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GABELLI EQUITY TRUST INC

Form N-2

June 12, 2003

As filed with the Securities and Exchange Commission on June 12, 2003
Securities Act File No. 333-[__]
Investment Company Act File No. 811-4700

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

☒ Registration Statement under the Securities Act of 1933
☐ Pre-Effective Amendment No.
☐ Post-Effective Amendment No.

and/or

☒ Registration Statement under the Investment Company Act of 1940
☒ Amendment No. 31

(Check Appropriate Box or Boxes)

THE GABELLI EQUITY TRUST INC.
(Exact Name of Registrant as Specified in Charter)

One Corporate Center
Rye, New York 10580-1422
(Address of Principal Executive Offices)

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

Bruce N. Alpert
The Gabelli Equity Trust Inc.
One Corporate Center
Rye, New York 10580-1422
(914) 921-5100 (Name and
Address of Agent for Service)

Copies to:

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New York, New York 10036
(212) 735-3000

James McKee, Esq.
The Gabelli Global Equity Trust Inc.
One Corporate Center
Rye, New York 10580-1422
(914) 921-5100

Approximate date of proposed public offering: As soon as practicable
after the effective date of this Registration Statement.

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

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

[X] When declared effective pursuant to section 8(c).

If appropriate, check the following box:

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

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

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities -----	Amount Being Registered -----	Proposed Maximum Offering Price Per Share -----	Proposed Maximum Aggregate Offering Price (1) -----
___% Series D Cumulative Preferred Stock	40,000 Shares	\$25	\$1,000,000
Series E Auction Rate Cumulative Preferred Stock	100 Shares	\$25,000	\$2,500,000

(1) Estimated solely for the purpose of calculating the registration fee.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

CROSS-REFERENCE SHEET

N-2 Item Number	Location in Part A (Caption)
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PART A

1.	Outside Front Cover.....	Outside Front Cover Page
2.	Inside Front and Outside Back Cover Page.....	Outside Front Cover Page; Inside Front Cover Page
3.	Fee Table and Synopsis.....	Not Applicable
4.	Financial Highlights.....	Financial Highlights
5.	Plan of Distribution.....	Outside Front Cover Page; Summary;
6.	Selling Shareholders.....	Not Applicable
7.	Use of Proceeds.....	Use of Proceeds; Investment Objectives Policies
8.	General Description of the Registrant.....	Outside Front Cover Page; Summary; Investment Objectives and Policies; & Special Considerations; How the Fund Risk; Description of Series D Preferred; Series E Auction Rate Preferred; And Provisions of the Charter and By-Laws
9.	Management.....	Outside Front Cover Page; Summary; of the Fund; Custodian, Transfer Agent, Auction Agent and Dividend-Disbursement
10.	Capital Stock, Long-Term Debt, and Other Securities.....	Outside Front Cover Page; Summary; Objectives and Policies; Description of Preferred and Series E Auction Rate Preferred; Description of Capital Stock and Other Securities Taxation
11.	Defaults and Arrears on Senior Securities.....	Not Applicable
12.	Legal Proceedings.....	Not Applicable
13.	Table of Contents of the Statement of Additional Information.....	Table of Contents of the Statement Information

PART B

Location in Statement of
Additional Information

14.	Cover Page.....	Outside Front Cover Page
15.	Table of Contents.....	Outside Front Cover Page
16.	General Information and History.....	The Fund
17.	Investment Objectives and Policies.....	Investment Objectives and

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		Policies; Investment Restrictions
18.	Management.....	Management of the Fund
19.	Control Persons and Principal Holders of Securities.....	Management of the Fund; Beneficial
20.	Investment Advisory and Other Services.....	Management of the Fund
21.	Brokerage Allocation and Other Practices.....	Portfolio Transactions
22.	Tax Status.....	Taxation
23.	Financial Statements.....	Financial Statements

PART C

Information required to be included in Part C is set forth under the appropriate Item, so numbered, in Part C to this Registration Statement.

[FLAG]

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

SUBJECT TO COMPLETION, DATED JUNE 12, 2003

PROSPECTUS \$[___] [GABELLI LOGO]
The Gabelli
Equity Trust Inc.

[] Shares, []% Series D Cumulative Preferred Stock
(Liquidation Preference \$25 per Share)

[] 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.

This prospectus describes shares of the Fund's []% Series D Cumulative Preferred Stock (the "Series D Preferred"), liquidation preference \$25 per share. Dividends on shares of the Series D Preferred issued within 30 days of the original Series D Preferred issue date are cumulative from such original issue date at the annual rate of []% 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 [], 2003.

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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 [__]% of the liquidation preference of \$25,000 per share. The initial dividend period is from the date of issuance through [__], 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, \$[__] 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 [__].

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 -----
Public Offering Price	\$	\$	\$
Underwriting Discount (2)	\$	\$	\$
Proceeds to the Fund (before expenses) (3)	\$	\$	\$
(1) Plus accumulated dividends, if any, from [__], 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 \$ [__]. -----			

[__]

Gabelli & Company, Inc.

