GABELLI EQUITY TRUST INC
Form N-2
April 18, 2002

As filed with the Securities and Exchange Commission on April 18, 2002
Securities Act File No. 333-[__]
Investment Company Act File No. 811-4700

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

/X/ Registration Statement under the Securities Act of 1933
/ / Pre-Effective Amendment No.
/ / Post-Effective Amendment No.

and/or

/ / Registration Statement under the Investment Company Act of 1940
/X/ Amendment No. 27

(Check Appropriate Box or Boxes)

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

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

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

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

Copies to:

Richard T. Prins, Esq. Skadden, Arps, Slate, Meagher & Flom LLP Four Times Square New York, New York 10036 (212) 735-3000	James E. McKee, Esq. The Gabelli Equity Trust Inc. One Corporate Center Rye, New York 10580-1422 (914) 921-5100	Cynthia G. Cobden, Esq. Simpson Thacher & Bartlett 425 Lexington Avenue New York, New York 10017 (212) 455-2000

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

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

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

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

If appropriate, check the following box:

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

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

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (1)
Tax Advantaged Series C Auction Rate Cumulative Preferred Stock	100 Shares	$ 25,000	$ 2,500,000

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

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

CROSS-REFERENCE SHEET

PART C

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

SUBJECT TO COMPLETION, DATED APRIL 18, 2002

PROSPECTUS

$[__]
[__] Shares

The Gabelli
Equity Trust Inc.

Tax Advantaged Series C Auction Rate Cumulative Preferred Stock
[__] Shares
Liquidation Preference $25,000 per Share

[GABELLI LOGO]

The Gabelli Equity Trust Inc., or the Fund, is a closed-end non-diversified management investment company that has a primary investment objective of long-term growth of capital and a secondary investment objective of income. The Fund's investments are selected by its Investment Adviser, Gabelli Funds, LLC. The Fund invests primarily in equity securities including common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities.

This Prospectus offers [__] shares of the Fund's Tax Advantaged Series C Auction Rate Cumulative Preferred Stock. The Series C Preferred has a liquidation preference of $25,000 per share plus any accumulated and unpaid dividends. As of March 31, 2002, the Fund had outstanding 11,967,900 shares of two other series of preferred stock - the Series A Preferred, which pays a fixed annual dividend of 7.25%, and the Series B Preferred, which pays a fixed annual dividend of 7.20%. The Series A and Series B Preferred are traded on the New York Stock Exchange (the "NYSE") under the symbols GAB Pr and GAB PrB, respectively. The Fund also had outstanding 130,067,799 common shares that are traded on the NYSE under the symbol GAB. The Series C Preferred ranks pari passu with the Fund's Series A and Series B Preferred with respect to dividends and liquidation preference. The Series C Preferred has priority over the Fund's common shares as to dividends and distribution of assets upon liquidation as described in this Prospectus.

The dividend rate for the initial dividend period for the Series C Preferred will be [__]%. The initial dividend period is from the date of issuance through [__], 2002. For subsequent dividend periods, the Series C Preferred will pay dividends based on a rate set at auction, usually held every seven days. Investors may only buy or sell Series C Preferred through an order placed at an auction with or through a broker-dealers in accordance with the procedures specified in this Prospectus or in a secondary market maintained by certain broker-dealers should those broker-dealers decide to maintain secondary market. Broker-dealers are not required to maintain a secondary market in Series C Preferred shares and a secondary market may not provide you with liquidity.

[SIDENOTE]

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

The Series C Preferred will not be listed on an exchange. It is a condition of closing this offering that the Series C Preferred have a rating of "Aaa" from Moody's Investors Service, Inc. ("Moody's") and an equivalent rating from a second nationally recognized rating agency. In order to maintain those ratings, the Fund will be required to maintain a minimum discounted asset coverage with respect to the Series C Preferred and any other preferred stock outstanding under guidelines established by Moody's and [__]. The Fund is also required to maintain a minimum asset coverage for its preferred stock by the Investment Company Act of 1940. If the Fund fails to maintain any applicable asset coverage requirement, the Fund can require that some or all of its preferred stock be sold back to it (redeemed). The Fund also may redeem shares of the Series C Preferred at any time. In the event the Fund redeems shares of Series C Preferred, such redemptions will be for cash at a price equal to $25,000 per share plus accumulated but unpaid dividends.

INVESTING IN OUR SERIES C PREFERRED SHARES INVOLVES RISKS. SEE "RISK FACTORS

AND SPECIAL CONSIDERATIONS" BEGINNING ON PAGE [__].

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

	PER SHARE	TOTAL
Public Offering Price(1)	$25,000	$ [__]
Underwriting Discount(2)	$ [__]	$ [__]
Proceeds to the Fund (before expenses)(3)	$ [__]	$ [__]

----

(1) Plus accumulated dividends, if any, from [__], 2002.

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

(3) Offering expenses payable by the Fund are estimated at $[__].

The Series C Preferred shares are being offered by the underwriters listed in this Prospectus, subject to prior sale, when, as and if accepted by them and subject to certain conditions. The Fund expects that delivery of the Series C Preferred will be made in book-entry form through the facilities of The Depository Trust Company on or about [__], 2002.

SALOMON SMITH BARNEY

GABELLI & COMPANY, INC.

[__], 2002

This Prospectus sets forth concisely important information about the Fund that you should know before deciding whether to invest. You should read the Prospectus and retain it for future reference.

The Fund has also filed with the Securities Exchange Commission a Statement of Additional Information, dated [__], 2002 (the "SAI"), which contains additional information about the Fund. The SAI is incorporated by reference in its entirety into this Prospectus. You can review the table of contents of the SAI on page [__] of this Prospectus. You may request a free copy of the SAI by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or calling the Fund toll-free at (800) 422-3554. You may also obtain the SAI on the Securities and Exchange Commission's web site (http://www.sec.gov).

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

TABLE OF CONTENTS

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained in the Prospectus and the SAI.

The Fund	The Fund is a closed-end non-diversified management investment company that has been in operation since August 21, 1986. As of March 31, 2002, the net assets of the Fund were approximately $[__] billion. The Fund's outstanding common stock, par value $.001 per share, is listed and traded on the NYSE. As of March 31, 2002, the Fund had 130,067,799 shares of common stock outstanding. As of March 31, 2002, the Fund also had outstanding 5,367,900 shares of Series A Preferred, $25 per share liquidation preference, and 6,600,000 shares of Series B Preferred, $25 per share

liquidation preference. The Fund is offering shares of its Tax Advantaged Series C Auction Rate Cumulative Preferred Stock (the "Series C Preferred") pursuant to this Prospectus. The Series C Preferred, Series A Preferred and Series B Preferred have the same seniority with respect to dividends and liquidation preference.

Investment Objectives

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

Dividends and Distributions

The table below shows the dividend rate, the dividend payment date and the number of days for the initial dividend period on the Series C Preferred shares offered in this Prospectus. For subsequent dividend periods, the Series C Preferred will pay dividends based on a rate set at auctions, normally held every seven days. In most instances, dividends are also payable every seven days, on the first business day following the end of the dividend period. If the day on which dividends otherwise would be paid is not a business day, then dividends will be paid on the first business day that falls after that day. The dividend payment date for special dividend periods of more than seven days will be set out in the notice designating a special dividend period. Dividends on the Series C Preferred

shares will be cumulative from the date the shares are first issued and will be paid out of legally available funds.

	Initial Dividend Rate	Dividend Payment Date for Initial Dividend Period	Number of Days of Initial Dividend Period
Series C Preferred....	[__]%	[__], 2002	[__]

The Fund may, subject to certain conditions, designate special dividend periods of more than seven days.

Any designation of a special dividend period will be effective only if, among other things, proper notice has been given, the auction immediately preceding the special dividend period was not a failed auction and the Fund has confirmed that it has assets with an aggregate discounted value at least equal to the Series C Preferred Basic Maintenance Amount (as defined below). See "Description of the Series C Preferred - Dividends" and "Description of the Series C Preferred - Designation of Special Dividend Periods" and "The Auction."

The Fund will not pay full dividends on the Series C Preferred unless at the time of such payment the Fund also meets the asset coverage tests for the payment of dividends for the most recent dividend period on its other series of preferred stock that rank on a parity with the Series C Preferred with respect to dividends. In the event that dividends are not paid in full on the Series C Preferred or on any other series of preferred stock of the Fund ranking on a parity as to the payment of dividends with Series C Preferred through their most recent respective dividend payment dates, all dividends declared on the Series C Preferred and any other such series of preferred stock shall be declared pro rata so that the amount of dividends declared per share on the Series C Preferred and such other series of pre ferred stock ranking on a parity with the Series C Preferred shall in all cases bear to each other the same ratio that accumulated dividends per share on the Series C Preferred and such other series of preferred stock bear to each other.

2

The Fund has a policy, which may be modified at any time by its Board of Directors, of paying distributions on its common stock of at least 10% of average quarter-end net assets attributable to common stock. To implement this policy, the Fund makes quarterly distributions of $0.27 per share at the end of each of the first three calendar quarters of each year to holders of its common stock. The Fund's distribution in December for each calendar year is an adjusting distribution (equal to the sum of 2.5% of the net asset value of the Fund as of the last day of the four preceding calendar quarters less the aggregate distributions of $0.81 per common share made for the most recent three calendar quarters) in order to meet the Fund's 10% pay-out goal.

The common stock dividend policy of the Fund may be modified from time to time by the Board of Directors.

The Offering

The Fund is offering [__] shares of Series C Preferred, par value $0.001, at a purchase price of $25,000 per share plus dividends, if any, that have accumulated from the commencement date of the dividend period during which such Series C Preferred shares are issued. The Series C Preferred shares are offered through a group of underwriters led by Salomon Smith Barney Inc. and Gabelli & Company, Inc.

The Series C Preferred shares entitle their holders to receive cash dividends at annual rates that will vary from dividend period to dividend period. In general, except as described under " - Dividends and Distributions" above and "Description of the Series C Preferred - Dividends and Dividend Periods," the dividend period for the Series C Preferred will be seven days. The auction agent will determine the dividend rate for a particular period by an auction conducted on the business day immediately prior to the start of that dividend period. See "The Auction."

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

Generally, investors in Series C Preferred will not receive certificates representing ownership of their shares. The securities depository (The Depository Trust Company or any successor) or its nominee for the account of the investor's broker-dealer will maintain

record ownership of the Series C Preferred shares in book-entry form. An investor's broker-dealer, in turn, will maintain records of that investor's beneficial ownership of Series C Preferred.

Rating and Asset Coverage Requirements

The Fund will issue Series C Preferred only if such shares have received a credit quality rating of "Aaa" from Moody's and an equivalent rating from [__]. The Articles Supplementary of the Fund setting forth the rights and preferences of the Series C Preferred contain certain tests that the Fund must satisfy to obtain and maintain a rating of "Aaa" from Moody's and [__] from [__] under their current guidelines. See "Description of the Series C Preferred - Rating Agency Guidelines."

Under the asset coverage tests to which the Fund is subject, the Fund is required to maintain (i) adjusted assets greater than or equal to a basic maintenance amount calculated pursuant to applicable rating agency guidelines (in each case the "Series C Preferred Basic Maintenance Amount"), and (ii) an asset coverage of at least 200% (or such higher or lower percentage as may be required at the time under the Investment Company Act of 1940, as amended (the "1940 Act")), with respect to all outstanding preferred stock of the Fund, including the Series C Preferred. See "Description of the Series C Preferred - Asset Maintenance Requirements."

Mandatory Redemption

The preferred stock of the Fund, including the Series C Preferred, may be subject to mandatory redemption by the Fund to the extent the Fund fails to maintain the asset coverage require ments in accordance with the rating agency guidelines or the 1940 Act described above and does not cure such failure by the applicable cure date. Any such redemption of Series C Preferred shares will be made for cash at a price equal to $25,000 per Series C Preferred share plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date.

Optional Redemption

At any time, the Fund at its option may redeem the Series

C Preferred, in whole or in part, for cash at a price per share equal to $25,000 per Series C Preferred share plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date. The Fund's other series

of preferred stock, the Series A and Series B Preferred, are redeemable at the option of the Fund prior to June 9, 2003 and June 20, 2006 (with respect to each series respectively) only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company.

Voting Rights	At all times, holders of shares of the Fund's preferred stock (including the Series C Preferred) outstanding at the time, voting as a single class, will be entitled to elect two members of the Fund's Board of Directors, and holders of the preferred stock and common stock, voting as a single class, will elect the remaining directors. However, upon a failure by the Fund to pay dividends on any of its preferred stock in an amount equal to two full years' dividends, holders of the preferred stock, voting as a single class, will have the right to elect the smallest number of directors that would constitute a majority of the directors until all cumulative dividends on all shares of preferred stock have been paid or provided for. Holders of Series C Preferred and any other preferred stock will vote separately as a class on certain other matters, as required under the Articles Supplementary, the 1940 Act and Maryland General Corporation Law. Except as otherwise indicated in this Prospectus and as otherwise required by applicable law, holders of Series C Preferred will be entitled to one vote per share on each matter submitted to a vote of stockholders and will vote together with holders of shares of common stock and any other preferred stock as a single class. See "Description of the Series C Preferred - Voting Rights."
Liquidation Preference	The liquidation preference of the Series C Preferred is $25,000 per share plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the date of distribution. See "Description of the Series C Preferred - Liquidation Rights."
Use of Proceeds	The Fund will use the net proceeds from the Offering to purchase additional portfolio securities in accordance with its investment objectives and policies. See "Use of Proceeds."

Special Characteristics and Risks	Risk is inherent in all investing. Therefore, before investing in Series C Preferred shares and the Fund you should consider certain risks carefully. The primary risks of investing in Series C Preferred shares are:

If an auction fails, you may not be able to sell some or all of your Series C Preferred shares.

