

## PROSPECTUS



# The Gabelli Global Multimedia Trust Inc.

**4,525,223 Shares of Common Stock  
Issuable Upon Exercise of 13,575,669  
Rights to Subscribe for Such Shares**

The Gabelli Global Multimedia Trust Inc. (the "Fund") is issuing transferable subscription rights ("Rights") to its shareholders of common stock of record as of March 29, 2011 (the "Record Date"). These Rights will allow you to subscribe for new shares of common stock of the Fund (each, a "Share," and collectively, "Shares") in an aggregate amount of approximately 4,525,223 Shares (the "Offer"). For every three Rights that you receive, you may buy one new Share of the Fund plus, in certain circumstances and only if you are a shareholder on the Record Date for the Offer, additional Shares pursuant to an over-subscription privilege. The number of Rights to be issued to a shareholder on the Record Date will be rounded up to the nearest number of Rights evenly divisible by three. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, new Shares may be purchased only pursuant to the exercise of Rights in integral multiples of three.

The Rights are transferable and will be admitted for trading on the New York Stock Exchange ("NYSE") under the symbol "GGT RT" during the course of the Offer. The Fund's Shares are currently listed, and the Shares issued in this Offer will also be listed, on the NYSE under the symbol "GGT." On March 21, 2011, the last reported net asset value per Share was \$9.45, and the last reported sales price per Share on the NYSE was \$8.61. The purchase price per Share will be \$7.00 (the "Subscription Price"). The Offer will expire at 5:00 p.m., Eastern Time, on April 26, 2011, unless the Offer is extended as described in this Prospectus (the "Expiration Date"). **Rights acquired in the secondary market may not participate in the over-subscription privilege.**

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 long-term growth of capital, primarily through investment in a portfolio of common stock and other securities of foreign and domestic companies involved in the telecommunications, media, publishing and entertainment industries. Income is a secondary objective of the Fund. Gabelli Funds, LLC (the "Investment Adviser") serves as investment adviser to the Fund. An investment in the Fund is not appropriate for all investors. No assurances can be given that the Fund's objectives will be achieved. The Fund has outstanding two series of preferred stock which have resulted in a leveraged capital structure. For a discussion of the effects and certain risks associated with the use of leverage, see "Description of Capital Stock — Effects of Leverage" and "Risk Factors and Special Considerations — Leverage Risk." The address of the Fund is One Corporate Center, Rye, New York 10580-1422, and its telephone number is (914) 921-5070.

**Exercising your Rights and investing in the Fund's Shares involves a high degree of risk and may be considered speculative. Before exercising your Rights and investing in the Fund's Shares, you should read the discussion of the material risks of investing in the Fund in "Risk Factors and Special Considerations" beginning on page 33 of the Prospectus. Certain of these risks are summarized in the "Prospectus Summary — Risk Factors and Special Considerations" beginning on page 5 of the Prospectus.**

**SHAREHOLDERS WHO DO NOT EXERCISE THEIR RIGHTS MAY, AT THE COMPLETION OF THE OFFER, OWN A SMALLER PROPORTIONAL INTEREST IN THE FUND THAN IF THEY EXERCISED THEIR RIGHTS. AS A RESULT OF THE OFFER, YOU MAY EXPERIENCE DILUTION OR ACCRETION OF THE AGGREGATE NET ASSET VALUE OF YOUR SHARES DEPENDING UPON WHETHER THE FUND'S NET ASSET VALUE PER SHARE IS ABOVE OR BELOW THE SUBSCRIPTION PRICE ON THE EXPIRATION DATE. THE FUND CANNOT STATE PRECISELY THE EXTENT OF ANY DILUTION OR ACCRETION AT THIS TIME BECAUSE THE FUND DOES NOT KNOW WHAT THE NET ASSET VALUE PER SHARE WILL BE WHEN THE OFFER EXPIRES OR WHAT PROPORTION OF THE RIGHTS WILL BE EXERCISED.**

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.

These securities have not been approved or disapproved by any securities regulatory authority in Canada. This offering will not be made in any province in Canada where it is not permitted by law.

Any Shares issued as a result of the Offer will not be record date shares for the Fund's 2011 annual shareholder meeting scheduled to be held on May 16, 2011, which has a record date of March 21, 2011, and those shares will not be deemed outstanding for quorum purposes or be able to be voted at that meeting.

	<u>Per Share</u>	<u>Total</u>
Subscription price of Shares to shareholders exercising Rights . . . . .	\$ 7.00	\$31,676,561
Underwriting discounts and commissions . . . . .	None	None
Proceeds, before expenses, to the Fund(1) . . . . .	\$ 7.00	\$31,676,561

(1) Before deduction of expenses incurred by the Fund, estimated at \$600,000. After deducting the estimated expenses, the net proceeds to the Fund are \$31,076,561.

Assuming all Shares offered are purchased, the proportionate interest held by non-exercising shareholders will decrease by one-third upon completion of the Offer. As with any stock, the price of the Fund's Shares fluctuate with market conditions and other factors. The Shares are currently trading at a discount to their net asset value. Since the inception of the Fund, the Shares have traded at discounts of as much as 31%. As described more fully in this Prospectus, Shareholders on the Record Date ("Record Date Shareholders") who fully exercise all Rights initially issued to them are entitled to buy those Fund Shares referred to as "primary over-subscription shares," that were not purchased by other Rights holders. If enough primary over-subscription shares are available, all such requests will be honored in full. If the requests for primary over-subscription shares exceed the primary over-subscription shares available, the available primary over-subscription shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. The Investment Adviser's parent company, GAMCO Investors, Inc., and its affiliates (the "Affiliated Parties"), may purchase Shares through the primary subscription and the over-subscription privilege. Mr. Mario J. Gabelli, who may be deemed to control the Investment Adviser, or his affiliated entities, may also purchase additional Shares through the primary subscription and over-subscription privilege on the same terms as other shareholders. Such over-subscriptions by Affiliated Parties and Mr. Gabelli may disproportionately increase their already existing ownership, resulting in a higher percentage ownership of outstanding Shares if any Record Date Shareholder fails to fully exercise its Rights. In addition, the Fund's largest shareholders, Record Date Shareholders of more than 5% of the outstanding shares of common stock of the Funds, may increase their percentage ownership of the Fund through the exercise of the primary subscription and over-subscription privilege.

The Shares are expected to be ready for delivery in book-entry form through the Depository Trust Company on or about May 3, 2011. If the Offer is extended, the Shares are expected to be ready for delivery in book-entry form through the Depository Trust Company on or about May 5, 2011.

Please read this Prospectus carefully before investing and retain it for future reference. It contains important information that a prospective investor should know before investing in the Fund.

A Statement of Additional Information (the "SAI"), dated March 21, 2011, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the Fund's Annual and Semi-Annual Reports, the SAI, the table of contents of which is on page 61 of this Prospectus, request other information about us, and make shareholder inquiries by calling (800) GABELLI (422-3554), or by writing to the Fund, or obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission's website at <http://www.sec.gov>. For additional information all holders of Rights should contact the Information Agent, Georgeson, toll-free at (866) 257-5415 or please send written request to: Georgeson, Floor 26, 199 Water Street, New York, NY 10038.

The date of this Prospectus is March 21, 2011.

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## CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the SAI contain “forward-looking statements.” Forward-looking statements can be identified by the words “may,” “will,” “intend,” “expect,” “estimate,” “continue,” “plan,” “anticipate,” and similar terms and the negative of such terms. 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 the Fund’s actual results are the performance of the portfolio of securities the Fund holds, the conditions in the U.S. and international financial and other markets, the price at which the Fund’s Shares will trade in the public markets and other factors discussed in the Fund’s periodic filings with the SEC.

Actual results could differ materially from those projected or assumed in the forward-looking statements. The Fund’s 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 this Prospectus. All forward-looking statements contained or incorporated by reference in this Prospectus are made as of the date of this Prospectus. Except for the Fund’s ongoing obligations under the federal securities laws, the Fund does not intend, and it undertakes no obligation, to update any forward-looking statement.

Currently known risk factors that could cause actual results to differ materially from the Fund’s expectations include, but are not limited to, the factors described in the “Risk Factors and Special Considerations” section of this Prospectus. You are urged to review carefully that section for a more complete discussion of the risks of an investment in the Fund’s Shares.

**The information contained in this Prospectus speaks only as of the date of this Prospectus unless the information specifically indicates that another date applies. No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Fund.**

## PROSPECTUS SUMMARY

*This summary highlights some information that is described more fully elsewhere in this Prospectus. It may not contain all of the information that is important to you. To understand the Offer fully, you should read the entire document carefully, including the risk factors which can be found on page 33, under the heading “Risk Factors and Special Considerations.”*

### The Fund

The Gabelli Global Multimedia Trust Inc. is a non-diversified, closed-end management investment company organized as a Maryland corporation on May 31, 1994. Throughout this Prospectus, we refer to The Gabelli Global Multimedia Trust Inc. as the “Fund,” or as “we.”

The Fund’s outstanding shares of common stock, par value \$0.001 per share, are listed on the New York Stock Exchange (the “NYSE”) under the symbol “GGT.” As of December 31, 2010, the net assets of the Fund attributable to its common stock were \$124,475,363. As of December 31, 2010, the Fund had outstanding 13,575,669 shares of common stock; 791,014 shares of 6.00% Series B Cumulative Preferred Stock, liquidation preference \$25 per share (the “Series B Preferred”); and 600 shares of Series C Auction Rate Preferred Stock, liquidation preference \$25,000 per share (the “Series C Auction Rate Preferred,” and together with the Series B Preferred, the “Preferred Stock”). The Fund completed its redemption of its 7.92% Tax Advantaged Cumulative Preferred Stock (the “Series A Preferred”) on April 2, 2003. The Series B Preferred and Series C Auction Rate Preferred have the same seniority with respect to distributions and liquidation preference.

### Purpose of the Offer

The Board of Directors of the Fund (the “Board”) has determined that it would be in the best interest of the Fund and its existing shareholders to increase the assets of the Fund so that the Fund may be in a better position to take advantage of investment opportunities that may arise without having to reduce existing Fund holdings. The Offer seeks to reward existing shareholders by giving them the opportunity to purchase additional Shares at a price that may be below market and/or net asset value without incurring any commission or charge. The distribution of the Rights, which themselves may have intrinsic value, will also give non-participating shareholders the potential of receiving a cash payment upon the sale of their Rights, which may be viewed as partial compensation for the possible dilution of their interests in the Fund as a result of the Offer.

The Board believes that increasing the size of the Fund may result in certain economies of scale which may lower the Fund’s expenses as a proportion of average net assets because the Fund’s fixed costs can be spread over a larger asset base. There can be no assurance that by increasing the size of the Fund, the Fund’s expense ratio will be lowered. The Board also believes that a larger number of outstanding Shares and a larger number of beneficial owners of Shares could increase the level of market interest in and visibility of the Fund, and improve the trading liquidity of the Fund’s shares on the NYSE.

### Important Terms of the Offer

Total number of Shares available for primary subscription . . . . .	4,525,223
Number of Rights you will receive for each outstanding Share you own on the Record Date . . . . .	One Right for every one Share*
Number of Shares you may purchase with your Rights at the Subscription Price per Share . . . .	One Share for every three Rights**
Subscription Price . . . . .	\$7.00

\* The number of Rights to be issued to a shareholder on the Record Date will be rounded up to the nearest number of Rights evenly divisible by three.

\*\* Holders of Rights on the Record Date may be able to acquire additional Shares pursuant to the over-subscription privilege, if offered, in certain circumstances (as described below).

**Shareholder inquiries should be directed to:  
Georgeson, toll-free at (866) 257-5415  
or Gabelli Funds  
(800) GABELLI (422-3554)**

### **Over-Subscription Privilege**

Shareholders on the Record Date (“Record Date Shareholders”) who fully exercise all Rights initially issued to them are entitled to buy those Shares, referred to as “primary over-subscription shares,” that were not purchased by other Rights holders at the same Subscription Price. If enough primary over-subscription shares are available, all such requests will be honored in full. If the requests for primary over-subscription shares exceed the primary over-subscription shares available, the available primary over-subscription shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Shares acquired pursuant to the over-subscription privilege are subject to allotment.

In addition, in the event that the Fund’s per Share net asset value at the end of the Subscription Period (described below) is equal to or less than the Subscription Price, the Fund, in its sole discretion, may determine to issue additional Shares in an amount of up to 20% of the Shares issued pursuant to the primary subscription, referred to as “secondary over-subscription shares.” Should the Fund determine to issue some or all of the secondary over-subscription shares, they will be allocated only among Record Date Shareholders who submitted over-subscription requests. Secondary over-subscription shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. **Rights acquired in the secondary market may not participate in the over-subscription privilege.**

Notwithstanding the above, the Board has the right in its absolute discretion to eliminate the over-subscription privilege with respect to either or both primary over-subscription shares and secondary over-subscription shares if it considers it to be in the best interest of the Fund to do so. The Board may make that determination at any time, without prior notice to Rights holders or others, up to and including the seventh day following the Expiration Date. See “The Offer — Over-Subscription Privilege.”

### **Method for Exercising Rights**

Rights may be exercised by completing and signing the reverse side of the subscription certificate evidencing the Rights (the “Subscription Certificate”) and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to Computershare Trust Company N.A. (the “Rights Agent”), together with payment for the Shares as described below under “Payment for Shares.” Rights may also be exercised through a Rights holder’s broker, who may charge the Rights holder a servicing fee in connection with such exercise. See “The Offer — Method for Exercise of Rights” and “The Offer — Payment for Shares.”

### **Sale of Rights**

The Rights are transferable until the completion of the Subscription Period and will be admitted for trading on the NYSE. Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE will begin three Business Days prior to the Record Date and may be conducted until the close of trading on the last NYSE trading day prior to the completion of the Subscription Period. For purposes of this Prospectus, a “Business Day” shall mean any day on which trading is conducted on the NYSE.

The value of the Rights, if any, will be reflected by the market price. Rights may be sold by individual holders or may be submitted to the Rights Agent for sale. Any Rights submitted to the Rights Agent for sale must be received by the Rights Agent on or before April 21, 2011, two Business Days prior to the completion of the Subscription Period, due to normal settlement procedures.



Rights that are sold will not confer any right to acquire any Shares in the primary or secondary over-subscription, and any Record Date Shareholder who sells any Rights will not be eligible to participate in the primary or secondary over-subscription.

Trading of the Rights on the NYSE will be conducted on a when-issued basis until and including the date on which the Subscription Certificates are mailed to Record Date Shareholders and thereafter, will be conducted on a regular way basis until and including the last NYSE trading day prior to the completion of the Subscription Period. The Shares will begin trading ex-Rights two Business Days prior to the Record Date.

If the Rights Agent receives Rights for sale in a timely manner, it will use its best efforts to sell the Rights on the NYSE. The Rights Agent will also attempt to sell any Rights (i) a Rights holder is unable to exercise because the Rights represent the right to subscribe for less than one new Share or (ii) attributable to shareholders whose record addresses are outside the United States, Ontario, Quebec, British Columbia, New Brunswick, Alberta and Manitoba or who have an Army Post Office (“APO”) or Fleet Post Office (“FPO”) address. See “Restrictions on Foreign Shareholders” and “The Offer — Foreign Restrictions”.

Any commissions will be paid by the selling Rights holders. Neither the Fund nor the Rights Agent will be responsible if Rights cannot be sold and neither has guaranteed any minimum sales price for the Rights. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Rights Agent on the day such Rights are sold, less any applicable brokerage commissions, taxes and other expenses.

Shareholders are urged to obtain a recent trading price for the Rights on the NYSE from their broker, bank, financial advisor or the financial press.

Banks, broker-dealers and trust companies that hold Shares for the accounts of others are advised to notify those persons that purchase rights in the secondary market that such rights will not participate in the over-subscription privilege.

### **Offering Fees and Expenses**

Offering expenses incurred by the Fund are estimated to be \$600,000.

### **Restrictions on Foreign Shareholders**

Subscription Certificates will only be mailed to Record Date Shareholders whose addresses are within the United States, Ontario, Quebec, British Columbia, New Brunswick, Alberta and Manitoba (other than an APO or FPO address). Record Date Shareholders whose addresses are outside the United States, Ontario, Quebec, British Columbia, New Brunswick, Alberta and Manitoba or who have an APO or FPO address and who wish to subscribe to the Offer either in part or in full should contact the Rights Agent in writing or by recorded telephone conversation no later than three Business Days prior to the Expiration Date. The Fund will determine whether the offering may be made to any such shareholder. This offering will not be made in any jurisdiction where it would be unlawful to do so. If the Rights Agent has received no instruction by the third Business Day prior to the Expiration Date or the Fund has determined that the offering may not be made to a particular shareholder, the Rights Agent will attempt to sell all of such shareholder’s Rights and remit the net proceeds, if any, to such shareholder. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Rights Agent on the day the Rights are sold, less any applicable brokerage commissions, taxes and other expenses.

### **Use of Proceeds**

The Fund estimates the net proceeds of the Offer to be approximately \$31,076,561. This figure is based on the Subscription Price per Share of \$7.00 and assumes all new Shares offered are sold and that the expenses related to the Offer estimated at approximately \$600,000 are paid.

The Investment Adviser anticipates that 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 Investment Adviser'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 instruments.

### **Important Dates to Remember**

Please note that the dates in the table below may change if the Offer is extended.

<u>Event</u>	<u>Date</u>
Record Date. . . . .	March 29, 2011
Subscription Period . . . . .	March 29, 2011 through April 26, 2011**
Expiration Date* . . . . .	April 26, 2011**
Payment for Guarantees of Delivery Due* . . . . .	April 29, 2011**
Confirmation to Participants . . . . .	May 3, 2011**

\* A shareholder exercising Rights must deliver by 5:00 p.m., Eastern Time, on April 26, 2011 either (a) a Subscription Certificate and payment for Shares or (b) a notice of guaranteed delivery.

\*\* Unless the Offer is extended to a date no later than May 3, 2011.

### **Investment Objectives and Policies**

The Fund's primary investment objective is long-term growth of capital, primarily through investment in a portfolio of common stock and other securities of foreign and domestic companies involved in the telecommunications, media, publishing and entertainment industries. Income is a secondary objective of the Fund. Under normal market conditions, the Fund will invest at least 80% of the value of its assets in common stock and other securities, including convertible securities, preferred stock, options, and warrants of companies in the telecommunications, media, publishing, and entertainment industries (the "80% Policy"). A company will be considered to be in these industries if it derives at least 50% of its revenues or earnings from, or devotes at least 50% of its assets to, the indicated activities or multimedia-related activities. The 80% Policy may be changed without shareholder approval. The Fund will provide shareholders with notice at least 60 days prior to the implementation of any change in the 80% Policy.

No assurance can be given that the Fund's investment objectives will be achieved. See "Investment Objectives and Policies."

### **Management and Fees**

Gabelli Funds, LLC serves as the Fund's investment adviser. The Investment Adviser's fee is computed weekly and paid monthly, equal on an annual basis to 1.00% of the Fund's average weekly net assets including the liquidation value of preferred stock. The fee paid by the Fund may be higher when leverage, in the form of preferred stock is utilized, giving the Investment Adviser an incentive to utilize such leverage. However, the Investment Adviser has agreed to reduce the management fee on the incremental assets attributable to the preferred stock during the fiscal year if the total return of the net asset value of the common shares of the Fund, including distributions and advisory fees subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. In other words, if the effective cost of the leverage for any series of preferred stock exceeds the total return (based on net asset value) on the Fund's common stock, the Investment Adviser will waive that portion of its management fee on the incremental assets attributable to the leverage for that series of preferred stock to mitigate the negative impact of the leverage on the common shareholder's total return. This fee waiver is voluntary and will remain in effect as long as any preferred stock in a series is outstanding. The Fund's total return on the net asset value of the common stock is monitored on a monthly basis to assess whether the total return on the net asset value of the common stock exceeds the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for



the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the management fee on those additional assets. See “Management of the Fund.”

For the year ended December 31, 2010, the Fund’s total return on the net asset value of the common stock exceeded the stated dividend rate or net swap expense of all outstanding preferred stock. Thus, management fees were accrued on these assets.

