder approval. Though a corporation's charter or a resolution by its board may prohibit its directors from making the elections set forth above, the Fund's Board currently is not prohibited from making any such elections.

The provisions of the Charter and By-Laws and Maryland law described above could have the effect of depriving the owners of stock in the Fund of opportunities to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a principal stockholder.

The governing documents of the Fund are on file with the SEC. For the full text of these provisions see "Additional Information."

The provisions of the Charter and By-Laws described above could have the effect of depriving the owners of shares in the Fund of opportunities to sell their shares at a premium over prevailing market prices, by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a principal stockholder. The Board of Directors has determined that the foregoing voting requirements, which are generally greater than the minimum requirements under Maryland law and the 1940 Act, are in the best interests of the stockholders generally.

CUSTODIAN, TRANSFER AGENT, AUCTION AGENT AND DIVIDEND DISBURSING AGENT

State Street Bank and Trust Company (the "Custodian"), located at 150 Royall Street, Canton, MA 02021, serves as the custodian of the Fund's assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the Custodian will receive a monthly fee based upon the average weekly value of the total assets of the Fund, plus certain charges for securities transactions.

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

Series D Preferred. Along with the Series A Preferred and Series B Preferred, EquiServe will also serve as the Fund's transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series D Preferred.

Series E Auction Rate Preferred. Along with the Series C Auction Rate Preferred, the Bank of New York, located at 5 Penn Plaza, 13th Floor, New York, NY 10001, will serve as the Fund's auction agent, transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series E Auction Rate Preferred.

UNDERWRITING

Subject to the terms and conditions of an underwriting agreement dated October 2, 2003, each underwriter named below has severally agreed to purchase, and the Fund has agreed to sell to such underwriters, the number of shares of preferred stock set forth opposite the name of such underwriter.

Underwriter	Number of Series D Preferred Shares	Number of Series E Auction Rate Preferred Shares
Citigroup Global Markets Inc.	1,350,000	1,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,350,000	1,000
Gabelli & Company, Inc.	150,000	—
A.G. Edwards & Sons, Inc.	30,000	—
Bear, Stearns & Co. Inc.	30,000	—
Hennion & Walsh, Inc.	30,000	—
Lehman Brothers Inc.	30,000	—
Raymond James & Associates, Inc. . . .	30,000	—
Total	3,000,000	2,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to the approval of certain legal matters by counsel and to certain other conditions. The underwriters are obligated to purchase all of the Series D Preferred and Series E Auction Rate Preferred, as applicable, if they purchase any such shares. In the underwriting agreement, the Fund and the Investment Adviser have agreed to indemnify the underwriters against certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make for any of those liabilities.

The expenses of the offering are estimated at approximately $490,000 and are payable by the Fund.

Offering of the Series D Preferred

The underwriters propose to initially offer some of the shares of Series D Preferred directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares of Series D Preferred to certain dealers at the public offering price less a concession not in excess of $.50 per Series D Preferred share. The sales load the Fund will pay of $.7875 per Series D Preferred share is equal to 3.15% of the initial offering price. The underwriters may allow, and the dealers may reallow, a discount not in excess of $.45 per Series D Preferred share on sales to other dealers. After the initial public offering, the public offering price, concession and discount may be changed. Investors must pay for any Series D Preferred Shares purchased in the initial public offering on or before October 7 , 2003.

Prior to the offering, there has been no public market for the Series D Preferred. Application has been made to list the Series D Preferred on the New York Stock Exchange. However, during an initial period that is not expected to exceed 30 days after the date of this prospectus, the Series D Preferred will not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series D Preferred; however, they have no obligation to do so. Consequently, an investment in the Series D Preferred may be illiquid during such period.

The underwriters may purchase and sell the Series D Preferred in the open market. These transactions may include short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the shares or preventing or retarding a decline in the market price of the Series D Preferred. As a result, the price of the Series D Preferred may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series D Preferred. The underwriters may conduct such transactions on the NYSE or in the OTC market, or otherwise. The underwriters do not make any representation that they will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Offering of Series E Auction Rate Preferred

The underwriters propose to initially offer some of the Series E Auction Rate Preferred directly to the public at the public offering prices set forth on the cover page of this prospectus and some of the Series E Auction Rate Preferred to certain dealers at the public offering price less a concession not in excess of $137.50 per Series E Auction Rate Preferred share. The sales load the Fund will pay of $250 per Series E Auction Rate Preferred share is equal to 1% of the initial offering price. After the initial public offering, the public offering price and concession may be changed. Investors must pay for any Series E Auction Rate Preferred purchased in the initial public offering on or before October 7 , 2003.

Provisions of Other Services to the Fund

The Fund anticipates that the underwriters may from time to time act as brokers or, after they have ceased to be underwriters, dealers in executing the Fund's portfolio transactions and that the underwriters, or their affiliates, may act as a counterparty in connection with the interest rate transactions described under "How the Fund Manages Risk — Interest Rate Transactions" after they have ceased to be underwriters. The underwriters are active underwriters of, and dealers in, securities and act as market makers in a number of such securities, and therefore can be expected to engage in portfolio transactions with the Fund. The Fund anticipates that the underwriters or their respective affiliates may, from time to time, act in auctions as broker-dealers and receive fees as set forth under "The Auction of the Series E Auction Rate Preferred" and in the SAI.

The underwriters have performed investment banking and advisory services for the Fund and the Investment Adviser from time to time, for which they have received customary fees and expenses. The underwriters and their affiliates may from time to time engage in transactions with, and perform services for, the Fund in the ordinary course of their business.

The principal business address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, New York 10013. The principal business address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is 4 World Financial Center, New York, New York 10080. The principal business address of Gabelli & Company, Inc. is One Corporate Center, Rye, New York 10580.