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

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

The Fund may be forced to redeem your Series C Preferred shares to meet regulatory or rating agency requirements or may voluntarily redeem your Series C Preferred shares. Subject to such redemptions, the Series C Preferred shares are perpetual.

In certain circumstances the Fund may not earn sufficient income from its investments to pay dividends on the Series C Preferred.

The Series C Preferred shares are not an obligation of the Fund. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series C Preferred shares for the full redemption price.

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

The Fund may invest up to 35% of its total assets in foreign securities. Investing in securities of foreign companies and foreign governments, which generally are 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."

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.

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.

Interest Rate Transactions

In connection with the sale of the Series C Preferred, the Fund may enter into interest rate swap or cap transactions in order to reduce the impact of changes in the dividend rate of the Series C Preferred or obtain the equivalent of a fixed rate for the Series C Preferred that is lower than the Fund would have to pay if it issued fixed rate preferred shares. The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Fund would

agree to pay to the other party to the interest rate swap (which is known as the "counterparty") periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on the Series C Pre ferred shares. In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred stock dividends when due in accordance with the Articles Supplementary even if the counterparty defaulted. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at that point in time, such a default could negatively affect the Fund's ability to make dividend payments on the Series C Preferred. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments on the Series C Preferred. A sudden and dramatic decline in interest rates may result in a significant decline in the asset coverage. If the Fund fails to maintain the required asset coverage on its outstanding preferred stock or fails to comply with other covenants, the Fund may be required to redeem some or all of these shares (including the Series C Preferred). Such redemption likely would result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Early termination of a swap could require the Fund to make a termination payment to the counterparty. The Fund intends to maintain in a segregated account with its custodian 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 not enter into interest rate swap or cap transactions relating to the Series C Preferred in a notional amount in excess of the outstanding amount of the Series C Preferred. See "How the Fund Manages Risk - Interest Rate Transactions" for additional information.

Federal Income Tax Considerations

The Fund has qualified, and intends to remain qualified, for Federal income tax purposes, as a regulated investment company under subchapter M of the Internal Revenue Code of 1986, as amended (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 the distribution requirements. The Fund presently in tends, however, to purchase or redeem preferred stock to the extent necessary in order to maintain compliance with such asset coverage requirements. See "Taxation" in this Prospectus and "Taxation" in the SAI for more complete discussions of these and other Federal income tax considerations.

Potential Tax Benefit to Certain Investors

Most individuals pay Federal income tax at a lower rate on long term capital gains than on ordinary income and short-term capital gains. For individuals in the highest tax brackets this differential currently can be as great as 18.6%, the difference between 38.6% on ordinary income and short-term capital gains and 20% on long-term capital gains. In accordance with the current view of the Internal Revenue Service ("IRS"), the Fund intends to allocate its net long-term capital gain, net short-term capital gain and ordinary investment income proportionately among its common stock and preferred stock. Over the past one, three and five fiscal years ending December 31, 2001, the distributions of taxable income by the Fund consisted of 88%, 84% and 88% long-term capital gains. If the Fund continues to pay a portion of its distributions in the form of long-term capital gain distributions, most individual investors will accordingly realize a tax benefit and pay a lower rate of Federal income tax on their Series C Preferred dividends than if the Fund did not distribute long-term capital gains. See "Tax Attributes of Preferred Stock Dividends."

Secondary Market Trading

Broker-dealers may, but are not obligated to, maintain a secondary trading market in Series C Preferred outside of auctions. There can be no assurance that a secondary market will provide owners with liquidity. You may transfer Series C Preferred shares outside of auctions only to or through a broker-dealer that has entered into an agreement with the auction agent and the Fund or other persons as the Fund permits. The Series C Preferred will not be listed on an exchange.

9

Management and Fees

Gabelli Funds, LLC serves as the Fund's Investment Adviser and is compensated for its services and its related expenses at an annual rate of 1.00% of the Fund's average weekly net assets. This fee will be paid on assets attributable to the Series C Preferred only to the extent the Fund's total return for the year exceeds the dividend rate for the Series C Preferred at the beginning of each year (including the anticipated cost of a swap or cap if the Fund hedges its Series C Preferred dividend obligations). The Investment Adviser is responsible for administration of the Fund and currently utilizes and pays the fees of a third party administrator.

Repurchase of Common Stock and Anti-takeover Provisions

The Fund is authorized, subject to maintaining required asset coverage on its preferred stock, to repurchase its common stock on the open market when the shares are trading at a discount of 10% or more (or such other percentage as its Board of Directors may determine from time to time) from their net asset value. In addition, certain provisions of the Fund's Charter and By Laws may be regarded as "anti-takeover" provisions. Pursuant to these provisions, only one of three classes of directors is elected each year, and the affirmative vote of the holders of 66 2/3% of the outstanding shares of each class of stock of the Fund is necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company and an affirmative vote of 66 2/3% of each class of the outstanding voting shares of the Fund may be necessary to authorize certain busi ness transactions with any beneficial owner of more than 5% of the outstanding shares of the Fund. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by, a principal stockholder. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their shares at a premium to the prevailing market price. See "Certain Provisions of the Charter and By Laws."

10

Custodian, Transfer

Agent and Paying Agent and Auction Agent	Boston Safe Deposit and Trust Company serves as the Fund's custodian. With respect to the Series C Preferred, [__] serves as transfer and paying agent and registrar and as agent to provide notice of redemption and certain voting rights. See "Custodian, Transfer Agent and Paying Agent." [__] will serve as the Fund's auction agent for the Series C Preferred.

TAX ATTRIBUTES OF PREFERRED STOCK DIVIDENDS

The Fund intends to distribute to its stockholders substantially all of its net capital gains and net investment income. The Fund operates as a regulated investment company under the Code, and distributions by a regulated investment company generally retain their character as capital gain or ordinary income when received by its preferred and common stockholders. Distributions of short-term capital gain are taxed at ordinary income rates. The dividends paid by the Fund to holders of the Series C Preferred may, for Federal income tax purposes, consist of varying proportions of long-term capital gain, short-term capital gain, ordinary income and/or returns of capital.

Distributions of capital gain on assets held by the Fund longer than 12 months generally are currently taxable to individuals at a maximum rate of 20%. Distributions of net investment income and short-term capital gain of the Fund are currently taxable to individuals at a maximum rate of 38.6%.

Although the Fund is not managed using a tax-focused investment strategy and does not seek to achieve any particular distribution composition, individual investors in Series C Preferred would, under current Federal income tax law, realize a tax savings on their investment to the extent that distributions by the Fund to its stockholders are composed of long-term capital gain taxed at a lower rate. In contrast, preferred stock dividends distributed by corporations that are not regulated investment companies are generally comprised, for Federal income tax purposes, only of ordinary income.

Over the past one, three and five fiscal years ending December 31, 2001, the distributions of taxable income by the Fund consisted of 88%, 84%, and 88% long-term capital gains. The Fund has no reason to expect that these percentages will decrease materially in the future although it cannot provide any assurances in this regard.

The Federal income tax characteristics of the Fund and the taxation of its stockholders are described more fully under "Taxation."

ASSUMPTIONS

The following tables show examples of the pure ordinary income equivalent yield that would be generated by the stated dividend rate on the Series C Preferred, assuming distributions for Federal income tax purposes consisting of different proportions of long-term capital gain and ordinary income (including short-term capital gain) for an individual in the 38.6% and 30.0% Federal marginal income tax brackets. In reading these tables, you should understand that a number of factors could affect the actual composition for Federal income tax purposes of the Fund's distributions each year. Such factors include (i) the Fund's investment performance for any particular year, which may result in distributions of varying proportions of long-term capital gain, ordinary income and/or return of capital, and (ii) revocation or revision of the IRS revenue ruling requiring the proportionate allocation of types of income among holders of various classes of a regulated investment company's capital stock.

THESE TABLES ARE FOR ILLUSTRATIVE PURPOSES ONLY AND CANNOT BE TAKEN AS AN INDICATION OF THE ACTUAL COMPOSITION FOR FEDERAL INCOME TAX PURPOSES OF THE FUND'S FUTURE DISTRIBUTIONS.

		SERIES C PREFERRED ILLUSTRATIVE ANNUAL DIVIDEND RATE*		SERIE ILLUS DIV
		1.75%	2.25%	1.75%
PERCENTAGE OF SERIES C PREFERRED SHARE ILLUSTRATIVE ANNUAL DIVIDEND COMPRISED OF				
LONG-TERM CAPITAL GAINS	ORDINARY INCOME	TAX EQUIVALENT YIELD FOR AN INDIVIDUAL IN THE 38.6% FEDERAL INCOME TAX BRACKET(1)		TAX EQUI INDIVI FEDERAL
90.0%	10.0%	2.23%	2.86%	1.98%
83.3%	16.7%	2.19%	2.82%	1.96%
75.0%	25.0%	2.15%	2.76%	1.94%
66.7%	33.3%	2.10%	2.70%	1.92%
50.0%	50.0%	2.02%	2.59%	1.88%
33.3%	66.7%	1.93%	2.48%	1.83%
25.0%	75.0%	1.88%	2.42%	1.81%
16.7%	83.3%	1.84%	2.36%	1.79%
10.0%	90.0%	1.80%	2.32%	1.78%
0.0%	100.0%	1.75%	2.25%	1.75%

----

* Actual dividend rates for the Series C Preferred will vary. See "Prospectus Summary - Dividends and Distributions."

(1) Annual taxable income levels corresponding to the 2002Federal marginal tax brackets are as follows:

2002 Federal Income Tax Bracket(2)	Single	Joint
38.6%	over $ 307,050	over $307,050
35.0%	over $141,250 - $307,050	over $171,950 - $3
30.0%	over $67,700 - $141,250	over $112,850 - $1

27.0%	over $27,950 - $67,700	over $46,700 - $11
15.0%	over $6,000 - $27,950	over $12,000 - $46
10.0%	up to and including $6,000	up to and including

Your Federal marginal income tax rates may exceed the rates shown in the above tables due to the reduction, or possible elimination, of the personal exemption deduction for high-income taxpayers and an overall limit on itemized deductions. Income may be subject to certain state, local and foreign taxes. IF YOU PAY ALTERNATIVE MINIMUM TAX, OR AMT, EQUIVALENT YIELDS MAY BE LOWER THAN THOSE SHOWN ABOVE. The tax rates shown above do not apply to corporate taxpayers.

13

(2) The Economic Growth and Tax Relief Reconciliation Act of 2001, effective for taxable years beginning after December 31, 2000, creates a new 10 percent income tax bracket and reduces the tax rates applicable to ordinary income over a six year phase-in period. Beginning in the taxable year 2006, ordinary income will be subject to a 35% maximum rate, with approximately proportionate reductions in the other ordinary rates.

FINANCIAL HIGHLIGHTS

The selected data set forth below is for shares of common stock outstanding for the periods presented. The financial information was derived from and should be read in conjunction with the Financial Statements of the Fund incorporated by reference into this Prospectus and the SAI. The financial information for each of the five years ended December 31, 2001 has been audited by PricewaterhouseCoopers LLP, independent accountants, whose unqualified report on such financial statements is included in the SAI.

14

	Year Ended December 3		
	2001(a)	2000(a)	1999(a)
PER COMMON SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of period..........	$ 10.89	$ 12.75	$ 11.4
Net investment income........................	0.08	0.05	0.0
Net realized and unrealized gain (loss) on investments	(0.16)	(0.51)	3.2
Total from investment operations.............	(0.08)	(0.46)	3.2
Increase (decrease) in net asset value from Equity Trust share transactions..	0.03	--	-
Decrease in net asset value from shares issued in rights offering...........................	(0.62)	--	-
Offering expenses charged to capital surplus..	(0.05)	--	-
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:			
Net investment income........................	(0.06)	(0.04)	(0.0
In excess of net investment income...........	--	--	-
Net realized gain on investments.............	(1.02)	(1.25)	(1.2
In excess of net realized gains on investments	--	(0.02)	-
Paid-in capital..............................	--	--	(0.6
DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS:			
Net investment income........................	(0.01)	(0.00)(d)	(0.0
Net realized gain on investments	(0.11)	(0.09)	(0.0

TOTAL DISTRIBUTIONS..........................	(1.20)	(1.40)	(2.0
NET ASSET VALUE, END OF PERIOD..................	$ 8.97	$ 10.89	$ 12.7
Market value, end of period..................	$ 10.79	$ 11.44	$ 12.5
Net asset value total return**...............	(3.68)%	(4.39)%	29.4
Total investment return*.....................	10.32%	1.91%	26.5
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS AND SUPPLEMENTAL DATA:			
Net assets, end of period (in 000's).........	$1,465,369	$1,318,263	$1,503,64
Net assets attributable to common shares, end of period (in 000's)......................	$1,166,171	$1,184,041	$1,368,98
Ratio of net investment income to average net assets attributable to common stock...............	0.81%	0.42%	0.3
Ratio of operating expenses to average total net assets attributable to common stock(g)	1.12%	1.14%	1.2
Ratio of operating expenses to average total net assets(e)(f)(g)...........................	0.95%	1.03%	1.1
Portfolio turnover rate......................	23.9%	32.1%	38.
SERIES A PREFERRED STOCK(f):			
Liquidation value, end of period (in 000's)...	$ 134,198	$ 134,223	$ 134,66
Total shares outstanding (in 000's)..........	5,368	5,369	5,38
Asset coverage(h)...........................	490%	972%	1,11
Asset coverage per share(h)..................	$ 122.44	$ 245.54	$ 279.1
Liquidation preference per share.............	$ 25.00	$ 25.00	$ 25.0
Average market value(i)......................	$ 25.39	$ 22.62	$ 24.4
SERIES B PREFERRED STOCK(f):			
Liquidation value, end of period (in 000's)...	$ 165,000	--	-
Total shares outstanding (in 000's)..........	6,600	--	-
Asset coverage(h)...........................	490%	--	-
Asset coverage per share(h)..................	$ 122.44	--	-
Liquidation preference per share.............	$ 25.00	--	-
Average market value(i)......................	$ 25.60	--	-

See footnotes on following page.

