

GABELLI EQUITY TRUST INC

Form 497

September 24, 2012

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THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH AND DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION. THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS ARE NOT AN OFFER TO SELL THESE SECURITIES AND ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated May 31, 2012)

Filed Pursuant to Rule 497(c)
Registration Statement No. 333-173819

SUBJECT TO COMPLETION, DATED SEPTEMBER 24, 2012

\$

Shares % Series H Cumulative Preferred Stock

(Liquidation Preference \$25.00 per share)

The Gabelli Equity Trust Inc. (the Fund, we, us or our) is offering shares of % Series H Cumulative Preferred Stock (the Series H Preferred Shares). The Series H Preferred Shares will constitute a separate series of the Fund's preferred shares. Investors in Series H Preferred Shares will be entitled to receive cumulative cash dividends at a rate of % per annum. Dividends and distributions on Series H Preferred Shares will be payable quarterly on March 26, June 26, September 26 and December 26 in each year commencing on December 26, 2012.

The Series H Preferred Shares are redeemable at our option on or after September , 2017, and are subject to mandatory redemption by us in certain circumstances.

The Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to achieve long-term growth of capital by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities. Income is a secondary investment objective. The Fund's investment adviser is Gabelli Funds, LLC (the Investment Adviser).

Shares of our common stock are listed on the New York Stock Exchange (NYSE) under the symbol GAB. On September 21, 2012, the last reported net asset value per share of our common stock was \$5.66 and the last reported sales price per share of our common stock on the NYSE was \$5.80. Shares of our 5.875% Series D Cumulative Preferred Stock (the Series D Preferred Shares), our 6.20% Series F Cumulative Preferred Stock (the Series F Preferred Shares), and our Series G Cumulative Preferred Stock (the Series G Preferred Shares) are traded on the NYSE under the symbol GAB PrD, GAB PrF, and GAB PrG, respectively. On September 21, 2012, the last reported sales prices per share of Series D Preferred Shares, Series F Preferred Shares, and Series G Preferred Shares on the NYSE were \$26.00, \$25.54, and \$26.55, respectively. Our Series C Auction Rate Cumulative Preferred Stock (the Series C Preferred Shares) and our Series E Auction Rate Cumulative Preferred Stock (the Series E Preferred Shares) are not traded on a stock exchange.

We have granted the underwriters a 30-day option to purchase additional Series H Preferred Shares at the public offering price, less the underwriting discounts and commissions, to cover over-allotments.

Application will be made to list the Series H Preferred Shares on the NYSE. The Series H Preferred Shares are expected to commence trading on the NYSE within thirty days of the date of issuance.

An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund's investment objectives will be achieved. You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in Series H Preferred Shares and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 800-GABELLI (422-3554) or from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>).

Investing in Series H Preferred Shares involves certain risks that are described in the Special Characteristics and Risks of the Series H Preferred Shares section of this Prospectus Supplement and the Risk Factors and Special Considerations section beginning on page 19 of the accompanying Prospectus.

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Neither the SEC nor any state securities commission has approved or disapproved these securities or determined if this Prospectus Supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 25.00	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to the Fund ⁽¹⁾	\$	\$

(1) The aggregate expenses of the offering (excluding underwriting discounts and commissions) are estimated to be \$, which represents approximately \$ per share.

The Underwriters are expected to deliver the Series H Preferred Shares in book-entry form through the Depository Trust Company on or about September , 2012.

BofA Merrill Lynch

Gabelli & Company, Inc.

The date of this Prospectus Supplement is September , 2012

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You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. Neither the Fund nor the underwriters have authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Equity Trust Inc.

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar terms, or the negative of such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors and Special Considerations section of the accompanying Prospectus and Special Characteristics and Risks of the Series H Preferred Shares in this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus as well as in the Special Characteristics and Risks of the Series H Preferred Shares section of this Prospectus Supplement. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in the Series H Preferred Shares.

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SUMMARY OF THE TERMS OF THE SERIES H PREFERRED SHARES

The Fund The Gabelli Equity Trust Inc. (the Fund) is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to achieve long-term growth of capital by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities, and warrants and rights to purchase such securities. Income is a secondary investment objective. The Fund's investment adviser is Gabelli Funds, LLC (the Investment Adviser). The Fund was organized as a Maryland corporation on May 20, 1986 and commenced its investment operations on August 21, 1986. Shares of our common stock are traded on the New York Stock Exchange (the NYSE) under the symbol GAB.