[__], 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 [__], 2003.

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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 [___], will be invested in accordance with the Fund's investment objectives and policies. See "Investment Objectives and Policies" beginning on page [___].

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) taxed at a maximum federal income tax rate of 15%, (ii) qualified dividend income (income from domestic and certain foreign corporations) taxed at a maximum federal income tax rate of 15%, and, (iii) investment company income (other than qualified dividend income) (including, short-term capital gain and interest income and non-qualified dividend income) taxed at the maximum federal income tax rate of 35% applicable to ordinary income. [Over the past one, three and five fiscal years ending December 31, 2002, the distributions of taxable income by the Fund consisted of [___]%, [___]% and [___]% long-term capital gain and qualified dividend income.] No assurance can be given, 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 of the Jobs and Growth Tax Relief Reconciliation Act of 2003 which reduced the rate of tax for long-term capital gain and qualified dividend income see "Taxation."

Neither the Series D Preferred nor the Series E Auction Rate Preferred may be issued unless it is rated [___] by [___]. In addition, the Series E Auction Rate Preferred may not be issued unless it is also rated [___] by [___]. 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 [___] and [___]. 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 (the "1940 Act"). 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 1940 Act, that some or all of its outstanding preferred stock, including the Series D Preferred and/or Series E Auction Rate Preferred, be sold back to it (redeemed). Otherwise, prior to [___], 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 1940 Act), the Fund at its option may redeem (i) the Series D Preferred beginning on [___], 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). In the event the Fund

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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 [___], 2003 (the "SAI"), which contains additional information about the Fund. The SAI is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the SAI on page [___] of this prospectus. You may request a free copy of the SAI 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 SAI 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."

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 SAI.

The Fund..... The Fund is a closed-end, non-diversified, management in company that has been in operation since August 21, 1986. The Fund's was incorporated in Maryland on May 20, 1986. The Fund's shares of common stock, par value \$.001 per share, are 1 traded on the New York Stock Exchange ("NYSE"). As of [] the sum of the net assets of the Fund plus the liquidati the Fund's outstanding preferred stock (\$[] million) w approximately \$[] million. As of [], 2003, the Fund outstanding [] shares of common stock, [] shares of Advantaged Cumulative Preferred Stock (the "Series A Pre [] shares of 7.20% Tax Advantaged Series B Cumulative Stock (the "Series B Preferred") and [] shares of the Auction Rate Cumulative Preferred Stock (the "Series C A Preferred"). The Series A Preferred, the Series B Prefer Series C Auction Rate Preferred have the same seniority to dividends and liquidation preference.

The Offering..... The Fund offers by this prospectus, in the aggregate, \$[] preferred stock of either Series D Preferred or Series E Preferred, or a combination of both such series. The Se Preferred and/or Series E Auction Rate Preferred are bei [] and Gabelli & Company, Inc., as underwriters. Upon the Series D Preferred and the Series E Auction Rate Pre have seniority with respect to dividends and liquidation equal to the Fund's other outstanding preferred stock. S of the Series D Preferred and Series E Auction Rate Pref

Series D Preferred. The Fund is offering [] shares of D Cumulative Preferred, par value \$.001 per share, liqui preference \$25 per share, at a purchase price of \$25 per Dividends on the shares of Series D Preferred will accum the date on which such shares are issued; provided, howe shares of Series D Preferred issued within 30 days of th issue date of the series will accumulate dividends from original date of issue. Application will be made to list Preferred on the NYSE.

Series E Auction Rate Preferred. The Fund is offering [L 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 accrued from the commencement date of the dividend period during which the Series E Auction Rate Preferred is issued.

The Series E Auction Rate Preferred will not be listed on any exchange. Instead, investors may buy or sell Series E Auction Rate Preferred in an auction by submitting orders to broker-dealers who 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 (DTC or any successor) or nominee for the account of an investor's broker-dealer will record ownership of the preferred stock in book-entry form. The investor's broker-dealer, in turn, will maintain records of the investor's beneficial ownership of preferred stock.

Investment Objectives

and Methodology..... Investment Objectives. The Fund's primary investment objective is the 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 other 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 Portfolio Management."

Investment Methodology. In selecting securities for the portfolio, the Investment Adviser normally will consider the following factors, among others: (i) the Investment Adviser's own evaluation 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 covenant provisions in the event of acceleration or events of default for failure to meet certain financial ratios or to satisfy other financial covenants or benchmarks; (vi) the existence of any dilution protection 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 is to identify securities of companies that are selling in the market at a discount to their private market value, which the Investment Adviser defines as the value informed purchasers would be willing to pay to acquire assets with similar characteristics. The Investment Adviser also normally evaluates the issuer's cash flow and long-term earnings trends. Finally, the Investment Adviser looks for a catalyst - something in the company's industry or environment indigenous to the company or country itself that will supply additional value.