A discussion regarding the basis for the Board’s approval of the continuation of the investment advisory contract of the Fund is available in the Fund’s Semi-Annual Report to shareholders for the six months ended June 30, 2010.

### **Repurchase of Common Stock**

The Board has authorized the Fund to repurchase up to 1,950,000 shares of its common stock on the open market when the shares are trading at a discount of 5% or more (or such other percentage as the Board may determine from time to time) from the net asset value of the shares. Although the Fund’s Board has authorized such repurchases, the Fund is not required to repurchase its common stock. In total through December 31, 2010, the Fund has repurchased and retired 1,497,033 Shares in the open market at an average investment of \$8.26 per Share and at an average discount of approximately 15.33% from its net asset value. Such repurchases are subject to certain notice and other requirements under the 1940 Act. See “Repurchase of Common Stock” in the SAI.

### **Anti-Takeover Provisions**

Certain provisions of Maryland law and of the Articles of Incorporation, as amended and supplemented, of the Fund (the “Charter”) and the Bylaws of the Fund, as amended from time to time (the “Bylaws” and together with the Charter, the “Governing Documents”), may be regarded as “anti-takeover” provisions. Pursuant to these provisions, only one of the three classes of Directors is elected each year, and the affirmative vote of the holders of 66⅔% of the Fund’s outstanding shares of each class (voting separately) is required to authorize the conversion of the Fund from a closed-end to an open-end investment company. The overall effect of these and other provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by, a principal stockholder. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their stock at a premium to the prevailing market price. See “Anti-Takeover Provisions of the Fund’s Governing Documents.”

### **Custodian, Transfer Agent and Dividend Disbursing Agent**

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

Computershare Trust Company, N.A. (“Computershare”), located at 250 Royall Street, Canton, Massachusetts 02021, serves as the Fund’s dividend disbursing agent, as agent under the Fund’s automatic dividend reinvestment and voluntary cash purchase plan (the “Plan”), and as transfer agent and registrar for Shares of common stock of the Fund.

### **Risk Factors and Special Considerations**

The following summarizes some of the matters that you should consider before investing in the Fund through the Offer.

<b>Dilution</b> . . . . .	Shareholders who do not exercise their Rights may, at the completion of the Offer, own a smaller proportional interest in the Fund than if they exercised their Rights. As a result of the Offer, you may experience dilution in net asset value per Share if the Subscription Price per Share is below the net asset value per Share
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on the Expiration Date. If the Subscription Price per Share is below the net asset value per Share of the Fund's Shares on the Expiration Date, you will experience an immediate dilution of the aggregate net asset value of your Shares if you do not participate in the Offer and you will experience a reduction in the net asset value per Share of your Shares whether or not you participate in the Offer. The Fund cannot state precisely the extent of this dilution (if any) if you do not exercise your Rights because the Fund does not know what the net asset value per Share will be when the Offer expires or what proportion of the Rights will be exercised. Assuming, for example, that all Rights are exercised, the Subscription Price is \$7.00 and the Fund's net asset value per Share at the expiration of the Offer is \$9.45 (the Fund's net asset value as of March 21, 2011), the Fund's net asset value per Share (after payment of estimated offering expenses) would be reduced by approximately \$0.65 (6.9%) per Share. See "Risk Factors and Special Considerations — Dilution."

If you do not wish to exercise your Rights, you should consider selling them as set forth in this Prospectus. The Fund cannot give any assurance, however, that a market for the Rights will develop or that the Rights will have any marketable value.

The Fund's largest shareholders, Record Date Shareholders of more than 5% of the outstanding shares of common stock of the Fund, may increase their percentage ownership of the Fund through the exercise of the primary subscription and over-subscription privilege.

**Leveraging** . . . . . The Fund currently uses, and intends to continue to use, financial leverage for investment purposes by issuing preferred stock. As of December 31, 2010, the amount of leverage represented approximately 22% of the Fund's total assets. The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for preferred stock. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet its obligations to make distributions on the preferred stock, or to redeem preferred stock when it may be disadvantageous to do so. Also, if the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common stock distributions and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"). See "Investment Objectives and Policies — Leveraging" and "Risk Factors and Special Considerations — Leverage."

**Market Loss.** . . . . . Shares of closed-end funds often trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that Shares of the Fund will trade at a discount from net asset value or at premiums that are unsustainable over the long term are risks separate and distinct from the risk that the

Fund's net asset value will decrease. The risk of purchasing shares of a closed-end fund that might trade at a discount or unsustainable premium is more pronounced for investors who wish to sell their shares in a relatively short period of time because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. The Fund's Shares are not subject to redemption. Shareholders desiring liquidity may, subject to applicable securities laws, trade their Shares in the Fund on the NYSE or other markets on which such shares may trade at the then current market value, which may differ from the then current net asset value. See "Risk Factors and Special Considerations — Market Value and Net Asset Value."

**Share Repurchases.** . . . . . The Board has authorized the Fund to repurchase up to 1,950,000 Shares on the open market when the Shares are trading at a discount of 5% or more (or such other percentage as the Board may determine from time to time) from the net asset value of the Shares. Although the Fund's Board has authorized such repurchases, the Fund is not required to repurchase its common stock. In total through December 31, 2010, the Fund has repurchased and retired 1,497,033 Shares in the open market at an average investment of \$8.26 per Share and at an average discount of approximately 15.33% from its net asset value. Such repurchases are subject to certain notice and other requirements under the 1940 Act. See "Description of Capital Stock — Repurchase of Common Stock."

**Anti-Takeover Provisions.** . . . . . Certain provisions of Maryland law and of the Charter and the Bylaws of the Fund, as amended from time to time (the "Bylaws" and together with the Charter, the "Governing Documents"), may be regarded as "anti-takeover" provisions. Pursuant to these provisions, only one of the three classes of Directors is elected each year, and the affirmative vote of the holders of 66⅔% of the Fund's outstanding Shares of each class (voting separately) is required to authorize the conversion of the Fund from a closed-end to an open-end investment company. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by, a principal stockholder. These and other provisions may have the effect of depriving Fund stockholders of an opportunity to sell their stock at a premium to the prevailing market price. See "Anti-Takeover Provisions of the Fund's Governing Documents."

**Non-Diversified Status.** . . . . . As a non-diversified, closed-end management investment company under the 1940 Act, the Fund may invest a greater portion of its assets in a more limited number of issuers than may a diversified fund, and accordingly, an investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company. See "Risk Factors and Special Considerations — Non-Diversified Status."

**Industry Concentration Risk.** . . . . . The Fund invests a significant portion of its assets in companies in the telecommunications, media, publishing and entertainment industries and, as a result, the value of the Fund's Shares will be

more susceptible to factors affecting those particular types of companies, including government regulation, greater price volatility for the overall market, rapid obsolescence of products and services, intense competition and strong market reactions to technological developments. See “Risk Factors and Special Considerations — Industry Concentration Risk.”

**Smaller Companies Risk . . . . .** The Fund invests in smaller companies which may benefit from the development of new products and services. These smaller companies may involve greater investment risk than large, established issuers. See “Risk Factors and Special Considerations — Smaller Companies.”

**Foreign Securities . . . . .** There is no limitation on the amount of foreign securities in which the Fund may invest. Investing in securities of foreign companies (or foreign governments), which are generally denominated in foreign currencies, may involve certain risks and opportunities not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluation of currencies. See “Risk Factors and Special Considerations — Foreign Securities.”

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

**Taxation . . . . .** The Fund has qualified, and intends to remain qualified, for federal income tax purposes as a regulated investment company. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. The Fund is also, however, subject to certain statutory limitations on distributions on its Shares if the Fund fails to satisfy the 1940 Act’s asset coverage requirements, which could jeopardize the Fund’s ability to meet the regulated investment company distribution requirements. See “Taxation” for a more complete discussion.

## FEES AND EXPENSES

The following table sets forth certain fees and expenses of the Fund.

### Shareholder Transaction Expenses

Sales Load (as a percentage of offering price)(1) . . . . .	None
Offering Expenses Borne by the Fund (as a percentage of offering price)(2) . . . . .	0.39%
Automatic Dividend Reinvestment and Cash Purchase Plan Sales Fees(3) . . . . .	None

### Annual Expenses (as a percentage of net assets attributable to common shares)

Management Fees(4)(5) . . . . .	1.38%
Interest Payments on Borrowed Funds. . . . .	None
Other Expenses(6) . . . . .	0.87%
Dividends on Preferred Stock(7) . . . . .	<u>1.75%</u>

Total Annual Fund Operating Expenses and Dividends on

Preferred Stock . . . . . 2.62%

**Total Annual Expenses(7) . . . . . 4.00%**

- (1) No sales load will be charged by the Fund in connection with this Offer. However, Rights holders that choose to exercise their Rights through broker-dealers, banks or other nominees may incur a servicing fee charged by such broker-dealer, bank or nominee.
- (2) The fees and expenses of the Offer will be borne by the Fund and indirectly by all of its common shareholders, including those who do not exercise their Rights.
- (3) Shareholders participating in the Fund's Automatic Dividend Reinvestment and Voluntary Cash Purchase Plans would pay \$0.75 plus their pro rata share of brokerage commissions per transaction to purchase Shares and \$2.50 plus their pro rata share of brokerage commissions per transaction to sell Shares. See "Automatic Dividend Reinvestment and Voluntary Cash Purchase Plans."
- (4) The Investment Adviser's fee is 1.00% annually of the Fund's average weekly net assets, with no deduction for the liquidation preference of any outstanding preferred shares. Consequently, if the Fund has preferred shares outstanding, the investment management fees and other expenses as a percentage of net assets attributable to common shares will be higher than if the Fund does not utilize a leveraged capital structure.
- (5) The Investment Adviser has voluntarily agreed to reduce the management fee on the incremental assets attributable to the preferred stock during the fiscal year if the total return of the net asset value of the Shares of the Fund, including distributions and advisory fees subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. The Fund's total return on the net asset value of the Shares is monitored on a monthly basis to assess whether the total return on the net asset value of the Shares exceeds the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the management fee on those additional assets. For the year ended December 31, 2010, the Fund's total return on the net asset value of the Shares exceeded the stated dividend rate or net swap expense of all outstanding preferred stock, and thus management fees were accrued on those assets.
- (6) Amounts are based on estimated amounts for the Fund's current fiscal year after giving effect to anticipated net proceeds of the Offer, assuming that all of the Rights are exercised, and the completion of an anticipated offering of \$25 million of Preferred Stock at a 6.00% annual dividend rate.
- (7) The Dividends on Preferred Stock represent distributions on the existing Preferred Stock outstanding and an anticipated offering of \$25 million of Preferred Stock at a 6.00% annual dividend rate.

<u>Example</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return*: . . . . .	\$44	\$125	\$208	\$423

\* **The Example should not be considered a representation of future expenses.** The example assumes that the amounts set forth in the Annual Expenses table are accurate and that all distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

The foregoing fee table and example are intended to assist investors in understanding the costs and expenses that an investor in the Fund will bear directly or indirectly, and include the costs and expenses borne by an investor in common shares of the Fund in connection with the cost of servicing Preferred Stock.

The table above and the assumption in the example of a 5% annual return are required by Securities and Exchange Commission ("SEC") regulations applicable to all management investment companies. THE EXAMPLE AND FEE TABLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR RATES OF RETURN. THE ACTUAL EXPENSES OF THE FUND MAY BE GREATER OR LESS THAN THOSE SHOWN. The figures provided under "Other Expenses" are based upon estimated amounts for the current fiscal year. For more complete descriptions of certain of the Fund's cost and expenses, see "Management of the Fund" in this Prospectus and the SAI.



## FINANCIAL HIGHLIGHTS

The following financial highlights tables are intended to help you understand the Fund's financial performance. 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 fiscal years ended December 31, 2010, 2009, 2008, 2007, and 2006, has been audited by PricewaterhouseCoopers LLP, the Fund's independent registered public accounting firm, whose unqualified report on such Financial Statements is incorporated by reference into the SAI.

### Selected data for a share outstanding throughout each period:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
<b>Operating Performance:</b>					
Net asset value, beginning of period . . . . .	\$ 7.70	\$ 5.40	\$ 14.39	\$14.09	\$11.77
Net investment income/(loss) . . . . .	(0.07)	0.05	0.14	0.10	0.29
Net realized and unrealized gain/(loss) on investments, swap contracts, and foreign currency transactions . .	2.22	2.33	(8.41)	1.15	2.85
Total from investment operations . . . . .	2.15	2.38	(8.27)	1.25	3.14
<b>Distributions to Preferred Shareholders:(a)</b>					
Net investment income . . . . .	(0.09)	(0.02)	(0.13)	(0.02)	(0.07)
Net realized gain . . . . .	—	—	—	(0.18)	(0.12)
Return of capital . . . . .	—	(0.07)	(0.03)	—	—
Total distributions to preferred shareholders . . . . .	(0.09)	(0.09)	(0.16)	(0.20)	(0.19)
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations . . . . .</b>					
	2.06	2.29	(8.43)	1.05	2.95
<b>Distributions to Common Shareholders:</b>					
Net investment income . . . . .	(0.07)	—	—	(0.08)	(0.23)
Net realized gain . . . . .	—	—	—	(0.67)	(0.40)
Return of capital . . . . .	(0.53)	—	(0.57)	(0.00)(f)	—
Total distributions to common shareholders . . . . .	(0.60)	—	(0.57)	(0.75)	(0.63)
<b>Fund Share Transactions:</b>					
Increase in net asset value from repurchase of common shares . . . . .	0.01	0.01	0.00(f)	0.00(f)	0.00(f)
Increase in net asset value from repurchase of preferred shares . . . . .	0.00(f)	0.00(f)	0.01	—	—
Offering expenses charged to paid-in capital . . . . .	—	—	—	—	—
Total fund share transactions . . . . .	0.01	0.01	0.01	0.00(f)	0.00(f)
<b>Net Asset Value Attributable to Common Shareholders, End of Period . . . . .</b>					
	\$ 9.17	\$ 7.70	\$ 5.40	\$14.39	\$14.09
NAV total return† . . . . .	28.76%	42.59%	(59.40)%	8.03%	26.65%
Market value, end of period . . . . .	\$ 8.21	\$ 6.63	\$ 4.45	\$12.89	\$12.27
Investment total return†† . . . . .	33.88%	48.99%	(62.65)%	11.13%	27.89%

	Year Ended December 31,				
	2005	2004	2003	2002	2001
<b>Operating Performance:</b>					
Net asset value, beginning of period . . . . .	\$12.27	\$10.56	\$ 7.67	\$10.52	\$12.21
Net investment income . . . . .	0.16	0.04	(0.03)	(0.00)(f)	(0.02)
Net realized and unrealized gain/(loss) on investments, swap contracts, and foreign currency transactions . . .	0.09	1.79	3.14	(2.68)	(1.44)
Total from investment operations . . . . .	0.25	1.83	3.11	(2.68)	(1.46)
<b>Distributions to Preferred Shareholders:(a)</b>					
Net investment income . . . . .	(0.03)	(0.04)	—	—	—
Net realized gain . . . . .	(0.13)	(0.09)	(0.13)	(0.17)	(0.17)
Total distributions to preferred shareholders . . . . .	(0.16)	(0.13)	(0.13)	(0.17)	(0.17)
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations . . . . .</b>	<u>0.09</u>	<u>1.70</u>	<u>2.98</u>	<u>(2.85)</u>	<u>(1.63)</u>
<b>Distributions to Common Shareholders:</b>					
Net investment income . . . . .	(0.12)	—	—	—	(0.00)(f)
Net realized gain . . . . .	(0.48)	—	—	—	(0.06)
Total distributions to common shareholders . . . . .	(0.60)	—	—	—	(0.06)
<b>Fund Share Transactions:</b>					
Increase in net asset value from repurchase of common shares . . . . .	0.01	0.01	0.01	0.00(f)	—
Increase in net asset value from repurchase of preferred shares . . . . .	—	0.00(f)	—	—	—
Offering expenses charged to paid-in capital . . . . .	(0.00)(f)	—	(0.10)	—	—
Total fund share transactions . . . . .	0.01	0.01	(0.09)	0.00(f)	—
<b>Net Asset Value Attributable to Common Shareholders, End of Period . . . . .</b>	<u>\$11.77</u>	<u>\$12.27</u>	<u>\$10.56</u>	<u>\$ 7.67</u>	<u>\$10.52</u>
NAV total return† . . . . .	<u>1.6%</u>	<u>16.2%</u>	<u>37.7%</u>	<u>(27.1)%</u>	<u>(13.3)%</u>
Market value, end of period . . . . .	<u>\$10.15</u>	<u>\$10.68</u>	<u>\$ 9.07</u>	<u>\$ 6.40</u>	<u>\$ 9.01</u>
Investment total return†† . . . . .	<u>0.7%</u>	<u>17.8%</u>	<u>41.7%</u>	<u>(29.0)%</u>	<u>(12.1)%</u>

**Selected data for a share outstanding throughout each period:**

	Year Ended December 31,				
	2010	2009	2008	2007	2006
<b>Ratios and Supplemental Data:</b>					
Net assets including liquidation value of preferred shares, end of period (in 000's) . . . . .	\$159,232	\$141,164	\$122,401	\$251,334	\$247,412
Net assets attributable to common shares, end of period (in 000's) . . . . .	\$124,457	\$106,386	\$ 75,619	\$201,506	\$197,584
Ratio of net investment income/(loss) to average net assets attributable to common shares before preferred share distributions . . . . .	(0.89)%	0.88%	1.40%	0.46%	2.17%
Ratio of operating expenses to average net assets attributable to common shares before fees waived. . . . .	3.19%	2.46%	1.89%	—	—
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any(b) . . . .	3.19%	2.43%	1.54%	1.62%	1.79%
Ratio of operating expenses to average net assets including liquidation value of preferred shares before fees waived . . . .	2.44%	1.70%	1.40%	—	—
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of advisory fee reduction, if any(b) . . . . .	2.44%	1.68%	1.14%	1.32%	1.39%
Portfolio turnover rate††† . . . . .	9.4%	9.6%	14.5%	14.5%	9.8%

**Preferred Stock:**

**6.00% Series B Cumulative Preferred Stock**

Liquidation value, end of period (in 000's) . . . . .	\$ 19,775	\$ 19,778	\$ 24,281	\$ 24,828	\$ 24,828
Total shares outstanding (in 000's) . . . . .	791	791	971	993	993
Liquidation preference per share . . . . .	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value(c) . . . . .	\$ 25.07	\$ 23.53	\$ 22.59	\$ 24.14	\$ 24.12
Asset coverage per share . . . . .	\$ 114.47	\$ 101.48	\$ 65.41	\$ 126.10	\$ 124.13

**Series C Auction Rate Cumulative Preferred Stock**

Liquidation value, end of period (in 000's) . . . . .	\$ 15,000	\$ 15,000	\$ 22,500	\$ 25,000	\$ 25,000
Total shares outstanding (in 000's) . . . . .	1	1	1	1	1
Liquidation preference per share . . . . .	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Average market value(d) . . . . .	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share . . . . .	\$114,472	\$101,475	\$ 65,411	\$126,101	\$124,134
Asset Coverage(e) . . . . .	458%	406%	262%	504%	497%

	Year Ended December 31,				
	2005	2004	2003	2002	2001
<b>Ratios and Supplemental Data:</b>					
Net assets including liquidation value of preferred shares, end of period (in 000's) . . . . .	\$214,907	\$223,739	\$200,195	\$132,683	\$181,539
Net assets attributable to common shares, end of period (in 000's) . . . . .	\$165,079	\$173,912	\$150,195	\$109,533	\$150,672
Ratio of net investment income to average net assets attributable to common shares before preferred share distributions. . . . .	1.44%	0.71%	(0.36)%	(0.04)%	(0.18)%
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any(b) . . . . .	1.55%	1.87%	1.81%	1.46%	1.34%
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of advisory fee reduction, if any(b) . . . . .	1.20%	1.41%	1.35%	1.18%	1.13%
Portfolio turnover rate††† . . . . .	12.4%	7.5%	10.9%	16.6%	25.4%
<b>Preferred Stock:</b>					
<b>7.92% Cumulative Preferred Stock</b>					
Liquidation value, end of period (in 000's) . . . . .	—	—	—	\$ 23,150	\$ 30,867
Total shares outstanding (in 000's) . . . . .	—	—	—	926	1,235
Liquidation preference per share . . . . .	—	—	—	\$ 25.00	\$ 25.00
Average market value(c) . . . . .	—	—	—	\$ 25.75	\$ 25.50
Asset coverage per share . . . . .	—	—	—	\$ 143.29	\$ 147.00
<b>6.00% Series B Cumulative Preferred Stock</b>					
Liquidation value, end of period (in 000's) . . . . .	\$ 24,828	\$ 24,828	\$ 25,000	—	—
Total shares outstanding (in 000's) . . . . .	993	993	1,000	—	—
Liquidation preference per share . . . . .	\$ 25.00	\$ 25.00	\$ 25.00	—	—
Average market value(c) . . . . .	\$ 25.00	\$ 24.84	\$ 25.28	—	—
Asset coverage per share . . . . .	\$ 107.83	\$ 112.26	\$ 100.10	—	—
<b>Series C Auction Rate Cumulative Preferred Stock</b>					
Liquidation value, end of period (in 000's) . . . . .	\$ 25,000	\$ 25,000	\$ 25,000	—	—
Total shares outstanding (in 000's) . . . . .	1	1	1	—	—
Liquidation preference per share . . . . .	\$ 25,000	\$ 25,000	\$ 25,000	—	—
Average market value(d) . . . . .	\$ 25,000	\$ 25,000	\$ 25,000	—	—
Asset coverage per share . . . . .	\$107,825	\$112,257	\$100,097	—	—
Asset Coverage(e) . . . . .	431%	449%	400%	573%	588%

† Based on net asset value per share, adjusted for reinvestment of distributions at prices determined under the Fund's dividend reinvestment plan.