Securities Offered shares of % Series H Cumulative Preferred Stock (the Series H Preferred Shares). Series H Preferred Shares shall constitute a separate series of preferred stock of the Fund.

Dividend Rate Dividends and distributions on Series H Preferred Shares are cumulative from their original issue date at the annual rate of %.

Dividend Payment Date Holders of Series H Preferred Shares shall be entitled to receive, when, as and if declared by, or under authority granted by, the Board of Directors, out of funds legally available therefor, cumulative cash dividends and distributions. Dividends and distributions will be paid quarterly on March 26, June 26, September 26, and December 26 in each year, commencing on December 26, 2012.

Liquidation Preference \$25.00 per share.

Use of Proceeds The Fund expects to use the proceeds of the offering of the Series H Preferred Shares to redeem the outstanding shares of its 6.20% Series F Cumulative Preferred Stock (the Series F Preferred Shares). Amounts in excess of the redemption amount for all outstanding Series F Preferred Shares may be used to call other existing series of preferred stock of the Fund or for investment purposes consistent with the investment objectives of the Fund.

The Investment Adviser anticipates that any investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed in approximately three months; however, the identification of appropriate investment opportunities pursuant to the Fund's investment style or changes in market conditions may cause the investment period to extend as long as six months.

Pending such redemption and/or investment, the proceeds will be held in high quality short-term debt securities and similar instruments. See *Use of Proceeds*.

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Non-Call Period/Redemption

The Series H Preferred Shares generally may not be called for redemption at the option of the Fund prior to September , 2017. The Fund reserves the right, however, to redeem the Series H Preferred Shares at any time if it is necessary, in the judgment of the Board of Directors, to meet tax, regulatory or rating agency asset coverage requirements.

Commencing September , 2017, and thereafter, to the extent permitted by the 1940 Act and Maryland law, the Fund may at any time, upon notice of redemption, redeem the Series H Preferred Shares in whole or in part at the liquidation preference per share plus accumulated unpaid dividends through the date of redemption.

Stock Exchange Listing

Application will be made to list the Series H Preferred Shares on the NYSE. Prior to the offering, there has been no public market for Series H Preferred Shares. It is anticipated that trading on the NYSE will begin within thirty days from the date of this Prospectus Supplement. During such period, the underwriters do not intend to make a market in Series H Preferred Shares. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series H Preferred Shares will be illiquid.

Taxation/ERISA

See Taxation and Employee Benefit Plan and IRA Considerations.

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DESCRIPTION OF THE SERIES H PREFERRED SHARES

The following is a brief description of the terms of the Series H Preferred Shares. This is not a complete description and is subject to and entirely qualified by reference to the Fund's Articles Supplementary creating and fixing the rights of the Series H Preferred Shares (the "Articles"). The Articles are attached as an exhibit to post-effective amendment number [redacted] to the Fund's registration statement. Copies may be obtained as described under "Additional Information" in the accompanying Prospectus. Any capitalized terms in this section and the "Special Characteristics and Risks of the Series H Preferred Shares" section of this Prospectus Supplement that are not defined have the meaning assigned to them in the Articles.

The Fund's charter (the "Charter") authorizes its Board of Directors to reclassify any authorized but unissued shares of the Fund's capital stock, \$0.001 par value per share, without the approval of common stockholders. The Articles authorize the issuance of up to 8,000,000 Series H Preferred Shares. All Series H Preferred Shares will have a liquidation preference of \$25.00 per share. Holders of Series H Preferred Shares shall be entitled to receive cumulative cash dividends and distributions at the rate of [redacted] % per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) of the \$25.00 liquidation preference on the Series H Preferred Shares. Dividends and distributions on Series H Preferred Shares will accumulate from the date of their original issue, which is September [redacted], 2012.

The Series H Preferred Shares, when issued by the Fund and paid for pursuant to the terms of this Prospectus Supplement and the accompanying Prospectus, will be fully paid and non-assessable and will have no preemptive, exchange or conversion rights. Any Series H Preferred Shares purchased or redeemed by the Fund will be classified as authorized and unissued Series H Preferred Shares. The Board of Directors may by resolution classify or reclassify any authorized and unissued Series H Preferred Shares from time to time by setting or changing the preferences, rights, voting powers, restrictions, limitations as to dividends and distributions, qualifications or terms or conditions of redemption of such shares.