Portfolio Contents. Although under normal market conditions approximately 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 invest its assets in money market instruments and repurchase agreements in respect of those instruments. The Fund may

up to 10% of the market value of its total assets during defensive periods in shares of money market mutual funds primarily in U.S. government securities and repurchase agreements with respect of those securities, which, in the absence of an exemption under the Investment Company Act of 1940, are not exemptive relief are not affiliated with the Investment Company. Such actions on the part of the Fund may adversely affect its ability to achieve its investment objectives.

The Fund may invest up to 10% of its total assets in fixed income securities issued by U.S. and foreign corporations, government securities, and securities issued by agencies that are rated below investment grade by primary rating services such as S&P and Moody's. These high-yield, high-risk securities are commonly known as "junk bonds." These debt securities are predominantly speculative and involve major risk exposure in 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 and in 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 less diverse and less mature, and to political systems that are 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 for long-term investors. The Fund may also invest in debt securities of foreign governments.

Dividends and Distributions..... Series D Preferred. Dividends on the Series D Preferred will be paid at an annual rate of []% of its \$25 per share liquidation preference, cumulative from the Series D Preferred's original issue date. Dividends on shares issued within 30 days of such original issue date will be payable, when, as and if declared by the Board of Directors of the Fund, out of funds legally available therefor, quarterly on June 26, September 26 and December 26 in each year, commencing on [], 2003. Any Series D Preferred issued later than the original issue date following the original issue date will accumulate dividends from the date such shares are issued.

Series E Auction Rate Preferred. The holders of Series E Auction Rate Preferred are entitled to receive cash dividends, stated at a rate of its \$25,000 per share liquidation preference, from dividend period to dividend period. The table below sets forth the dividend rate, the dividend payment date and the number of days of the initial dividend period on the Series E Auction Rate Preferred.

	Initial Dividend Rate []%	Dividend Payment Date for Initial Dividend Period [], 2003	Number of Days of Initial Dividend Period []
Series E Auction Rate Preferred.....			

For subsequent dividend periods the Series E Auction Rate Preferred will pay dividends based on a rate set at auctions, normally weekly. In most instances dividends are payable weekly on the first business day following the end of the dividend period. In the event that a dividend payment date which dividends otherwise would be paid is not a business day, the dividend will be paid on the next business day.

dividends will be paid on the first business day that falls on or after the end of the dividend period. The Fund may, subject to certain conditions, designate special dividend periods of more 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 then-maximum rate means (i) in the case of a dividend period of 184 days or less, the applicable percentage of the "AA" Financial Composite Paper Rate on the date of such auction determined as set forth in the following chart based on the lower of the credit ratings of the Series E Auction Rate Preferred by [] and [] or (ii) in the case of a dividend period of longer than 184 days, the applicable percentage of the Treasury Index Rate.

[] Credit Rating	[] Credit Rating	Applicable Percentage
-----	-----	-----
[] or higher	[] or higher	150%
[] to []	[] to []	175%
[] to []	[] to []	250%
Below []	Below []	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 December 31, 2002 and March 31, 2003, respectively, the maximum rate for the Series E Auction Rate Preferred (assuming a rating of [] or above and [] or above by []) would have been approximately []%, for dividend periods of 90 days, and approximately []% 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 special dividend period was not preceded by a dividend auction and the Fund has confirmed that it has assets with an aggregate discounted value at least equal to the Basic Minimum Amount (as defined in the applicable rating agency guide). See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Dividends on the Series E Auction Rate Preferred." "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, if a full dividend of that series is not paid on or before the date of the dividend payment dates therefor for all series of outstanding preferred stock of the Fund are declared and paid. If full 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, then, in the payment of dividends, any dividends being paid on the shares of preferred stock (including any outstanding Series D Preferred and Series E Auction Rate Preferred) will be paid as nearly as possible in proportion to the respective amounts of dividends due.

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accumulated but unpaid on each such series of preferred relevant dividend payment date.

In the event that for any calendar year the total distributions of the Fund's preferred stock exceed the Fund's ordinary income and net capital gain allocable to those shares, the distributions will generally be treated as a tax-free return of capital (to the extent of the stockholder's tax basis in the 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 loss or reducing his or her potential loss on the sale of the shares.

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

Common Stock. The Fund has a policy, which may be modified from time to time by its Board of Directors, of paying distributions on common stock of at least 10% of average quarter-end assets attributable to common stock.

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

The auctions determine the dividend rate for the Series E Auction Rate Preferred, but each dividend rate will not be higher than the then-maximum rate. See "Description of the Series D Preferred Stock" and "Description of the 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 means you want to buy Series E Auction Rate Preferred only if the next dividend period's rate is at least the rate you specify.

If you enter a hold order, you indicate that you want to hold your 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 orders to buy additional Series E Auction Rate Preferred. All orders are for whole shares. All orders you submit are irrevocable. The dividend rate likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders want to buy, the rating of the Series E Auction Rate Preferred and general economic conditions including current interest rates. If

Series E Auction Rate Preferred and submit a bid for 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, the broker-dealer will assume that you want to continue to hold Series E Auction Rate Preferred. If you fail to submit a bid for 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, and you want to buy more shares, you may instruct a broker-dealer to enter an order to buy shares in an auction at \$25,000 per share at the dividend rate you specify. If you bid for shares you 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. 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 an order for Series E Auction Rate Preferred held by it or its customer 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 orders 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 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) 1/4 of 1%, times (iii) \$25,000, times (iv) the number of Series E Auction Rate Preferred shares placed in the auction by the 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 as a percentage of the Fund and the broker-dealers.