†† Based on market value per share, adjusted for reinvestment of distributions at prices determined under the Fund's dividend reinvestment plan.

††† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the years ended December 31, 2007, 2006, 2005, and 2004 would have been 14.8%, 16.5%, 14.5%, and 8.9%, respectively.

- (a) Calculated based upon average common shares outstanding on the record dates throughout the year.
- (b) For the years ended December 31, 2008, 2007, 2006, and 2005, the effect of the custodian fee credits was minimal.
- (c) Based on weekly prices.
- (d) Based on weekly auction prices. Since February 2008, the weekly auctions have failed. Holders that have submitted orders have not been able to sell any or all of their stock in the auctions.
- (e) Asset coverage is calculated by combining all series of preferred stock.
- (f) Amount represents less than \$0.005 per share.

## THE OFFER

### Terms of the Offer

The Fund is issuing to Record Date Shareholders Rights to subscribe for additional Shares. Each Record Date Shareholder is being issued one transferable Right for each Share owned on the Record Date. The Offer entitles the holder to acquire at the Subscription Price one Share for each three Rights held rounded up to the nearest number of Rights evenly divisible by three. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, Shares may be purchased only pursuant to the exercise of Rights in integral multiples of three. In the case of Shares held of record by Cede & Co. (“Cede”), as nominee for the Depository Trust Company (“DTC”), or any other depository or nominee, the number of Rights issued to Cede or such other depository or nominee will be adjusted to permit rounding up (to the nearest number of Rights evenly divisible by three) of the Rights to be received by beneficial owners for whom it is the holder of record only if Cede or such other depository or nominee provides to the Fund on or before the close of business on April 20, 2011 a written representation to the number of Rights required for such rounding. Rights may be exercised at any time during the period (the “Subscription Period”), which commences on March 29, 2011 and ends at 5:00 p.m., Eastern Time, on April 26, 2011, unless extended by the Fund to a date not later than May 3, 2011, 5:00 p.m., Eastern Time. See “Expiration of the Offer.” The Right to acquire one additional Share for each three Rights held during the Subscription Period at the Subscription Price will be referred to in the remainder of this Prospectus as the “Primary Subscription.” If all of the Rights are exercised in the Primary Subscription, the Fund will experience a 33⅓% increase in common shares outstanding.

In addition, any Record Date Shareholder who fully exercises all Rights initially issued to him is entitled to subscribe for Shares available for Primary Subscription (the “Primary Subscription Shares”) that were not otherwise subscribed for by other Rights holders on the Primary Subscription. In the event that the Fund’s per Share net asset value on the Expiration Date is equal to or less than the Subscription Price, the Fund, in its sole discretion, would also be able to issue additional Shares in an amount of up to 20% of the Primary Subscription Shares (the “Secondary Over-Subscription Shares”) to satisfy over-subscription requests in excess of the available Primary Subscription Shares. The entitlement to subscribe for unsubscribed Primary Subscription Shares and any Secondary Over-Subscription Shares is available only to those Record Date Shareholders who fully exercise all Rights initially issued to them and only on the basis of their Record Date holdings and will be referred to in the remainder of this Prospectus as the “Over-Subscription Privilege.” For purposes of determining the maximum number of Shares a Record Date Shareholder may acquire pursuant to the Offer, broker-dealers whose Shares are held of record by Cede, nominee for DTC, or by any other depository or nominee, will be deemed to be the holders of the Rights that are issued to Cede or such other depository or nominee on their behalf. Shares acquired pursuant to the Over-Subscription Privilege are subject to allotment, which is more fully discussed below under “Over-Subscription Privilege.” Rights acquired in the secondary market may not participate in the Over-Subscription Privilege.

Officers of the Investment Adviser have advised the Fund that the Affiliated Parties, as Record Date Shareholders, have been authorized to purchase Shares through the Primary Subscription and the Over-Subscription Privilege to the extent Shares become available to them in accordance with the Primary Subscription and the allotment provisions of the Over-Subscription Privilege. In addition, Mr. Mario J. Gabelli, individually or his affiliated entities, as a Record Date Shareholder, may also purchase Shares through the Primary Subscription and the Over-Subscription Privilege. Such over-subscriptions by Affiliated Parties and Mr. Gabelli may disproportionately increase their already existing ownership, resulting in a higher percentage ownership of outstanding Shares if any Record Date Shareholder fails to fully exercise its Rights. Any Shares acquired, whether by Primary Subscription or the Over-Subscription Privilege, by the Affiliated Parties or Mr. Gabelli, as “affiliates” of the Fund as that term is defined under the Securities Act of 1933, as amended (the “Securities Act”), may only be sold in accordance with Rule 144 under the Securities Act or another applicable exemption or pursuant to an effective registration statement under the Securities Act. In general, under Rule 144, as currently in effect, an “affiliate” of the Fund is entitled to sell, within any three-month period, a number of Shares that does not exceed the greater of 1% of the then outstanding Shares or the average weekly reported trading volume of the Shares during the four calendar weeks preceding such sale.



Sales under Rule 144 are also subject to certain restrictions on the manner of sale, to notice requirements and to the availability of current public information about the Fund. In addition, any profit resulting from the sale of Shares so acquired, if the Shares are held for a period of less than six months, will be returned to the Fund.

Rights will be evidenced by Subscription Certificates. The number of Rights issued to each holder will be stated on the Subscription Certificate delivered to the holder. The method by which Rights may be exercised and Shares paid for is set forth below in “Method of Exercise of Rights” and “Payment for Shares.” A Rights holder will have no right to rescind a purchase after the Rights Agent has received payment. See “Payment for Shares” below. Shares issued pursuant to an exercise of Rights will be listed on the NYSE.

For purposes of determining the maximum number of Shares that may be acquired pursuant to the Offer, broker-dealers, trust companies, banks or others whose shares are held of record by Cede or by any other depository or nominee will be deemed to be the holders of the Rights that are held by Cede or such other depository or nominee on their behalf.

The Rights are transferable until the Expiration Date and will be admitted for trading on the NYSE. Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE will begin three Business Days prior to the Record Date and may be conducted until the close of trading on the last NYSE trading day prior to the Expiration Date due to normal settlement procedures. Rights that are sold will not confer any right to acquire any Shares in the Over-Subscription Privilege, and any Record Date Shareholder who sells any Rights will not be eligible to participate in the secondary over-subscription (the “Secondary Over-Subscription”). Trading of the Rights on the NYSE will be conducted on a when-issued basis until and including the date on which the Subscription Certificates are mailed to Record Date Shareholders and thereafter, will be conducted on a regular way basis until and including the last NYSE trading day prior to the Expiration Date. The method by which Rights may be transferred is set forth below under “Method of Transferring Rights.” The Shares will begin trading ex-Rights two Business Days prior to the Record Date.

Nominees who hold the Fund’s Shares for the account of others, such as banks, broker-dealers, or depositories for securities, should notify the respective beneficial owners of such Shares as soon as possible to ascertain such beneficial owners’ intentions and to obtain instructions with respect to the Rights. Nominees should also notify holders purchasing Rights in the secondary market that such Rights may not participate in the Over-Subscription Privilege. If the beneficial owner so instructs, the nominee will complete the Subscription Certificate and submit it to the Rights Agent with proper payment. In addition, beneficial owners of the Shares or Rights held through such a nominee should contact the nominee and request the nominee to effect transactions in accordance with such beneficial owner’s instructions.

### **Purpose of the Offer**

The Board has determined that it would be in the best interests of the Fund and the shareholders to increase the assets of the Fund available for investment, thereby permitting the Fund to be in a better position to more fully take advantage of investment opportunities that may arise without having to reduce existing Fund holdings. The Offer seeks to reward existing shareholders by giving them the right to purchase additional Shares at a price that may be below market and/or net asset value without incurring any commission charge. The distribution to shareholders of transferable Rights, which themselves may have intrinsic value, will also afford non-subscribing shareholders the potential of receiving a cash payment upon sale of such Rights, receipt of which may be viewed as partial compensation for the possible dilution of their interests in the Fund.

The Investment Adviser will benefit from the Offer because the Investment Adviser’s fee is based on the average net assets of the Fund. See “Management of the Fund.” It is not possible to state precisely the amount of additional compensation the Investment Adviser will receive as a result of the Offer because the proceeds of the Offer will be invested in additional portfolio securities, which will fluctuate in value. However, assuming all Rights are exercised and that the Fund receives the maximum proceeds of the Offer, the annual compensation to be received by the Investment Adviser would be increased by approximately \$311,000. One of the Fund’s Directors, Mr. Mario J. Gabelli, who voted to authorize the Offer, is an “interested person” of the Investment Adviser within the meaning of the 1940 Act. The Fund’s Board considered that Mr. Gabelli

may benefit both directly and indirectly from the Offer because of how he is compensated as a portfolio manager of the Fund, and because of his interest in the Investment Adviser, respectively. See “Management of the Fund” in the SAI. In determining that the Offer was in the best interest of shareholders, the Fund’s Board was cognizant of this benefit as well as the possible participation of the Affiliated Parties and Mr. Gabelli in the Offer as shareholders on the same basis as other shareholders.

In August 1995 and June 2000, the Fund issued transferable rights to shareholders entitling the holders thereof to subscribe for an aggregate of 2,869,137 and 3,598,938, respectively, of the Shares at the rate of one Share for each three rights held and entitling shareholders to subscribe for any Shares not acquired by exercise of primary subscription rights. The subscription price in the August 1995 offering was \$6.50 per Share, representing a discount to the prevailing net asset value of the Shares at the time of the offer of approximately 21.59%, and a discount from market value of the Shares of approximately 16.13%. The subscription price in the June 2000 offering was \$13.00 per Share, representing a discount to the prevailing net asset value of the Share at the time of the offer of approximately 30.85%, and a discount from market value of the Shares of approximately 11.11%. Each rights offering was substantially oversubscribed, resulting in the issuance of the maximum number of Shares being offered. The Fund raised \$18,649,391 in the 1995 offering, and \$46,786,194 in the 2000 offering, while subscriptions remitted to the Fund totaled more than \$44,000,000 and \$86,000,000, respectively. As a percentage of the Shares outstanding on the record date for each offering, more than 80% participated in both the 1995 offering and the 2000 offering. The foregoing information is historical, and provided for informational purposes only. There is no guarantee or assurance that the Offer will effect similar results.

The Fund may, in the future and at its discretion, choose to make additional rights offerings from time to time for a number of shares and on terms which may or may not be similar to the Offer. Any such future rights offering will be made in accordance with the 1940 Act. Under the laws of the State of Maryland, the state in which the Fund is incorporated, the Board is authorized to approve rights offerings without obtaining shareholder approval. The staff of the SEC has interpreted the 1940 Act as not requiring shareholder approval of a rights offering at a price below the then current net asset value so long as certain conditions are met, including a good faith determination by the Fund’s Board of Directors that such offering would result in a net benefit to existing shareholders.

### **Over-Subscription Privilege**

The Board has the right in its absolute discretion to eliminate the Over-Subscription Privilege with respect to either or both Primary Over-Subscription Shares and Secondary Over-Subscription Shares if it considers it to be in the best interest of the Fund to do so. The Board may make that determination at any time, without prior notice to Rights holders or others, up to and including the seventh day following the Expiration Date. If the Primary or Secondary Over-Subscription Privilege is not eliminated, it will operate as set forth below.

Rights holders who are Record Date Shareholders are entitled to subscribe for additional Shares at the same Subscription Price pursuant to the Over-Subscription Privilege, subject to certain limitations and subject to allotment.

Record Date Shareholders who fully exercise all Rights initially issued to them are entitled to buy those Shares that were not purchased by other Rights holders at the same Subscription Price. If enough Primary Over-Subscription Shares are available, all such requests will be honored in full. If the requests for Primary Over-Subscription Shares exceed the Primary Over-Subscription Shares available, the available Primary Over-Subscription Shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Shares acquired pursuant to the Over-Subscription Privilege are subject to allotment.

In addition, in the event that the Fund’s per Share net asset value on the Expiration Date is equal to or less than the Subscription Price, the Fund, in its sole discretion, may determine to issue Secondary Over-Subscription Shares in an amount of up to 20% of the Primary Subscription Shares. Should the Fund’s Board or the Pricing Committee determine to issue some or all of the Secondary Over-Subscription Shares, they will

be allocated only among Record Date Shareholders who submitted over-subscription requests. Secondary Over-Subscription Shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Any Secondary Over-Subscription Shares issued by the Fund, collectively with any Primary Subscription Shares not subscribed for through the Primary Subscription, will be referred to in this Prospectus as the “Excess Shares.”

Record Date Shareholders who are fully exercising their Rights during the Subscription Period should indicate, on the Subscription Certificate that they submit with respect to the exercise of the Rights issued to them, how many Shares they are willing to acquire pursuant to the Over-Subscription Privilege. Rights acquired in the secondary market may not participate in the Over-Subscription Privilege.

To the extent sufficient Shares are not available to fulfill all over-subscription requests, the Excess Shares will be allocated *pro-rata* among those Record Date Shareholders who over-subscribe based on the number of the Fund’s Shares owned on the Record Date. The allocation process may involve a series of allocations in order to assure that the total number of Shares available for over-subscriptions is distributed on a *pro rata* basis.

The formula to be used in allocating the Excess Shares is as follows:

$$\frac{\text{Shareholder's Record Date Position}}{\text{Total Record Date Position of All Over-Subscribers}} \times \text{Excess Shares Remaining}$$

Banks, broker-dealers, trustees and other nominee holders of rights will be required to certify to the Rights Agent, before any Over-Subscription Privilege may be exercised with respect to any particular beneficial owner, as to the aggregate number of Rights exercised during the Subscription Period and the number of Shares subscribed for pursuant to the Over-Subscription Privilege by such beneficial owner and that such beneficial owner’s subscription was exercised in full. Nominee holder over-subscription forms and beneficial owner certification forms will be distributed to banks, broker-dealers, trustees and other nominee holders of rights with the Subscription Certificates. Nominees should also notify holders purchasing Rights in the secondary market that such Rights may not participate in the Over-Subscription Privilege.

The Fund will not offer or sell any Shares that are not subscribed for during the Subscription Period or pursuant to the Over-Subscription Privilege.

The Fund has been advised that the Investment Adviser’s parent company, GAMCO Investors, Inc., and its affiliates, may exercise some or all of the Rights initially issued to them, and may request additional Shares pursuant to the Over-Subscription Privilege. In addition, Mario J. Gabelli or his affiliated entities may also purchase Shares during the Subscription Period and pursuant to the Over-Subscription Privilege. Such over-subscriptions by Affiliated Parties and Mr. Gabelli may disproportionately increase their already-existing ownership resulting in a higher percentage ownership of outstanding Shares if any Record Date Shareholder fails to fully exercise its Rights.

### **The Subscription Price**

The Subscription Price for the Shares to be issued pursuant to the Rights will be \$7.00.

The Fund announced the Offer on December 9, 2010. The net asset value per Share at the close of business on December 8, 2010 (the last date prior to the Fund’s announcement of the Offer), was \$9.19. The last reported sale price of a Share on the NYSE on that date was \$8.34, representing a 9.25% discount in relation to the then current net asset value per Share and a premium in relation to the Subscription Price.

### **Sales by Rights Agent**

Holders of Rights who are unable or do not wish to exercise any or all of their Rights may instruct the Rights Agent to sell any unexercised Rights. The Subscription Certificates representing the Rights to be sold by the Rights Agent must be received on or before April 21, 2011. Upon the timely receipt of the appropriate instructions to sell Rights, the Rights Agent will use its best efforts to complete the sale and will remit the proceeds of sale, net of commissions, to the holders. The Rights Agent will also attempt to sell any

Rights (i) a Rights holder is unable to exercise because the Rights represent the right to subscribe for less than one new Share or (ii) attributable to shareholders whose record addresses are outside the United States, Ontario, Quebec, British Columbia, New Brunswick, Alberta and Manitoba or who have an APO or FPO address. If the Rights can be sold, sales of the Rights will be deemed to have been effected at the weighted average price received by the Rights Agent on the day such Rights are sold, less any applicable brokerage commissions, taxes and other expenses. The selling Rights holder will pay all brokerage commissions incurred by the Rights Agent. These sales may be effected by the Rights Agent through Gabelli & Company, Inc., a registered broker-dealer and an affiliate of the Investment Adviser, at a commission of up to \$0.01 per Right, provided that, if the Rights trade at a value of \$0.01 or less at the time of such sale, then no commission will be charged. If the Rights Agent is able to negotiate a lower brokerage commission with an independent broker then the Rights Agent will execute these sales through that independent broker. Gabelli & Company, Inc. may also act on behalf of its clients to purchase or sell Rights in the open market and be compensated for its services. The Rights Agent will automatically attempt to sell any unexercised Rights that remain unclaimed as a result of Subscription Certificates being returned by the postal authorities as undeliverable as of the fourth Business Day prior to the Expiration Date. These sales will be made net of commissions on behalf of the nonclaiming Rights holders. Proceeds from those sales will be held by Computershare, in its capacity as the Fund's transfer agent, for the account of the nonclaiming Rights holder until the proceeds are either claimed or escheated. There can be no assurance that the Rights Agent will be able to complete the sale of any of these Rights and neither the Fund nor the Rights Agent has guaranteed any minimum sales price for the Rights. All of these Rights will be sold at the market price, if any, through an exchange or market trading the Rights.

The principal business address of Gabelli & Company, Inc. is One Corporate Center, Rye, New York 10580-1422. Gabelli & Company, Inc. is a wholly-owned subsidiary of Gabelli Securities, Inc., which is a majority-owned subsidiary of the parent company of the Investment Adviser, which is, in turn, indirectly majority-owned by Mario J. Gabelli. As a result of these relationships, Mr. Gabelli is a "controlling person" of Gabelli & Company, Inc.

Shareholders are urged to obtain a recent trading price for the Rights on the NYSE from their broker, bank, financial advisor or the financial press.

### **Method of Transferring Rights**

The value of the Rights, if any, will be reflected by the market price. Rights may be sold by individual holders or may be submitted to the Rights Agent for sale. Any Rights submitted to the Rights Agent for sale must be received by the Rights Agent on or before April 21, 2011, two Business Days prior to the completion of the Subscription Period, due to normal settlement procedures.

Rights that are sold will not confer any right to acquire any Shares in the Primary or Secondary Over-Subscription, and any Record Date Shareholder who sells any Rights will not be eligible to participate in the Primary or Secondary Over-Subscription.