USE OF PROCEEDS

We estimate the total net proceeds of the offering to be \$ [redacted], based on the public offering price of \$25.00 per share and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by the Fund.

The Fund expects to use the proceeds of the offering of the Series H Preferred Shares to redeem the outstanding Series F Preferred Shares. Amounts in excess of the redemption amount for all outstanding Series F Preferred Shares may be used to call other existing series of preferred stock of the Fund or for investment purposes consistent with the investment objectives of the Fund.

The Investment Adviser anticipates that any investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed in approximately three months; however, the identification of appropriate investment opportunities pursuant to the Fund's investment style or changes in market conditions may cause the investment period to extend as long as six months. Pending such investment, the proceeds will be held in high quality short-term debt securities and similar instruments.

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The following table sets forth (i) the unaudited capitalization of the Fund as of June 30, 2012, (ii) the unaudited adjusted capitalization of the Fund as of the date of this Prospectus Supplement reflecting certain rights and stock offerings consummated after June 30, 2012 and (iii) the unaudited further adjusted capitalization of the Fund assuming the issuance of the Series H Preferred Shares offered in this Prospectus Supplement and the use of proceeds thereof.

	Actual	As adjusted	As further adjusted*
Preferred shares, \$0.001 par value per share. (The Actual column reflects the Fund's outstanding capitalization as of June 30, 2012; the As adjusted column reflects the Fund's outstanding capitalization as of the date of this Prospectus Supplement, giving effect to certain rights and stock offerings consummated after June 30, 2012; and the As further adjusted column assumes the issuance of 3,600,000 Series H Preferred Shares at \$25 liquidation preference per share)*	\$ 305,356,550	\$ 358,214,825	\$ 448,214,825
Shareholders' equity applicable to common shares:			
Common shares, \$0.001 par value per share; 186,201,454 shares outstanding	186,201	186,201	186,201
Paid-in surplus**	613,893,894	613,392,894	610,032,894
Accumulated net investment income	490,195	490,195	490,195
Accumulated net realized loss on investments, futures contracts and foreign currency transactions	(83,508,067)	(83,508,067)	(83,508,067)
Net unrealized appreciation on investments and foreign currency translations	456,753,368	456,753,368	456,753,368
Net assets applicable to common shares	987,815,591	987,314,591	983,954,591
Liquidation preference of preferred shares	305,356,550	358,214,825	448,214,825
Net assets, plus the liquidation preference of preferred shares	1,293,172,141	1,345,529,416	1,432,169,416

* On September 26, 2012, 2,120,000 Series F Preferred Shares will be redeemed at a liquidation preference of \$25 per share.

** As adjusted paid-in surplus reflects a deduction for the estimated solicitation fees and underwriting discounts of \$151,000 and estimated offering costs of \$350,000 for the Series G Preferred Shares, and as further adjusted paid-in surplus reflects a deduction for the estimated solicitation fees and underwriting discounts of \$2,986,000 and estimated offering costs of \$875,000 for the Series G Preferred Shares and the Series H Preferred Shares.

For financial reporting purposes, the Fund is required to deduct the liquidation preference of its outstanding preferred shares from net assets, so long as the senior securities have redemption features that are not solely within the control of the Fund. For all regulatory purposes, shares of the Fund's preferred stock will be treated as equity (rather than debt).

ASSET COVERAGE RATIO

Pursuant to the 1940 Act, the Fund generally will not be permitted to declare any dividend, or declare any other distribution, upon any outstanding shares of common stock, or purchase any such common stock, unless, in every such case, all shares of preferred stock issued by the Fund have at the time of declaration of any such dividend or distribution or at the time of any such purchase an asset coverage of at least 200% (1940 Act Asset Coverage Requirement) after deducting the amount of such dividend, distribution, or purchase price, as the case may be. As of the date of this Prospectus Supplement, all of the Fund's outstanding shares of preferred stock are expected to have asset coverage on the date of issuance of the Series H Preferred Shares of approximately 320%.

In addition to the 1940 Act Asset Coverage Requirement, the Fund is subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which have issued ratings for certain of the preferred shares and may issue a rating for the Series H Preferred Shares.

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SPECIAL CHARACTERISTICS AND RISKS OF THE SERIES H PREFERRED SHARES

Dividends

Holders of Series H Preferred Shares shall be entitled to receive cumulative cash dividends and distributions at the rate of % per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) of the \$25.00 liquidation preference on the Series H Preferred Shares. Dividends and distributions on Series H Preferred Shares will accumulate from the date of their original issue, which is September , 2012.