If the number of Series E Auction Rate Preferred shares subject to sell orders 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, the dividend rate for the next dividend period will be the maximum rate submitted which, taking into account that rate and the dividend rates submitted in order from existing and potential holders, will 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 sell orders 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, the auction is considered to be a failed auction and the dividend rate will be the maximum rate. In that event, existing holders' 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

dividends with respect to the Series E Auction Rate Preferred, so doing to help protect the earnings available to pay dividends on the series of common stock and the other series of preferred stock and to serve as the dividend rate in the event of a failure of an auction (that is, an auction where there are more shares of Series E Auction Rate Preferred offered for sale than there are buyers for the shares).

If broker-dealers submit or are deemed to submit hold orders for outstanding Series E Auction Rate Preferred, the auction will be considered an "all hold" auction and the dividend rate for the dividend period will be the "all hold rate," which is 80% of the then-current "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 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 a 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 through DTC. Purchasers will pay for their Series E Auction Rate Preferred through broker-dealers in same-day funds to DTC for delivery to the broker-dealers. DTC will make payment to the broker-dealers in accordance with its normal procedures, which require broker-dealers to make payment against delivery of 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 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 [___], 2003, the business day preceding the dividend payment date for the initial dividend period. Thereafter, except during such dividend periods, auctions for Series E Auction Rate Preferred will normally be held every Tuesday (or the next preceding business day if Tuesday is a holiday), and each subsequent dividend period for the Series E Auction Rate Preferred normally will begin on the following Wednesday.

If an auction is not held because an unforeseen event or events cause a day that otherwise would have been an auction day to be a business day, then the length of the then-current dividend period will be extended by seven days (or a multiple thereof as necessary because of such unforeseen event or events), the dividend rate for such period will be the applicable rate for the then-current dividend period so extended and the dividend payment date for the dividend period will be the first business day immediately following 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 Stock 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 one year or 12 months) taxed at a maximum federal income tax rate of 15%, (ii) qualified dividend income (income from domestic and certain foreign corporations) taxed at a maximum federal income tax rate of 15%, and (iii) ordinary income, including interest, dividends, and short-term capital gain, taxed at a maximum federal income tax rate of 35%.

(iii) investment company income (other than qualified dividend income) (including, short-term capital gain and interest income (other than non-qualified dividend income) taxed at the maximum federal tax rate of 35% applicable to ordinary income. [Over the three and five fiscal years ending December 31, 2002, the distributions of taxable income by the Fund consisted of _____% short-term capital gain and _____% long-term capital gain and qualified dividend income. _____% assurance can be given, however, as to what percentage of the dividends paid on the Series D Preferred or Series E Automatic 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 of the Joint Committee on Taxation's report on the Tax Reform Act of 2003 and the Growth Tax Relief Reconciliation Act of 2003 which reduces the maximum tax rate on long-term capital gain and qualified dividend income from 35% to 20% and the maximum tax rate on qualified dividend income from 35% to 15%, see the Fund's

Rating and Asset

Coverage Requirements..... Series D Preferred. Before it can be issued, the Series must receive a rating of [__] from [__]. The Fund's Art
mentary setting forth the rights and preferences of the
Preferred contain certain tests that the Fund must satis
maintain a rating of [__] from [__] on the Series D Pref
"Description of the Series D Preferred and Series E Auct
Preferred-- Rating Agency Guidelines."

Series E Auction Rate Preferred. Before it can be issued E Auction Rate Preferred must receive both a rating of [] and a rating of [] from []. As with the Series D Preferred Articles Supplementary of the Fund setting forth the rights and preferences of the Series E Auction Rate Preferred contain provisions that the Fund must satisfy to obtain and maintain [] from [] and [] from []. See "Description of the Series E Auction Rate Preferred -- Rating Requirements" in the Fund's Prospectus Supplement and the Fund's Guidelines."

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

The Fund estimates that if the shares offered hereby had been issued and sold as of [___], 2003, the asset coverage under the Fund would have been approximately [___]% immediately following the Fund's issuance assuming that the Series A Preferred had been repurchased at that date (after giving effect to the deduction of the Fund's discounts and estimated offering expenses for such shares). The asset coverage would have been computed as follows:

value of Fund assets less liabilities not constituting securities (\$[]) / senior securities representing indebtedness of the Fund, plus liquidation preference of each class of preferred stock expressed as a percentage = []%.

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

Mandatory Redemption. The Series D Preferred and the Series E Auction Rate Preferred will 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 description of the various components of the asset coverage test. If the Fund does not cure such failure by the applicable cure date, the Fund will redeem preferred stock mandatorily, it may, but is not required to, redeem a sufficient number of shares of preferred stock so that the redemption the Fund exceeds the asset coverage requirements of the applicable rating agency guidelines and the 1940 Act.

