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Gabelli & Company, Inc.
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What's Right About Rights

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To raise additional capital, rights offerings have historically been a fair and efficient method. This method is widely used in England. A traditional rights offering allows an issuer's shareholders to participate directly in the growth of that issuer by purchasing additional common shares at a set subscription price. We will discuss some of the basic issues of rights offerings and how they relate to our Gabelli Closed-End Funds in a question and answer format below.

Rights Offering – Q&A

Q: What are rights?

Rights are privileges granted to existing shareholders of a corporation (in our case a Gabelli Closed-End Fund) to subscribe to shares of a new issue of common stock. These rights represent short-term options granted by the corporation which the shareholder has the option of exercising.

Q: What is the history of rights offerings?

Rights offerings have been used in Europe since the late 17th century following the commencement of the London Stock Exchange. In England, rights offerings are commonplace and well-regarded by shareholders, and represent an integral part of its capital markets. While underwritten public offerings have been the preferred method of raising capital in the U.S., rights offerings have become more understood and more widely used. Today, rights offerings are even more common in the U.S. and we expect that their frequency and effectiveness will increase.

Q: What is a rights offering as it relates to closed-end funds?

A rights offering is an opportunity for shareholders to purchase additional shares of a publicly traded company or mutual fund at a specified price - the "subscription price" - with a nominal commission. To attract shareholder interest, the subscription price is set at a discount to the current market price. Although shareholders are not required to purchase additional shares, they are given the opportunity, or "right", to purchase shares based on the number of underlying shares they own on the record date. Rights may either be transferable or non-transferable and the offering may or may not be underwritten with a commitment by the underwriter to buy what is not subscribed for.

Q: What are transferable rights versus non-transferable rights?

Non-transferable rights have no value other than that they may be exercised and do not trade on any exchange.

Transferable rights may trade on an exchange and afford the non-subscribing shareholder the option of selling their rights on the exchange or through the transfer agent. Selling the rights allows a non-subscribing shareholder to recoup much of the dilution that may otherwise occur. A non-transferable rights offering does not permit such an offset so that non-subscribing shareholders could experience full dilution.

Q: How is a rights offering beneficial to shareholders?

The Fund shareholder benefits from the opportunity to purchase additional shares with no commission if shares are held directly with the Fund or, in some instances, with a nominal charge from their broker. Thus, an investor is able to put more financial assets to work in an investment discipline in which she or he believes and which has performed well over an extended period of time. The additional capital that is raised by the Fund is used to position the portfolio to more fully take advantage of new investment opportunities. Increasing the asset size of the Fund may also result in lowering the Fund's expenses as a percentage of average net assets.

Q: How is a Gabelli Funds rights offering better than other rights offerings by closed-end funds?

There are two types of rights offerings a closed-end fund may use to raise additional capital: the direct offering method and the firm-underwritten method. The Gabelli Funds utilize a direct offering method to realize the relative cost advantages associated with this approach as compared to a firm-underwritten offering. A direct offering avoids costly underwriting and distribution service fees that lessen shareholder value.

Q: Are the shareholders in favor of rights offerings?

We have received numerous requests from the shareholders of our Funds for rights offerings. Our shareholders have been overwhelmingly in favor of rights offerings and look forward to future ones. This interest was evidenced by the oversubscribed rights offerings that the Equity Trust had in 1991, 1992, 1993, 1995 and 2001. Additional confirmation is evident from the Gabelli Global Multimedia Trust's (which was spun-off from the Equity Trust in 1994) oversubscribed rights offerings in 1995 and 2000 and the Gabelli Utility Trust's (which was spun-off from the Equity Trust in 1999) oversubscribed rights offering in 2002. This interest was further confirmed with the response to the Gabelli Equity Trust shareholder vote in 1993 in which shareholders voted 90% in favor to provide rights offerings.

Q. How did the Gabelli Funds fare in their previous rights offering?

The Gabelli Funds have conducted eight previous rights offerings. The following compares the total subscriptions received with the amount sought for the previous rights offerings:

Year	Fund	Amount Sought ($ Millions)	Subscriptions Received ($ Millions)
1991	Equity Trust	$63	$136
1992	Equity Trust	$76	$165
1993	Equity Trust	$93	$176
1995	Multimedia Trust	$18	$44
1995	Equity Trust	$119	$200
2000	Multimedia Trust	$46	$86
2001	Equity Trust	$126	$225
2002	Utility Trust	$28	$50

Q: Why do members of the news media say that a rights offering is dilutive?

Dilution may be experienced by shareholders who do not fully exercise their rights. The dilution is the result of issuing new shares below the then current net asset value. This causes the number of shares outstanding to increase at a percentage rate greater than the increase in the Fund's assets. To avoid dilution, a shareholder should fully subscribe to all shares made available based on the subscription ratio. If a shareholder does not exercise his or her rights, and sells the rights at their intrinsic value, the shareholder will not experience dilution. However, a failure to sell rights or a sale below intrinsic value results in dilution when the subscription price is below the net asset value.

Q. Were shareholders able to sell their rights in the past rights offering from Gabelli Funds?

Registered shareholders of the Gabelli Funds had the option of selling all or a portion of their rights by designating this desire on the Subscription Certificate that accompanied the Prospectus. The certificate must have been returned to Equiserve Trust Company by the end of the offering period at the designated address.

Those who held shares through a broker could simply have made the broker aware of their desire to sell or exercise the rights.

Q. What were the transaction costs on the sale of the rights?

Rights were sold through Equiserve Trust Company with no fees and only a nominal commission; however, certain brokerage firms may have charged a transaction fee to sell or exercise rights.

Q: What if my total number of rights is not evenly divisible by the number of rights required to purchase an additional share?

The Fund will automatically round up shareholders' rights allocation so that the total number of rights a shareholder is granted is evenly divisible by the number of rights required to purchase an additional share.

For more information, visit our website at:

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