Dividends and distributions will be payable quarterly on March 26, June 26, September 26 and December 26 in each year (each a Dividend Payment Date) commencing on December 26, 2012 (or, if any such day is not a business day, then on the next succeeding business day) to holders of record of Series H Preferred Shares as they appear on the stock register of the Fund at the close of business on the fifth preceding business day. Dividends and distributions on Series H Preferred Shares shall accumulate from the date on which the shares are originally issued. Each period beginning on and including a Dividend Payment Date (or the date of original issue, in the case of the first dividend period after issuance of the Series H Preferred Shares) and ending on but excluding the next succeeding Dividend Payment Date is referred to herein as a Dividend Period. Dividends and distributions on account of arrears for any past Dividend Period or in connection with the redemption of Series H Preferred Shares may be declared and paid at any time, without reference to any Dividend Payment Date, to holders of record on such date as shall be fixed by the Board of Directors.

No full dividends or distributions will be declared or paid on Series H Preferred Shares for any Dividend Period or part thereof unless full cumulative dividends and distributions due through the most recent Dividend Payment Dates therefor for all series of preferred stock of the Fund ranking on a parity with the Series H Preferred Shares as to the payment of dividends and distributions have been or contemporaneously are declared and paid through the most recent Dividend Payment Dates therefor. If full cumulative dividends and distributions due have not been paid on all outstanding shares of the Fund s preferred stock, any dividends and distributions being paid on such shares of preferred stock (including the Series H Preferred Shares) will be paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on each such series of preferred stock on the relevant Dividend Payment Date.

Restrictions on Dividend, Redemption and Other Payments. Under the 1940 Act, the Fund is not permitted to issue preferred stock (such as the Series H Preferred Shares) unless immediately after such issuance the Fund will have an asset coverage of at least 200% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities representing stock of a closed-end investment company as a condition of declaring distributions, purchases or redemptions of its shares). In general, the term asset coverage for this purpose means the ratio the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness of the Fund plus the aggregate of the involuntary liquidation preference of the preferred shares. The involuntary liquidation preference refers to the amount to which the preferred shares would be entitled on the involuntary liquidation of the Fund in preference to a security junior to them. The Fund also is not permitted to declare any cash dividend or other distribution on its common stock or purchase its common stock unless, at the time of such declaration or purchase, the Fund satisfies this 200% asset coverage requirement after deducting the amount of the distribution or purchase price, as applicable.

In addition, the Fund may be limited in its ability to declare any cash distribution on its capital stock (including the Series H Preferred Shares) or purchase its capital stock (including the Series H Preferred Shares) unless, at the time of such declaration or purchase, the Fund has an asset coverage on its indebtedness, if any, of at least 300% after deducting the amount of such distribution or purchase price, as applicable. The 1940 Act contains an exception, however, that permits dividends to be declared upon any preferred stock issued by the Fund (including the Series H Preferred Shares) if the Fund s indebtedness has an asset coverage of at least 200% at the time of declaration after deducting the amount of the dividend. In general, the term asset coverage for

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this purpose means the ratio which the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness of the Fund.

The term *senior security* does not include any promissory note or other evidence of indebtedness in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the Fund at the time when the loan is made. A loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 days and is not extended or renewed; otherwise it is presumed not to be for temporary purposes. For purposes of determining whether the 200% and 300% asset coverage requirements described above apply in connection with dividends or distributions on or purchases or redemptions of Series H Preferred Shares, the asset coverages may be calculated on the basis of values calculated as of a time within 48 hours (not including Sundays or holidays) next preceding the time of the applicable determination.

Voting Rights

Except as otherwise provided in the Fund's governing documents or a resolution of the Board of Directors or its delegatee, or as required by applicable law, holders of Series H Preferred Shares shall have no power to vote on any matter except matters submitted to a vote of the Fund's shares of common stock. In any matter submitted to a vote of the holders of the shares of common stock, each holder of Series H Preferred Shares shall be entitled to one vote for each Series H Preferred Share held and the holders of all outstanding shares of preferred stock, including Series H Preferred Shares, and the shares of common stock shall vote together as a single class; provided, however, that at any meeting of the stockholders of the Fund held for the election of Directors, the holders of the outstanding shares of preferred stock, including Series H Preferred Shares, shall be entitled, as a class, to the exclusion of the holders of all other classes of capital stock of the Fund, to elect a number of Fund directors, such that following the election of directors at the meeting of the stockholders, the Fund's Board of Directors shall contain two directors elected by the holders of the outstanding shares of preferred stock, including the Series H Preferred Shares.