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 to the redemption date).

With respect to the Series E Auction Rate Preferred, any redemption will be made for cash at a redemption price equal to \$25,000 per share plus an amount equal to accumulated and 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, an applicable redemption premium determined by the Board of Directors. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Mandatory Redemption."

In the event of a mandatory redemption, such redemption will be made from the Series D Preferred, the Series E Auction Rate Preferred and other preferred stock of the Fund in such proportions as to be determined, subject to the limitations of the 1940 Act and applicable 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 [___], 2008 and at any time thereafter, the Fund at its option may redeem the Series D Preferred in part, for cash at a redemption price per share equal to \$25 per share plus accumulated and unpaid dividends (whether or not earned to the redemption date). If fewer than all of the shares of Series D Preferred are to be redeemed, any such redemption of Series D Preferred shares will be made pro rata in accordance with the number of such shares held. Prior to [___], 2008 the Series D Preferred will be subject to optional redemption by the Fund at the discretion of the Fund only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Optional Redemption of the Series D Preferred."

Series E Auction Rate Preferred. The Fund generally may redeem the Series E Auction Rate Preferred, in whole or in part, at any time 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.

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shares will be made pro rata in accordance with the number of shares held. See "Description of the Series D Preferred Auction Rate Preferred -- Redemption -- Optional Redemption of the Series E Auction Rate Preferred."

The redemption price per Series E Auction Rate Preferred share will be equal to \$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's outstanding Series A Preferred is redeemable at the option of the Fund. The Fund's outstanding Series B Preferred is redeemable at the option of the Fund beginning June 2, 2010. 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 -- Optional Redemption of the Series E Auction Rate Preferred."

Voting Rights..... At all times, holders of shares of the Fund's preferred stock outstanding (including the Series D Preferred and/or Series E Auction Rate Preferred), voting as a single class, will have the right to elect two members of the Fund's Board of Directors, and the preferred stock and common stock, voting as a single class, will elect the remaining directors. However, upon a failure to pay dividends on any of its preferred stock in an amount equal to its full years' dividends, holders of the preferred stock, voting as a single class, will have the right to elect the smallest number of directors that would then constitute a 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 shares of common stock will vote separately as a class on certain matters as required under 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 the Fund and will vote together with holders of shares of common stock and other preferred stock as a single class. See "Description of the Series D Preferred and Series E Auction Rate Preferred -- Redemption -- Optional Redemption of the Series E Auction Rate Preferred -- Rights."

Liquidation Preference..... The liquidation preference of each share of Series D Preferred is \$25,000. The liquidation preference of the Series E Auction Rate Preferred is \$25,000 per share. Upon liquidation, preferred stock shareholders will be entitled to receive the liquidation preference with respect to their shares of preferred stock plus an amount equal to the amount of any 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 -- Redemption -- Optional Redemption of the Series E Auction Rate Preferred -- 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

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Preferred..... Prior to its being offered, there has been no public market for Series D Preferred. Following its issuance (if issued), Series D Preferred is expected to be listed on the NYSE. However, there is no assurance that a secondary market will develop for Series D Preferred 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.

Limitation on Secondary
Market Trading of the
Series E Auction Rate
Preferred.....

The Series E Auction Rate Preferred will not be listed on any securities 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 develop for Series E Auction Rate Preferred outside of auctions only to or through a broker-dealer. The Fund has entered into an agreement with the auction agent and 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 carefully consider the risks carefully.

Series D Preferred. Primary risks 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, Series D Preferred may be illiquid during such period. No assurance is provided that listing on any securities exchange or market will result in the market for Series D Preferred being liquid at any time.

Series E Auction Rate Preferred. Primary risks 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 make a market in 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 outside of 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 auctions, especially when market interest rates are rising.

In connection with the sale of the Series E Auction Rate Preferred, the Fund may enter into interest rate swap or cap transactions in order to reduce the impact of changes in the dividend rate on the Series E Auction Rate Preferred or obtain the equivalent of a fixed rate for the Series E Auction Rate Preferred that is lower than the Fund would have to pay if it issued fixed rate preferred.

use of interest rate swaps and caps is a highly specialized technique that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. See "Risk Factors -- Interest Rate Transactions." the Fund Manages Risk -- Interest Rate Transactions."

Both the Series D Preferred and Series E Auction Rate Preferred are investments in either the Series D Preferred or Series E Auction Rate Preferred. The Series E Auction Rate Preferred also includes the following primary risks:

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

The Fund may mandatorily redeem your Series D Preferred or Series E Auction Rate Preferred to meet regulatory or rating agency requirements or may voluntarily redeem your Series D Preferred or Series E Auction Rate Preferred. Subject to such redemption, the Series D Preferred and Series E Auction Rate Preferred shares are perpetual.

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

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

The value of the Fund's investment portfolio may decline, which could affect 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 of preferred stock or debt security is downgraded or defaulted on, or if an issuer in which the Fund invests is affected by other adverse factors, there may be a negative impact on the income and 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 -- Factors and Special Considerations -- Non-Diversified Stocks."