15

FINANCIAL HIGHLIGHTS (Cont.)

	Year Ended December		
	1996(a)	1995(a)	1994(a)
PER COMMON SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of period................	$ 9.95	$ 9.46	$ 11.2
Net investment income..............................	0.11	0.13	0.1
Net realized and unrealized gain (loss) on investments	0.71	1.74	(0.0
Total from investment operations...................	0.82	1.87	0.0
Increase (decrease) in net asset value from Equity Trust share transactions.......	--	(0.37)	-
Decrease in net asset value from shares issued in rights offering..........................	--	--	-
Offering expenses charged to capital surplus........	--	(0.01)	-
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:			
Net investment income..............................	(0.11)	(0.13)	(0.1

In excess of net investment income.................	--	--	-
Net realized gain on investments	(0.78)	(0.47)	(0.3
In excess of net realized gain on investments.......	(0.00)(d)	(0.02)	-
Paid-in capital....................................	(0.11)	(0.38)	(1.3
DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS:			
Net investment income..............................	--	--	-
Net realized gain on investments	--	--	-
TOTAL DISTRIBUTIONS................................	(1.00)	(1.00)	(1.8
NET ASSET VALUE, END OF PERIOD.....................	$ 9.77	$ 9.95	$ 9.4
Market value, end of period........................	$ 9.38	$ 9.375	$ 9.62
Net asset value total return**.....................	9.00%	20.60%	0.5
Total investment return*...........................	11.00%	11.70%	(5.1
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS AND SUPPLEMENTAL DATA:			
Net assets, end of period (in 000's)................	$1,015,437	$1,034,091	$ 825,19
Net assets attributable to common shares, end of period (in 000's)............................	$1,015,437	$1,034,091	$ 825,19
Ratio of net investment income to average net assets attributable to common stock......................	1.07%	1.26%	1.2
Ratio of operating expenses to average total net assets(e)...	1.18%	1.21%	1.1
Portfolio turnover rate............................	18.9%	25.1%	22.
PREFERRED STOCK(f):			
Liquidation value, end of period (in 000's)..........	--	--	-
Total shares outstanding (in 000's).................	--	--	-
Asset coverage per share...........................	--	--	-
Liquidation preference per share....................	--	--	-
Average market value(h)............................	--		

----

* BASED ON MARKET VALUE PER SHARE, ADJUSTED FOR REINVESTMENT OF DISTRIBUTIONS, INCLUDING THE EFFECT OF SHARES ISSUED PURSUANT TO RIGHTS OFFERINGS, ASSUMING FULL SUBSCRIPTION BY SHAREHOLDER.

** BASED ON NET ASSET VALUE PER SHARE, ADJUSTED FOR REINVESTMENT OF DISTRIBUTIONS, INCLUDING THE EFFECT OF SHARES ISSUED PURSUANT TO RIGHTS OFFERINGS, ASSUMING FULL SUBSCRIPTION BY SHAREHOLDER.

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

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

(c) Includes a distribution equivalent to $0.75 per share for the Gabelli Utility Trust spin-off comprising net investment income, realized short-term gains, realized long-term gains, and paid-in capital of $0.01029, $0.07453, $0.34218 and $0.32300, respectively.

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

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

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

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

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

(i) Based on weekly prices.

The following table provides information about the Fund's Series A Preferred, since its issuance in June 1998, and Series B Preferred, since its issuance in June 2001. The information has been audited by PricewaterhouseCoopers LLP, independent accountants.

Year ended December 31,	Shares Outstanding	Asset Coverage Per Share	Involuntary Liquidation Preference Per Share	V
2001	5,367,900 Series A	$122.44	$25.00	
	6,600,000 Series B	$122.44	$25.00	
2000	5,368,900 Series A	$245.54	$25.00	
1999	5,386,400 Series A	$279.16	$25.00	
1998	5,400,000 Series A	$250.41	$25.00	

For purposes of the foregoing table, the Asset Coverage Per Share is calculated by dividing the total value of the Fund's assets on December 31 of the relevant year by the aggregate number of shares of preferred shares outstanding on that date. Involuntary Liquidation Preference Per Share refers to the amount holders of Series A Preferred and/or Series B Preferred are entitled to receive per share in the event of liquidation of the Fund (not including any accrued but unpaid dividends) prior to the holders of common stock being entitled to receive any amounts in respect of the assets of the Fund. The Average Market Value Per Share is the average of the weekly closing prices of the Series A Preferred or Series B Preferred, as the case may be, on the New York Stock Exchange each week during the relevant year.

USE OF PROCEEDS

The net proceeds of the Offering are estimated at $[__] after deduction of the under writing discounts and estimated offering expenses payable by the Fund. The Investment Adviser expects that it will be able to invest the proceeds of the Offering according to the Fund's investment objectives and policies within six months after the completion of the Offering. Pending such investment, the Fund will hold the proceeds in high quality short-term debt securities and instruments.

THE FUND

The Fund, incorporated in Maryland on May 20, 1986, is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund's common stock is traded on the New York Stock Exchange under the symbol "GAB." The Fund's Series A Preferred is traded on the NYSE under the symbol "GABPr" and its Series B Preferred under the symbol "GAB PrB." The Series C Preferred will not be listed on an exchange or the National Association of Securities Dealers Automated Quotations, Inc. ("NASDAQ") stock market.

17

CAPITALIZATION

The following table sets forth the unaudited capitalization of the Fund as of March 31, 2002, and its adjusted capitalization assuming the Series C Preferred shares offered in this Prospectus had been issued as of that date.

	CAPITALIZATI	
	ACTUAL	AS
	-----	---
	(Unaudited)	
SHAREHOLDERS' EQUITY (as of March 31, 2002):		
Preferred stock, $0.001 par value, 16,000,000 shares authorized. (The "ACTUAL" column reflects the Fund's outstanding 5,367,900 shares of Series A Preferred, $25.00 liquidation preference, and 6,600,000 shares of Series B Preferred, $25.00 liquidation preference; the "AS ADJUSTED" column assumes the issuance of an additional [__] shares of Series C Preferred, $25,000 liquidation preference)......................	$	
Common stock, $.001 par value per share; 184,000,000 shares authorized, 130,067,799 shares outstanding......................	$	
Paid-in surplus...	$	
Balance of undistributed net investment income..................	$	
Accumulated net realized gain (loss) from investment transactions..	$	
Net unrealized appreciation (depreciation) of investments........	$	
Net assets..	$	

INVESTMENT OBJECTIVES AND POLICIES

The primary investment objective of the Fund is long-term growth of capital. Income is a secondary objective of the Fund. Under normal market conditions, the Fund will invest at least 65% of its total assets in equity securities. The Fund attempts to achieve its investment objectives by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities selected by the Investment Adviser. The Investment Adviser selects investments on the basis of fundamental value and, accordingly, the Fund typically invests in the securities of companies that are believed by the Investment Adviser to be priced lower than justified in relation to their underlying assets. Other important factors in the selection of investments include favorable price/earnings and debt/equity ratios and strong management.

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

The Fund's investment objectives of long-term growth of capital and income are fundamental policies and may not be changed without shareholder approval.

INVESTMENT METHODOLOGY OF THE FUND

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

INVESTMENT PRACTICES

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

TEMPORARY INVESTMENTS. Although under normal market conditions at least 65% of the Fund's total assets will consist of equity securities, when a temporary defensive posture is believed by the Investment Adviser to be warranted ("temporary defensive periods"), the Fund may without limitation hold cash or invest its assets in money market instruments and repurchase agreements in respect of those instruments. The Fund may also invest up to 10% of the market

value of its total assets during temporary defensive periods in shares of money market mutual funds that invest primarily in U.S. government securities and repurchase agreements in respect of those securities. For a further description of such transactions, see "Investment Objectives and Policies - Investment Practices" in the SAI. Such actions on the part of the Fund may adversely affect its ability to achieve its investment objectives.

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

REPURCHASE AGREEMENTS. The Fund may engage in repurchase agreement transactions with banks, registered broker-dealers and government securities dealers approved by the Investment Adviser under the supervision of the Board of Directors. The Fund will not enter into repurchase agreements with the

Investment Adviser or any of its affiliates. Under the terms of a typical repurchase agreement, the Fund would acquire an underlying debt obligation for a relatively short period (usually not more than one week) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed price and time, thereby determin ing the yield during its holding period. Thus, repurchase agreements may be seen to be loans by the Fund collateralized by the underlying debt obligation. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the holding period. The value of the underlying securities will be at least equal at all times to the total amount of the repurchase obligation, including interest. The Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed in or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period in which it seeks to assert these rights. The Investment Adviser, acting under the supervision of the Fund's Board of Directors, reviews the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate these risks and monitors on an ongoing basis the value of the securities subject to repurchase agreements to ensure that the value is maintained at the required level.

OTHER INVESTMENTS. The Fund is permitted to invest in special situations, illiquid securities, warrants, options and other rights and futures contracts, engage in forward currency transactions and enter into forward commitments for the purchase or sale of securities, including on a "when issued" or "delayed delivery" basis. See the SAI for a discussion of these invest ments and techniques and the risks associated with them.

LEVERAGING

As provided in the 1940 Act, the Fund may issue debt or preferred stock so long as the Fund's net assets exceed 300% of the amount of the debt outstanding and exceed 200% of the amount of preferred stock and debt outstanding at the time of issuance. Leverage entails two primary risks. The first risk is that

the use of leverage magnifies the impact on the common stockholders 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. The second risk is that the cost of leverage will exceed the return on the securities acquired with the proceeds of leverage, thereby diminishing rather than enhancing the return to common stockholders. These two risks would generally make the Fund's total return to common stockholders more volatile to the extent it utilizes leverage. In addition, the Fund may be required to sell investments in order to meet dividend or interest payments on the debt or preferred stock when it may be disadvantageous to do so.

If the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common stock dividend payments and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Code. See "Taxation." Finally, if the asset coverage for preferred stock or debt securities declines to less than the level required under the 1940 Act or the terms of the preferred stock or debt (as a result of market fluctuations or otherwise), the Fund may be required to sell a portion of its investments to redeem the preferred stock or repay the debt when it may be disadvantageous to do so.

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

INVESTMENT RESTRICTIONS

The Fund operates under certain restrictions that may not be changed without shareholder approval. For a description of such restrictions, see "Investment Restrictions" in the SAI.

RISK FACTORS AND SPECIAL CONSIDERATIONS

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

PREFERRED STOCK

GENERAL. There are a number of risks associated with an investment in Series C Preferred. The value of the Series C Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series C Preferred and other factors. The Series C Preferred is subject to redemption and investors may not be able to reinvest the proceeds of any such redemption in an investment providing the same or a better rate of return than that of the Series C Preferred. Subject to such circumstances, the Series C Preferred shares are perpetual. The credit rating on the Series C Preferred could be reduced or withdrawn while an investor holds shares, and the

credit rating does not eliminate or mitigate the risks of investing in the Series C Preferred. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series C Preferred. The Series C Preferred shares are not an obligation of the Fund. The preferred stock of the Fund (including the Series C Preferred) would be junior in respect of dividends and liquidation preference to any indebtedness incurred by the Fund. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series C Preferred shares for the full redemption price.

LEVERAGE RISK. The Fund uses financial leverage for investment purposes by issuing preferred stock. It is currently anticipated that, taking into account the Series C Preferred being offered in this Prospectus, the amount of leverage will represent approximately [__]% of the Fund's managed assets (as defined below). 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 higher volatility of the net asset value of the Fund and the Series C Preferred's asset coverage.

Because the fee paid to the Investment Manager will be calculated on the basis of the Fund's managed assets (which equals the aggregate net asset value of the common shares plus the liquidation preference of the preferred stock), the fee will be higher when leverage is utilized, giving the Investment Manager an incentive to utilize leverage.

INTEREST RATE RISK. The Fund issues Series C Preferred shares, which pay dividends based on short-term interest rates. The Fund purchases equity securities that pay dividends that are based on the performance of the issuing companies. The Fund also may buy debt securities that pay interest based on longer-yield terms. These dividends and interest payments are typically, although not always, higher than short-term interest rates. Portfolio company dividends, as well as long-term and short-term interest rates, fluctuate. If short-term interest rates rise, dividend rates on the Series C Preferred shares may rise so that the amount of dividends to be paid to holders of the Series C Preferred exceeds the income from the portfolio securities. Because income from the Fund's entire investment portfolio (not just the portion of the portfolio pur chased with the proceeds of this offering of Series C Preferred shares) is available to pay dividends on the Fund's preferred stock, however, dividend rates on the Series C Preferred, Series A Preferred and Series B Preferred shares would need to greatly exceed the Fund's net portfolio income before the Fund's ability to pay dividends on the Series C Preferred would be jeopardized. If long-term interest rates rise, this could negatively impact the value of the Fund's investment portfolio, reducing the amount of assets serving as asset coverage for its preferred stock, including the Series C Preferred. The Fund anticipates entering into interest rate swap or cap transactions with the intent to reduce or eliminate the risk posed by an increase in short-term interest rates. There is no guarantee that the Fund will engage in these transactions or that these transactions will be successful in reducing or eliminating interest rate risk. Further, these transactions will introduce additional risk since the Fund will remain obligated to pay Series C Preferred dividends even if the counterparty defaults. See "How the Fund Manages Risk."

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

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

RATINGS AND ASSET COVERAGE RISK. While it is a condition to the closing of the offering that Moody's assigns a rating of "Aaa" and [__] assigns an equivalent rating to the Series C Preferred, the ratings do not eliminate or necessarily mitigate the risks of investing in Series C Preferred. In addition, Moody's, [__] or another rating agency then rating the Series C Preferred could downgrade the Series C Preferred, which may make your shares less liquid at an auction or in the secondary market. If a rating agency rating the Series C Preferred at the Fund's request downgrades the Series C Preferred, the dividend rate on the Series C Preferred will be the applicable maximum rate based on the credit rating of the Series C Preferred, which will be a rate higher than is payable currently on the Series C Preferred. See "Description of the Series C Preferred - Rating Agency Guidelines" for a description of the asset maintenance tests the Fund must meet.