During any period in which any one or more of the conditions described below shall exist (such period being referred to herein as a *Voting Period*), the number of directors constituting the Board of Directors shall be increased by the smallest number of additional directors that, when added to the two directors elected exclusively by the holders of outstanding shares of preferred stock, would constitute a simple majority of the Board of Directors as so increased by such smallest number, and the holders of outstanding shares of preferred stock, including the Series H Preferred Shares, voting separately as one class (to the exclusion of the holders of all other classes of capital stock of the Fund) shall be entitled to elect such smallest number of additional directors. The Fund and the Board of Directors shall take all necessary actions, including amending the Fund's governing documents, to effect an increase in the number of directors as described in the preceding sentence. A *Voting Period* shall commence:

- (i) if at any time accumulated dividends and distributions on the outstanding Series H Preferred Shares equal to at least two full years dividends and distributions shall be due and unpaid; or
- (ii) if at any time holders of any other shares of preferred stock are entitled to elect a majority of the Directors of the Fund under the 1940 Act or articles supplementary or other instrument creating such shares.

Redemption

Mandatory Redemption. Under certain circumstances, the Series H Preferred Shares will be subject to mandatory redemption by the Fund out of funds legally available therefor in accordance with the Articles and applicable law.

If the Fund fails to have asset coverage, as determined in accordance with Section 18(h) of the 1940 Act, of at least 200% with respect to all outstanding senior securities of the Fund which are stock, including all

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outstanding Series H Preferred Shares (or such other asset coverage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities which are stock of a closed-end investment company as a condition of declaring dividends on its common stock), and such failure is not cured as of the cure date specified in the Articles, (i) the Fund shall give a notice of redemption with respect to the redemption of a sufficient number of preferred shares, which at the Fund's determination (to the extent permitted by the 1940 Act and Maryland law) may include any proportion of Series H Preferred Shares, to enable it to meet the asset coverage requirements, and, at the Fund's discretion, such additional number of Series H Preferred Shares or other preferred stock in order for the Fund to have asset coverage with respect to the Series H Preferred Shares and any other preferred stock remaining outstanding after such redemption as great as 210%, and (ii) deposit an amount with Computershare Trust Company, N.A., and its successors or any other dividend-disbursing agent appointed by the Fund, having an initial combined value sufficient to effect the redemption of the Series H Preferred Shares or other preferred stock to be redeemed.

On such cure date, the Fund shall redeem, out of funds legally available therefor, the number of preferred shares, which, to the extent permitted by the 1940 Act and Maryland law, at the option of the Fund may include any proportion of Series H Preferred Shares or any other series of preferred stock, equal to the minimum number of shares the redemption of which, if such redemption had occurred immediately prior to the opening of business on such cure date, would have resulted in the Fund having asset coverage immediately prior to the opening of business on such cure date in compliance with the 1940 Act or, if asset coverage cannot be so restored, all of the outstanding Series H Preferred Shares, at a price equal to \$25.00 per share plus accumulated but unpaid dividends and distributions (whether or not earned or declared by the Fund) through the date of redemption.

Optional Redemption. Prior to September 1, 2017, the Series H Preferred Shares are not subject to optional redemption by the Fund unless the redemption is necessary, in the judgment of the Board of Directors, to maintain the Fund's status as a regulated investment company under Subchapter M of the Internal Revenue Code. Commencing September 1, 2017 and thereafter, to the extent permitted by the 1940 Act and Maryland law, the Fund may at any time upon notice redeem the Series H Preferred Shares in whole or in part at a price equal to the liquidation preference per share plus accumulated but unpaid dividends through the date of redemption.

Liquidation

In the event of any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the holders of Series H Preferred Shares shall 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 shall be made in respect of the Fund's common stock or any other stock of the Fund ranking junior to the Series H Preferred Shares as to liquidation payments, a liquidation distribution in the amount of \$25.00 per share (the Liquidation Preference), plus an amount equal to all unpaid dividends and distributions 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 shall be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up of the Fund.