The Fund may invest up to 35% of its total assets in foreign securities. Investing in securities of foreign companies (including 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 value of the Fund's investment portfolio 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 Investment Adviser (as hereinafter defined) is dependent on 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 investors could be adversely affected. There can be no assurance that

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suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act as the Investment Adviser. See "Risk Factors and Special Considerations -- Dependence on Key Personnel."

Federal Income Tax

Considerations..... The Fund has qualified, and intends to remain qualified, for 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 of the common stock if the Fund fails to satisfy the 1940 Act's asset coverage requirements could jeopardize the Fund's ability to meet its distribution requirements. The Fund presently intends, however, to purchase or redeem preferred stock to the extent necessary to maintain compliance with such asset coverage requirements. See "Taxation" for a more complete discussion of these and other income tax considerations.

Management and Fees..... Gabelli Funds, LLC serves as the Fund's 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 the Fund utilizes and pays the fees of a third party sub-administrator. Notwithstanding the foregoing, the Investment Adviser will receive as a portion of its investment advisory fee attributable to the Fund 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 Fund's asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to the Fund's 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 any year expressed as a percentage (including, without duplication, dividends paid by the Fund on the Series E Auction Rate Preferred, the net cost to the Fund of any associated swap or capital structure obligations the Fund hedges its Series E Auction Rate Preferred dividend obligations). See "Management of the Fund."

Repurchase of Common Stock and Anti-takeover

Provisions..... The Fund is authorized, subject to maintaining required asset coverage on its preferred stock, to repurchase its common stock in the open market when the common stock is trading at a discount of 10% or more (or such other percentage as the Fund's Board of Directors may determine from time to time) from net asset value. Such repurchases are subject 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 [___], 2003, the Fund has repurchased in the open market [___] shares of its common stock under this authorization. See "Description of Capital Stock and Other Securities -- Common Stock."

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 the directors of the Fund is elected each year, and the affirmative vote of holders of 66 2/3% of the outstanding shares of the Fund is required for a majority (as defined in the 1940 Act) of the holder of the Fund's preferred shares, voting as a single class, are necessary to amend the Charter or the By-Laws.

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authorize the conversion of the Fund from a closed-end to an open-end investment company. The overall effect of these provisions may render more difficult the accomplishment of a merger with the Fund, 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. "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 agreement, the Custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the Custodian will receive a 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 under the Fund's automatic dividend reinvestment plan, as the cash purchase plan, and as transfer agent and registrar for the Fund's 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 as the transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series A Preferred and the Series B Preferred.

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

Interest Rate Transactions

In connection with the sale of the Series E Auction Rate Preferred, the Fund may enter into interest rate swap or cap transactions in order to reduce the impact of changes in the dividend rate on the Series E Auction Rate Preferred or obtain the equivalent of a fixed rate for the Series E Auction Rate Preferred 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 transaction 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 counterparty 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 Series E Auction Rate Preferred. If the Fund had 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 interest rate index exceeds a predetermined fixed rate, the Fund would receive from the counterparty payments of the difference based on a notional amount of such cap. Interest rate swap and cap transactions may introduce additional risk because the Fund would remain obligated to pay preferred stock dividends when due in accordance with the Fund's Articles Supplementary even if the counterparty defaulted on the general state of short-term interest rates and the

the Fund's portfolio securities at that point in time, such a swap could negatively affect the Fund's ability to make dividend payments on the 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 such an event occurs, it could have a negative impact on the Fund's ability to make dividend payments on the 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 stock or fails to comply with other covenants, the Fund may exercise its option (and in certain circumstances mandatorily) to redeem some of its preferred stock (including the Series D Preferred or the Series E Auction Rate Preferred). Such redemption likely would require the Fund seeking to terminate early all or a portion of any swap transaction. Early termination of a swap could require the Fund to make a termination payment to the counterparty.

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

TAX ATTRIBUTES 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) taxed at a maximum federal income tax rate of 15%, (ii) qualified dividend income (income from domestic and certain foreign corporations) taxed at a maximum federal income tax rate of 15%, and, (iii) investment company income (other than qualified dividend income) (including, short-term capital gain and interest income and non-qualified dividend income) taxed at the maximum federal income tax rate of 35% applicable to ordinary income. [Over the past one, three and five fiscal years ending December 31, 2002, the distributions of taxable income by the Fund consisted of [__]%, [__]% and [__]% long-term capital gain and qualified dividend income.] No assurance can be given, 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 of the Jobs and Growth Tax Relief Reconciliation Act of 2003 which reduced the rate of tax for long-term capital gain and qualified dividend income see "Taxation."