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

23

NON-DIVERSIFIED STATUS

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

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

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

The investments of the Fund in U.S. government securities are not subject to the foregoing limitations. 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.

LOWER RATED SECURITIES

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

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

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

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

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

FOREIGN SECURITIES

The Fund may invest up to 35% of its total assets in foreign securities. The risks which the Fund faces when it invests in securities of foreign companies and foreign governments include:

- fluctuations in exchange rates between the US dollar and foreign currencies
- unavailable or deficient key information about an issuer, security or market
- lack of uniform financial reporting standards and other regulatory requirements
- expropriations, capital or currency controls, punitive taxes or nationalizations
- economic policy changes, social and political instability, military action and war
- changed circumstances in dealings between nations

- greater volatility and illiquidity of foreign securities

- costs incurred in connection with conversion between various currencies

- higher foreign brokerage commissions

- possible extended settlement period

- revaluations of currencies

- transfer taxes or transaction charges

- greater difficulty in protecting and enforcing the Fund's rights

Each of the above risks is more pronounced with respect to the Fund's investments in securities of companies and governments in the world's emerging (less developed) markets. For a further description of the Fund's investments in foreign securities, see "Investment Objectives and Policies - Investment Practices - Foreign Securities."

The Fund may purchase sponsored American Depository Receipts of U.S. denominated securities of foreign issuers, which shall not be included in the Fund's 35% foreign securities investment limitation. 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.

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.

RECENT DEVELOPMENTS

As a result of the terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, some of the U.S. securities markets were closed for a four-day period. These terrorist attacks and related events have led to increased short-term market volatility and may have long-term effects on U.S. and world economies and markets. A similar disruption of financial markets could affect interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to the Series C Preferred.

HOW THE FUND MANAGES RISK

INVESTMENT LIMITATIONS

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, and the approval of the holders of a majority, as defined in the 1940 Act, of the outstanding preferred stock, including the Series C Preferred, voting as a separate 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 [__] on the Series C Preferred. See "Investment Restrictions" in the SAI for a complete list of the fundamental and non-fundamental investment policies of the Fund.

INTEREST RATE TRANSACTIONS

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

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

impact on the Fund's ability to make dividend payments on the Series C Preferred. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, resulting in a decline in the asset coverage for the Series C Preferred. A sudden and dramatic decline in interest rates may result in a significant decline in the asset coverage. Under the Articles Supplementary, if the Fund fails to maintain the required asset coverage on the outstanding preferred stock (including the Series C Preferred) or fails to comply with other covenants, the Fund may be required to redeem some or all of these shares. The Fund may also choose to redeem some or all of the Series C Preferred at any time. Such redemption would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Early termination of a swap could result in a termination payment by the Fund to the counterparty, while early termination of a cap could result in a termination payment to the Fund.

The Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund intends to maintain in a segregated account with its custodian 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 not enter into interest rate swap or cap transactions relating to Series C Preferred in a notional amount in excess of the outstanding amount of the Series C Preferred.

MANAGEMENT OF THE FUND

DIRECTORS AND OFFICERS

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors, and the day-to-day operations of the Fund are conducted through or under the direction of the officers of the Fund. Karl Otto Pohl, one of its Directors, is a resident of Germany, and substantially all of his assets are located outside of the United States. Mr. Pohl has not authorized an agent for service of process in the United States. Consequently, it may be difficult for investors to effect service of process upon him within the United States or to enforce, in United States courts, judgments against him obtained in such courts predicated on the civil liability provisions of the United States securities laws. In addition, there is doubt as to the enforceability in German courts of liabilities predicated solely upon the United States securities laws, whether or not such liabilities are based upon judgments of courts in the United States. For certain information regarding the Directors and officers of the Fund, see "Management of the Fund" in the SAI.

INVESTMENT ADVISER

The Investment Adviser, whose principal business address is One Corporate Center, Rye, New York 10580-1422, is a New York limited liability company which also serves as investment adviser to other closed-end investment companies and open-end investment companies with aggregate assets in excess of $26 billion as of March 31, 2002. The Investment Adviser is a registered investment adviser under the Investment Advisers Act of 1940. Mr. Mario J. Gabelli may be deemed a "controlling person" of the Investment Adviser on the basis of his controlling interest in the parent company of the Investment Adviser. The Investment Adviser has several affiliates that provide investment advisory services: GAMCO Investors, Inc. acts as investment adviser for individuals, pension trusts, profit-sharing trusts and endowments, and had assets under management of approximately $13 billion under its management as of March 31, 2002; Gabelli Advisers, Inc. acts as investment adviser to the Gabelli Westwood Funds with assets under management of approximately $548 million as of March 31, 2002; Gabelli Securities, Inc. acts as general partner or investment manager to certain alternative investments products, consisting primarily of risk arbitrage and merchant banking limited partnerships and offshore companies, with assets under management of approximately $605 million as of March 31, 2002; and Gabelli Fixed Income, LLC acts as investment adviser for the three portfolios of The Treasurer's Fund and separate accounts having assets under management of approximately $1.5 billion as of March 31, 2002.

The Investment Adviser has sole investment discretion for the Fund with respect to the Fund's portfolio under the supervision of the Fund's Board of Directors and in accordance with the Fund's stated policies. The Investment Adviser will select investments for the Fund and will place purchase and sale orders on behalf of the Fund. For its services, the Investment Adviser is paid a fee computed daily and paid monthly at an annual rate of 1.00% of the average weekly net assets of the Fund. The Investment Adviser is responsible for administration of the Fund and currently utilizes and pays the fees of a third party administrator. Notwithstanding the foregoing, the Investment Adviser will waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of the applicable series of its preferred stock for any calendar year in which the net asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential waiver, is less than (i) in the case of the Series A Preferred or Series B Preferred, the stated annual dividend rate of such series and (ii) in the case of the Series C Preferred, the dividend rate for the Series C Preferred at the beginning of such year (including the anticipated cost of a swap or cap if the Fund hedges its Series C Preferred dividend obligations), in every case prorated during the year such series is issued and the final year such series is outstanding). For additional information regarding the Investment Adviser, see "Management of the Fund - The Investment Adviser" in the SAI.

Non-U.S. shareholders should note that there may be difficulty enforcing any legal rights against the Investment Adviser because it is resident only in the U.S. and all of its assets are situated in the U.S.

PORTFOLIO MANAGEMENT

Mario J. Gabelli, who is Chief Investment Officer of the Investment Adviser, has managed the Fund's assets since its inception. In addition, over the past five years, Mr. Gabelli has served as Chairman of the Board and Chief Executive Officer of Gabelli Asset Management Inc.; Chief Investment Officer of GAMCO Investors, Inc.; Chairman of the Board and Chief Executive Officer of Lynch Corporation, a diversified manufacturing company, and Lynch Interactive Corporation, a multimedia and communications services company; and Director of Spinnaker Industries, Inc., a manufacturing company.

SUB-ADMINISTRATOR

The Investment Adviser has certain administrative responsibilities to the Fund under its Advisory Agreement with the Fund. The Investment Adviser has retained PFPC, Inc. as Sub-Administrator to provide certain administrative services necessary for the Fund's operations other than those performed by the Investment Adviser under its Advisory Agreement. These services include, but are not limited to, supplying the Investment Adviser with office facilities, statistical and research data, data processing services, clerical, accounting and bookkeeping services, internal audit and regulatory administration services, the preparation and distribution of materials for meetings of the Fund's Board of Directors, compliance testing of the Fund's activities and the preparation of stockholder reports, tax returns and other regulatory filings. For such services by the Sub-Administrator, the Investment Adviser pays the Sub-Administrator a monthly fee based upon the aggregate average daily net assets of certain funds advised by the Investment Adviser, including the Fund, as follows: .0275% on aggregate net assets under administration of $0-$10 billion, .0125% on aggregate net assets under administration of $10-$15 billion and .0100% on aggregate net assets under administration over $15 billion, which together with services rendered, is subject to re-negotiation if net assets under administration exceed $20 billion. The Investment Adviser also reimburses the Sub-Administrator for certain out-of-pocket expenses incurred by the Sub-Administrator as a result of its duties under the sub-administrative agree ment. The Sub-Administrator has its principal office located at 3200 Horizon Drive, King of Prussia, Pennsylvania 19406.

PAYMENT OF EXPENSES

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

The Investment Adviser will be obligated to pay expenses associated with providing the services contemplated by 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 shareholder reports, rating agency fees, charges of the custodian, any subcustodian and transfer and dividend paying agent, Securities and Exchange Commission fees, fees and expenses of unaffiliated Directors, accounting and pricing costs, 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.

PORTFOLIO TRANSACTIONS

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

DIVIDEND AND DISTRIBUTION POLICY

DISTRIBUTION POLICY

The Fund's policy is to make quarterly distributions of $0.27 per share at the end of each of the first three calendar quarters of each year to holders of its common stock. The Fund's distribution in December for each calendar year is an adjusting distribution (equal to the sum of 2.5% of the net asset value of the Fund as of the last day of the four preceding calendar quarters less the aggregate distributions of $0.81 per share made for the most recent three calendar quarters) in order to meet the Fund's 10% pay-out goal.

The dividend policy of the Fund may be modified from time to time by the Board of Directors. As a regulated investment company under the Code, the Fund will not be subjected to U.S. Federal income tax on its net investment income that it distributes to shareholders, provided that at least 90% of its net investment income for the taxable year is distributed to its shareholders.

The Fund, along with other closed-end registered investment companies advised by the Investment Adviser has obtained an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting the Fund to make periodic distributions of long-term capital gains provided that the Fund maintains distribution policies with respect to the common stock and preferred stock calling for periodic distributions over a specified period of time in an amount equal to a fixed dollar amount or percentage of the Fund's average net asset value or market price per share of common stock or, in the case of the preferred stock, in accordance with its terms. If the total distributions required by the proposed periodic pay-out policy exceed the Fund's net investment income and net capital gains, the excess will be treated as a return of capital. If the Fund's net investment income, net short-term capital gains and net long-term capital gains for any year exceed the amount required to be distributed under the proposed 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.

DESCRIPTION OF THE SERIES C PREFERRED

THE FOLLOWING IS A BRIEF DESCRIPTION OF THE TERMS OF THE SERIES C PREFERRED. THIS DESCRIPTION DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED BY REFERENCE TO THE FUND'S CHARTER, INCLUDING THE PROVISIONS OF THE ARTICLES SUPPLEMENTARY ESTABLISHING THE SERIES C PREFERRED. FOR COMPLETE TERMS OF THE SERIES C PREFERRED, INCLUDING DEFINITIONS OF TERMS USED IN THIS PROSPECTUS, PLEASE REFER TO THE ACTUAL TERMS OF THE SERIES C PREFERRED, WHICH ARE SET FORTH IN THE ARTICLES SUPPLEMENTARY.

GENERAL

Under the Articles Supplementary, the Fund is authorized to issue up to [__] shares of Series C Preferred. No fractional Series C Preferred shares will be issued. In addition, as of March 31, 2002, there were outstanding 5,367,900 shares of Series A Preferred and 6,600,000 shares of Series B Preferred. The Board of Directors reserves the right to issue additional shares of preferred stock, including Series C Preferred, from time to time, subject to the restrictions in the Articles Supplementary and the 1940 Act.

The Series C Preferred will have a liquidation preference of $25,000 per share, plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared). The Series C Preferred will rank on a parity with shares of any other series of preferred stock of the Fund as to the payment of dividends and the distribution of assets upon liquidation. The Series C Preferred shares carry one vote per share on all matters on which such shares are entitled to vote. The Series C Preferred shares will, upon issuance, be fully paid and nonassessable and will have no preemptive, exchange or conversion rights. Any Series C Preferred shares repurchased or redeemed by the Fund will be classified as authorized but unissued preferred stock. The Board of Directors may by resolution classify or reclassify any authorized but unissued capital stock of the Fund from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or terms or conditions of redemption. The Fund will not issue any class of stock senior to the Series C Preferred.

RATING AGENCY GUIDELINES

The Fund is required under Moody's and [__] guidelines to maintain assets having in the aggregate a discounted value at least equal to the Series C Preferred Basic Maintenance Amount (as defined below) with respect to the separate guidelines Moody's and [__] have each established for determining discounted value. To the extent any particular portfolio holding does not satisfy the applicable rating agency's guidelines, all or a portion of such holding's value will not be included in the calculation of discounted value (as defined by the rating agency). The Moody's and [__] guidelines also impose certain diversification requirements and industry concentration limitations on the Fund's overall portfolio, and apply specified discounts to securities held by the Fund (except certain money market securities). The "Series C Preferred Basic Maintenance Amount" includes the sum of (i) the aggregate liquidation preference of the preferred stock then outstanding, (ii) the total principal of any senior debt (plus accrued and projected dividends), (iii) certain Fund expenses and (iv) certain other current liabilities.

If the Fund does not timely cure a failure to maintain a discounted value of its portfolio equal to the Series C Preferred Basic Maintenance Amount in accordance with the requirements of the applicable rating agency or agencies then rating the Series C Preferred, the Fund will be required to redeem preferred stock, including the Series C Preferred, as described below under "Description of the Series C Preferred - Redemption."