The Rights evidenced by a single Subscription Certificate may be transferred in whole by endorsing the Subscription Certificate for transfer in accordance with the accompanying instructions. A portion of the Rights evidenced by a single Subscription Certificate (but not fractional Rights) may be transferred by delivering to the Rights Agent a Subscription Certificate properly endorsed for transfer, with instructions to register the portion of the Rights evidenced thereby in the name of the transferee (and to issue a new Subscription Certificate to the transferee evidencing the transferred Rights). In this event, a new Subscription Certificate evidencing the balance of the Rights will be issued to the Rights holder or, if the Rights holder so instructs, to an additional transferee.

Holders wishing to transfer all or a portion of their Rights (but not fractional Rights) should allow at least three Business Days prior to the Expiration Date for (i) the transfer instructions to be received and processed by the Rights Agent, (ii) a new Subscription Certificate to be issued and transmitted to the transferee or transferees with respect to transferred Rights, and to the transferor with respect to retained rights, if any, and (iii) the Rights evidenced by the new Subscription Certificates to be exercised or sold by the

recipients thereof. Neither the Fund nor the Rights Agent shall have any liability to a transferee or transferor of Rights if Subscription Certificates are not received in time for exercise or sale prior to the Expiration Date.

Except for the fees charged by the Rights Agent (which will be paid by the Fund as described below), all commissions, fees and other expenses (including brokerage commissions and transfer taxes) incurred in connection with the purchase, sale or exercise of Rights will be for the account of the transferor of the Rights, and none of these commissions, fees or expenses will be paid by the Fund or the Rights Agent.

The Fund anticipates that the Rights will be eligible for transfer through, and that the exercise of the Offer may be effected through, the facilities of DTC.

### **Expiration of the Offer**

The Offer will expire at 5:00 p.m., Eastern Time, on April 26, 2011, unless extended by the Fund to a date not later than May 3, 2011, 5:00 p.m., Eastern Time (the “Expiration Date”). Rights will expire on the Expiration Date and thereafter may not be exercised.

### **Rights Agent**

The Rights Agent is Computershare Trust Company, N.A. The Rights Agent will receive from the Fund an amount estimated to be \$150,000, comprised of the fee for its services and the reimbursement for certain expenses related to the Offer.

### **Information Agent**

INQUIRIES BY ALL HOLDERS OF RIGHTS SHOULD BE DIRECTED TO: THE INFORMATION AGENT, GEORGESON, TOLL-FREE AT (866) 257-5415 OR PLEASE SEND WRITTEN REQUEST TO: GEORGESON, FLOOR 26, 199 WATER STREET, NEW YORK, NY, 10038; HOLDERS MAY ALSO CONSULT THEIR BROKERS OR NOMINEES.

### **Method of Exercise of Rights**

Rights may be exercised by completing and signing the reverse side of the Subscription Certificate and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Rights Agent, together with payment for the Shares as described below under “Payment for Shares.” Rights may also be exercised through a Rights holder’s broker, who may charge the Rights holder a servicing fee in connection with such exercise.



Completed Subscription Certificates must be received by the Rights Agent prior to 5:00 p.m. Eastern Time, on the Expiration Date (unless payment is effected by means of a notice of guaranteed delivery as described below under “Payment for Shares”). The Subscription Certificate and payment should be delivered to Computershare Trust Company, N.A. at the following address:

If By Mail:	The Gabelli Global Multimedia Trust Inc. Computershare Trust Company, N.A. c/o Voluntary Corporate Actions P.O. Box 43011 Providence, Rhode Island 02940-3011
If By Express Mail:	The Gabelli Global Multimedia Trust Inc. Computershare Trust Company, N.A. c/o Voluntary Corporate Actions 250 Royall Street, Suite V Canton, Massachusetts 02021
If By Overnight Courier:	The Gabelli Global Multimedia Trust Inc. Computershare Trust Company, N.A. c/o Voluntary Corporate Actions 250 Royall Street, Suite V Canton, Massachusetts 02021

### **Payment for Shares**

Holders of Rights who acquire Shares on Primary Subscription or pursuant to the Over-Subscription Privilege may choose between the following methods of payment:

(1) A subscription will be accepted by the Rights Agent if, prior to 5:00 p.m., Eastern Time, on the Expiration Date, the Rights Agent has received a written notice of guaranteed delivery from a bank, a trust company, or a NYSE member, guaranteeing delivery of: (i) payment of the full Subscription Price for the Shares subscribed for on the Primary Subscription and any additional Shares subscribed for pursuant to the Over-Subscription Privilege, and (ii) a properly completed and executed Subscription Certificate, which: (1) designates your primary subscription and secondary over-subscription amounts, (2) provides a check (or amount in notice of guaranteed delivery), (3) indicates whether you participate in the Fund’s automatic dividend reinvestment and cash purchase plan and wish to receive a certificate, and (4) indicates whether you want to sell or transfer your rights. The Rights Agent will not honor a notice of guaranteed delivery if a properly completed and executed Subscription Certificate and full payment is not received by the Rights Agent by the close of business on the third Business Day after the Expiration Date. The notice of guaranteed delivery may be delivered to the Rights Agent in the same manner as Subscription Certificates at the addresses set forth above, or may be transmitted to the Rights Agent by facsimile transmission to fax number (617) 360-6810; telephone number to confirm receipt (781) 575-2332.

(2) Alternatively, a holder of Rights can send the Subscription Certificate together with payment in the form of a check for the Shares subscribed for on Primary Subscription and additional Shares subscribed for pursuant to the Over-Subscription Privilege to the Rights Agent based on the Subscription Price of \$7.00 per Share. To be accepted, the payment, together with the executed Subscription Certificate, must be received by the Rights Agent at the addresses noted above prior to 5:00 p.m., Eastern Time, on the Expiration Date. The Rights Agent will deposit all stock purchase checks received by it prior to the final due date into a segregated interest-bearing account pending proration and distribution of Shares. The Rights Agent will not accept cash as a means of payment for Shares.

EXCEPT AS OTHERWISE SET FORTH BELOW, A PAYMENT PURSUANT TO THIS METHOD MUST BE IN UNITED STATES DOLLARS BY MONEY ORDER OR CHECK DRAWN ON A BANK LOCATED IN THE CONTINENTAL UNITED STATES, MUST BE PAYABLE TO THE GABELLI GLOBAL MULTIMEDIA TRUST INC., AND MUST ACCOMPANY AN EXECUTED SUBSCRIPTION CERTIFICATE TO BE ACCEPTED.



If the aggregate Subscription Price paid by a Record Date Shareholder is insufficient to purchase the number of Shares that the holder indicates are being subscribed for, or if a Record Date Shareholder does not specify the number of Shares to be purchased, then the Record Date Shareholder will be deemed to have exercised first, the Primary Subscription Rights (if not already fully exercised) and second, the Over-Subscription Privilege to the full extent of the payment tendered. If the aggregate Subscription Price paid by such holder is greater than the Shares he has indicated an intention to subscribe, then the Rights holder will be deemed to have exercised first, the Primary Subscription Rights (if not already fully subscribed) and second, the Over-Subscription Privilege to the full extent of the excess payment tendered.

Any payment required from a holder of Rights must be received by the Rights Agent by the Expiration Date, or if the Rights holder has elected to make payment by means of a notice of guaranteed delivery, on the third Business Day after the Expiration Date. Whichever of the two methods of payment described above is used, issuance and delivery of certificates for the Shares purchased are subject to collection of checks and actual payment pursuant to any notice of guaranteed delivery.

Within ten Business Days following the Expiration Date (the “Confirmation Date”), a confirmation will be sent by the Rights Agent to each holder of Rights (or, if the Shares are held by Cede or any other depository or nominee, to Cede or such other depository or nominee), showing (i) the number of Shares acquired pursuant to the Primary Subscription, (ii) the number of Excess Shares, if any, acquired pursuant to the Over-Subscription Privilege, (iii) the per Share and total purchase price for the Shares and (iv) any excess to be refunded by the Fund to such holder as a result of payment for Shares pursuant to the Over-Subscription Privilege which the holder is not acquiring. Any payment required from a holder of Rights must be received by the Rights Agent on the Expiration Date, or if the Rights holder has elected to make payment by means of a notice of guaranteed delivery, on the third Business Day after the Expiration Date. Any excess payment to be refunded by the Fund to a holder of Rights, or to be paid to a holder of Rights as a result of sales of Rights on his behalf by the Rights Agent or exercises by Record Date Shareholders of their Over-Subscription Privileges, and all interest accrued on the holder’s excess payment will be mailed by the Rights Agent to the holder within fifteen Business Days after the Expiration Date. Interest on the excess payment will accrue through the date that is one Business Day prior to the mail date of the reimbursement check. If any Rights holder exercises its right to acquire Shares pursuant to the Over-Subscription Privilege, any excess payment which would otherwise be refunded to the Rights holder will be applied by the Fund toward payment for Shares acquired pursuant to exercise of the Over-Subscription Privilege, if any.

A Rights holder will have no right to rescind a purchase after the Rights Agent has received payment either by means of a notice of guaranteed delivery or a check.

If a holder of Rights who acquires Shares pursuant to the Primary Subscription or the Over-Subscription Privilege does not make payment of any amounts due, the Fund reserves the right to take any or all of the following actions: (i) find other purchasers for such subscribed-for and unpaid-for Shares; (ii) apply any payment actually received by it toward the purchase of the greatest whole number of Shares which could be acquired by such holder upon exercise of the Primary Subscription or the Over-Subscription Privilege; (iii) sell all or a portion of the Shares purchased by the holder, in the open market, and apply the proceeds to the amounts owed; and (iv) exercise any and all other rights or remedies to which it may be entitled, including, without limitation, the right to set off against payments actually received by it with respect to such subscribed Shares and to enforce the relevant guaranty of payment.

Nominees who hold Shares for the account of others, such as brokers, dealers or depositories for securities, should notify the respective beneficial owners of the Shares as soon as possible to ascertain such beneficial owners’ intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the record holder of the Rights should complete Subscription Certificates and submit them to the Rights Agent with the proper payment. In addition, beneficial owners of Shares or Rights held through such a nominee should contact the nominee and request the nominee to effect transactions in accordance with the beneficial owner’s instructions. **Banks, broker-dealers and trust companies that hold Shares for the**

**accounts of others are advised to notify those persons that purchase Rights in the secondary market that such Rights may not participate in the Over-Subscription Privilege.**

THE INSTRUCTIONS ACCOMPANYING THE SUBSCRIPTION CERTIFICATES SHOULD BE READ CAREFULLY AND FOLLOWED IN DETAIL. DO NOT SEND SUBSCRIPTION CERTIFICATES TO THE FUND.

The method of delivery of Subscription Certificates and payment of the Subscription Price to the Rights Agent will be at the election and risk of the Rights holders, but, if sent by mail, it is recommended that the certificates and payments be sent by registered mail, properly insured, with return receipt requested, and that a sufficient number of days be allowed to ensure delivery to the Rights Agent and clearance of payment prior to 5:00 p.m., Eastern Time, on the Expiration Date. Because uncertified personal checks may take at least five Business Days or more to clear, you are strongly urged to pay, or arrange for payment, by means of a certified or cashier's check or money order.

All questions concerning the timeliness, validity, form and eligibility of any exercise of Rights will be determined by the Fund, whose determinations will be final and binding. The Fund, in its sole discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported exercise of any Right. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as the Fund determines in its sole discretion. Neither the Fund nor the Rights Agent will be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

#### **Delivery of Stock Certificates**

Certificates representing Shares purchased pursuant to the Primary Subscription will be delivered to subscribers as soon as practicable after the corresponding Rights have been validly exercised and full payment for the Shares has been received and cleared. Certificates representing Shares purchased pursuant to the Over-Subscription Privilege will be delivered to subscribers as soon as practicable after the Expiration Date and after all allocations have been effected. Participants in the Fund's Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan (the "Plan") will be issued Rights for these Shares held in their accounts in the Plan. Participants wishing to exercise these Rights must exercise the Rights in accordance with the procedures set forth above in "Method of Exercise of Rights" and "Payment for Shares." Rights will not be exercised automatically by the Plan. Plan participants exercising their Rights will receive their Primary and Over-Subscription Shares via an uncertificated credit to their existing account. To request a stock certificate, participants in the Plan should check the appropriate box on the Subscription Certificate. These Shares will remain subject to the same investment option as previously selected by the Plan participant.

#### **Foreign Restrictions**

Subscription Certificates will only be mailed to Record Date Shareholders whose addresses are within the United States, Ontario, Quebec, British Columbia, New Brunswick, Alberta and Manitoba (other than an APO or FPO address). Record Date Shareholders whose addresses are outside the United States, Ontario, Quebec, British Columbia, New Brunswick, Alberta and Manitoba or who have an APO or FPO address and who wish to subscribe to the Offer either in part or in full should contact the Rights Agent in writing or by recorded telephone conversation no later than three Business Days prior to the Expiration Date. The Fund will determine whether the Offer may be made to any such shareholder. If the Rights Agent has received no instruction by the third Business Day prior to the Expiration Date or the Fund has determined that the Offer may not be made to a particular shareholder, the Rights Agent will attempt to sell all of such shareholder's Rights and remit the net proceeds, if any, to such shareholder. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Rights Agent on the day the Rights are sold, less any applicable brokerage commissions, taxes and other expenses.

## **Federal Income Tax Consequences**

The following is a general summary of the significant federal income tax consequences of the receipt of Rights by a Record Date Shareholder and a subsequent lapse, exercise or sale of such Rights. The discussion also addresses the significant federal income tax consequences to a holder that purchases Rights in a secondary-market transaction (*e.g.*, on the NYSE). The discussion is based upon applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), the Treasury Regulations promulgated thereunder and other authorities currently in effect, and does not address state or local tax consequences. Moreover, the discussion assumes that the fair market value of the Rights distributed to all of the Record Date Shareholders will, upon the date of such distribution, be less than 15% of the total fair market value of all of the Shares on such date.

### ***Record Date Shareholders***

For federal income tax purposes, neither the receipt nor the exercise of Rights by a Record Date Shareholder will result in taxable income to such shareholder, and no taxable loss will be realized by a Record Date Shareholder who allows his Rights to expire without exercise. A taxable gain or loss recognized by a Record Date Shareholder upon a sale of a Right will be a capital gain or loss (assuming the Right is held as a capital asset at the time of sale) and will be a short-term capital gain or loss. A Record Date Shareholder’s holding period for a Share acquired upon exercise of a Right (a “New Share”) begins with the date of exercise of the Right. A taxable gain or loss recognized by a Record Date Shareholder upon a sale of a New Share will be a capital gain or loss (assuming the New Share is held as a capital asset at the time of sale) and will be a long-term capital gain or loss if the New Share has been held at the time of sale for more than one year.

Unless a Record Date Shareholder makes the election described in the following paragraph, his basis for determining gain or loss upon the sale of a Right will be zero and his basis for determining gain or loss upon the sale of a New Share will be equal to the sum of the Subscription Price for the New Share and any servicing fee charged to the shareholder by his broker, bank or trust company. Moreover, unless a Record Date Shareholder makes the election described in the following paragraph, the receipt of a Right and the lapse, sale or exercise thereof will have no effect on the federal income tax basis of those Shares that such shareholder originally owned (“Original Shares”).

A Record Date Shareholder may make an election to allocate the federal income tax basis of his Original Shares between such Original Shares and all of the Rights that he receives pursuant to the Offer in proportion to their respective fair market values as of the date of distribution of the Rights. Thus, if such an election is made and the Record Date Shareholder sells or exercises his Rights, the shareholder’s basis in his Original Shares will be reduced by an amount equal to the basis allocated to the Rights. This election is irrevocable and must be made in a statement attached to the shareholder’s federal income tax return for the taxable year in which the Rights are distributed. If an electing Record Date Shareholder exercises his Rights, the basis of his New Shares will be equal to the sum of the Subscription Price for such New Shares (as increased by any servicing fee charged to the shareholder by his broker, bank or trust company) plus the basis allocated to such Rights as described above. Accordingly, Record Date Shareholders should consider the advisability of making the above-described election if they intend to exercise their Rights. However, if an electing Record Date Shareholder does not sell or exercise his Rights, no taxable loss will be realized as a result of the lapse of such Rights and no portion of the shareholder’s basis in his Original Shares will be allocated to the unexercised Rights.

### ***Purchasers of Rights***

For federal income tax purposes, the exercise of Rights by a purchaser who acquires such Rights on the NYSE or in another secondary-market transaction will not result in taxable income to such purchaser, and a taxable loss will be realized by a purchaser who allows his Rights to expire without exercise. Such taxable loss will be a short-term capital loss if the purchaser holds the Rights as capital assets at the time of their expiration. A taxable gain or loss recognized by a purchaser upon a sale of a Right will be a capital gain or loss (assuming the Right is held as a capital asset at the time of sale) and will be a short-term capital gain or loss. A purchaser’s basis for determining gain or loss upon the sale of a New Share acquired through the

exercise of a Right will be equal to the sum of the Subscription Price for the New Share plus the purchase price of the Right or Rights that were exercised in order to acquire such New Share (with such Subscription Price and purchase price each being increased by any applicable servicing fees charged to the purchaser by his broker, bank or trust company). A purchaser's holding period for a New Share acquired upon exercise of a Right begins with the date of exercise of the Right. A taxable gain or loss recognized by a purchaser upon a sale of a New Share will be a capital gain or loss (assuming the New Share is held as a capital asset at the time of sale) and will be a long-term capital gain or loss if the New Share has been held at the time of sale for more than one year.

### ***Employee Plan Considerations***

Rights holders that are employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including corporate savings and 401(k) plans, Keogh Plans of self-employed individuals and Individual Retirement Accounts ("IRA") (each, a "Benefit Plan" and collectively, "Benefit Plans"), should be aware that additional contributions of cash in order to exercise Rights may be treated as Benefit Plan contributions and, when taken together with contributions previously made, may subject a Benefit Plan to excise taxes for excess or nondeductible contributions. In the case of Benefit Plans qualified under Section 401(a) of the Code, additional cash contributions could cause the maximum contribution limitations of Section 415 of the Code or other qualification rules to be violated. Benefit Plans contemplating making additional cash contributions to exercise Rights should consult with their counsel prior to making such contributions.

Benefit Plans and other tax exempt entities, including governmental plans, should also be aware that if they borrow in order to finance their exercise of Rights, they may become subject to the tax on unrelated business taxable income ("UBTI") under Section 511 of the Code. If any portion of an IRA is used as security for a loan, the portion so used is also treated as distributed to the IRA depositor.

ERISA contains prudence and diversification requirements and ERISA and the Code contain prohibited transaction rules that may impact the exercise of Rights. Among the prohibited transaction exemptions issued by the Department of Labor that may exempt a Benefit Plan's exercise of Rights are Prohibited Transaction Exemption 84-24 (governing purchases of shares in investment companies) and Prohibited Transaction Exemption 75-1 (covering sales of securities).

Due to the complexity of these rules and the penalties for noncompliance, Benefit Plans should consult with their counsel regarding the consequences of their exercise of Rights under ERISA and the Code.

### **USE OF PROCEEDS**

The Fund estimates the net proceeds of the Offer to be \$31,076,561, based on the Subscription Price per share of \$7.00, assuming all Primary Subscription Shares offered are sold and that the expenses related to the Offer estimated at approximately \$600,000 are paid.

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, which is expected to be substantially completed within 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.

### **INVESTMENT OBJECTIVES AND POLICIES**

The Fund's primary investment objective is to achieve long-term growth of capital by investing primarily in the common stock and other securities of foreign and domestic companies involved in the telecommunications, media, publishing and entertainment industries. Income is the secondary investment objective. The investment objectives of long-term growth of capital and income are fundamental policies of the Fund. The Fund's policy of concentration in companies in the communications industries is also a

fundamental policy 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. Such majority votes require, in each case, the lesser of (i) 67% of the Fund’s applicable shares represented at a meeting at which more than 50% of the Fund’s applicable shares outstanding are represented, whether in person or by proxy, or (ii) more than 50% of the outstanding shares of the applicable class.