Gabelli & Company, Inc. is a wholly-owned subsidiary of Gabelli Securities, Inc., which is a majority-owned subsidiary of the parent company of the Investment Adviser which is, in turn, indirectly majority-owned by Mario J. Gabelli. As a result of these relationships, Mr. Gabelli, the Fund's President and Chief Investment Officer, may be deemed to be a "controlling person" of Gabelli & Company, Inc.

LEGAL MATTERS

Certain matters concerning the legality under Maryland law of the Series D Preferred and Series E Auction Rate Preferred will be passed on by Miles & Stockbridge P.C., Baltimore, Maryland. Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, special counsel to the Fund in connection with the offering of the Series D Preferred and/or Series E Auction Rate Preferred, and by Simpson Thacher & Bartlett LLP, New York, New York, counsel to the underwriters. Skadden, Arps, Slate, Meagher & Flom LLP and Simpson Thacher & Bartlett LLP will each rely as to matters of Maryland law on the opinion of Miles & Stockbridge P.C.

EXPERTS

The audited financial statements of the Fund as of December 31, 2002 have been incorporated by reference into the SAI in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing. The report of PricewaterhouseCoopers LLP is included in the SAI. PricewaterhouseCoopers LLP is located at 1177 Avenue of the Americas, New York, New York 10036.

ADDITIONAL INFORMATION

The Fund is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and the 1940 Act and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by the Fund with the SEC pursuant to the informational requirements of such Acts can be inspected and copied at the public reference facilities maintained by the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC maintains a web site at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the SEC.

The Fund's common stock and Series B Preferred is listed on the NYSE, and reports, proxy statements and other information concerning the Fund and filed with the SEC by the Fund can be inspected at the offices of the NYSE, Inc., 20 Broad Street, New York, New York 10005.

This prospectus constitutes part of a Registration Statement filed by the Fund with the SEC under the Securities Act of 1933, as amended, and the 1940 Act. This prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the Series D Preferred and Series E Auction Rate Preferred offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations or free of charge through the SEC's web site (http://www.sec.gov).

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Fund to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those listed under "Risk Factors and Special Considerations" and elsewhere in this prospectus. As a result of the foregoing and other factors, no assurance can be given as to the future results, levels of activity or achievements, and neither the Fund nor any other person assumes responsibility for the accuracy and completeness of such statements.

TABLE OF CONTENTS OF SAI

An SAI dated as of October 2, 2003, has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus. An SAI may be obtained without charge by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or by calling the Fund toll-free at (800) GABELLI (422-3554). The Table of Contents of the SAI is as follows:

No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this prospectus in connection with the offer contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Fund, the Investment Adviser or the underwriters. Neither the delivery of this prospectus nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Fund since the date hereof or that the information contained herein is correct as of any time subsequent to its date. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy such securities in any circumstance in which such an offer or solicitation is unlawful.

CORPORATE BOND RATINGS

MOODY'S INVESTORS SERVICE, INC.

Aaa	Bonds that are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
Aa	Bonds that are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present that make the long-term risk appear somewhat larger than in Aaa Securities.
A	Bonds that are rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present that suggest a susceptibility to impairment some time in the future.
Baa	Bonds that are rated Baa are considered as medium-grade obligations i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
Ba	Bonds that are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
B	Bonds that are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small. Moody's applies numerical modifiers (1, 2, and 3) with respect to the bonds rated Aa through B. The modifier 1 indicates that the company ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the company ranks in the lower end of its generic rating category.
Caa	Bonds that are rated Caa are of poor standing. These issues may be in default or there may be present elements of danger with respect to principal or interest.
Ca	Bonds that are rated Ca represent obligations that are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
C	Bonds that are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

FITCH, INC.

AAA	This is the highest rating assigned by Fitch to a debt obligation and indicates an extremely strong capacity to pay interest and repay principal.
AA	Debt rated AA has a very strong capacity to pay interest and repay principal and differs from AAA issues only in small degree. Principal and interest payments on bonds in this category are regarded as safe.
A	Debt rated A has a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	This is the lowest investment grade. Debt rated BBB has an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Speculative Grade

Debt rated BB, CCC, CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation, and C the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions. Debt rated C1 is reserved for income bonds on which no interest is being paid and debt rated D is in payment default.

AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major categories.

"NR" indicates that no public rating has been requested, that there is insufficient information on which to base a rating, or that Fitch does not rate a particular type of obligation as a matter of policy.

STANDARD & POOR'S RATINGS SERVICES

AAA	This is the highest rating assigned by S&P to a debt obligation and indicates an extremely strong capacity to pay interest and repay principal.
AA	Debt rated AA has a very strong capacity to pay interest and repay principal and differs from AAA issues only in small degree.
A	Principal and interest payments on bonds in this category are regarded as safe. Debt rated A has a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
BBB	This is the lowest investment grade. Debt rated BBB has an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Speculative Grade

Debt rated BB, CCC, CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation, and C the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions. Debt rated C 1 is reserved for income bonds on which no interest is being paid and debt rated D is in payment default.

In July 1994, S&P initiated an "r" symbol to its ratings. The "r" symbol is attached to derivatives, hybrids and certain other obligations that S&P believes may experience high variability in expected returns due to noncredit risks created by the terms of the obligations.

AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major categories.

"NR" indicates that no public rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular type of obligation as a matter of policy.

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$125,000,000

The Gabelli Equity Trust Inc.

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

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

THE GABELLI EQUITY TRUST INC.

PROSPECTUS
October 2, 2003

Citigroup
Merrill Lynch & Co.
Gabelli & Company, Inc.