The Fund may, but is not required to, adopt any modifications to the guidelines that may hereafter be established by Moody's or [__]. Failure to adopt any such modifications, however, may result in a change or a withdrawal of the ratings altogether. In addition, any rating agency providing a rating for the Series C Preferred may, at any time, change or withdraw any such rating. The Board of Directors may, without stockholder approval, amend, alter, add to or repeal any or all of the definitions and related provisions that have been adopted by the Fund pursuant to the rating agency guidelines in the event the Fund receives written confirmation from Moody's or [__], or both, as appropriate, that any such change would not impair the ratings then assigned by Moody's or [__], as the case may be, to the Series C Preferred.

The Board of Directors may amend the Articles Supplementary definition of "Maximum Rate" (the "maximum applicable rate" as defined below) to increase the percentage amount by which the "Reference Rate" (as defined in the Articles Supplementary) is multiplied to determine the maximum applicable rate without the vote or consent of the holders of Series C Preferred shares or any other stockholder of the Fund, but only after consultation with the broker-dealers and with confirmation from each applicable rating agency that the Fund could meet the Series C Preferred Basic Maintenance Amount Test immediately following any such increase.

As described by Moody's and [__], the Series C Preferred's rating is an assessment of the capacity and willingness of the Fund to pay Series C Preferred obligations. The ratings on the Series C Preferred are not recommendations to purchase, hold or sell Series C Preferred shares, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The rating agency guidelines also do not address the likelihood that an owner of Series C

Preferred shares will be able to sell such shares in an auction or otherwise. The ratings are based on current information furnished to Moody's and [__] by the Fund and the Investment Manager and information obtained from other sources. The ratings may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information.

The rating agency guidelines will apply to the Series C Preferred only so long as such rating agency is rating these shares at the request of the Fund. The Fund will pay fees to Moody's and [__] for rating the Series C Preferred.

ASSET MAINTENANCE REQUIREMENTS

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

The Fund will be required under the Articles Supplementary to maintain as of the last business day of each March, June, September and December of each year, an "asset coverage" (as defined in the 1940 Act) of at least 200% (or such higher or lower percentage as may be required at the time under the 1940 Act) with respect to all outstanding senior securities of the Fund which are stock, including the Series C Preferred. If the Fund fails to maintain the asset coverage required under the 1940 Act on such dates and such failure is not cured within 60 days, the Fund will be required under certain circumstances to redeem shares of preferred stock (including Series C Preferred) sufficient to satisfy such asset coverage. See "- Redemption" below.

If the Series C Preferred shares offered hereby had been issued and sold as of March 31, 2002, the asset coverage required under the 1940 Act immediately following such issuance and sale (after giving effect to the deduction of the underwriting discounts and estimated offering expenses for such shares of $[__]), would have been computed as follows:

> value of Fund assets less liabilities not constituting senior securities ($[__]) DIVIDED BY senior securities representing indebtedness plus liquidation preference of each class of preferred stock ($[__]) = [__]%

DIVIDENDS

GENERAL. The following is a general description of dividends and dividend rate periods. See the SAI for a more detailed discussion of this topic. The dividend rate for the initial dividend period for the Series C Preferred offered in this Prospectus will be the rate set out on the cover of this Prospectus. For sub2px;">Accrued income and other taxes49.6
33.3

Other current liabilities44.6
46.1

Total current liabilities661.9
701.6

Long-term debt, less current portion1,395.0
1,348.6

Deferred taxes169.5
166.7

Operating lease liabilities45.2
—

Other liabilities and deferred credits128.0
138.2

Total liabilities2,399.6
2,355.1

Commitments and contingencies (See Note 14)

EQUITY

Common stock issued (129.5 and 129.3 shares, respectively)13.0
12.9

Capital in excess of par value601.4
604.2

Retained earnings	2,487.8	2,456.7
Accumulated other comprehensive loss	(521.6)	(525.5)
Common stock held in treasury (38.3 shares at cost)	(1,332.4)	(1,332.4)
Total equity	1,248.2	1,215.9
TOTAL LIABILITIES AND EQUITY	$3,647.8	$3,571.0

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(in millions)

	Three Months Ended March 31, 2019	2018
Cash flows from operating activities		
Net income	$60.4	$47.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41.2	43.2
Share-based compensation	3.7	4.8
Deferred income taxes	1.7	0.7
Income of unconsolidated affiliated company	(0.6)	(0.8)
Net loss on disposal of property and equipment	0.3	0.1
Changes in working capital, excluding effect of currency	(102.1)	(40.8)
Changes in other assets and liabilities	(3.1)	(0.5)
Net cash provided by operating activities	1.5	54.3
Cash flows from investing activities		
Additions to property and equipment	(28.6)	(46.2)
Proceeds from sale of property and equipment	0.2	0.1
Net cash used in investing activities	(28.4)	(46.1)
Cash flows from financing activities		
Repayment of long-term debt	(0.4)	(0.3)
Net borrowing of commercial paper	43.2	9.3
Net borrowing of short-term debt	2.4	3.3
Cash dividends paid to shareholders	(30.3)	(29.2)
Stock incentive programs and related tax withholdings	(6.5)	(5.6)
Net cash provided by (used in) financing activities	8.4	(22.5)
Effect of exchange rates on cash and cash equivalents	0.1	2.9
Net decrease in cash and cash equivalents	(18.4)	(11.4)
Cash and cash equivalents balance at beginning of year	76.1	71.1
Cash and cash equivalents balance at end of period	$57.7	$59.7

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)
(in millions)

	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Held In Treasury	Total
Balance at December 31, 2017	$ 12.9	$ 590.4	$ 2,324.8	$ (394.5)	$ (1,332.4)	$ 1,201.2
Net income			47.6			47.6
Other comprehensive income				18.6		18.6
Cash dividends declared on common stock ($0.31 per share)			(28.4)			(28.4)
Stock incentive programs and related tax withholdings (0.2 shares)	—	(5.6)				(5.6)
Share-based compensation		4.8				4.8
Balance at March 31, 2018	$ 12.9	$ 589.6	$ 2,344.0	$ (375.9)	$ (1,332.4)	$ 1,238.2
Balance at December 31, 2018	$ 12.9	$ 604.2	$ 2,456.7	$ (525.5)	$ (1,332.4)	$ 1,215.9
Net income			60.4			60.4
Other comprehensive income				3.9		3.9
Cash dividends declared on common stock ($0.32 per share)			(29.3)			(29.3)
Stock incentive programs and related tax withholdings (0.2 shares)	0.1	(6.5)				(6.4)
Share-based compensation		3.7				3.7
Balance at March 31, 2019	$ 13.0	$ 601.4	$ 2,487.8	$ (521.6)	$ (1,332.4)	$ 1,248.2

See accompanying notes to condensed consolidated financial statements.

9

BEMIS COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Bemis Company, Inc. (the "Company") in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations. It is management’s opinion, however, that all material adjustments (consisting of normal recurring accruals) have been made which are necessary for a fair statement of its financial position, results of operations and cash flows. For further information, refer to the consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Definitive Transaction Agreement with Amcor

On August 6, 2018, the Company announced that its Board of Directors, along with the Board of Directors of Amcor Limited (“Amcor”), unanimously approved a definitive agreement (the "Agreement”) under which Bemis will combine with Amcor in an all-stock combination (the “Transaction”).

The Transaction will be effected at a fixed exchange ratio of 5.1 Amcor shares for each share of the Company, resulting in Amcor and Bemis shareholders owning approximately 71% and 29% of the combined company, respectively. Closing of the Transaction is conditional upon the receipt of regulatory approvals, approval by both Amcor and Bemis shareholders, and satisfaction of other customary conditions.

The Agreement contains certain termination rights for both Bemis and Amcor, including if the Transaction is not completed on or before August 6, 2019, subject in certain circumstances to extension to February 6, 2020 if necessary to secure certain regulatory approvals. The Agreement provides that Bemis will pay a $130 million termination fee to Amcor if, among other things, Bemis terminates the Agreement to enter into a superior proposal or if the Agreement is terminated following Bemis’s Board of Directors changing its recommendation or failing to publicly affirm the board recommendation after receipt of a competing proposal. The Agreement also provides that Amcor will pay a $130 million termination fee to Bemis under similar circumstances.

In the first quarter of 2019, in connection with the Transaction, the Company incurred pre-tax expenses of approximately $2.9 million related to professional fees which are recorded in Restructuring and other costs in the condensed consolidated statement of income.

Note 2 — New Accounting Guidance

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance that required lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today’s accounting. The guidance also eliminates today’s real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs and lease executory costs for all entities. Lease classification will determine how to recognize lease-related revenue and expense. The Company adopted the new lease standard at January 1, 2019 using a simplified transition option that allows for a cumulative-effect adjustment in the period of adoption and therefore did not restate prior periods. The Company also elected to adopt the package of practical expedients which allows for existing operating leases to continue to be classified as operating leases under the new guidance without reassessing whether the contracts contain a lease under the new guidance or whether classification of the operating lease would be different under the new standard. The Company did not elect the use-of-hindsight practical expedient but did adopt the practical expedient pertaining to land easements which provides the option not to reassess whether land easements not previously accounted for as leases under prior leasing guidance would be leases under the new guidance. All of our leases at the adoption date were operating leases.

As a result of the adoption of the new standard, the Company recognized operating lease liabilities of $51.2 million based on the present value of the remaining minimum rental payments and corresponding right-of-use assets of $51.1 million. Adoption of the new guidance did not impact retained earnings. Due to the adoption of the guidance using the retrospective cumulative-effect adjustment method, there are no changes to the Company's previously reported results prior to January 1,

2019. Lease expense is not expected to change materially as a result of adoption of the new guidance. The Company changed its disclosures related to leasing beginning in 2019, refer to Note 10.

In August 2017, the FASB issued guidance that amends the hedge accounting rules to better portray the economic results of risk management activities in the financial statements and also to make targeted improvements to simplify the application of hedge accounting guidance. The guidance was adopted by the Company in the first quarter of 2019 and adoption did not have a material impact on our consolidated financial statements.

In February 2018, the FASB issued guidance on the reclassification of certain tax effects from accumulated other comprehensive income. The guidance requires the Company to disclose a description of the Company's accounting policy for releasing income tax effects from accumulated other comprehensive income and whether the Company elects to reclassify the stranded income tax effects from the Tax Cuts and Jobs Act, along with information about other income tax effects that are reclassified. The Company elected to early adopt this guidance during the fourth quarter of fiscal 2018. The Company had $20.2 million of net stranded income tax effects out of accumulated other comprehensive income and into retained earnings with no impact to total shareholders' equity or net income.

Recently Issued Accounting Standards

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the FASB. The Company determined that all ASUs not yet adopted to be either not applicable or are expected to have minimal impact on the Company's consolidated financial statements.

Note 3 - Restructuring and Other Costs

Restructuring and other costs as reported on the condensed consolidated statement of income are summarized as follows:

	Three Months Ended March 31,	
(in millions)	2019	2018
Restructuring costs	$1.3	$5.3
Restructuring related costs	2.7	8.1
Other charges	2.9	—
Total restructuring and other costs	$6.9	$13.4

In 2019, restructuring costs represent the 2017 Restructuring Plan focused on aligning the Company's cost structure to its environment. In 2018, restructuring costs include costs related to the 2016 Restructuring Plan focused on plant closures in Latin America and the 2017 Plan. The 2016 Plan was completed in the fourth quarter of 2018. Refer to Note 4 — Restructuring Plans for details on the 2017 Plan regarding expenses incurred and cash payments to date, in addition to disaggregation of costs by segment and cost category.

Restructuring related costs primarily include professional fees for consultants related to the Company's Agility plan.

Other charges in the first quarter of 2019 consist primarily of professional fees associated with the Company's announced transaction with Amcor.

11

Note 4 — Restructuring Plans

2017 Restructuring and Cost Savings Plan ("2017 Plan")

On June 30, 2017, the Company announced restructuring activities targeted to improve efficiency and profitability that further positions the Company for long-term success. As a part of this plan, the Company announced the intention to close four production facilities for which business will be relocated to existing facilities and the closure of an additional manufacturing facility for which business will not be relocated. As of September 30, 2018, operations ceased at three of the four manufacturing facilities and business has been relocated to existing facilities; the additional manufacturing facility for which business was not relocated was also closed. Also as part of this plan, the Company announced it will reduce administrative positions by approximately 500 over three years and consolidate certain administrative offices and take other actions to improve the cost efficiency of a variety of administrative and operational processes.

The Company expects total 2017 Plan pre-tax restructuring costs of approximately $65 to $70 million, which includes $29 to $31 million in employee termination costs, $22 to $24 million in fixed asset related expenses, and $14 to $15 million in other restructuring project costs, including the movement and re-installation of equipment. Expenses in the three months ended March 31, 2019 were $1.3 million.

The estimated 2017 Plan costs are as follows:

(in millions)	U.S. Packaging	Latin America Packaging	Rest of World Packaging	Corporate	Total
2017 net expense accrued	$ 13.4	$ 20.7	$ 1.5	$ 3.5	$39.1
2018 net expense accrued	9.6	7.3	1.9	0.5	19.3
2019 first quarter net expense accrued	0.3	0.7	0.2	0.1	1.3
Expense incurred to date	23.3	28.7	3.6	4.1	59.7
Estimated future expense	6.4	3.6	0.2	—	10.2
Estimated costs of program	$ 29.7	$ 32.3	$ 3.8	$ 4.1	$69.9

An analysis of the 2017 Plan accruals follows:

(in millions)	Employee Costs	Fixed Asset Related	Other Costs	Total Restructuring Costs
Reserve balance at December 31, 2018	$ 6.9	$ —	$4.0	$ 10.9
Net expense accrued	0.2	0.1	1.0	1.3
Utilization (cash payments or otherwise settled)	(1.3)	(0.1)	(0.9)	(2.3)
Translation adjustments and other	—	—	—	—
Reserve balance at March 31, 2019	$ 5.8	$ —	$4.1	$ 9.9

The 2017 Plan is expected to be completed by the end of 2020. Cash payments in the twelve months ended December 31, 2018 and 2017 were $17.4 million and $6.8 million, respectively. Cash payments in the three months ended March 31, 2019 were $2.3 million. The costs related to restructuring activities have been recorded on the condensed consolidated statement of income as restructuring and other costs. The accruals related to restructuring activities have primarily been recorded on the condensed consolidated balance sheet as other current liabilities.