Under normal market conditions, the Fund will invest at least 80% of the value of its assets in common stock and other securities, including convertible securities, preferred stock, options, and warrants of companies in the telecommunications, media, publishing, and entertainment industries. A company will be considered to be in these industries if it derives at least 50% of its revenues or earnings from, or devotes at least 50% of its assets to, the indicated activities or multimedia-related activities. The 80% Policy may be changed without shareholder approval. The Fund will provide shareholders with notice at least 60 days prior to the implementation of any change in the 80% Policy.

The telecommunications companies in which the Fund may invest are engaged in the development, manufacture or sale of communications services or equipment throughout the world, including the following products or services: regular telephone service; wireless communications services and equipment, including cellular telephone, microwave and satellite communications, paging, and other emerging wireless technologies; equipment and services for both data and voice transmission, including computer hardware and software; electronic components and communications equipment; video conferencing; electronic mail; local and wide area networking, and linkage of data and word processing systems; publishing and information systems; video text and teletext; emerging technologies combining television, telephone and computer systems; broadcasting, including television and radio, satellite and microwave transmission and cable television.

The entertainment, media and publishing companies in which the Fund may invest are engaged in providing the following products or services: the creation, packaging, distribution, and ownership of entertainment programming throughout the world, including pre-recorded music, feature-length motion pictures, made-for-TV movies, television series, documentaries, animation, game shows, sports programming and news programs; live events such as professional sporting events or concerts, theatrical exhibitions, television and radio broadcasting, satellite and microwave transmission, cable television systems and programming, broadcast and cable networks, wireless cable television and other emerging distribution technologies; home video, interactive and multimedia programming, including home shopping and multiplayer games; publishing, including newspapers, magazines and books, advertising agencies and niche advertising mediums such as in-store or direct mail; emerging technologies combining television, telephone and computer systems, computer hardware and software; and equipment used in the creation and distribution of entertainment programming such as that required in the provision of broadcast, cable or telecommunications services.

Under normal circumstances, the Fund will invest in securities of issuers located in at least three countries, which may include the United States. Investing in securities of foreign issuers, which generally are denominated in foreign currencies, may involve certain risk and opportunity considerations not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluations of currencies. For a further discussion of the risks associated with investing in foreign securities and a description of other risks inherent in the Fund’s investment objectives and policies, see “Risk Factors and Special Considerations.”

The Investment Adviser believes that at the present time investment by the Fund in the securities of companies located throughout the world presents great potential for accomplishing the Fund’s investment objectives. While the Investment Adviser expects that a substantial portion of the Fund’s portfolio may be invested in the securities of domestic companies, a significant portion of the Fund’s portfolio may also be comprised of the securities of issuers headquartered outside the United States.

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



## Investment Methodology of the Fund

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

- the Investment Adviser's own evaluations of the private market value (as defined below), cash flow, earnings per share and other fundamental aspects of the underlying assets and business of the company;
- the potential for capital appreciation of the securities;
- the interest or dividend income generated by the securities;
- the prices of the securities relative to other comparable securities;
- whether the securities are entitled to the benefits of call protection or other protective covenants;
- the existence of any anti-dilution protections or guarantees of the security; and
- the diversification of the portfolio of the Fund as to issuers.

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

## Certain Investment Practices

*Foreign Securities.* There is no limitation on the amount of foreign securities in which the Fund may invest. Among the foreign securities in which the Fund may invest are those issued by companies located in developing countries or emerging markets, which are countries in the initial stages of their industrialization cycles. Investing in the equity and debt markets of developing countries involves exposure to economic structures that are generally less diverse and less mature, and to political systems that may have less stability, than those of developed countries. The markets of developing countries historically have been more volatile than the markets of the more mature economies of developed countries, but often have provided higher rates of return to investors.

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

*Corporate Reorganizations.* The Fund may invest without limit in securities of companies for which a tender or exchange offer has been made or announced and in securities of companies for which a merger, consolidation, liquidation or similar reorganization proposal has been announced if, in the judgment of the Investment Adviser, there is a reasonable prospect of capital appreciation significantly greater than the added portfolio turnover expenses inherent in the short term nature of such transactions. The principal risk is that such offers or proposals may not be consummated within the time and under the terms contemplated at the time of the investment, in which case, unless such offers or proposals are replaced by equivalent or increased offers or proposals that are consummated, the Fund may sustain a loss.

*Temporary Defensive Investments.* Subject to the Fund's investment restrictions, when a temporary defensive period is believed by the Investment Adviser to be warranted ("temporary defensive periods"), the Fund may, without limitation, hold cash or invest its assets in securities of U.S. government sponsored instrumentalities, in repurchase agreements in respect of those instruments, and in certain high-grade commercial paper instruments. During temporary defensive periods, the Fund may also invest up to 10% of the market value of its total assets in money market mutual funds that invest primarily in securities of



U.S. government sponsored instrumentalities and repurchase agreements in respect of those instruments. Obligations of certain agencies and instrumentalities of the U.S. government, such as the Government National Mortgage Association, are supported by the “full faith and credit” of the U.S. government; others, such as those of the Export-Import Bank of the U.S., are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. government to purchase the agency’s obligations; and still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. No assurance can be given that the U.S. government would provide financial support to U.S. government sponsored instrumentalities if it is not obligated to do so by law. During temporary defensive periods, the Fund may be less likely to achieve its secondary investment objective of income.

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

### **Special Investment Methods**

*Options.* On behalf of the Fund, the Investment Adviser may, subject to guidelines of the Board, purchase or sell (*i.e.*, write) options on securities, securities indices and foreign currencies which are listed on a national securities exchange or in the U.S. over-the-counter (“OTC”) markets as a means of achieving additional return or of hedging the value of the Fund’s portfolio. The Fund may write covered call options on common stocks that it owns or has an immediate right to acquire through conversion or exchange of other securities in an amount not to exceed 25% of total assets or invest up to 10% of its total assets in the purchase of put options on common stocks that the Fund owns or may acquire through the conversion or exchange of other securities that it owns.

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

The writer of the call option has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price during the option period.

A put option is a contract that gives the holder of the option the right to sell to the writer (seller), in return for the premium, the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy the underlying security upon exercise, at the exercise price during the option period.

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

An exchange traded option may be closed out only on an exchange which provides a secondary market for an option of the same series. Although the Fund will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option. See “Investment Objectives and Policies — Investment Practices” in the SAI.

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

The Investment Adviser has claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act and therefore, is not subject to the registration requirements under the Commodity Exchange Act. Accordingly, the Fund’s investments in derivative instruments are not

limited by or subject to regulation under the Commodity Exchange Act or otherwise regulated by the Commodity Futures Trading Commission. Nevertheless, the Fund's investment restrictions place certain limitations and prohibitions on its ability to purchase or sell commodities or commodity contracts. In addition, investment in futures contracts and related options generally will be limited by the rating agency guidelines applicable to any of the Fund's outstanding preferred stock.

*Forward Currency Exchange Contracts.* Subject to guidelines of the Board, the Fund may enter into forward foreign currency exchange contracts to protect the value of its portfolio against future changes in the level of currency exchange rates. The Fund may enter into such contracts on a "spot" (*i.e.*, cash) basis at the rate then prevailing in the currency exchange market or on a forward basis, by entering into a forward contract to purchase or sell currency. A forward contract on foreign currency is an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days agreed upon by the parties from the date of the contract at a price set on the date of the contract. The Fund's dealings in forward contracts generally will be limited to hedging involving either specific transactions or portfolio positions. The Fund does not have an independent limitation on its investments in foreign currency futures contracts and options on foreign currency futures contracts.

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

- dependence on the Investment Adviser's ability to predict correctly movements in the direction of interest rates, securities prices and currency markets;
- imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged;
- the fact that skills needed to use these strategies are different from those needed to select portfolio securities;
- the possible absence of a liquid secondary market for any particular instrument at any time;
- the possible need to defer closing out certain hedged positions to avoid adverse tax consequences; and
- the possible inability of the Fund to purchase or sell a security at a time that otherwise would be favorable for it to do so, or the possible need for the Fund to sell a security at a disadvantageous time due to a need for the Fund to maintain "cover" or to segregate securities in connection with the hedging techniques.

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

*Short Sales.* The Fund may from time to time make short sales of securities, including short sales "against the box." A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. A short sale "against the box" occurs when the Fund contemporaneously owns, or has the right to obtain at no added cost, securities identical to those sold short.

The market value for the securities sold short of any one issuer will not exceed 5% of the Fund's total assets or 5% of such issuer's voting securities. In addition, the Fund may not make short sales or maintain a short position if it would cause more than 25% of the Fund's total assets, taken at market value, to be held as collateral for such sales. The Fund may make short sales "against the box" without respect to such limitations.

The Fund may make short sales in order to hedge against market risks when it believes that the price of a security may decline, causing a decline in the value of a security owned by the Fund or a security convertible into, or exchangeable for, such security, or when the Fund does not want to sell the security it owns. Such short sale transactions may be subject to special tax rules, one of the effects of which may be to accelerate income to the Fund. Additionally, the Fund may use short sales in conjunction with the purchase of a convertible security when it is determined that the convertible security can be bought at a small conversion premium and has a yield advantage relative to the underlying common stock sold short.

When the Fund makes a short sale, it will often borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. In connection with such short sales, the Fund may pay a fee to borrow securities or maintain an arrangement with a broker to borrow securities, and is often obligated to pay over any accrued interest and dividends on such borrowed securities. In a short sale, the Fund does not immediately deliver the securities sold or receive the proceeds from the sale. The Fund may close out a short position by purchasing and delivering an equal amount of the securities sold short, rather than by delivering securities already held by the Fund, because the Fund may want to continue to receive interest and dividend payments on securities in its portfolio that are convertible into the securities sold short.

If the price of the security sold short increases between the time of the short sale and the time that the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a capital gain. Any gain will be decreased, and any loss, increased, by the transaction costs described above. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold short and the securities being hedged.

To the extent that the Fund engages in short sales, it will provide collateral to the broker-dealer and (except in the case of short sales “against the box”) will maintain additional asset coverage in the form of segregated or “earmarked” assets on the records of the Investment Adviser or with the Fund’s Custodian, consisting of cash, U.S. government securities or other liquid securities that is equal to the current market value of the securities sold short, or (in the case of short sales “against the box”) will ensure that such positions are covered by “offsetting” positions, until the Fund replaces the borrowed security. The Fund will engage in short selling to the extent permitted by the federal securities laws and rules and interpretations thereunder, subject to the percentage limitations set forth above. To the extent the Fund engages in short selling in foreign (non-U.S.) jurisdictions, the Fund will do so to the extent permitted by the laws and regulations of such jurisdiction.

*Repurchase Agreements.* The Fund may enter into repurchase agreements with banks and non-bank dealers of U.S. government securities which are listed as reporting dealers of the Federal Reserve Bank and which furnish collateral at least equal in value or market price to the amount of their repurchase obligation. In a repurchase agreement, the Fund purchases a debt security from a seller who undertakes to repurchase the security at a specified resale price on an agreed future date. Repurchase agreements are generally for one Business Day and generally will not have a duration of longer than one week. The SEC has taken the position that, in economic reality, a repurchase agreement is a loan by a fund to the other party to the transaction secured by securities transferred to the fund. The resale price generally exceeds the purchase price by an amount which reflects an agreed upon market interest rate for the term of the repurchase agreement. The Fund’s risk is primarily that, if the seller defaults, the proceeds from the disposition of the underlying securities and other collateral for the seller’s obligation may be less than the repurchase price. If the seller becomes insolvent, the Fund might be delayed in or prevented from selling the collateral. In the event of a default or bankruptcy by a seller, the Fund will promptly seek to liquidate the collateral. To the extent that the proceeds from any sale of the collateral upon a default in the obligation to repurchase are less than the repurchase price, the Fund will experience a loss. If the financial institution that is a party to the repurchase agreement petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme circumstances, there may be a restriction on the Fund’s ability to sell the collateral and the Fund could suffer a loss.

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

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

*Borrowing.* The Fund may borrow money in accordance with its investment restrictions, including as a temporary measure for extraordinary or emergency purposes. It may not borrow for investment purposes.

*Leveraging.* As provided in the 1940 Act, and subject to compliance with the Fund's investment limitations, the Fund may issue senior securities representing stock, such as preferred stock, so long as immediately following such issuance of stock, its total assets exceed 200% of the amount of such stock. The use of leverage magnifies the impact of changes in net asset value. For example, a fund that uses 33% leverage will show a 1.5% increase or decline in net asset value for each 1% increase or decline in the value of its total assets. In addition, if the cost of leverage exceeds the return on the securities acquired with the proceeds of leverage, the use of leverage will diminish, rather than enhance, the return to the Fund. The use of leverage generally increases the volatility of returns to the Fund. The Fund currently has two series of preferred stock outstanding: the 6.00% Series B Cumulative Preferred Stock and the Series C Auction Rate Preferred Stock.

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

*Investment Restrictions.* The Fund has adopted certain investment restrictions as fundamental policies of the Fund. Under the 1940 Act, a fundamental policy may not be changed without the vote of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Fund (voting together as a single class). The Fund's investment restrictions are more fully discussed under "Investment Restrictions" in the SAI.

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

Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. The portfolio turnover rate is computed by dividing the lesser of the amount of the securities purchased or securities sold by the average monthly value of securities owned during the year (excluding securities whose maturities at acquisition were one year or less). High portfolio turnover may also result in the realization of substantial net short-term capital gains and any distributions resulting from such gains will be taxable at ordinary income rates for U.S. federal income tax purposes. The Fund's portfolio turnover rates for the fiscal years ended December 31, 2010, and 2009, were 9.40% and 9.60%, respectively.

## **RISK FACTORS AND SPECIAL CONSIDERATIONS**

There are a number of risks that an investor should consider in evaluating the Fund. You should read this entire Prospectus and SAI before you decide whether to exercise your Rights. In addition, you should consider the matters set forth below.

### **Principal Risks Associated with the Fund and Relating to this Offering**

#### **Dilution**

As with any stock, the price of the Fund's Shares fluctuate with market conditions and other factors. The Shares are currently trading at a discount to their net asset value. Since the inception of the Fund, the Shares have traded at discounts of as much as 31%. Shares of closed-end investment companies often trade at a discount from their net asset values. This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of its investment activities and may be greater for shareholders expecting to sell their Shares in a relatively short period of time following completion of this Offer. The net asset value of the Shares will be reduced immediately following this Offer as a result of the payment of certain offering costs.

If you do not exercise all of your Rights, you may own a smaller proportional interest in the Fund when the Offer is over. In addition, you will experience an immediate dilution of the aggregate net asset value per share of your Shares if you do not participate in the Offer and will experience a reduction in the net asset value per share whether or not you exercise your Rights, if the Subscription Price is below the Fund's net asset value per Share on the Expiration Date, because:

- the offered Shares are being sold at less than their current net asset value.
- you will indirectly bear the expenses of the Offer.
- the number of Shares outstanding after the Offer will have increased proportionately more than the increase in the amount of the Fund's net assets.

On the other hand, if the Subscription Price is above the Fund's net asset value per share on the Expiration Date, you may experience an immediate accretion of the aggregate net asset value per share of your Shares even if you do not exercise your Rights and an immediate increase in the net asset value per share of your Shares whether or not you participate in the Offer, because:

- the offered Shares are being sold at more than their current net asset value after deducting the expenses of the Offer.
- the number of Shares outstanding after the Offer will have increased proportionately less than the increase in the amount of the Fund's net assets.

Furthermore, if you do not participate in the Over-Subscription Privilege, your percentage ownership may also be diluted. The Fund cannot state precisely the amount of any dilution because it is not known at this time what the net asset value per share will be on the Expiration Date or what proportion of the Rights will be exercised. The impact of the Offer on net asset value per share is shown by the following examples, assuming a \$7.00 Subscription Price:

Scenario 1: (assumes net asset value per share is above subscription price)(1)

NAV .....	\$7.50
Subscription Price .....	\$7.00
Reduction in NAV\$(2) .....	\$0.16
Reduction in NAV(%) .....	2.13%

Scenario 2: (assumes net asset value per share is below subscription price)(1)

NAV .....	\$6.50
Subscription Price .....	\$7.00
Increase in NAV\$(2) .....	\$0.09
Increase in NAV(%) .....	1.38%

(1) Both examples assume the full Primary Subscription and Secondary Over-Subscription Privilege are exercised. Actual amounts may vary due to rounding.

(2) Assumes \$600,000 in estimated offering expenses.

If you do not wish to exercise your Rights, you should consider selling them as set forth in this Prospectus. Any cash you receive from selling your Rights should serve as partial compensation for any possible dilution of your interest in the Fund. The Fund cannot give assurance, however, that a market for the Rights will develop or that the Rights will have any marketable value.

The Fund's largest shareholders, Record Date Shareholders of more than 5% of the outstanding shares of common stock of the Fund, could increase their percentage ownership in the Fund through the exercise of the Primary Subscription and Over-Subscription Privilege.

## Leverage Risk

The Fund uses financial leverage for investment purposes by issuing preferred stock. The amount of leverage represents approximately 22% of the Fund's Managed Assets (defined as the aggregate net asset value of outstanding shares of common stock plus assets attributable to outstanding shares of preferred stock, with no deduction for the liquidation preference of such shares of preferred stock) as of December 31, 2010. The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage. Such volatility may increase the likelihood of the Fund's having to sell investments in order to meet dividend payments on the preferred stock, or to redeem preferred stock, when it may be disadvantageous to do so. Also, if the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common stock distribution payments, and such a failure to pay dividends or make distributions could result in the Fund's ceasing to qualify as a regulated investment company under the Code.

Because the advisory fee paid to the Investment Adviser is calculated on the basis of the Fund's Managed Assets, rather than only on the basis of net assets attributable to the shares of common stock, the fee may be higher when leverage is utilized, giving the Investment Adviser an incentive to utilize leverage. However, the Investment Adviser has agreed to reduce any management fee on the incremental assets attributable to the cumulative preferred stock during the fiscal year if the total return of the net asset value of the outstanding shares of common stock, including distributions and advisory fee subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series of preferred stock.



## **Industry Concentration Risk**

The Fund invests a significant portion of its assets in companies in the telecommunications, media, publishing and entertainment industries and, as a result, the value of the Fund's shares is more susceptible to factors affecting those particular types of companies and those industries, including governmental regulation, a greater price volatility than the overall market, rapid obsolescence of products and services, intense competition and strong market reactions to technological developments.

Various types of ownership restrictions are imposed by the Federal Communications Commission, or FCC, on investment in media companies and cellular licensees. For example, the FCC's broadcast and cable multiple-ownership and cross-ownership rules, which apply to the radio, television and cable industries, provide that investment advisers are deemed to have an "attributable" interest whenever the adviser has the right to determine how five percent or more of the issued and outstanding voting stock of a broadcast company or cable system operator may be voted. These rules limit the number of broadcast stations both locally and nationally that a single entity is permitted to own, operate, or control and prohibit ownership of certain competitive communications providers in the same location. The FCC also applies limited ownership restrictions on cellular licensees serving rural areas. An attributable interest in a cellular company arises from the right to control 20% or more of its voting stock.

Attributable interests that may result from the role of the Investment Adviser and its principals in connection with other funds, managed accounts and companies may limit the Fund's ability to invest in certain mass media and cellular companies. In the event that the Investment Adviser and its affiliates may be deemed to have such an attributable interest, the Board of Directors of the Fund may delegate, from time to time, to the Fund's Proxy Voting Committee, voting power over certain shares of securities held by the Fund in view of these ownership limitations to ensure compliance with certain FCC regulations.

## **Smaller Companies**

While the Fund intends to focus on the securities of established suppliers of accepted products and services, the Fund may also invest in smaller companies which may benefit from the development of new products and services. These smaller companies may present greater opportunities for capital appreciation, and may also involve greater investment risk than larger, more established companies. For example, smaller companies may have more limited product lines, market or financial resources, and their securities may trade less frequently and in lower volume than the securities of larger, more established companies. As a result, the prices of the securities of such smaller companies may fluctuate to a greater degree than the prices of securities of other issuers.