FINANCIAL HIGHLIGHTS

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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 four 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:

	Year Ended December 31,			
	2002 (a)	2001 (a)	2000 (a)	1999 (a)
	-----	-----	-----	-----
Operating performance:				
Net asset value, beginning of period.....	\$ 8.97	\$ 10.89	\$ 12.75	\$ 11.10
	-----	-----	-----	-----
Net investment income.....	0.06	0.08	0.05	0.00
Net realized and unrealized gain (loss)				
on investments.....	(1.64)	(0.16)	(0.51)	(3.00)
	-----	-----	-----	-----
Total from investment operations.....	(1.58)	(0.08)	(0.46)	3.00
	-----	-----	-----	-----
Distributions to preferred stock shareholders:				
Net investment income.....	(0.01)	(0.01)	(0.00) (c)	(0.00)
Net realized gain on investments.....	(0.16)	(0.11)	(0.09)	(0.00)
	-----	-----	-----	-----
Total distributions to preferred stock				
shareholders.....	(0.17)	(0.12)	(0.09)	(0.00)
	-----	-----	-----	-----
Net increase (decrease) in net assets				
attributable to common stock shareholder's				
resulting from operations.....	(1.75)	(0.20)	(0.55)	3.00
	-----	-----	-----	-----
Distributions to common stock shareholders:				
Net investment income.....	(0.05)	(0.06)	(0.04)	(0.00)
Net realized gain on investments.....	(0.90)	(1.02)	(1.27)	(1.00)
Paid-in capital.....	(0.00) (c)	-	-	(0.00)
	-----	-----	-----	-----
Total distributions to common stock				
shareholders.....	(0.95)	(1.08)	(1.31)	(1.00)
	-----	-----	-----	-----
Capital share transactions:				
Increase in net asset value from common stock				
share transactions.....	0.02	0.03	-	-
Decrease in net value from shares issued in				
rights offering.....	--	(0.62)	-	-
Offering costs for preferred shares to paid-in				
capital.....	(0.01)	(0.05)	-	-
	-----	-----	-----	-----
Total capital share transactions.....	0.01	(0.64)	-	-
	-----	-----	-----	-----
Net asset value attributable to common stock				
shareholders, end of period.....	\$ 6.28	\$ 8.97	\$ 10.89	\$ 12.10
	=====	=====	=====	=====
Net asset value total return+.....	(21.00)%	(3.68)%	(4.39)%	29.00%

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Market value, end of period.....	\$ 6.85	\$ 10.79	\$ 11.44	\$ 12.00
Total investment return++.....	(28.36)%	10.32%	1.91%	26.00%
<p>Ratios and supplemental data:</p> <p>Net assets including liquidation value of preferred shares, end of period (in 000's).....\$ 1,271,600 \$ 1,465,369 \$ 1,318,263 \$ 1,503,600</p> <p>Net assets attributable to common shares end of period (in 000's).....\$ 842,403 \$ 1,166,171 \$ 1,184,041 \$ 1,368,900</p> <p>Ratio of net investment income to average net assets attributable to common shares..... 0.81 % 0.81 % 0.42 % 0.00 %</p> <p>Ratio of operating expenses to average net assets attributable to common shares (e) (g)..... 1.37 % 1.12 % 1.14 % 1.00 %</p> <p>Ratio of operating expenses to average total net assets including liquidation value of preferred shares (e) (g)..... 1.00 % 0.95 % 1.03 % 1.00 %</p> <p>Portfolio turnover rate..... 27.1 % 23.9 % 32.1 % 38.0 %</p> <p>Preferred Stock:</p> <p>7.25% Cumulative Preferred Stock.....</p> <p>Liquidation value, end of period (in 000's).... \$ 134,198 \$ 134,198 \$ 134,223 \$ 134,600</p> <p>Total shares outstanding (in 000's)..... 5,368 5,368 5,369 5,369</p> <p>Liquidation preference per share..... \$ 25.00 \$ 25.00 \$ 25.00 \$ 25.00</p> <p>Average market value (d)..... \$ 25.75 \$ 25.39 \$ 22.62 \$ 24.00</p> <p>7.20% Cumulative Preferred Stock</p> <p>Liquidation value, end of period (in 000's).... \$ 165,000 \$ 165,000 -</p> <p>Total shares outstanding (in 000's)..... 6,600 6,600 -</p> <p>Liquidation preference per share..... \$ 25.00 \$ 25.00 -</p> <p>Average market value (d)..... \$ 26.40 \$ 25.60 -</p> <p>Auction Rate Cumulative Preferred Stock</p> <p>Liquidation value, end of period (in 000's).... \$ 130,000 - -</p> <p>Total shares outstanding (in 000's)..... 5 - -</p> <p>Liquidation preference per share..... \$ 25,000 - -</p> <p>Average market value (d)..... \$ 25,000 - -</p> <p>Asset coverage (f)..... 296 % 490 % 982 % 1,100 %</p> <p>Asset coverage per share (f)..... \$ 106.20 \$ 122.44 \$ 245.54 \$ 279.00</p>				
	1997(a)	1996(a)	1995(a)	1994(a)
Per Common Share Operating Performance:				
Net asset value, beginning of period.....	\$ 9.77	\$ 9.95	\$ 9.46	\$ 11.00
Net investment income.....	0.08	0.11	0.13	0.00
Net realized and unrealized gain (loss) on investments.....	2.75	0.71	1.74	(0.00)
Total from investment operations.....	2.83	0.82	1.87	0.00
Increase (decrease) in net asset value from Fund share transactions	-	-	(0.37)	
Decrease in net asset value from shares issued in rights offering.....	-	-	-	
Offering expenses charged to capital surplus...	-	-	(0.01)	
Distributions to Common Stock Shareholders:				
Net investment income.....	(0.08)	(0.11)	(0.13)	(0.00)
In excess of net investment income.....	(0.00) (d)	-	-	
Net realized gain on investments.....	(0.93)	(0.78)	(0.47)	(0.00)
In excess of net realized gain on investments.....	-	(0.00) (c)	(0.02)	
Paid-in capital	(0.03)	(0.11)	(0.38)	(1.00)
Distributions to Preferred Stock Shareholders:				
Net investment income.....	-	-	-	