12

Note 5 — Financial Assets and Financial Liabilities Measured at Fair Value

The fair values of the Company's financial assets and financial liabilities listed below reflect the amounts that would be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date (exit price).

The Company's non-derivative financial instruments include cash and cash equivalents, trade receivables, accounts payable, short-term borrowings, and long-term debt. At March 31, 2019 and December 31, 2018, the carrying value of these financial instruments, excluding long-term debt, approximates fair value because of the short-term maturities of these instruments.

Fair value disclosures are classified based on the fair value hierarchy. Level 1 fair value measurements represent exchange-traded securities which are valued at quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Level 2 fair value measurements are determined using input prices that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Level 3 fair value measurements are determined using unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

The fair value measurements of the Company's long-term debt represent non-active market exchange-traded securities which are valued at quoted prices or using input prices that are directly observable or indirectly observable through corroboration with observable market data. The carrying values and estimated fair values of long-term debt at March 31, 2019 and December 31, 2018 follow:

(in millions)	March 31, 2019 Carrying Value	March 31, 2019 Fair Value (Level 2)	December 31, 2018 Carrying Value	December 31, 2018 Fair Value (Level 2)
Long-term debt, less current portion	$1,395.0	$ 1,406.0	$1,348.6	$ 1,342.0

The fair values for derivatives are based on inputs other than quoted prices that are observable for the asset or liability. These inputs include interest rates. The financial assets and financial liabilities are primarily valued using standard calculations / models that use as their basis readily observable market parameters. Industry standard data providers are the primary source for forward and spot rate information for both interest rates and currency rates, with resulting valuations periodically validated through third-party or counterparty quotes. The fair value of the Company's derivatives follows:

(in millions)	Fair Value As of March 31, 2019 (Level 2)	Fair Value As of December 31, 2018 (Level 2)
Interest rate swaps — net asset (liability) position	$ 0.6	$ (2.7)

Note 6 — Derivative Instruments

The Company enters into derivative transactions to manage exposures arising in the normal course of business. The Company does not enter into derivative transactions for speculative or trading purposes. The Company recognizes all derivative instruments on the balance sheet at fair value. Derivatives not designated as hedging instruments are adjusted to fair value through income. Depending on the nature of derivatives designated as hedging instruments, changes in the fair value are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in shareholders' equity through other comprehensive income until the hedged item is recognized. Gains or losses, if any, related to the ineffective portion of any hedge are recognized through earnings in the current period.

The Company enters into interest rate swap contracts to economically convert a portion of the Company's fixed-rate debt to variable rate debt. During the fourth quarter of 2011, the Company entered into four interest rate swap agreements with a total notional amount of $400 million. These contracts were designated as fair value hedges of the Company's $400 million 4.50 percent fixed-rate debt due in 2021. The variable rate for each of the interest rate swaps is based on the six-month London Interbank Offered Rate (LIBOR), set in arrears, plus a fixed spread. The variable rates are reset semi-annually at each net settlement date. Fair values of these interest rate swaps are determined using discounted cash flow or other appropriate methodologies. Asset positions are included in deferred charges and other assets with a corresponding increase in long-term debt. Liability positions are included in other liabilities and deferred credits with a corresponding decrease in long-term debt.

The Company enters into forward exchange contracts to manage foreign currency exchange rate exposures associated with certain foreign currency denominated receivables and payables. Forward exchange contracts generally have maturities of less than six months and relate primarily to the U.S. dollar for the Company's Brazilian operations. The Company has not designated these derivative instruments as hedging instruments. At March 31, 2019 and December 31, 2018, the Company had outstanding forward exchange contracts with notional amounts of $3.9 million and $0.3 million, respectively. The net settlement amount (fair value) related to active forward exchange contracts is recorded on the balance sheet as either a current or long-term asset or liability and as an element of other operating income which offsets the related transaction gains or losses. The net settlement amounts are immaterial for all periods presented.

The Company is exposed to credit loss in the event of non-performance by counterparties in forward exchange contracts and interest-rate swap contracts. Collateral is generally not required of the counterparties or of the Company. In the event a counterparty fails to meet the contractual terms of a currency swap or forward exchange contract, the Company's risk is limited to the fair value of the instrument. The Company actively monitors its exposure to credit risk through the use of credit approvals and credit limits, and by selecting major international banks and financial institutions as counterparties. The Company has not had any historical instances of non-performance by any counterparties, nor does it anticipate any future instances of non-performance.

The fair values, balance sheet presentation, and the hedge designation status of derivative instruments at March 31, 2019 and December 31, 2018 are presented in the table below:

(in millions)	Balance Sheet Location	Fair Value (Level 2) As of March 31, 2019	December 31, 2018
Asset Derivatives			
Interest rate swaps — designated as hedge	Deferred charges and other assets	$0.6	
Liability Derivatives			
Interest rate swaps — designated as hedge	Other liabilities and deferred credits		$ 2.7

The income statement impact of derivatives is presented in the table below:

(in millions)	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on De Three Months Ended March 31, 2019	2018
Designated as hedges			
Interest rate swaps	Interest expense	$ (0.1)	$ (0.6)
Not designated as hedges			
Forward exchange contracts	Other operating income	0.1	(0.3)
Total		$ —	$ (0.9)

Note 7 — Inventories

Inventories are valued at the lower of cost, as determined by the first-in, first-out ("FIFO") method, or net realizable value. Inventory values using the FIFO method of accounting approximate replacement cost. Inventories are summarized as follows:

(in millions)	March 31, 2019	December 31, 2018
Raw materials and supplies	$ 203.9	$ 197.4
Work in process and finished goods	436.2	422.1
Total inventories	$ 640.1	$ 619.5

14

Note 8 — Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill attributable to each reportable business segment follow:

(in millions)	U.S. Packaging Segment	Rest of World Packaging	Total
Reported balance at December 31, 2018	$ 632.3	$ 212.9	$845.2
Currency translation	0.2	(0.2)	—
Reported balance at March 31, 2019	$ 632.5	$ 212.7	$845.2

Accumulated goodwill impairment losses were $196.6 million as of March 31, 2019 and December 31, 2018 related to the Latin America Packaging segment.

The components of other intangible assets follow:

(in millions)	March 31, 2019		December 31, 2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract based	$9.4	$ (1.7)	$9.1	$ (1.5)
Technology based	79.4	(62.0)	79.3	(60.9)
Marketing related	12.9	(9.2)	12.9	(9.1)
Customer based	205.1	(116.5)	205.3	(113.7)
Reported balance	$306.8	$ (189.4)	$306.6	$ (185.2)

Amortization expense for intangible assets was $4.1 million and $4.2 million during the first three months of 2019 and 2018, respectively. Estimated future amortization expense for intangible assets follows:

(in millions)	Amortization
Remainder of 2019	$ 12.3
2020	15.7
2021	13.9
2022	12.3
2023	11.7
2024	9.8

15

Note 9 — Components of Net Periodic Benefit Cost

Benefit costs for defined benefit pension and other postretirement plans are shown below. The funding policy and assumptions disclosed in the Company's 2018 Annual Report on Form 10-K are expected to continue unchanged throughout 2019.

	Three Months Ended March 31,			
	Pension Benefits		Other Benefits	
(in millions)	2019	2018	2019	2018
Service cost - benefits earned during the period	$2.3	$1.9	$—	$—
Interest cost on projected benefit obligation	7.0	6.7	—	—
Expected return on plan assets	(10.6)	(10.8)	—	—
Amortization:				
Prior service cost	0.3	0.2	—	—
Actuarial net loss (gain)	2.6	4.2	(0.3)	(0.3)
Net periodic benefit cost	$1.6	$2.2	$(0.3)	$(0.3)

Service cost is recorded in cost of products sold and selling, general, and administrative expenses in the income statement. All other components are recorded within other non-operating income.

Costs for defined contribution pension plans were $6.6 million and $7.1 million for the three months ended March 31, 2019 and 2018, respectively.

Note 10 — Leases

The Company has operating leases for certain manufacturing sites, office space, warehouses, land, vehicles and equipment. Most leases include the option to renew, with renewal terms that can extend the lease term from one to five years or more. Right-of-use lease assets and lease liabilities are recognized at the commencement date based on the present value of the remaining lease payments over the lease term which includes renewal periods the Company is reasonably certain to exercise. The Company has elected to combine lease and non-lease components for all asset classes other than real estate, vehicles and equipment. Short term leases with a term of twelve months or less, including reasonably certain holding periods, are not recorded on the balance sheet. The Company's leases do not contain any material residual value guarantees or material restrictive covenants. At March 31, 2019, the Company does not have material lease commitments that have not commenced.

The components of lease expense were as follows:

(in millions)	Three Months Ended March 31,
Income Statement Location	2019
Operating leases	
Cost of products sold	$ 1.3
Selling, general and administrative expenses	0.9
Total operating lease cost (1)	$ 2.2

(1) Includes short-term leases and variable lease costs, which are immaterial.

Supplemental balance sheet information related to leases was as follows:

(in millions)	Balance Sheet Location	March 31, 2019
Assets		
Operating lease assets	Operating lease assets	$ 51.1
Total operating lease assets		51.1
Liabilities		
Current operating lease liabilities	Other current liabilities	6.0
Noncurrent operating lease liabilities	Operating lease liabilities	45.2
Total operating lease liabilities		$ 51.2

As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate as of the commencement date to determine the present value of lease payments.

Supplemental cash flow information related to leases was as follows:

(in millions)	Three Months Ended March 31, 2019
Operating leases	
Cash paid for amounts included in the measurement of lease liabilities	$ 2.1
Right-of-use assets obtained in exchange for lease obligations	$ 0.2

Maturities of lease liabilities were as follows:

(in millions)	Operating Leases
Remainder of 2019	$ 6.2
2020	7.5
2021	6.7
2022	5.6
2023	5.0
After 2023	36.1
Total lease payments	67.1
Less: imputed interest	15.9
Present value of lease liabilities	$ 51.2

The Company’s future minimum lease commitments as of December 31, 2018, under Accounting Standard Codification Topic 840, the predecessor to Topic 842, are as follows:

(in millions)	Operating Leases
2019	$ 7.7
2020	6.7
2021	6.0
2022	5.6
2023	4.7

Thereafter	30.6
Total minimum obligations	$ 61.3

17

The weighted average remaining lease term and discount rate are as follows:

	March 31, 2019	
Weighted Average Remaining Lease Term		
Operating Leases	11.1 years	
Weighted Average Discount Rate		
Operating Leases	5.1	%

Note 11 — Income Taxes

The primary difference in the effective income tax rate between the first quarter of 2019 and 2018 results from changes in the geographic mix of income. The difference between our overall tax rate and the U.S. statutory rate of 21 percent principally relates to state and local income taxes, net of federal income tax benefits, and the differences between tax rates in the various foreign jurisdictions in which we operate. In addition, the Company's first quarter results include a discrete income tax expense of approximately $0.2 million and an income tax benefit of approximately $0.4 million, in 2019 and 2018, respectively, related to employee share-based payment accounting.

The U.S. corporate statutory tax rate was reduced to 21 percent as the result of tax legislation enacted in December 2017 commonly referred to as the Tax Cuts and Jobs Act ("TCJA"). The Company recorded the final adjustments to the provisional impact of the TCJA in the fourth quarter of 2018.

Note 12 — Accumulated Other Comprehensive Income (Loss)

The components and activity of accumulated other comprehensive income (loss) are as follows:

(in millions)	Foreign Currency Translation		Pension And Other Postretirement Liability Adjustments		Accumulated Other Comprehensive Loss	
December 31, 2017	$ (291.1	)	$ (103.4	)	$ (394.5	)
Other comprehensive income (loss) before reclassifications	15.6		—		15.6	
Amounts reclassified from accumulated other comprehensive income (loss)	—		3.0		3.0	
Net current period other comprehensive income (loss)	15.6		3.0		18.6	
March 31, 2018	$ (275.5	)	$ (100.4	)	$ (375.9	)
December 31, 2018	$ (385.4	)	$ (140.1	)	$ (525.5	)
Other comprehensive income (loss) before reclassifications	2.0		—		2.0	
Amounts reclassified from accumulated other comprehensive income (loss)	—		1.9		1.9	
Net current period other comprehensive income (loss)	2.0		1.9		3.9	
March 31, 2019	$ (383.4	)	$ (138.2	)	$ (521.6	)

The following table summarizes amounts reclassified from accumulated other comprehensive income (loss):

Three
Months

	Ended March 31,	
(in millions)	2019	2018
Pension and postretirement costs (See Note 9)	$2.6	$4.1
Tax benefit	(0.7)	(1.1)
Pension and postretirement costs, net of tax	$1.9	$3.0

18

Accumulated other comprehensive income (loss) associated with pension and other postretirement liability adjustments are net of tax effects of $46.7 million and $47.3 million as of March 31, 2019 and December 31, 2018, respectively.

Note 13 — Earnings Per Share Computations

A reconciliation of basic and diluted earnings per share is below:

(in millions, except per share amounts)	Three Months Ended March 31, 2019	2018
Numerator		
Net income	$60.4	$47.6
Denominator		
Weighted average common shares outstanding — basic	91.2	91.0
Dilutive shares	0.8	0.2
Weighted average common and common equivalent shares outstanding — diluted	92.0	91.2
Per common share income		
Basic	$0.66	$0.52
Diluted	$0.66	$0.52

Certain stock awards outstanding were not included in the computation of diluted earnings per share above because they would not have had a dilutive effect. There were no excluded stock awards for the three months ended March 31, 2019. The excluded stock awards represented an aggregate of 0.8 million shares for the three months ended March 31, 2018.