## **Long-Term Objective; Not a Complete Investment Program**

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

## **Non-Diversified Status**

The Fund is classified as a "non-diversified" investment company under the 1940 Act, which means it is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. As a non-diversified investment company, the Fund may invest in the securities of individual issuers to a greater degree than a diversified investment company. As a result, the Fund may be more vulnerable to events affecting a single issuer and therefore subject to greater volatility than a fund that is more broadly diversified. Accordingly, an investment in the Fund may present greater risk to an investor than an investment in a diversified company. To qualify as a "regulated investment company," or "RIC," for purposes of the Code, the Fund has in the past conducted and intends to conduct its operations in a manner that will relieve it of any liability for federal income tax to the extent its earnings are distributed to shareholders. To so qualify as a



“regulated investment company,” among other requirements, the Fund will limit its investments so that, at the close of each quarter of the taxable year:

- not more than 25% of the market value of its total assets will be invested in the securities (other than U.S. government securities or the securities of other RICs) of a single issuer, any two or more issuers in which the fund owns 20% or more of the voting securities and which are determined to be engaged in the same, similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships (as defined in the Code); and
- at least 50% of the market value of the Fund’s assets will be represented by cash, securities of other regulated investment companies, U.S. government securities and other securities, with such other securities limited in respect of any one issuer to an amount not greater than 5% of the value of the its assets and not more than 10% of the outstanding voting securities of such issuer.

### **Market Value and Net Asset Value**

The Fund is a non-diversified, closed-end management investment company. Shares of closed-end funds are bought and sold in the securities markets and may trade at either a premium to or discount from net asset value. Listed shares of closed-end investment companies often trade at discounts from net asset value. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that its net asset value may decrease. The Fund cannot predict whether its listed stock will trade at, below or above net asset value. As of December 31, 2010, the shares traded at a discount of (10.47%). Shareholders desiring liquidity may, subject to applicable securities laws, trade their Fund Shares on the NYSE or other markets on which such shares may trade at the then-current market value, which may differ from the then-current net asset value. Shareholders will incur brokerage or other transaction costs to sell stock.

### **Lower Grade Securities**

The Fund may invest up to 10% of its total assets in fixed income securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality. These securities, which may be preferred stock or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Debt securities that are not rated or that are rated lower than “BBB” by Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc. (“S&P”) or lower than “Baa” by Moody’s are referred to in the financial press as “junk bonds.”

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

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

securities for the Fund to purchase and may also have the effect of limiting the ability of the Fund to sell securities at their fair value in response to changes in the economy or the financial markets.

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

As part of its investment in lower grade securities, the Fund may invest in securities of issuers in default. The Fund will make an investment in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations or emerge from bankruptcy protection under a plan pursuant to which the securities received by the Fund in exchange for its defaulted securities will have a value in excess of the Fund's investment. By investing in securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of the securities will not otherwise appreciate.

In addition to using recognized rating agencies and other sources, the Investment Adviser also performs its own analysis of issues in seeking investments that it believes to be underrated (and thus higher yielding) in light of the financial condition of the issuer. Its analysis of issuers may include, among other things, current and anticipated cash flow and borrowing requirements, value of assets in relation to historical cost, strength of management, responsiveness to business conditions, credit standing, and current anticipated results of operations. In selecting investments for the Fund, the Investment Adviser may also consider general business conditions, anticipated changes in interest rates, and the outlook for specific industries.

Subsequent to its purchase by the Fund, an issue of securities may cease to be rated or its rating may be reduced. In addition, it is possible that statistical rating agencies may change their ratings of a particular issue to reflect subsequent events. Moreover, such ratings do not assess the risk of a decline in market value. None of these events will require the sale of the securities by the Fund, although the Investment Adviser will consider these events in determining whether the Fund should continue to hold the securities.

The market for lower grade and comparable unrated securities has experienced several periods of significantly adverse price and liquidity, particularly at or around times of economic recessions. Past market recessions have adversely affected the value of such securities as well as the ability of certain issuers of such securities to repay principal and pay interest thereon or to refinance such securities. The market for those securities may react in a similar fashion in the future.

## **Foreign Securities**

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

There may be less publicly available information about a foreign company than a U.S. company. Foreign securities markets may have substantially less volume than U.S. securities markets and some foreign company securities are less liquid than securities of otherwise comparable U.S. companies. A portfolio of

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

The Fund also may purchase sponsored American Depositary Receipts (“ADRs”) or U.S. denominated securities of foreign issuers. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with foreign securities may also apply to ADRs.

### **Futures Transactions**

Futures and options on futures entail certain risks, including but not limited to the following:

- no assurance that futures contracts or options on futures can be offset at favorable prices;
- possible reduction of the yield of the Fund due to the use of hedging;
- possible reduction in value of both the securities hedged and the hedging instrument;
- possible lack of liquidity due to daily limits or price fluctuations;
- imperfect correlation between the contracts and the securities being hedged; and
- losses from investing in futures transactions that are potentially unlimited and the segregation requirements for such transactions.

For a further description, see “Investment Objectives and Policies — Investment Practices” in the SAI.

### **Forward Currency Exchange Contracts**

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

### **Dependence on Key Personnel**

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

### **Market Disruption Risk**

Certain events have a disruptive effect on the securities markets, such as terrorist attacks, war and other geopolitical events. The Fund cannot predict the effects of similar events in the future on the U.S. economy. Lower rated securities and securities of issuers with smaller market capitalizations tend to be more volatile than higher rated securities and securities of issuers with larger market capitalizations so that these events and any actions resulting from them may have a greater impact on the prices and volatility of lower rated securities and securities of issuers with smaller market capitalizations than on higher rated securities and securities of issuers with larger market capitalizations.

## **Interest Rate Transactions**

The Fund has entered into two interest rate swap transactions with respect to its outstanding Series C Auction Rate Preferred, and may enter into interest rate swap or cap transactions with respect to all or a portion of any future series of Variable Rate Preferred Stock in order to manage the impact on its portfolio of changes in the dividend rate of such stock. The Fund's 5 year interest rate swap transaction expired on April 1, 2008, and the Fund's 10 year interest rate swap transaction expires on April 4, 2013. Through these transactions the Fund seeks to obtain the equivalent of a fixed rate for such Variable Rate Preferred Stock that is lower than the Fund would have to pay if it issued Fixed Rate Preferred Stock. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. See "How the Fund Manages Risk — Interest Rate Transactions."

## **Investment Companies**

The Fund may invest in the securities of other investment companies to the extent permitted by law. To the extent the Fund invests in the common equity of investment companies, the Fund will bear its ratable share of any such investment company's expenses, including management fees. The Fund will also remain obligated to pay management fees to the Investment Adviser with respect to the assets invested in the securities of other investment companies. In these circumstances holders of the Fund's common stock will be subject to duplicative investment expenses.

## **Counterparty Risk**

The Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

## **Loans of Portfolio Securities**

Consistent with applicable regulatory requirements and the Fund's investment restrictions, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions, provided that such loans are callable at any time by the Fund (subject to notice provisions described in the SAI) and are at all times secured by cash or cash equivalents, which are maintained in a segregated account pursuant to applicable regulations and that are at least equal to the market value, determined daily, of the loaned securities. The advantage of such loans is that the Fund continues to receive the income on the loaned securities while at the same time earning interest on the cash amounts deposited as collateral, which will be invested in short-term obligations. The Fund will not lend its portfolio securities if such loans are not permitted by the laws or regulations of any state in which its shares are qualified for sale. The Fund's loans of portfolio securities will be collateralized in accordance with applicable regulatory requirements.

For a further description of such loans of portfolio securities, see "Investment Objectives and Policies — Investment Practices — Loans of Portfolio Securities" in the SAI.

## **Management Risk**

The Fund is subject to management risk because it is an actively managed portfolio. The Investment Adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

## **Anti-Takeover Provisions of the Fund's Governing Documents**

The Fund's Governing Documents include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. See "Anti-Takeover Provisions of the Fund's Governing Documents."

## **Status as a Regulated Investment Company**

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

## **HOW THE FUND MANAGES RISK**

### **Investment Restrictions**

The Fund has adopted certain investment limitations designed to limit investment risk and maintain portfolio diversification. These limitations are fundamental and may not be changed without the approval of the holders of a majority, as defined in the 1940 Act, of the outstanding shares of common stock and preferred stock voting together as a single class. The Fund may become subject to guidelines that are more limiting than the investment restrictions set forth above in order to obtain and maintain ratings from Moody's or S&P on its preferred stock. See "Investment Restrictions" in the SAI for a complete list of the fundamental and non-fundamental investment policies of the Fund.

### **Interest Rate Transactions**

The Fund has entered into two interest rate swap transactions with respect to its outstanding Series C Auction Rate Preferred and may enter into interest rate swap or cap transactions in relation to all or a portion of any future series of Variable Rate Preferred Stock in order to manage the impact on its portfolio of changes in the dividend rate of such stock. The Fund's 5 year interest rate swap transaction expired on April 1, 2008, and the Fund's 10 year interest rate swap transaction expires on April 4, 2013. Through these transactions, the Fund may, for example, obtain the equivalent of a fixed rate for such Variable Rate Preferred Stock that is lower than the Fund would have to pay if it issued Fixed Rate Preferred Stock.

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



Fund fails to maintain the required asset coverage on the outstanding preferred stock or fails to comply with other covenants, the Fund may be required to redeem some or all of these shares. The Fund generally may redeem any series of Variable Rate Preferred Stock, in whole or in part, at its option at any time (usually on a dividend or distribution payment date), other than during a non-call period. Such redemption would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transactions. Early termination of a swap could result in a termination payment by the Fund to the counterparty, while early termination of a cap could result in a termination payment to the Fund.

The Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund intends to segregate cash or liquid securities having a value at least equal to the value of the Fund's net payment obligations under any swap transaction, marked to market daily. The Fund will monitor any such swap with a view to ensuring that the Fund remains in compliance with all applicable regulatory investment policy and tax requirements.

## **MANAGEMENT OF THE FUND**

### **Board of Directors**

The business and affairs of the Fund are managed under the direction of the Fund's Board (who, with its officers, are described in the SAI). The Board decides upon matters of general policy and reviews the actions of the Investment Adviser, Gabelli Funds, LLC, located at One Corporate Center, Rye, New York 10580-1422, and the Sub-Administrator (as defined below). Pursuant to an Investment Advisory Agreement with the Fund, the Investment Adviser, under the supervision of the Fund's Board, provides a continuous investment program for the Fund's portfolio; provides investment research and makes and executes recommendations for the purchase and sale of securities; and provides all facilities and personnel, including officers required for its administrative management and pays the compensation of all officers and Directors of the Fund who are its affiliates.

### **The Investment Adviser**

Gabelli Funds, LLC serves as the Fund's Investment Adviser pursuant to the Investment Advisory Agreement with the Fund. The Investment Adviser is a New York limited liability company with principal offices located at One Corporate Center, Rye, New York 10580-1422 and is registered under the Investment Advisers Act of 1940, as amended. The Investment Adviser was organized in 1999 and is the successor to Gabelli Funds, Inc., which was organized in 1980. As of December 31, 2010, the Investment Adviser acts as a registered investment adviser to 25 management investment companies with aggregate net assets of \$18.3 billion. The Investment Adviser, together with the other affiliated investment advisers noted below, had assets under management totaling approximately \$33.3 billion as of December 31, 2010. GAMCO Asset Management Inc., an affiliate of the Investment Adviser, acts as investment adviser for individuals, pension trusts, profit sharing trusts and endowments, and as a sub-adviser to management investment companies having aggregate assets of \$13.7 billion under management as of December 31, 2010. Gabelli Securities, Inc., an affiliate of the Investment Adviser, acts as investment adviser for investment partnerships and entities having aggregate assets of approximately \$515 million under management as of December 31, 2010. Teton Advisors, Inc., an affiliate of the Investment Adviser, acts as investment manager to The GAMCO Westwood Funds and separately managed accounts having aggregate assets of approximately \$820 million under management as of December 31, 2010.

The Investment Adviser is a wholly-owned subsidiary of GAMCO Investors, Inc., a New York corporation. Shares of Class A common stock of GAMCO Investors, Inc. are traded on the NYSE under the symbol "GBL." Mr. Mario J. Gabelli may be deemed a "controlling person" of the Investment Adviser on the basis of his indirect ownership of a majority of GGCP, Inc. ("GGCP"), a private company, which owns a majority of the capital stock of GAMCO Investors, Inc.

## Payment of Expenses

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

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

## Advisory Agreement

Under the terms of the Advisory Agreement, the Investment Adviser manages the portfolio of the Fund in accordance with its stated investment objectives and policies, makes investment decisions for the Fund, and places orders to purchase and sell securities on behalf of the Fund and manages the Fund's other business and affairs, all subject to the supervision and direction of its Board. In addition, under the Advisory Agreement, the Investment Adviser oversees the administration of all aspects of the Fund's business and affairs and provides, or arranges for others to provide, at the Investment Adviser's expense, certain enumerated services, including maintaining the Fund's books and records, preparing reports to its shareholders and supervising the calculation of the net asset value of its stock. All expenses of computing the Fund's net asset value, including any equipment or services obtained solely for the purpose of pricing shares of stock or valuing the Fund's investment portfolio, will be an expense of the Fund under the Advisory Agreement unless the Investment Adviser voluntarily assumes responsibility for such expense. During the fiscal year ended December 31, 2010, the Fund reimbursed the Investment Adviser \$45,000 in connection with the cost of computing the Fund's net asset value.

The Advisory Agreement combines investment advisory and administrative responsibilities in one agreement. For services rendered by the Investment Adviser on behalf of the Fund under the Advisory Agreement, the Fund pays the Investment Adviser a fee computed weekly and paid monthly, equal on an annual basis to 1.00% of the Fund's average weekly net assets including the liquidation value of preferred stock. The fee paid by the Fund may be higher when leverage in the form of preferred stock is utilized, giving the Investment Adviser an incentive to utilize such leverage. However, the Investment Adviser has agreed to reduce the management fee on the incremental assets attributable to the preferred stock during the fiscal year if the total return of the net asset value of the common shares of the Fund, including distributions and advisory fees subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. In other words, if the effective cost of the leverage for any series of preferred stock exceeds the total return (based on net asset value) on the Fund's common stock, the Investment Adviser will waive that portion of its management fee on the incremental assets



attributable to the leverage for that series of preferred stock to mitigate the negative impact of the leverage on the common shareholder's total return. This fee waiver is voluntary and will remain in effect as long as any preferred stock in a series is outstanding. The Fund's total return on the net asset value of the common stock is monitored on a monthly basis to assess whether the total return on the net asset value of the common stock exceeds the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the management fee on those additional assets. For the year ended December 31, 2010, the Fund's total return on the net asset value of the common stock exceeded the stated dividend rate or corresponding swap rate of all outstanding preferred stock. Thus, management fees were accrued on these assets.

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

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

A discussion regarding the basis of the Board's approval of the Advisory Agreement is available in the Fund's Semi-Annual Report to shareholders for the six months ended June 30, 2010.

Canadian shareholders should note, to the extent applicable, that there may be difficulty enforcing any legal rights against the Investment Adviser because it is resident outside Canada and all of its assets are situated outside Canada.

### **Selection of Securities Brokers**

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

### **Portfolio Managers**

Mario J. Gabelli is currently and has been primarily responsible for the day-to-day management of the Fund since its inception. Mr. Gabelli has served as Chairman and Chief Executive Officer of GAMCO Investors, Inc. and its predecessors since 1976. Mr. Gabelli is the Chief Investment Officer — Value Portfolios for the Investment Adviser and GAMCO Asset Management Inc. Mr. Gabelli serves as portfolio manager for several funds in the Gabelli fund family and is a director of several funds in the Gabelli fund family. Because of the diverse nature of Mr. Gabelli's responsibilities, he will devote less than all of his time to the day-to-day management of the Fund. Mr. Gabelli is also Chief Executive Officer of GGCP, as well as Chairman of the Board of Lynch Interactive Corporation, a multimedia and communication services company.

Lawrence J. Haverty, Jr., CFA, is the associate portfolio manager of the Fund since 2005. Prior to 2005, Mr. Haverty was a managing director for consumer discretionary research at State Street Research, the Boston-based subsidiary of Metropolitan Life Insurance Company.

On February 22, 2010, Christopher J. Marangi was added to the investment team of the Fund. Mr. Marangi joined Messrs. Gabelli and Haverty in managing the Fund. Mr. Marangi joined the Investment Adviser as a research analyst in 2003 and currently leads the digital research team covering the global media and telecommunications industries. In addition to currently serving as the associate portfolio manager for the Fund, Mr. Marangi also currently serves as the associate portfolio manager of the Gabelli Value Fund and the Gabelli Asset Fund, each a registered open-end management investment company. Prior to joining the Investment Adviser, Mr. Marangi was an investment banking analyst at J.P. Morgan & Co., after which he was associated with Wellspring Capital Management, a private equity firm.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities in the Fund.

### **Sub-Administrator**

BNY Mellon Investment Servicing (US) Inc. ("BNY Mellon") (the "Sub-Administrator"), with its principal office located at 760 Moore Road, King of Prussia, Pennsylvania 19406, serves as sub-administrator for the Fund. The Sub-Administrator provides certain administrative services necessary for the Fund's operations which do not include the investment advisory and portfolio management services provided by the Investment Adviser. For these services and the related expenses borne by BNY Mellon, the Investment Adviser pays a prorated monthly fee at the annual rate of 0.0275% of the first \$10 billion of the aggregate average net assets of the Fund and all other funds advised by the Investment Adviser or its affiliate Teton Advisors, Inc., and administered by BNY Mellon, 0.0125% of the aggregate average net assets exceeding \$10 billion, and 0.01% of the aggregate average net assets in excess of \$15 billion.

### **NET ASSET VALUE**

For purposes of determining the Fund's net asset value per share, portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by the Investment Adviser.

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of 60 days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities' fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. U.S. government obligations with maturities greater than 60 days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons to the valuation and changes in valuation of similar securities, including a comparison of foreign securities to the equivalent U.S. dollar value ADR securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

The Fund obtains valuation on the basis of prices provided by one or more pricing services approved by the Board. All other investment assets, including restricted and not readily marketable securities, are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board.

In addition, whenever developments in one or more securities markets after the close of the principal markets for one or more portfolio securities and before the time as of which the Fund determines its net asset value would, if such developments had been reflected in such principal markets, likely have had more than a minimal effect on the Fund's asset value per share, the Fund may fair value such portfolio securities based on available market information as of the time the Fund determines its net asset value.

### **PORTFOLIO TRANSACTIONS**

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

### **DIVIDENDS AND DISTRIBUTIONS**

The Fund may retain for reinvestment, and pay the resulting federal income taxes on, its net capital gain, if any, although the Fund reserves the authority to distribute its net capital gain in any year. Under the Fund's current distribution policy, which may be modified at any time by its Board of Directors, the Fund intends to pay, to holders of the Fund's common stock, a minimum annual distribution of 10% of the average net asset value of the Fund within a calendar year or an amount sufficient to satisfy the minimum distribution requirements of the Code, whichever is greater. The average net asset value of the Fund is based on the average net asset values as of the last day of the four preceding calendar quarters during the year. Distributions of net investment income generally are taxable to shareholders as ordinary income dividends. If, for any calendar year, the total distributions exceed net investment income and net capital gain, the excess will generally be treated as a tax-free return of capital up to the amount of a shareholder's tax basis in the stock. The amount treated as a tax-free return of capital will reduce a shareholder's tax basis in the stock, thereby increasing such shareholder's potential gain or reducing his or her potential loss on the sale of the stock. Any amounts distributed to a shareholder in excess of the basis of the stock will be taxable to the shareholder as capital gain. The percentage of distributions paid by the Fund in 2010 that was a return of capital is 90.55%. See "Taxation."

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

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

Rights will not be entitled to receive a distribution under the distribution policy of the Fund with respect to the new Shares issued pursuant to the Offer for the record date of the periodic distribution that is immediately prior to the issuance of such newly issued Shares.