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Net realized gain on investments	-	-	-	
Total distributions.....	(1.04)	(1.00)	(1.00)	(1.00)
Net asset value, end of period.....	\$ 11.56	\$ 9.77	\$ 9.95	\$ 9.95
Market value, end of period.....	\$ 11.69	\$ 9.38	\$ 9.375	\$ 9.375
Net asset value total return+.....	30.46 %	9.00 %	20.60 %	0.00 %
Total investment return++.....	37.46 %	11.00 %	11.70 %	(5.10)
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	\$ 825,190
Net assets attributable to common shares, end of period (in 000's).....	1,210,570	1,015,437	1,034,091	825,190
Ratio of net investment income to average net assets attributable to common stock.....	0.76	1.07	1.26	1.00
Ratio of operating expenses to average total net assets(i)	1.14%	1.18%	1.21%	1.14%
Portfolio turnover rate.....	39.2 %	18.9 %	25.1 %	22.5 %
Preferred Stock(j):				
Liquidation value, end of period (in 000's).....	-	-	-	-
Total shares outstanding (in 000's).....	-	-	-	-
Asset coverage per share.....	-	-	-	-
Liquidation preference per share.....	-	-	-	-
Average market value(f).....	-	-	-	-

-
- + 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 shareholder.
- ++ 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 shareholder.
- (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 Trust incurred interest expense during 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 1.19% and the expense ratio of operating expenses to average total net assets including liquidation value of preferred shares would be 0.87%.
- (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.

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The following table provides information about the Fund's outstanding Series A Preferred and Series B Preferred since its issuance in [__]. 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				
2001				
2000				
1999				
1998				
1997				

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 number of shares of Series A Preferred and Series B Preferred outstanding on that date. Involuntary Liquidation Preference Per Share refers to the amount holders of Series A Preferred and Series B 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 is the average of the weekly closing prices of the Series A Preferred and Series B Preferred on the NYSE each week during the relevant year.

The following table provides information about the Fund's outstanding Series C Auction Rate Preferred since its issuance in [__]. 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				
2001				
2000				
1999				
1998				
1997				

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

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the relevant year by the number of shares of Series C Auction Rate Preferred outstanding on that date. Involuntary Liquidation Preference Per Share refers to the amount holders of 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 is the average of the weekly closing prices of the Series C Auction Rate Preferred on the NYSE each week during the relevant year.

USE OF PROCEEDS

The net proceeds of the offering are estimated at \$[___], 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, as appropriate investment opportunities are identified. Investment of the proceeds will not take more than six months.

THE FUND

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

CAPITALIZATION

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

	As of [___], 2003 [___],	[___],	[___]
	Actual		As Adj Series deem (Unaud
Preferred stock, \$0.001 par value, [___] shares authorized. (The "Actual" column reflects Fund's outstanding capitalization as of [___], 2003; the "As Adjusted" column assumes the issuance of an additional [___] shares of Series D Preferred and [___] shares of Series E Auction Rate Preferred, \$25 and \$25,000 liquidation preference, respectively).....			
Shareholders' Equity Applicable to Common			

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Shares.....
 Common stock, \$.001 par value per share;
 184,000,000 shares
 authorized, [] shares outstanding.....
 Paid-in surplus*.....
 Undistributed net investment loss.....
 Accumulated net realized loss from investment
 transactions.....
 Net unrealized depreciation.....

 Net assets applicable to common shareholders.....

 Net assets, plus liquidation preference of pre-
 ferred stock.....

=====

* 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 \$[].

As used in this prospectus, unless otherwise noted, the Fund's "managed assets" include the aggregate net asset value of the common shares plus assets attributable to outstanding shares of its preferred stock, with no deduction for the liquidation preference of such shares of 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 voting securities. As used herein, a "majority of the Fund's outstanding voting securities" (or like phrase) means the lesser of (i) 67% of the shares of the Fund's common stock and preferred stock, voting as a single class, represented at a meeting at which more than 50% of the outstanding shares of the Fund's common stock and preferred stock are represented, whether in person or by proxy, or (ii) more than 50% of the outstanding shares of common stock and preferred stock, voting as a single class. No assurance can be given that the Fund's investment objectives will be achieved.

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.

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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 invo