Note 14 — Legal Proceedings

The Company is involved in a number of lawsuits incidental to its business, including environmental-related litigation and routine litigation arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these cases, the Company believes, except as discussed below, that any ultimate liability would not have a material adverse effect on the Company’s consolidated financial condition or results of operations.

Environmental Matters

The Company, or one or more of its affiliates, has been identified as a potentially responsible party ("PRP") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (commonly known as "Superfund") and similar state and foreign laws at 12 sites in the United States and one in Brazil, with respect to which the Company's liability has not yet been finalized pursuant to a settlement agreement. In addition, the Company or one or more of its affiliates has been identified as a PRP in several other Superfund sites at which the cleanup of the site has been completed or the Company's liability with respect to the site has been resolved pursuant to a settlement (or both). These proceedings were instituted by the United States Environmental Protection Agency and certain state and foreign environmental agencies at various times beginning in 1983. Superfund and similar state and foreign laws create liability for investigation and remediation in response to releases of hazardous substances in the environment. Under these statutes, joint and several liability may be imposed on waste generators, site owners and operators, and others regardless of fault. Although these regulations could require the Company to remove or mitigate the effects on the environment at various sites, perform remediation work at such sites, or pay damages for loss of use and non-use values, the Company expects its liability in these proceedings to be limited to monetary damages. The Company expects its future liability relative to these sites to be insignificant, individually and in the aggregate.

The Company is involved in other environmental-related litigation arising in the ordinary course of business. The Company accrues environmental costs when it is probable that these costs will be incurred and can be reasonably estimated.

The Company's reserve for environmental liabilities at March 31, 2019 and December 31, 2018 was $0.3 million and is included in other liabilities and deferred credits on the accompanying condensed consolidated balance sheet.

Brazil Tax Dispute - Goodwill Amortization

During October 2013, Dixie Toga, Ltda ("Dixie Toga"), a Bemis subsidiary, received an income tax assessment in Brazil for the tax years 2009 through 2011 that relates to the amortization of certain goodwill generated from the acquisition of Dixie Toga. The income tax assessed for those years is approximately $9.8 million, translated to U.S. dollars at the March 31, 2019 exchange rate. The Company expects that tax examinations for years after 2011 will include similar assessments as the Company continues to claim the tax benefits associated with the goodwill amortization. An ultimate adverse resolution on these assessments, including interest and penalties, could be material to the Company's condensed consolidated results of operations and/or cash flows.

The Company has been advised by its legal and tax advisors that its position with respect to the deductions is allowable under the tax laws of Brazil. The Company is contesting the disallowance and believes it is more likely than not the tax benefit will be sustained in its entirety and consequently has not recorded a liability. In May of 2017, the Company received a favorable administrative decision. The government is appealing this decision to the next administrative level. The Company intends to litigate the matter if it is not resolved at the administrative appeals levels. The ultimate outcome could take several years. At this time, the Company believes that final resolution of the assessment will not have a material impact on the Company's condensed consolidated financial statements.

Note 15 — Segments of Business

The Company's business activities are organized around and aggregated into its three principal business segments, U.S. Packaging, Latin America Packaging, and Rest of World Packaging, based on their similar economic characteristics, products, production process, types of customers, and distribution methods. Both internal and external reporting conforms to this organizational structure, with no significant differences in accounting policies applied. Intersegment sales (which are not significant) are generally priced to reflect nominal markups.

The Company evaluates the performance of its segments and allocates resources to them based primarily on operating profit, which is defined as profit before restructuring and other costs, general corporate expense, interest expense, other non-operating income, and income taxes.

Sales to the Kraft Heinz Company, and its subsidiaries, accounted for approximately 11 percent of the Company's sales for the three months ended March 31, 2019 and 2018. The Company sells to Kraft Heinz primarily through its U.S. Packaging segment.

A summary of the Company’s business activities reported by its three business segments follows:

	Three Months Ended March 31,	
Business Segments (in millions)	2019	2018
Sales including intersegment sales:		
U.S. Packaging	$681.8	$676.1
Latin America Packaging	143.4	170.5
Rest of World Packaging	193.4	196.1
Intersegment sales:		
U.S. Packaging	(12.9)	(10.1)
Latin America Packaging	(1.3)	(1.1)
Rest of World Packaging	(3.0)	(4.1)
Total net sales	$1,001.4	$1,027.4
Segment operating profit		
U.S. Packaging	$91.5	$87.2
Latin America Packaging (1)	11.9	8.0
Rest of World Packaging	20.1	16.5
Restructuring and other costs	6.9	13.4
General corporate expenses	19.5	17.8
Operating income	97.1	80.5
Interest expense	18.5	18.9
Other non-operating income	(1.8)	(0.9)
Income before income taxes	$80.4	$62.5

(1) In the first quarter of 2019, the Company recognized a non-cash benefit for Brazil tax credits as a result of a final Brazilian court decision related to indirect taxes previously paid. The benefit was $5.8 million pre-tax and $3.8 million net of taxes. Please refer to the Reconciliation of Non-GAAP Earnings per share in this release. As reported in its Annual Report on Form 10-K, in the fourth quarter of 2018, the Company recognized a non-cash benefit of $15.3 million pre-tax and $10.1 million net of taxes related to the same topic. The additional amount was recorded

in the first quarter of 2019 after the Company completed its analysis of the benefit to which it is entitled under the Brazilian court decision in 2018.

A summary of the Company's net sales by geographic area reported by its three business segments follows:

	Three Months Ended March 31, 2019			
Net sales by geographic area (in millions)	U.S. Packaging	Latin America Packaging	Rest of World Packaging	Total
Net sales (1):				
United States	$668.9	$ —	$ 66.2	$735.1
Brazil	—	93.8	—	93.8
Other Americas	—	48.3	—	48.3
Europe	—	—	81.1	81.1
Asia-Pacific	—	—	43.1	43.1
Total	$668.9	$ 142.1	$ 190.4	$1,001.4

	Three Months Ended March 31, 2018			
Net sales by geographic area (in millions)	U.S. Packaging	Latin America Packaging	Rest of World Packaging	Total
Net sales (1):				
United States	$666.0	$ —	$ 59.3	$725.3
Brazil	—	112.1	—	112.1
Other Americas	—	57.3	—	57.3
Europe	—	—	85.4	85.4
Asia-Pacific	—	—	47.3	47.3
Total	$666.0	$ 169.4	$ 192.0	$1,027.4

(1) Net sales are attributed to geographic areas based on location of the Company's manufacturing or selling operation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended March 31, 2019 and 2018

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements.

	Three Months Ended March 31,			
(dollars in millions, except per share amounts)	2019		2018	
Net sales	$1,001.4	100.0 %	$1,027.4	100.0 %
Cost of products sold	799.2	79.8	829.4	80.7
Gross profit	202.2	20.2	198.0	19.3
Operating expenses				
Selling, general, and administrative expenses	97.1	9.7	96.9	9.4
Research and development costs	9.7	1.0	10.0	1.0
Restructuring and other costs	6.9	0.7	13.4	1.3
Other operating income	(8.6)	(0.9)	(2.8)	(0.3)
Operating income	97.1	9.7	80.5	7.8
Interest expense	18.5	1.8	18.9	1.8
Other non-operating income	(1.8)	(0.2)	(0.9)	(0.1)
Income before income taxes	80.4	8.0	62.5	6.1
Income tax provision	20.0	2.0	14.9	1.5
Net income	$60.4	6.0 %	$47.6	4.6 %
Effective income tax rate		24.9 %		23.8 %
Diluted earnings per share	$0.66		$0.52	
Adjusted diluted earnings per share (1)	$0.67		$0.63	

(1) Refer to "Presentation of Non-GAAP Financial Information"

Overview

Bemis Company, Inc. is a major supplier of flexible and rigid plastic packaging used by leading and emerging food, consumer products, healthcare, and other companies worldwide. Historically, approximately 80 percent of our total net sales are to customers in the food industry. Sales of our packaging products are widely diversified among food categories and can be found in nearly every retail grocery channel.

Market Conditions

The markets into which our products are sold have historically been, and continue to be, highly competitive. Our leading market positions in packaging for perishable food and medical device products reflect our focus on value-added, proprietary products that provide food safety and sterility benefits. We also manufacture products for which our technical know-how and economies of scale offer us a competitive advantage. The primary raw materials for our business segments are polymer resins and films, paper, inks, adhesives, aluminum, and chemicals.

In the U.S., many of our consumer packaged goods customers have seen pressure on their sales volumes during recent years for a variety of reasons, including shifting consumer preferences. We have invested in equipment that is well-suited to on-trend opportunities, and we have been implementing deliberate action plans to align our resources to pursue these targeted areas of growth.

Additionally, the political instability and incrementally challenging economic environment in Brazil have been impacting our business. As consumers, retailers, and our customers react to the situation in the region, our unit volumes and mix of products sold have been adversely impacted. In recent years, the challenges associated with the economic environment in Brazil put pressure on our sales and earnings. We are mitigating the profit impact of these headwinds through our cost savings efforts.

Restructuring

Refer to Note 5 - Restructuring Plans for details of the 2017 Plan regarding expenses incurred and cash payments to date, in addition to disaggregation of costs by segment and cost category.

2017 Restructuring and Cost Savings Plan ("2017 Plan")

During the second quarter of 2017, we initiated restructuring activities to improve efficiency and profitability that further position us for long-term success. We announced the remaining details of the 2017 Plan during the third quarter of 2017. The 2017 Plan includes the following actions: the closure of four manufacturing facilities for which business will be relocated to existing facilities, the closure of an additional manufacturing facility for which business will not be relocated, the consolidation of office space, and the reduction of our administrative support cost structure, which includes the elimination of 500 positions. The total program cost is estimated at $110 to $125 million, including $65 to $70 million in total pre-tax restructuring charges, $35 to $45 million in pre-tax other plan-related costs and approximately $10 million in capital investment related to executing the 2017 Plan. We expect an annual pre-tax savings run rate of approximately $65 million in 2019 from the 2017 Plan.

During the three months ended March 31, 2019, we recorded restructuring charges totaling $1.3 million. Restructuring charges in 2019 consisted of employee termination costs, fixed asset related costs, and other costs which include inventory write offs and employee claims.

The 2017 Plan is expected to be completed by the end of 2020. Total restructuring and other plan-related cash payments for the 2017 Plan are expected to be approximately $65 to $70 million. Cash payments during the three months ended March 31, 2019 were $10.7 million. Cash payments during the twelve months ended December 31, 2018 were $35.6 million. We expect total restructuring and other plan-related payments of approximately $24 million in 2019 and the balance in 2020.

Results of Operations — First Quarter 2019

Consolidated Overview

(in millions, except per share amounts)	2019	2018
Net sales	$1,001.4	$1,027.4
Net income	60.4	47.6
Diluted earnings per share	0.66	0.52
Adjusted diluted earnings per share (1)	0.67	0.63

(1) Refer to "Presentation of Non-GAAP Financial Information"

Net sales for the first quarter of 2019 decreased 2.5 percent compared to the same period of 2018. The impact of currency translation reduced net sales by 4.2 percent. Total Company organic sales growth of 1.7 percent reflects increased price and mix, partially offset by select lower unit volumes; please refer to segment commentary below.

Diluted earnings per share for the first quarter of 2019 were $0.66 compared to $0.52 reported in the same quarter of 2018. Adjusted diluted earnings per share for the first quarter of 2019 were $0.67 compared to $0.63 reported in the same quarter of 2018. Diluted earnings per share for 2019 included a $0.03 per share charge for restructuring costs related primarily to plant closures in the Latin America and U.S. Packaging segments and reductions in our administrative support cost structure. Diluted earnings per share for 2019 also included a $0.02 per share charge for other costs related to the pending transaction with Amcor and a $0.04 per share benefit related to a final Brazilian court decision related to indirect taxes previously paid. Results for the first quarter of 2018 included an $0.11 per share charge for restructuring costs related primarily to the 2016 Restructuring Plan focused on plant closures in Latin America and the 2017 Restructuring Plan focused on aligning our cost structure to the business environment in which we operate.

U.S. Packaging Business Segment

(dollars in millions)	2019	2018
Net sales	$668.9	$666.0
Operating profit	91.5	87.2
Operating profit as a percentage of net sales	13.7 %	13.1 %

U.S. Packaging net sales of $668.9 million for the first quarter of 2019 increased 0.4 percent compared to the first quarter of 2018. Net sales include the contractual pass-through of lower raw material input prices versus one year ago. Compared to the prior first quarter, unit volumes were up approximately one percent. Excluding the impact of the Company’s exit of infant care business at its Shelbyville, Tennessee facility, unit volumes would have been up approximately two percent.

U.S. Packaging operating profit was $91.5 million in the first quarter of 2019, or 13.7 percent of net sales, compared to $87.2 million, or 13.1 percent of net sales, in the first quarter of 2018. Increased operating profit was driven by the benefits of cost savings from the Company’s Agility plan.

Latin America Packaging Business Segment

(dollars in millions)	2019	2018
Net sales	$142.1	$169.4
Operating profit	11.9	8.0
Operating profit as a percentage of net sales	8.4 %	4.7 %

Latin America Packaging net sales of $142.1 million for the first quarter of 2019 represented a decreased 16.1 percent compared to the first quarter of 2018. Currency translation and the impact of implementing high inflation accounting in the Company’s business in Argentina decreased net sales by 20.3 percent. Remaining organic sales growth of 4.2

percent reflects increased selling prices and improved mix, partially offset by decreased unit volumes of approximately fourteen percent driven primarily by some laundry detergent packaging volume in Brazil that is converting to another packaging format.