If the total distributions required by a periodic pay-out policy exceed the Fund's net investment income and net capital gain, the excess will be treated as a return of capital. Shareholders who periodically receive the payment of a dividend or other distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Shareholders should not assume that the source of a distribution from the Fund is net profit. Distributions sourced from paid-in-capital should not be considered the current yield or the total return from an investment in the Fund. If the Fund's net investment income (including net short-term capital gains) and net long-term capital gains for any year exceed the amount required to be distributed under a periodic pay-out policy, the Fund generally intends to pay such excess once a year, but may, in its discretion, retain and not distribute net long-term capital gains to the extent of such excess. The Fund reserves the right, but does not currently intend, to retain for reinvestment and pay the resulting U.S. federal income taxes on the excess of its net realized long-term capital gains over its net short-term capital losses, if any. See "Automatic Dividend Reinvestment and Voluntary Cash Purchase Plans."

## **AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLANS**

### **Enrollment in the Plan**

It is the policy of the Fund to automatically reinvest dividends payable to common shareholders. As a "registered" shareholder you automatically become a participant in the Fund's Automatic Dividend Reinvestment Plan (the "Plan"). The Plan authorizes the Fund to credit shares of common stock to participants upon an income dividend or a capital gains distribution regardless of whether the shares are trading at a discount or a premium to net asset value. All distributions to shareholders whose shares are registered in their own names will be automatically reinvested pursuant to the Plan in additional shares of the Fund. Plan participants may send their stock certificates to Computershare Trust Company, N.A. ("Computershare") to be held in their dividend reinvestment account. Registered shareholders wishing to receive their distributions in cash must submit this request in writing to:

The Gabelli Global Multimedia Trust Inc.  
c/o Computershare  
P.O. Box 43010  
Providence, RI 02940 — 3010

Shareholders requesting this cash election must include the shareholder's name and address as they appear on the share certificate. Shareholders with additional questions regarding the Plan or requesting a copy of the terms of the Plan, may contact Computershare at (800) 336-6983.

If your shares are held in the name of a broker, bank, or nominee, you should contact such institution. If such institution is not participating in the Plan, your account will be credited with a cash dividend. In order to participate in the Plan through such institution, it may be necessary for you to have your shares taken out of "street name" and re-registered in your own name. Once registered in your own name your distributions will be automatically reinvested. Certain brokers participate in the Plan. Shareholders holding shares in "street name" at participating institutions will have dividends automatically reinvested. Shareholders wishing a cash dividend at such institution must contact their broker to make this change.

The number of shares of common stock distributed to participants in the Plan in lieu of cash dividends is determined in the following manner. Under the Plan, whenever the market price of the Fund's common stock is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividends or capital gains distribution, participants are issued shares of common stock valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then current market price of the Fund's common stock. The valuation date is the dividend or

distribution payment date or, if that date is not a NYSE trading day, the next trading day. If the net asset value of the common stock at the time of valuation exceeds the market price of the common stock, participants will receive shares from the Fund valued at market price. If the Fund should declare a dividend or capital gains distribution payable only in cash, Computershare will buy shares of common stock in the open market, or on the NYSE or elsewhere, for the participants' accounts, except that Computershare will endeavor to terminate purchases in the open market and cause the Fund to issue shares at net asset value if, following the commencement of such purchases, the market value of the common stock exceeds the then current net asset value.

The automatic reinvestment of dividends and capital gains distributions will not relieve participants of any income tax which may be payable on such distributions. A participant in the Plan will be treated for federal income tax purposes as having received, on a dividend payment date, a dividend or distribution in an amount equal to the cash the participant could have received instead of shares.

### **Voluntary Cash Purchase Plan**

The Voluntary Cash Purchase Plan is yet another vehicle for our shareholders to increase their investment in the Fund. In order to participate in the Voluntary Cash Purchase Plan, shareholders must have their shares registered in their own name.

Participants in the Voluntary Cash Purchase Plan have the option of making additional cash payments to Computershare for investments in the Fund's common shares at the then current market price. Shareholders may send an amount from \$250 to \$10,000. Computershare will use these funds to purchase shares in the open market on or about the 1st and 15th of each month. Computershare will charge each shareholder who participates \$0.75, plus a *pro rata* share of the brokerage commissions. Brokerage charges for such purchases are expected to be less than the usual brokerage charge for such transactions. It is suggested that any voluntary cash payments be sent to Computershare, P.O. Box 43010, Providence, RI 02940 — 3010 such that Computershare receives such payments approximately 10 days before the 1st and 15th of the month. Funds not received at least five days before the investment date shall be held for investment until the next purchase date. A payment may be withdrawn without charge if notice is received by Computershare at least 48 hours before such payment is to be invested.

Shareholders wishing to liquidate shares held at Computershare must do so in writing or by telephone. Please submit your request to the above mentioned address or telephone number. Include in your request your name, address, and account number. The cost to liquidate shares is \$2.50 per transaction as well as the brokerage commission incurred. Brokerage charges are expected to be less than the usual brokerage charge for such transactions.

For more information regarding the Automatic Dividend Reinvestment Plan and Voluntary Cash Purchase Plan, brochures are available by calling (914) 921-5070 or by writing directly to the Fund.

The Fund reserves the right to amend or terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of the Plan at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by Computershare on at least 90 days written notice to participants in the Plan.

### **TAXATION**

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and its shareholders. This discussion reflects applicable tax laws of the United States as of the date of this Prospectus, which tax laws may be changed or subject to new interpretations by the courts or the Internal Revenue Service (the "IRS") retroactively or prospectively. No attempt is made to present a detailed explanation of all U.S. federal, state, local and foreign tax concerns affecting the Fund and its shareholders (including shareholders owning a large position in the Fund), and the discussions set forth herein do not constitute tax advice. Investors are urged to consult their own tax advisers to determine the tax consequences to them of investing in the Fund.



## Taxation of the Fund

The Fund has elected to be treated and has qualified, and intends to continue to qualify, as a regulated investment company under Subchapter M of the Code. Accordingly, the Fund must, among other things, meet the following requirements regarding the source of its income and the diversification of its assets:

- (i) The Fund must derive in each taxable year at least 90% of its gross income from the following sources, which are referred to herein as “Qualifying Income”: (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gain from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies; and (b) interests in publicly traded partnerships that are treated as partnerships for U.S. federal income tax purposes and that derive less than 90% of their gross income from the items described in (a) above (each a “Qualified Publicly Traded Partnership”).
- (ii) The Fund must diversify its holdings so that, at the end of each quarter of each taxable year (a) at least 50% of the market value of the Fund’s total assets is represented by cash and cash items, U.S. government securities, the securities of other regulated investment companies and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund’s total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the market value of the Fund’s total assets is invested in the securities (other than U.S. government securities and the securities of other regulated investment companies) of (I) any one issuer, (II) any two or more issuers of which the Fund holds 20% or more of the voting stock and that are determined to be engaged in the same business or similar or related trades or businesses or (III) any one or more Qualified Publicly Traded Partnerships.

As a regulated investment company, the Fund generally will not be subject to U.S. federal income tax on income and gains that the Fund distributes to its shareholders, provided that it distributes each taxable year at least the sum of (i) 90% of the Fund’s investment company taxable income (which includes, among other items, dividends, interest and the excess of any net short-term capital gain over net long-term capital loss and other taxable income, other than any net long-term capital gain, reduced by deductible expenses) determined without regard to the deduction for dividends paid and (ii) 90% of the Fund’s net tax-exempt interest (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute substantially all of such income at least annually. The Fund will be subject to income tax at regular corporation rates on any taxable income or gains that it does not distribute to its shareholders.

The Code imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year an amount at least equal to the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98.2% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made to use the Fund’s fiscal year). In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year. While the Fund intends to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund’s taxable income and capital gain will be distributed to entirely avoid the imposition of the excise tax. In that event, the Fund will be liable for the excise tax only on the amount by which it does not meet the foregoing distribution requirement.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to shareholders.

## Taxation of Shareholders

Distributions paid to you by the Fund from its net realized long-term capital gains, if any, that the Fund reports as capital gains dividends (“capital gain dividends”) are taxable as long-term capital gains, regardless of how long you have held your shares. All other dividends paid to you by the Fund (including dividends from short-term capital gains) from its current or accumulated earnings and profits (“ordinary income dividends”) are generally subject to tax as ordinary income.

Special rules apply, however, to ordinary income dividends paid to individuals with respect to taxable years beginning on or before December 31, 2012. If you are an individual, any such ordinary income dividend that you receive from the Fund generally will be eligible for taxation at the Federal rates applicable to long-term capital gains (currently at a maximum rate of 15%) to the extent that (i) the ordinary income dividend is attributable to “qualified dividend income” (*i.e.*, generally dividends paid by U.S. corporations and certain foreign corporations) received by the Fund, (ii) the Fund satisfies certain holding period and other requirements with respect to the stock on which such qualified dividend income was paid and (iii) you satisfy certain holding period and other requirements with respect to your shares. There can be no assurance as to what portion of the Fund’s ordinary income dividends will constitute qualified dividend income.

Any distributions you receive that are in excess of the Fund’s current or accumulated earnings and profits will be treated as a tax-free return of capital to the extent of your adjusted tax basis in your shares, and thereafter as capital gain from the sale of shares. The amount of any Fund distribution that is treated as a tax-free return of capital will reduce your adjusted tax basis in your shares, thereby increasing your potential gain or reducing your potential loss on any subsequent sale or other disposition of your shares.

Dividends and other taxable distributions are taxable to you even if they are reinvested in additional common shares of the Fund. Dividends and other distributions paid by the Fund are generally treated under the Code as received by you at the time the dividend or distribution is made. If, however, the Fund pays you a dividend in January that was declared in the previous October, November or December and you were the shareholder of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by you on December 31 of the year in which the dividend was declared.

The Fund will send you information after the end of each year setting forth the amount and tax status of any distributions paid to you by the Fund.

The sale or other disposition of shares of the Fund will generally result in capital gain or loss to you, and will be long-term capital gain or loss if you have held such shares for more than one year at the time of sale. Any loss upon the sale or exchange of shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by you with respect to such shares. Any loss you realize on a sale or exchange of shares will be disallowed if you acquire other shares (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of the shares. In such case, your tax basis in the shares acquired will be adjusted to reflect the disallowed loss.

The Fund may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to shareholders who fail to provide the Fund (or its agent) with their correct taxpayer identification number (in the case of individuals, generally, their social security number) or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Certain shareholders are exempt from backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the IRS.



## DESCRIPTION OF CAPITAL STOCK

*The following is a brief description of the terms of the Fund's common stock and preferred stock. This description does not purport to be complete and is qualified by reference to the Fund's Governing Documents. For complete terms of the common stock and preferred stock, please refer to the actual terms of such series, which are set forth in the Governing Documents.*

### **Common Stock**

The Fund is currently authorized to issue two hundred million (200,000,000) shares, all of which were initially classified and designated as common stock, par value \$0.001 per share. The Board has the authority to classify and reclassify any authorized but unissued shares of stock from time to time. Of the Fund's two hundred million (200,000,000) shares initially classified and designated as common stock, three million, one-thousand thousand (3,001,000) have been reclassified as preferred stock. Each share within a particular class or series thereof has equal voting, dividend, distribution and liquidation rights. There are no conversion or preemptive rights in connection with any outstanding stock of the Fund. The common stock of the Fund is not redeemable and has no preemptive, conversion or cumulative voting rights. In addition, shares of the Fund's common stock are fully paid and non-assessable. In the event of liquidation, each share of Fund common stock is entitled to its proportion of the Fund's assets after payment of debts and expenses and the amounts payable to holders of the Fund's preferred stock ranking senior to the shares of common stock of the Fund as described below.

The common stock of the Fund is listed on the NYSE under the symbol "GGT" and began trading November 14, 1994. The average weekly trading volume of the common stock on the NYSE during the period from January 1, 2010 through December 31, 2010 was 24,508 shares. Shares of closed-end investment companies often trade on an exchange at prices lower than net asset value. The Fund's shares of common stock have traded in the market at both premiums to and discounts from net asset value.

The following table sets forth for the quarters indicated and as of March 21, 2011, the high and low closing prices on the NYSE per share of the Fund's common stock and the net asset value and the premium or discount from net asset value at which the common stock was trading, expressed as a percentage of net asset value, at each of the high and low NYSE closing prices provided.

Period Fiscal Year 2008	Market Price		Net Asset Value		Premium (Discount) as % of NAV	
	High	Low	High	Low	High	Low
Q1 .....	\$12.64	\$9.82	\$14.19	\$11.19	(10.923)%	(12.243)%
Q2 .....	\$11.21	\$9.21	\$12.87	\$ 9.21	(12.898)%	(13.845)%
Q3 .....	\$ 9.56	\$7.25	\$10.54	\$ 8.70	(9.298)%	(16.667)%
Q4 .....	\$ 6.97	\$3.08	\$ 8.73	\$ 4.14	(20.160)%	(25.604)%
<b>Fiscal Year 2009</b>						
Q1 .....	\$ 4.74	\$2.51	\$ 5.83	\$ 3.50	(18.696)%	(28.286)%
Q2 .....	\$ 4.76	\$3.43	\$ 6.16	\$ 4.58	(22.727)%	(25.109)%
Q3 .....	\$ 6.27	\$4.23	\$ 7.42	\$ 5.41	(15.499)%	(21.885)%
Q4 .....	\$ 6.63	\$5.73	\$ 7.74	\$ 6.99	(14.339)%	(18.026)%
<b>Fiscal Year 2010</b>						
Q1 .....	\$ 7.52	\$6.20	\$ 8.39	\$ 7.14	(10.369)%	(13.165)%
Q2 .....	\$ 8.25	\$6.62	\$ 9.07	\$ 7.23	(9.041)%	(8.437)%
Q3 .....	\$ 7.70	\$6.39	\$ 8.39	\$ 7.26	(8.224)%	(11.983)%
Q4 .....	\$ 8.43	\$7.59	\$ 9.28	\$ 8.33	(9.159)%	(8.884)%
<b>Latest Practicable Date</b>						
March 21, 2011 .....	\$ 8.98	\$8.21	\$ 9.96	\$ 9.19	(9.839)%	(10.664)%

### Repurchase of Common Stock

The Fund is a closed-end, non-diversified, management investment company and, as such, its shareholders do not, and will not, have the right to redeem their stock. The Fund, however, may repurchase its common stock from time to time as and when it deems such a repurchase advisable. The Fund's Board has determined that the repurchase of shares of common stock in the open market may be made, from time to time, when such shares are trading at a discount of 5% (or such other percentage as the Board may determine from time to time) or more from net asset value. Pursuant to this authorization the Fund has repurchased and retired in the open market 1,497,033 shares through December 31, 2010.

Pursuant to the 1940 Act, the Fund may repurchase its stock on a securities exchange (provided that the Fund has informed its stockholders within the preceding six months of its intention to repurchase such stock), or as otherwise permitted in accordance with Rule 23c-1 under the 1940 Act. Under Rule 23c-1, certain conditions must be met for such repurchases of its stock regarding, among other things, distribution of net income for the preceding fiscal year, asset coverage with respect to the Fund's senior debt and equity securities, identity of the sellers, price paid, brokerage commissions, prior notice to stockholders of an intention to purchase stock and purchasing in a manner and on a basis which does not discriminate unfairly against the other stockholders through their interest in the Fund. In addition, Rule 23c-1 requires the Fund to file notices of such purchase with the SEC. Any repurchase of common stock by the Fund will also be subject to Maryland corporate law, which generally requires that immediately following such repurchase, the total assets of the Fund must be equal to or greater than the sum of the Fund's total liabilities plus the aggregate liquidation preference of its outstanding preferred stock.

When the Fund repurchases its common stock for a price below its net asset value, the net asset value of the common stock that remains outstanding will be enhanced. This does not, however, necessarily mean that the market price of the Fund's remaining outstanding common stock will be affected, either positively or negatively. Further, interest on any borrowings made to finance the repurchase of common stock will reduce the net income of the Fund.

## Preferred Stock

Currently, 3,001,000 shares of the Fund's capital stock have been classified by the Board as preferred stock, par value \$0.001 per share. The Fund's Board may reclassify authorized and unissued shares of the Fund, previously classified as common stock, as preferred stock prior to the completion of any offering. The terms of each series of preferred stock may be fixed by the Board and may materially limit and/or qualify the rights of the holders of the Fund's common stock. As of December 31, 2010, the Fund had outstanding 791,014 shares of Series B Preferred and 600 shares of Series C Auction Rate Preferred.

Dividends on the Series B Preferred accumulate at an annual rate of 6.00% of the liquidation preference of \$25 per share, are cumulative from the date of original issuance thereof, and are payable quarterly on March 26, June 26, September 26 and December 26 of each year. The Fund's outstanding Series B Preferred is redeemable at the liquidation preference plus accumulated but unpaid dividends (whether or not earned or declared) at the option of the Fund. The Series B Preferred is listed and traded on the NYSE under the symbol "GGT PrB."

Dividends on the Series C Auction Rate Preferred accumulate at a variable rate, usually set at a weekly auction. The liquidation preference of the Series C Auction Rate Preferred is \$25,000 per share. The Fund generally may redeem the outstanding Series C Auction Rate Preferred, in whole or in part, at any time other than during a non-call period. The Series C Auction Rate Preferred is not traded on any public exchange.

If the Fund issues any additional series of preferred stock, it will pay dividends to the holders at either a fixed rate or a rate that will be reset frequently based on short-term interest rates, as described in the Prospectus Supplement accompanying each preferred stock offering.

Upon a liquidation, dissolution or winding up of the affairs of the Fund (whether voluntary or involuntary), holders of the Fund's preferred stock will be entitled to receive out of the assets of the Fund available for distribution to shareholders (after payment of claims of the Fund's creditors but before any distributions with respect to the Fund's common stock or any other class of capital stock of the Fund ranking junior to the preferred stock as to liquidation payments) an amount per share equal to such share's liquidation preference plus any accumulated but unpaid distributions (whether or not earned or declared, excluding interest thereon) to the date of distribution, and such shareholders shall be entitled to no further participation in any distribution or payment in connection with such liquidation. Each series of preferred stock ranks on a parity with any other series of preferred stock of the Fund as to the payment of distributions and the distribution of assets upon liquidation, and is junior to the Fund's obligations with respect to any outstanding senior securities representing debt. The preferred stock carries one vote per share on all matters on which such shares are entitled to vote. The preferred shares are fully paid, non-assessable and have no preemptive, exchange or conversion rights. The Board may by resolution classify or reclassify any authorized but unissued shares of stock of the Fund from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions or terms or conditions of redemption. The Fund will not issue any class of stock senior to the preferred stock.

The following table shows: (i) the classes of stock authorized, (ii) the number of shares authorized in each class, and (iii) the number of shares outstanding in each class as of December 31, 2010.

<u>Title Of Class</u>	<u>Amount Authorized</u>	<u>Amount Outstanding</u>
<b>Common Stock</b> . . . . .	196,750,000	13,575,669
<b>Series A Preferred</b> . . . . .	2,000,000	0
<b>Series B Preferred</b> . . . . .	1,000,000	791,014
<b>Series C Auction Rate Preferred</b> . . . . .	1,000	600

As of December 31, 2010, the Fund does not hold any shares of stock for its account.

## Restrictions on Dividends and Other Distributions for the Preferred Stock

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

- the Fund has declared and paid (or provided to the relevant dividend paying agent) all cumulative distributions on the Fund's outstanding preferred stock due on or prior to the date of such common stock dividend or distribution;
- the Fund has redeemed the full number of shares of preferred stock to be redeemed pursuant to any mandatory redemption provision in the Fund's Governing Documents; and
- after making the distribution, the Fund meets applicable asset coverage requirements.

No full distribution will be declared or made on any series of preferred stock for any dividend period, or part thereof, unless full cumulative distributions due through the most recent dividend payment dates therefor for all outstanding series of preferred stock of the Fund ranking on a parity with such series as to distributions have been or contemporaneously are declared and made. If full cumulative distributions due have not been made on all outstanding preferred stock of the Fund ranking on a parity with such series of preferred stock as to the payment of distributions, any distributions being paid on the preferred stock will be paid 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. The Fund's obligation to make distributions on the preferred stock will be subordinate to its obligations to pay interest and principal, when due, on any senior securities representing debt.