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 Series H Preferred Shares, and any other outstanding shares of a class or series of the Fund's preferred stock ranking on a parity with the Series H Preferred Shares as to payment upon liquidation, shall be insufficient to permit the payment in full to such holders of Series H Preferred Shares of the Liquidation Preference plus accumulated and unpaid dividends and distributions and the amounts due upon liquidation with respect to such other preferred stock of the Fund, then such available assets shall be distributed among the holders of Series H Preferred Shares and such other preferred stock of the Fund ratably in proportion to the respective preferential liquidation amounts to which they are entitled. Unless and until the Liquidation Preference plus accumulated and unpaid dividends and distributions has been paid in full to the holders of Series H Preferred Shares, no dividends or distributions will be made to holders of the Fund's common stock or any other stock of the Fund ranking junior to the Series H Preferred Shares as to liquidation.

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Stock Exchange Listing

Application will be made to list the Series H Preferred Shares on the NYSE. The Series H Preferred Shares are expected to commence trading on the NYSE within thirty days of the date of issuance.

Risks

Risk is inherent in all investing. Therefore, before investing in the Series H Preferred Shares you should consider the risks carefully. See Risk Factors and Special Considerations in the Prospectus. Primary risks associated with an investment in the Series H Preferred Shares include:

Market Price Risk. The market price for the Series H Preferred Shares will be influenced by changes in interest rates, the perceived credit quality of the Series H Preferred Shares and other factors, and may be higher or lower than the liquidation preference of the Series H Preferred Shares. There is currently no market for the Series H Preferred Shares.

Liquidity Risk. Currently, there is no public market for the Series H Preferred Shares. As noted above, an application will be made to list the Series H Preferred Shares on the NYSE. However, during an initial period which is not expected to exceed thirty days after the date of its issuance, the Series H Preferred Shares will not be listed on any securities exchange. During such period, the underwriters do not intend to make a market in the Series H Preferred Shares. No assurances can be provided that listing on any securities exchange or market making by the underwriters will result in the market for Series H Preferred Shares being liquid at any time.

Redemption Risk. The Fund may at any time redeem Series H Preferred Shares to the extent necessary to meet regulatory asset coverage requirements or requirements imposed by credit rating agencies. For example, if the value of the Fund's investment portfolio declines, thereby reducing the asset coverage for the Series H Preferred Shares, the Fund may be obligated under the terms of the Series H Preferred Shares to redeem some or all of the Series H Preferred Shares. In addition, commencing September 1, 2017, the Fund will be able to call the Series H Preferred Shares at the option of the Fund. Investors may not be able to reinvest the proceeds of any redemption in an investment providing the same or a higher dividend rate than that of the Series H Preferred Shares.

The Series H Preferred Shares are not a debt obligation of the Fund. The Series H Preferred Shares are junior in respect of distributions and liquidation preference to any indebtedness incurred by the Fund, and are of the same ranking as the distributions and liquidation preference of the Series C Preferred Shares, Series D Preferred Shares, Series E Preferred Shares, Series F Preferred Shares, and Series G Preferred Shares. 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 H Preferred Shares for the full redemption price.

Credit Rating Risk. The Fund is seeking a credit rating on the Series H Preferred Shares. Any credit rating that is issued on the Series H Preferred Shares could be reduced or withdrawn while an investor holds Series H Preferred Shares. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series H Preferred Shares. In addition, a credit rating does not eliminate or mitigate the risks of investing in the Series H Preferred Shares.

Distribution Risk. The Fund may not meet the asset coverage requirements or earn sufficient income from its investments to make distributions on the Series H Preferred Shares.

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TAXATION

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

In the event that for any calendar year the total distributions on shares of the Fund's preferred stock exceed the Fund's current and accumulated earnings and profits allocable to such 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 the shares). The amount treated as a tax-free return of capital will reduce a stockholder's adjusted tax basis in the preferred stock, thereby increasing the stockholder's potential taxable gain or reducing the potential taxable loss on the sale or redemption of the stock. The Fund did not make return of capital distributions to its preferred stockholders during the year ended December 31, 2011.

In addition, the discussion of the Taxation of the Fund in the Fund's Statement of Additional Information is supplemented as follows:

In certain situations, the Fund may, for a taxable year, defer all or a portion of its net capital loss realized after October and its late-year ordinary loss (defined generally as the excess of (i) post-October foreign currency and passive foreign investment company (PFIC) mark-to-market losses, other post-October ordinary losses from the sale of property and other post-December ordinary losses over (ii) post-October foreign currency and PFIC mark-to-market gains, other post-October ordinary gains from the sale of property and other post-December ordinary income) until the next taxable year in computing its investment company taxable income and net capital gain, which will defer the recognition of such realized losses. Such deferrals and other rules regarding gains and losses realized after October (or December) may affect the tax character of stockholder distributions.