Latin America Packaging operating profit increased to $11.9 million in the first quarter of 2019, or 8.4 percent of net sales, compared to $8.0 million, or 4.7 percent of net sales, in 2018. Compared to the prior first quarter, the net impact of

25

currency translation decreased operating profit by $0.7 million. Additionally, the implementation of high inflation accounting in the Company's Argentina business negatively impacted operating profit by $1.0 million. During the first quarter of 2019, the Company recorded a $5.8 million non-cash pre-tax benefit related to Brazil tax credits as a result of a final Brazilian court decision related to indirect taxes previously paid. The remaining $0.2 million decrease in Latin America Packaging operating profit compared to the first quarter of 2018 was driven by the impact of decreased volume from the laundry detergent packaging that is converting to another packaging format, partially offset by the benefits of the Company's Agility plan.

Rest of World Packaging Business Segment

(dollars in millions)	2019	2018
Net sales	$190.4	$192.0
Operating profit	20.1	16.5
Operating profit as a percentage of net sales	10.6 %	8.6 %

Rest of World Packaging net sales of $190.4 million for the first quarter of 2019 represented a decrease of 0.8 percent compared to the first quarter of 2018. Currency translation reduced net sales by 4.7 percent. Organic sales growth of 3.9 percent reflects increased price and mix, partially offset by decreased unit volumes of approximately five percent, driven by comparison to an exceptionally strong first quarter of 2018 in the Company's Asia Pacific business. Sales volume in the Company's healthcare packaging business increased versus the prior first quarter.

Rest of World Packaging operating profit increased to $20.1 million in the first quarter of 2019, or 10.6% of net sales, compared to $16.5 million, or 8.6 percent of net sales, in 2018. The net impact of currency translation decreased operating profit during the first quarter by $0.7 million. The increase in operating profit in Rest of World Packaging was driven by increased sales volume in the Company's healthcare packaging business and strong operational performance across the segment.

Consolidated Selling, General, and Administrative Expenses

(dollars in millions)	2019	2018
Selling, general, and administrative expenses (SG&A)	$97.1	$96.9
SG&A as a percentage of net sales	9.7 %	9.4 %

SG&A expenses were in line with the prior year, reflecting strong cost controls to offset normal inflation.

Restructuring and Other Costs

(dollars in millions)	2019	2018
Restructuring and other costs	$6.9	$13.4
Restructuring and other costs as a percentage of net sales	0.7 %	1.3 %

In 2019, restructuring costs represent the 2017 Restructuring Plan focused on aligning the Company's cost structure to its environment. In 2018, restructuring costs include costs related to the 2016 Restructuring Plan focused on plant closures in Latin America and the 2017 Plan. The 2016 Plan was completed in the fourth quarter of 2018. Refer to Note 4 - Restructuring Plans for details on the 2017 Plan regarding expenses incurred and cash payments to date, in addition to disaggregation of costs by segment and cost category.

Other costs in the first quarter of 2019 consist primarily of professional fees associated with the Company's announced transaction with Amcor.

Other Operating Income

(dollars in millions)	2019	2018
Other operating income	$(8.6)	$(2.8)

In 2019, other operating income increased due to a $5.8 million pre-tax, non-cash, benefit for Brazil tax credits as a result of a final Brazilian court decision related to indirect taxes previously paid.

Interest Expense

(dollars in millions)	2019	2018
Interest expense	$18.5	$18.9
Effective interest rate	5.3 %	4.8 %

Interest expense decreased modestly compared to the prior year first quarter reflecting the benefit of lower debt levels in 2019, partially offset by higher effective interest rates.

Other Non-operating Income

(in millions)	2019	2018
Other non-operating income	$(1.8)	$(0.9)

Other non-operating income in 2019 includes interest income of $0.8 million and non-operating pension income of $1.0 million. Other non-operating income in 2018 includes interest income of $0.9 million.

Consolidated Income Taxes

(dollars in millions)	2019	2018
Income taxes	$20.0	$14.9
Effective tax rate	24.9 %	23.8 %

The primary difference in the effective income tax rate between the first quarter of 2019 and 2018 results from changes in the geographic mix of income. The difference between our overall tax rate and the U.S. statutory rate of 21 percent principally relates to state and local income taxes, net of federal income tax benefits, and the differences between tax rates in the various foreign jurisdictions in which we operate. In addition, our first quarter results included a discrete income tax expense of approximately $0.2 million and $0.4 million in 2019 and 2018, respectively, related to employee share-based payment accounting. We expect similar discrete income tax impacts in future years that will vary dependent upon the value of share-based payouts in those years.

The U.S. corporate statutory tax rate was reduced to 21% as the result of the Tax Cuts and Jobs Act (“TCJA”) of 2017 signed on December 22, 2017. The Company recorded the final adjustments to the provisional impact of the TCJA in the fourth quarter of 2018.

We expect the effective income tax rate for the full year of 2019 to be approximately 24%.

Presentation of Non-GAAP Information

This Quarterly Report on Form 10-Q refers to non-GAAP financial measures: adjusted diluted earnings per share, organic sales growth (decline), and net debt. These non-GAAP financial measures adjust for factors that are unusual or unpredictable. These measures exclude the impact of significant tax reform, certain amounts related to the effect of changes in currency exchange rates, acquisitions, and restructuring, including employee-related costs, equipment relocation costs, accelerated depreciation and the write-down of equipment. These measures also exclude gains or losses on sales of significant property and divestitures, certain litigation matters, and certain acquisition-related expenses, including transaction expenses, due diligence expenses, professional and legal fees, purchase accounting adjustments for inventory and order backlog and changes in the fair value of deferred acquisition payments. This adjusted information should not be construed as an alternative to results determined in accordance with accounting principles generally accepted in the United States of America (GAAP). Management of the Company uses the non-GAAP measures to evaluate operating performance and believes that these non-GAAP measures are useful to enable investors to perform comparisons of current and historical performance of the Company.

A reconciliation of reported diluted earnings per share to adjusted diluted earnings per share for the three months ended March 31, 2019 and 2018 follows:

	Three Months Ended March 31,	
	2019	2018
Diluted earnings per share, as reported	$0.66	$0.52
Non-GAAP adjustments per share, net of taxes:		
Restructuring and related costs (1)	0.03	0.11
Other costs (2)	0.02	—
Brazil tax credits (3)	(0.04)	—
Diluted earnings per share, as adjusted	$0.67	$0.63

(1) Restructuring and related costs include the 2016 restructuring plan focused on plant closures in Latin America and the 2017 restructuring plan focused on aligning the Company's cost structure to its environment. Restructuring related costs primarily include professional fees for consultants.

(2) Other costs include costs related to the pending transaction with Amcor.

(3) In the first quarter of 2019, the Company recognized a non-cash benefit for Brazil tax credits as a result of a final Brazilian court decision related to indirect taxes previously paid. The benefit was $5.8 million pre-tax and $3.8 million net of taxes. As reported in its Annual Report on Form 10-K, in the fourth quarter of 2018, the Company recognized a non-cash benefit of $15.3 million pre-tax and $10.1 million net of taxes related to the same topic. The additional amount was recorded in the first quarter of 2019 after the Company completed its analysis of the benefit to which it is entitled under the Brazilian court decision in 2018.

A reconciliation of total debt to net debt at March 31, 2019 and December 31, 2018 follows:

(in millions)	March 31, 2019	December 31, 2018
Current portion of long-term debt	$1.7	$1.8
Short-term borrowings	12.7	10.2
Long-term debt, less current portion	1,395.0	1,348.6
Total debt	1,409.4	1,360.6
Less cash and cash equivalents	(57.7)	(76.1)

Net debt	$1,351.7	$1,284.5

28

The components of changes in net sales for the three months ended March 31, 2019 follow:

	Three Months Ended March 31, 2019 Percent Change YoY
U.S. Packaging:	
Organic sales growth (decline)	0.4 %
U.S. Packaging	0.4 %
Latin America Packaging:	
Currency effect	(20.3)%
Organic sales growth (decline)	4.2 %
Latin America Packaging	(16.1)%
Rest of World Packaging:	
Currency effect	(4.7)%
Organic sales growth (decline)	3.9 %
Rest of World Packaging	(0.8)%
Total Company:	
Currency effect	(4.2)%
Organic sales growth (decline)	1.7 %
Total change in net sales	(2.5)%

We determine the effect of changes in currency exchange rates by translating the respective period’s sales using the same currency exchange rates that were in effect during the prior year. When we acquire businesses, we exclude sales in the current period for which there are no comparable sales in the prior period. Organic sales growth (decline) is calculated by comparing current period sales translated at prior year rates and eliminating the effect of acquisitions to reported sales in the prior year.

Liquidity and Capital Resources

Net Debt to Total Capitalization

Net debt to total capitalization (which includes total debt net of cash balances divided by total debt net of cash balances plus equity) was 52.0 percent and 51.4 percent at March 31, 2019 and December 31, 2018, respectively. Total debt as of March 31, 2019 and December 31, 2018 was $1.4 billion.

Cash Flow

Net cash provided by operating activities was $1.5 million for the first three months of 2019, compared to $54.3 million for the first three months of 2018. Compared to the prior year, lower cash flow from operating activities primarily reflected a use of cash to fund accounts payable; this was within the range of the Company’s expectation for the quarter, which considered the Company’s exceptional cash flow performance during the fourth quarter of 2018.

Net cash used in investing activities was $28.4 million for the first three months of 2019 compared to $46.1 million for the same period of 2018. Capital expenditures were $28.6 million for the first three months of 2019 compared to $46.2 million for the first three months of 2018.

Net cash provided by financing activities was $8.4 million for the three months ended March 31, 2019, compared to $22.5 million used by financing activities for the same period of 2018. The change in cash flows from financing activities in the first quarter of 2019 is primarily due to an increase in outstanding debt used to finance working capital needs during the first quarter of 2019.

Available Financing

In addition to using cash provided by operating activities, we issue commercial paper to meet our short-term liquidity needs. As of March 31, 2019, our commercial paper debt outstanding was $93.3 million.

On July 22, 2016, we amended our $1.1 billion revolving credit facility, extending the term of the agreement from August 12, 2018 to July 22, 2021. Our revolving credit facility is supported by a group of major U.S. and international banks. Covenants imposed by the revolving credit facility include a minimum net worth calculation and a maximum ratio of debt to total capitalization as defined in our credit agreement. As of March 31, 2019, there was $93.3 million of commercial paper outstanding supported by this credit facility, leaving approximately $1.0 billion of available credit. If we were not able to issue commercial paper, we would expect to meet our financial liquidity needs by accessing the bank market, which would increase our borrowing costs. Any borrowings under the credit agreement would be subject to a variable interest rate. We are in compliance with all debt covenants.

Liquidity Outlook

We expect cash flow from operations and available liquidity described above to be sufficient to support future operating activities. There can be no assurance, however, that the cost or availability of future borrowings will not be impacted by future capital market disruptions.

Dividends

In February 2019, the Board of Directors approved the 36^{th} consecutive annual increase in the quarterly cash dividend on common stock to $0.32 per share, a 3.2 percent increase.

New Accounting Pronouncements

Refer to Note 2 — New Accounting Guidance in the Condensed Consolidated Financial Statements.

Critical Accounting Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to retirement benefits, intangible assets, and expected future performance of operations. Our estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. These critical accounting estimates are discussed in detail in “Management’s Discussion and Analysis — Critical Accounting Estimates and Judgments” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company’s market risk during the three-month period ended March 31, 2019. For additional information, refer to Note 5 and Note 6 to the Condensed Consolidated Financial Statements and to Part II, Item 7A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, under the direction, supervision, and involvement of the Chief Executive Officer and the Chief Financial Officer, has carried out an evaluation, as of the end of the period covered by this report, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) of the Company. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that disclosure controls and procedures in place at the Company are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There were no changes in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The material set forth in Note 14 of the Notes to Condensed Consolidated Financial Statements is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Information about our risk factors is contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. We believe that at March 31, 2019, there has been no material change to this information.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not repurchase any of our equity securities in the three months ended March 31, 2019. As of March 31, 2019, under authority granted by the Board of Directors, we have remaining authorization to repurchase an additional 18,187,211 shares of our common stock.

ITEM 6. EXHIBITS

Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), we have filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties thereto. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

Exhibit	Description	Form of Filing
2	Transaction Agreement, dated as of August 6, 2018, by and among Bemis Company, Inc., Amcor Limited, Arctic Jersey Limited and Arctic Corp. (Certain schedules and exhibits have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission upon request.) (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated August 6, 2018 (File No. 1-5277)).	Incorporated by Reference
3(a)	Restated Articles of Incorporation of the Registrant, as amended. (Incorporated by reference to Exhibit 3(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (File No. 1-5277)).	Incorporated by Reference
3(b)	By-Laws of the Registrant, as amended through October 7, 2016. (Incorporated by reference to Exhibit 3(ii) to the Registrant's Current Report on Form 8-K dated October 7, 2016 (File No. 1-5277)).	Incorporated by Reference
4(a)	Form of Indenture dated as of June 15, 1995, between the Registrant and U.S. Bank Trust National Association (formerly known as First Trust National Association), as Trustee. Copies of constituent instruments defining rights of holders of long-term debt of the Company and Subsidiaries, other than the Indenture specified herein, are not filed herewith,	Incorporated by Reference

	pursuant to Instruction (b)(4)(iii)(A) to Item 601 of Regulation S-K, because the total amount of securities Authorized under any such instrument does not exceed 10% of the total assets of the Company and Subsidiaries on a consolidated basis. The registrant hereby agrees that it will, upon request by the SEC, furnish to the SEC a copy of each such instrument. (Incorporated by reference to Exhibit 4(a) to the Registrant's Registration Statement on Form S-3 dated June 15, 1995 (File No. 33-60253)).	
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO.	Filed Electronically
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO.	Filed Electronically
32	Section 1350 Certification of CEO and CFO.	Filed Electronically
101	Interactive data files.	Filed Electronically

32

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		BEMIS COMPANY, INC.
Date	April 26, 2019	/s/ Michael B. Clauer
		Michael B. Clauer, Senior Vice President and Chief Financial Officer

33