## Effects of Leverage

The holders of the Fund's preferred shares are entitled to the applicable dividend rate as and when declared. Any return earned in excess of the stated dividend rate would directly benefit holders of shares; however, any shortfall from the stated rate would negatively affect holders of shares. The following table is designed to assist you in understanding the effects of the existing leverage on your investment in the Fund. The table assumes that 791,014 shares of Series B Preferred are issued and outstanding, 600 shares of Series C Auction Rate Preferred are issued and outstanding. The Series B Preferred have an annual dividend rate of \$1.50 per share. Dividend rates for the Series C Preferred Shares are cumulative at a rate that may be reset every seven days based on the results of an auction. The assumed returns appearing in the table are hypothetical and actual returns may be greater or less than those appearing in the table.

Assumed return on portfolio (net of expenses) . . . . .	(10.00)%	(5.00)%	0.00%	5.00%	10.00%
Corresponding return to Common Stockholder . . . . .	(14.10)%	(7.69)%	(1.28)%	5.13%	11.54%

The following factors associated with leveraging could increase the investment risk and volatility of the price of the Shares of common stock:

- leveraging exaggerates any increase or decrease in the net asset value of the Shares of common stock;
- the dividend requirements on the Fund's preferred shares may exceed the income from the portfolio securities purchased with the proceeds from the issuance of preferred shares;
- a decline in net asset value results if the investment performance of the additional securities purchased fails to cover their cost to the Fund (including any dividend requirements of preferred shares);

- a decline in net asset value could affect the ability of the Fund to make dividend payments on Shares of common stock;
- a failure to pay dividends or make distributions on its Shares of common stock could result in the Fund's ceasing to qualify as a regulated investment company under the Code; and
- if the asset coverage for the Fund's preferred shares declines to less than 200% (as a result of market fluctuations or otherwise), the Fund may be required to sell a portion of its investments when it may be disadvantageous to do so.

Pursuant to Section 18 of the 1940 Act, it is unlawful for the Fund, as a registered closed-end investment company, to issue any class of senior security, or to sell any senior security that it issues, unless it can satisfy certain "asset coverage" ratios. The asset coverage ratio with respect to a senior security representing indebtedness means the ratio of the value of the Fund's total assets (less all liabilities and indebtedness not represented by senior securities) to the aggregate amount of the Fund's senior securities representing indebtedness. The asset coverage ratio with respect to a senior security representing stock means the ratio of the value of the Fund's total assets (less all liabilities and indebtedness not represented by senior securities) to the aggregate amount of the Fund's senior securities representing indebtedness plus the aggregate liquidation preference of the Fund's outstanding preferred shares.

If, as is the case with the Fund, a registered investment company's senior securities are equity securities, such securities must have an asset coverage of at least 200% immediately following its issuance. If a registered investment company's senior securities represent indebtedness, such indebtedness must have an asset coverage of at least 300% immediately after their issuance. Subject to certain exceptions, during any period following issuance that the Fund fails to satisfy these asset coverage ratios, it will, among other things, be prohibited from declaring any dividend or declaring any other distribution in respect of its common stock except a dividend payable in Shares of common stock issued by the Fund. A registered investment company may, to the extent permitted by the 1940 Act, segregate assets or "cover" transactions in order to avoid the creation of a class of senior security.

## **Voting Rights**

Except as otherwise stated in this Prospectus, specified in the Fund's Charter or resolved by the Board or as otherwise required by applicable law, holders of preferred stock shall be entitled to one vote per share held on each matter submitted to a vote of the shareholders of the Fund and will vote together with holders of common stock and of any other preferred stock then outstanding as a single class.

In connection with the election of the Fund's Directors, holders of the outstanding shares of preferred stock, voting together as a single class, will be entitled at all times to elect two of the Fund's Directors, and the remaining Directors will be elected by holders of common stock and holders of preferred stock, voting together as a single class. In addition, if: (i) at any time dividends and distributions on outstanding shares of preferred stock are unpaid in an amount equal to at least two full years' dividends and distributions thereon and sufficient cash or specified securities have not been deposited with the applicable paying agent for the payment of such accumulated dividends and distributions, or (ii) at any time holders of any other series of preferred stock are entitled to elect a majority of the Directors of the Fund under the 1940 Act, or the applicable Articles Supplementary creating such shares, then the number of Directors constituting the Board automatically will be increased by the smallest number that, when added to the two Directors elected exclusively by the holders of preferred stock as described above, would then constitute a simple majority of the Board as so increased by such smallest number. Such additional Directors will be elected by the holders of the outstanding shares of preferred stock, voting together as a single class, at a special meeting of shareholders which will be called as soon as practicable and will be held not less than 10 nor more than 20 days after the mailing date of the meeting notice. If the Fund fails to send such meeting notice or to call such a special meeting, the meeting may be called by any preferred shareholder on like notice. The terms of office of the persons who are Directors at the time of that election will continue. If the Fund thereafter pays, or declares and sets apart for payment in full, all dividends and distributions payable on all outstanding shares of preferred stock for all past dividend periods, or the holders of other series of preferred stock are no longer

entitled to elect such additional Directors, the additional voting rights of the holders of the preferred stock as described above will cease, and the terms of office of all of the additional Directors elected by the holders of the preferred stock (but not of the Directors with respect to whose election the holders of common stock were entitled to vote or the two Directors the holders of preferred stock have the right to elect as a separate class in any event) will terminate at the earliest time permitted by law.

So long as shares of preferred stock are outstanding, the Fund will not, without the affirmative vote of the holders of a majority (as defined in the 1940 Act) of the shares of preferred stock outstanding at the time, voting separately as one class, amend, alter or repeal the provisions of the Fund's Charter whether by merger, consolidation or otherwise, so as to materially adversely affect any of the rights, preferences or powers expressly set forth in the Charter with respect to such shares of preferred stock, unless the Fund obtains written confirmation from the rating agency then rating the preferred stock that such amendment, alteration or repeal would not impair the rating then assigned by such rating agency to the preferred stock, in which case the vote or consent of the holders of the preferred stock is not required. Also, to the extent permitted under the 1940 Act, in the event shares of more than one series of preferred stock are outstanding, the Fund will not approve any of the actions set forth in the preceding sentence which materially adversely affect the rights, preferences or powers expressly set forth in the Charter with respect to such shares of a series of preferred stock differently than those of a holder of shares of any other series of preferred stock without the affirmative vote of the holders of at least a majority of the shares of preferred stock of each series materially adversely affected and outstanding at such time (each such materially adversely affected series voting separately as a class to the extent its rights are affected differently). For purposes of this paragraph, no matter shall be deemed to adversely affect any right, preference or power unless such matter (i) adversely alters or abolishes any preferential right of such series; (ii) creates, adversely alters or abolishes any right in respect of redemption of such series; or (iii) creates or adversely alters (other than to abolish) any restriction on transfer applicable to such series.

Unless a higher percentage is provided under the Charter or Maryland law, the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding shares of the preferred stock, voting as a separate class, will be required to approve any plan of reorganization adversely affecting the preferred stock. The affirmative vote of the holders of 66⅔% of the outstanding voting shares of the Fund, and the vote of a majority (as defined in the 1940 Act) of the holders of preferred shares, voting as a single class, is required to authorize the conversion of the Fund from a closed-end to an open-end investment company. Further, unless a higher percentage is provided for under the Charter, the affirmative vote of a majority (as defined in the 1940 Act) of the votes entitled to be cast by holders of outstanding shares of the Fund's preferred stock, voting together as a single class, will be required to approve any action requiring a vote of security holders under Section 13(a) of the 1940 Act (other than a conversion of the Fund from a closed-end to an open-end investment company), including, among other things, changes in the Fund's investment objectives or changes in the investment restrictions described as fundamental policies under "Investment Objectives and Policies" in this Prospectus and the SAI, "How the Fund Manages Risk — Investment Restrictions" in this Prospectus and "Investment Restrictions" in the SAI.

For purposes of this paragraph, except as otherwise required under the 1940 Act, the "vote of the holders of a majority of the outstanding shares of preferred stock" means, in accordance with Section 2(a)(42) of the 1940 Act, the vote, at the annual or a special meeting of the shareholders of the Fund duly called (i) of 66⅔% or more of the shares of preferred stock present at such meeting, if the holders of more than 50% of the outstanding shares of preferred stock are present or represented by proxy, or (ii) more than 50% of the outstanding shares of preferred stock, whichever is less. The class vote of holders of preferred stock described above in each case will be in addition to a separate vote of the requisite percentage of common stock, and any other preferred stock, voting together as a single class, that may be necessary to authorize the action in question.

The calculation of the elements and definitions of certain terms of the rating agency guidelines may be modified by action of the Board without further action by the shareholders if the Board determines that such modification is necessary to prevent a reduction in rating of the shares of preferred stock by Moody's and/or S&P (or such other rating agency then rating the preferred stock at the request of the Fund), as the case



may be, or is in the best interest of the holders of common stock and is not adverse to the holders of preferred stock in view of advice to the Fund by the relevant rating agencies that such modification would not adversely affect its then-current rating of the preferred stock.

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

#### **ANTI-TAKEOVER PROVISIONS OF THE FUND'S GOVERNING DOCUMENTS**

The Fund presently has provisions in its Governing Documents that could have the effect of limiting:

- the ability of other entities or persons to acquire control of the Fund's Board;
- the Fund's freedom to engage in certain transactions; or
- the ability of the Fund's Directors or stockholders to amend the Governing Documents or effectuate changes in the Fund's management.

These provisions of the Governing Documents of the Fund may be regarded as "anti-takeover" provisions. The Board is divided into three classes, each having a term of three years. Each year the term of one class of Directors will expire. Accordingly, only those Directors in one class may be changed in any one year, and it would require two years to change a majority of the Board. The affirmative vote of a majority of the shares present at a meeting of stockholders duly called and at which a quorum is present is required to elect a Director. A classified Board may have the effect of maintaining the continuity of management and, thus, make it more difficult for the stockholders of the Fund to change the majority of Directors. See "Management of the Fund" in the SAI. A Director of the Fund may be removed only for cause by a vote of a majority of the votes entitled to be cast for the election of Directors of the Fund. In addition, the affirmative vote of the holders of 66⅔% of the outstanding voting shares of the Fund, and the vote of a majority (as defined in the 1940 Act) of the holders of preferred shares, voting as a single class, is required to authorize the conversion of the Fund from a closed-end to an open-end investment company, or generally to authorize any of the following transactions:

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

if such corporation, person or entity is directly, or indirectly through affiliates, the beneficial owner of more than 5% of the outstanding shares of the Fund. However, such vote would not be required when, under certain circumstances, the Board approves the transaction or when each class of voting securities of the corporation or entity that is the other party to any of the above-listed transactions is (directly or indirectly) majority owned by the Fund.

The Fund's Bylaws provide that the affirmative vote of two-thirds of the entire Board of Directors shall be required to approve or declare advisable:

- (1) Any amendment to the Charter to make the Fund's common stock a "redeemable security" or to convert the Fund, whether by merger or otherwise, from a "closed-end company" to an "open-end company" (as defined in the 1940 Act);

- (2) The liquidation or dissolution of the Fund and any amendment to the Charter to effect any such liquidation or dissolution; or
- (3) Any merger, consolidation, share exchange or sale or exchange of all or substantially all of the assets of the Fund that Maryland law requires be approved by the stockholders of the Fund.

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

Maryland corporations that are subject to the Securities Exchange Act of 1934 (the "1934 Act") and have at least three outside directors, such as the Fund, may by board resolution elect to become subject to certain corporate governance provisions set forth in the Maryland General Corporation Law, even if such provisions are inconsistent with the corporation's charter and bylaws. Accordingly, notwithstanding its Governing Documents, under Maryland law, the Fund's Board may elect by resolution to, among other things:

- require that special meetings of stockholders be called only at the request of stockholders entitled to cast at least a majority of the votes entitled to be cast at such meeting;
- provide that the number of Directors shall be fixed only the Board;
- provide that Directors are subject to removal only by the vote of the stockholders entitled to cast two-thirds of the votes entitled to be cast generally in the election of Directors; and
- vest in the Board the sole power to fill any vacancies on the Board, with any Director so elected to serve for the balance of the unexpired term rather than only until the next annual meeting of stockholders.

The Governing Documents of the Fund presently: (i) require holders of not less than a majority of the votes entitled to be cast to call a special meeting of stockholders; and (ii) provide that the Board shall fix the number of Fund Directors. On November 22, 2010, in accordance with Maryland law, the Fund's Board elected by resolution and approved Articles Supplementary to vest in the Board the sole power to fill any vacancies on the Board, with any Director so elected to serve for the full term of the directorship in which the vacancy occurred and until his or her successor is duly elected and qualifies.

Under the Maryland General Corporation Law, if the directors have been divided into classes, unless the charter provides otherwise (which the Charter does not), a director may be removed only for cause by the affirmative vote of a majority of all the votes entitled to be cast generally for the election of directors. The Board could elect in the future to be subject to the provision of Maryland law that would increase the vote required to remove a Director to two-thirds of all the votes entitled to be cast.

The Fund's Bylaws provide that, with respect to an annual meeting of stockholders, nominations or persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) by or at the direction of the Board of Directors or (2) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the Bylaws. With respect to special meetings of stockholders, only the business specified in the Fund's notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) by or at the direction of the Board of Directors or (2) provided that a special meeting has been called for the purpose of electing directors, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the Bylaws.

The Fund's Bylaws provide that special meetings of stockholders may be called by the Board of Directors and certain of the Fund's officers. Additionally, the Fund's Bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a

special meeting of stockholders will be called by the secretary of the Fund upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

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

The Governing Documents of the Fund are on file with the SEC.

### **CLOSED-END FUND STRUCTURE**

The Fund is a non-diversified, closed-end management investment company (commonly referred to as a closed-end fund). Closed-end funds differ from open-end funds (which are generally referred to as mutual funds) in that closed-end funds generally list their shares for trading on a stock exchange and do not redeem their shares at the request of the shareholder. This means that if you wish to sell your shares of a closed-end fund you must trade them on the market like any other stock at the prevailing market price at that time. In a mutual fund, if the shareholder wishes to sell shares of the Fund, the mutual fund will redeem or buy back the shares at “net asset value.” Also, mutual funds generally offer new shares on a continuous basis to new investors, and closed-end funds generally do not. The continuous inflows and outflows of assets in a mutual fund can make it difficult to manage the Fund’s investments. By comparison, closed-end funds are generally able to stay more fully invested in securities that are consistent with their investment objective, to have greater flexibility to make certain types of investments and to use certain investment strategies such as financial leverage and investments in illiquid securities.

Shares of closed-end funds often trade at a discount to their net asset value. Because of this possibility and the recognition that any such discount may not be in the interest of shareholders, the Fund’s Board might consider from time to time engaging in open-market repurchases, tender offers for shares or other programs intended to reduce a discount. In accordance with determinations made by the Board, the Fund may repurchase its common stock from time to time when it deems such a repurchase advisable. The Fund’s Board has determined that the repurchase of the Fund’s shares of common stock in the open market may be made, from time to time, when such shares are trading at a discount of 5% (or such other percentage as the Board may determine from time to time) or more from net asset value. No guarantee or assurance can be made that any of these actions will be undertaken. Nor is there any guarantee or assurance that such actions, if undertaken, would result in the shares trading at a price equal or close to net asset value per share. The Board might also consider converting the Fund to an open-end mutual fund, which would also require a supermajority vote of the shareholders of the Fund and a separate vote of any outstanding preferred shares. We cannot assure you that the Fund’s common shares will not trade at a discount.

### **LEGAL PROCEEDINGS**

On April 24, 2008, the Investment Adviser entered into a settlement with the SEC to resolve an inquiry regarding prior frequent trading activity in shares of the GAMCO Global Growth Fund (the “Global Growth Fund”) by one investor who was banned from the Global Growth Fund in August 2002. In an administrative order that was entered in connection with the settlement, the SEC found that the Investment Adviser had willfully violated Section 206(2) of the Investment Advisers Act of 1940, Section 17(d) of the 1940 Act and Rule 17d-1 thereunder, and had willfully aided and abetted and caused violations of Section 12(d)(1)(B)(i) of the 1940 Act. Under the terms of the settlement, the Investment Adviser, while neither admitting nor denying the SEC’s findings and allegations, paid \$16 million (which included a \$5 million civil monetary penalty), approximately \$12.8 million of which is in the process of being paid to shareholders of the Global Growth Fund in accordance with a plan developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and acceptable to the staff of the SEC, and agreed to cease and desist from future violations of the above referenced federal securities laws.

The SEC's order also noted the cooperation that the Investment Adviser gave the staff of the SEC. The settlement will not have a material adverse impact on the Investment Adviser or its ability to fulfill its obligations under the Investment Advisory Agreement. On the same day, the SEC filed a civil action against the Executive Vice President and Chief Operating Officer of the Investment Adviser, alleging violations of certain federal securities laws arising from the same matter. The officer is also an officer of the Fund, the Global Growth Fund, and other funds in the Gabelli/GAMCO fund complex. The officer denied the allegations and is continuing in his positions with the Investment Adviser and the funds. The court dismissed certain claims, finding that the SEC was not entitled to pursue various remedies against the officer while leaving one remedy in the event the SEC were able to prove violations of law. The court, in response to a motion by the SEC, subsequently dismissed the remaining remedy without prejudice against the officer, which would allow the SEC to appeal the court's rulings. On October 29, 2010, the SEC filed its appeal with the U.S. Court of Appeals for the Second Circuit regarding the lower court's orders. The Investment Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Investment Adviser or its ability to fulfill its obligations under the Investment Advisory Agreement.

#### **CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT**

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

Computershare Trust Company, N.A., located at 250 Royall Street, Canton, Massachusetts 02021, serves as the Fund's dividend disbursing agent, as agent under the Fund's automatic dividend reinvestment and voluntary cash purchase plan and as transfer agent and registrar for Shares of common stock of the Fund.

Computershare Trust Company, N.A. also serves as the transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series B Preferred.

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

#### **LEGAL MATTERS**

Certain legal matters will be passed on by Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, New York 10022 in connection with the Offer.

Certain legal matters will be passed on by Venable LLP, 750 E. Pratt Street, Baltimore, Maryland 21202 in connection with the Offer as local counsel to the Fund.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

PricewaterhouseCoopers LLP serves as the Independent Registered Public Accounting Firm of the Fund and audits the financial statements of the Fund. PricewaterhouseCoopers LLP is located at 300 Madison Avenue, New York, New York 10017.

#### **ADDITIONAL INFORMATION**

The Fund is subject to the informational requirements of the 1934 Act and the 1940 Act and in accordance therewith files, or will file, reports and other information with the SEC. Reports, proxy statements and other information filed by the Fund with the SEC pursuant to the informational requirements of the 1934 Act and the 1940 Act can be inspected and copied at the public reference facilities maintained by the SEC, 100 F Street, N.E., Washington, DC 20549. The SEC maintains a web site at <http://www.sec.gov>

containing reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the SEC.

The Fund's Shares of common stock are listed on the NYSE. Reports, proxy statements and other information concerning the Fund and filed with the SEC by the Fund will be available for inspection at the NYSE, 20 Broad Street, New York, New York, 10005.

This Prospectus constitutes part of a Registration Statement filed by the Fund with the SEC under the 1933 Act and the 1940 Act. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference.

## TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION

An SAI dated as of March 21, 2011, has been filed with the SEC and is incorporated by reference in this Prospectus. An SAI may be obtained without charge by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or by calling the Fund toll-free at (800) GABELLI (422-3554). The Table of Contents of the SAI is as follows:

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**No dealer, salesperson or other person has been authorized to give any information or to make any representations not contained in this Prospectus. If given or made, such information or representation must not be relief upon as having been authorized by the Fund or the Fund's Investment Adviser. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any security other than the Shares of common stock offered by this Prospectus, nor does it constitute an offer to sell or the solicitation of an offer to buy Shares of common stock by anyone in any jurisdiction in which such offer or solicitation would be unlawful.**





**The Gabelli Global Multimedia Trust Inc.**

**4,525,223 Shares of Common Stock  
Issuable Upon Exercise of 13,575,669  
Rights to Subscribe for Such Shares**

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**PROSPECTUS**

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**March 21, 2011**

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