Please refer to the Taxation sections in the accompanying Prospectus and Statement of Additional Information for a description of additional consequences of investing in the shares of preferred stock of the Fund.

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EMPLOYEE BENEFIT PLAN AND IRA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Series H Preferred Shares by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), plans, individual retirement accounts (IRAs) and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the Code), and entities whose underlying assets are considered to include plan assets of any such plan, account or arrangement (each, a Benefit Plan).

ERISA and the Code impose certain duties on persons who are fiduciaries of a Benefit Plan and prohibit certain transactions involving the assets of a Benefit Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Benefit Plan or the management or disposition of the assets of such a Benefit Plan, or who renders investment advice for a fee or other compensation to such a Benefit Plan, is generally considered to be a fiduciary of the Benefit Plan.

In considering an investment in the Series H Preferred Shares of a portion of the assets of any Benefit Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Benefit Plan and the applicable provisions of ERISA and Section 4975 of the Code relating to a fiduciary's duties to the Benefit Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA and the Code. The purchase of Series H Preferred Shares by a fiduciary for a Benefit Plan should be considered in light of such fiduciary requirements.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Benefit Plan and certain persons (referred to as parties in interest for purposes of ERISA and disqualified persons for purposes of the Code) having certain relationships to such Benefit Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a nonexempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code (or with respect to certain Benefit Plans, such as IRAs, a prohibited transaction may cause the Benefit Plan to lose its tax-exempt status). In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions (PTCEs) that may apply to the purchase of the Series H Preferred. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, PTCE 84-24 governing purchases of shares in investment companies) and PTCE 75-1 respecting sales of securities. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code each provides a limited exemption, commonly referred to as the service provider exemption, from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between a Benefit Plan and a person that is a party in interest and/or a disqualified person (other than a fiduciary or an affiliate that, directly or indirectly, has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Benefit Plan involved in the transaction) solely by reason of providing services to the Benefit Plan or by relationship to a service provider, provided that the Benefit Plan receives no less, nor pays no more, than adequate consideration. There can be no assurance that all of the conditions of any such exemptions or any other exemption will be satisfied at the time that the Series H Preferred Shares are acquired, or thereafter while the Series H Preferred Shares are held, if the facts relied upon for utilizing a prohibited transaction exemption change.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Series H Preferred Shares on behalf of, or with the assets of, any Benefit Plan, consult with their counsel regarding the potential applicability of ERISA and Section 4975 of the Code to such investment and whether an exemption would be applicable to the purchase of the Series H Preferred Shares.

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UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative of each of the underwriters named below. Subject to the terms and conditions set forth in a firm commitment underwriting agreement among the Fund, the Investment Adviser and the underwriters, the Fund has agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from the Fund, the number of Series H Preferred Shares set forth opposite its name below.

<u>Underwriter</u>	Number of Shares of Series H Preferred Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the Series H Preferred Shares sold under the underwriting agreement if any of the Series H Preferred Shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

The Fund and the Investment Adviser have each agreed to indemnify the underwriters and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the Series H Preferred Shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Series H Preferred Shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have granted to the underwriters an option, exercisable for 30 days from the date of this Prospectus Supplement, to purchase up to additional Series H Preferred Shares at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

Commissions and Discounts

The representative has advised us that the underwriters propose initially to offer the Series H Preferred Shares to the public at the public offering price set forth on the cover page of this Prospectus Supplement and to certain dealers at such price less a concession not in excess of \$ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The expenses of the offering, not including the underwriting discount, are estimated at \$ and are payable by the Fund.

Application will be made to list the Series H Preferred Shares on the NYSE. Prior to the offering, there has been no public market for the Series H Preferred Shares. The Series H Preferred Shares are expected to commence trading on the NYSE within thirty days of the date of issuance. During such period, the underwriters do not intend to make a market in the Series H Preferred Shares. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series H Preferred Shares will be illiquid.

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If a secondary trading market develops prior to the commencement of trading on the NYSE, holders of the Series H Preferred Shares may be able to sell such shares only at substantial discounts from the liquidation preference of the Series H Preferred Shares.

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No Sales of Similar Securities

The Fund and the Investment Adviser have agreed that the Fund will not, for a pe