

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

GABELLI UTILITY TRUST
Form N-2
August 31, 2004

As filed with the Securities and Exchange Commission on August 31, 2004

Securities Act File No. _____
Investment Company Act File No. 811-09243

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

- Registration Statement under the Securities Act of 1933
 Pre-Effective Amendment No.
 Post-Effective Amendment No.
and/or
 Registration Statement under the Investment Company Act of
1940 Amendment No. 10

(Check Appropriate Box or Boxes)

THE GABELLI UTILITY TRUST
(Exact Name of Registrant as Specified in Charter)

One Corporate Center
Rye, New York 10580-1434
(Address of Principal Executive Offices)

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

Bruce N. Alpert
The Gabelli Utility Trust
One Corporate Center
Rye, New York 10580-1434
(914) 921-5100
(Name and Address of Agent for Service)

Copies to:

James E. McKee, Esq.
The Gabelli Utility Trust
One Corporate Center
Rye, New York 10580

Richard T. Prins, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036

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.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

Title of Securities Being Registered -----	Aggregate Amount Being Registered -----	Proposed Maximum Offering Price Per Share(1) -----	Proposed Aggregate Offering Price(2) -----	Amount of Registration Fee -----
Shares of Common beneficial interest	100,000	9.76	976,000	\$123.66

- (1) As calculated pursuant to Rule 457(c) under the Securities Act of 1933, as amended. Based on the average of the high and low sales prices reported on the New York Stock Exchange on August 31, 2004.
- (2) 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.

Notice to Canadian Residents:

These Securities Have Not Been Approved or Disapproved by any Securities or Regulatory Authority in Canada. This Offering Will Not Be Made in any Province of Canada Where it is Not Permitted by Law.

CROSS-REFERENCE SHEET
PURSUANT TO RULE 481(a)

PART A

N-2 Item Number -----	Location in Part A (Caption) -----
1. Outside Front Cover.....	Front Cover Page
2. Inside Front and Outside Back Cover Page.....	Front Cover Page
3. Fee Table and Synopsis.....	Prospectus Summary; Table of Fees and
4. Financial Highlights.....	Financial Highlights
5. Plan of Distribution.....	The Offer
6. Selling Shareholders.....	Not Applicable
7. Use of Proceeds.....	Use of Proceeds
8. General Description of the Registrant.....	Investment Objectives and Policies; Risk Factors and Special Considerations; Dividends and Distributions; Capital
9. Management.....	Management of the Fund
10. Capital Stock.....	The Offer; Capitalization; Custodian Agent, Dividend-Disbursing Agent and Registrar; Dividends and Distributions; Taxation

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

11. Defaults and Arrears on Senior Securities.....	Not Applicable
12. Legal Proceedings.....	Not Applicable
13. Table of Contents of the Statement of Additional Information.....	Table of Contents of the Statement of Information

PART B

	Location in Statement of Additional Information
-----	-----
14. Cover Page.....	Outside Front Cover Page
15. Table of Contents.....	Outside Front Cover Page
16. General Information and History.....	Not Applicable
17. Investment Objectives and Policies.....	Investment Objectives; Investment Pr
18. Management.....	Management of the Fund
19. Control Persons and Principal Holders.....	Management of the Fund
20. Investment Advisory and Other Services.....	Management of the Fund
21. Brokerage Allocation and Other Practices.....	Portfolio Transactions
22. Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan.....	Automatic Dividend Reinvestment and Cash Purchase Plan
23. Tax Status.....	Taxation
24. General Information.....	General Information
25. Beneficial Owner.....	Beneficial Owner
26. Financial Statements.....	Financial Statements

PART C

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

_____ RIGHTS FOR _____ SHARES

THE GABELLI
UTILITY TRUST
COMMON SHARES

The Gabelli Utility Trust (the "Fund") is issuing transferable rights ("Rights") to its common shareholders of common shares of beneficial interest, par value \$.001 per share (the "Common Shares"). These Rights will allow you to subscribe for new Common Shares of the Fund. For every four Rights that you receive, you may buy one new Common Share of the Fund plus, in certain circumstances and only if you are a shareholder on the record date for the rights offering, additional Common Shares pursuant to an over-subscription privilege. You will receive one Right for each outstanding Common Share of the Fund you own on October __, 2004 (the "Record Date") rounded up to the nearest number of Rights evenly divisible by three. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, new Common Shares may be purchased only pursuant to the exercise of Rights in integral multiples of four.

The Rights are transferable and will be admitted for trading on the New York Stock Exchange ("NYSE") under the symbol "GUT RT." The Common Shares are presently listed on the NYSE under the symbol "GUT." The new Common Shares issued in this Rights offering (the "Offer") will also be listed under the symbol "GUT." On October __, 2004 (the last trading date prior to the Common Shares trading ex-Rights), the last reported net asset value per share of the

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

Common Shares was \$_____ and the last reported sales price per Common Share on the NYSE was \$_____. The purchase price per Common Share (the "Subscription Price") will be \$_____. The offer will expire at 5:00 p.m., New York Time, on November __, 2004, unless the Offer is extended as described in this Prospectus (the "Expiration Date").

The Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940 (the "1940 Act"). The Fund's primary investment objective is long-term growth of capital and income, which the Fund attempts to achieve by investing at least 80% of its total assets in common stock and other debt or equity securities of foreign and domestic companies involved to a substantial extent (e.g., at least 50% of the assets, gross income or profits of such company is committed to or derived from) in providing products, services or equipment for (i) the generation or distribution of electricity, gas and water or (ii) telecommunications services or infrastructure operations, such as airports, toll roads and municipal services. Gabelli Funds, LLC (the "Investment Adviser") serves as investment adviser to the Fund. An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund's investment objective will be achieved. FOR A DISCUSSION OF CERTAIN RISK FACTORS AND SPECIAL CONSIDERATIONS WITH RESPECT TO OWNING COMMON SHARES OF THE FUND, SEE "RISK FACTORS AND SPECIAL CONSIDERATIONS" ON PAGE __ OF THIS PROSPECTUS. The address of the Fund is One Corporate Center, Rye, New York 10580-1422 and its telephone number is (914) 921-5070.

This Prospectus sets forth certain information about the Fund an investor should know before investing. Accordingly, this Prospectus should be retained for future reference.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY IN CANADA. THIS OFFERING WILL NOT BE MADE IN ANY PROVINCE OF CANADA WHERE IT IS NOT PERMITTED BY LAW.

	SUBSCRIPTION PRICE	SALES LOAD	PROCEEDS TO FUND (1)
	-----	-----	-----
Per Common Share.....	\$ _____	None	\$ _____
Total.....	\$ _____	None	\$ _____ (2)

(1) Before deduction of expenses incurred by the Fund, estimated at \$_____.

(2) _____ shares representing \$_____ of the proceeds can only be issued if the Common Shares on the Expiration Date are trading at or above their per share net asset value. In the event the Common Shares on the Expiration Date are not trading at or above their per share net asset value, then the maximum proceeds to the Fund will be \$_____.

SHAREHOLDERS WHO DO NOT EXERCISE THEIR RIGHTS MAY, AT THE COMPLETION OF THE OFFER, OWN A SMALLER PROPORTIONAL INTEREST IN THE FUND THAN IF THEY

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

EXERCISED THEIR RIGHTS. AS A RESULT OF THE OFFER YOU MAY EXPERIENCE DILUTION OR ACCRETION OF THE AGGREGATE NET ASSET VALUE OF YOUR SHARES DEPENDING UPON WHETHER THE FUND'S NET ASSET VALUE PER SHARE IS ABOVE OR BELOW THE SUBSCRIPTION PRICE ON THE EXPIRATION DATE. The Fund cannot state precisely the extent of any dilution or accretion at this time because the Fund does not know what the net asset value per Common Share will be when the Offer expires or what proportion of the Rights will be exercised. The Investment Adviser's parent company, Gabelli Asset Management Inc. and its affiliates ("Affiliated Parties") may purchase shares through the primary subscription and the over-subscription privilege and Mr. Mario J. Gabelli, who may be deemed to control the Fund's investment adviser, or his affiliated entities may also purchase additional shares through the primary subscription and over-subscription privilege on the same terms as other shareholders.

This Prospectus sets forth concisely certain information about the Fund that a prospective investor should know before investing. Investors are advised to read and retain it for future reference.

A Statement of Additional Information dated October __, 2004 (the "SAI") containing additional information about the Fund has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. A copy of the SAI, the table of contents of which appears on page __ of this Prospectus, may be obtained without charge by contacting the Fund at (800) GABELLI, (800) 422-3554 or (914) 921-5070. The SAI will be sent within two Business Days (defined below) of receipt of a request. Investors may also obtain the Statement of Additional Information, material incorporated by reference, and other information about the Fund from the SEC's website (<http://www.sec.gov>). Shareholder inquiries should be directed to the Subscription Agent, EquiServe, at (800) 336-6983 or (781) 575-2000.

October __, 2004

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND OR THE FUND'S INVESTMENT ADVISER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE COMMON SHARES OFFERED BY THIS PROSPECTUS, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SHARES OF COMMON SHARES BY ANYONE IN ANY JURISDICTION WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL.

TABLE OF CONTENTS

	PAGE
PROSPECTUS SUMMARY.....	1
TABLE OF FEES AND EXPENSES.....	8
FINANCIAL HIGHLIGHTS.....	8
THE OFFER.....	12
USE OF PROCEEDS.....	20
INVESTMENT OBJECTIVES AND POLICIES.....	20
RISK FACTORS AND SPECIAL CONSIDERATIONS.....	23
MANAGEMENT OF THE FUND.....	29
DIVIDENDS AND DISTRIBUTIONS.....	31
TAXATION.....	31
CAPITALIZATION.....	33
ANTI-TAKEOVER PROVISIONS OF THE DECLARATION OF TRUST AND BY-LAWS.....	36
CUSTODIAN, TRANSFER AGENT, DIVIDEND-DISBURSING AGENT AND REGISTRAR.....	37
LEGAL MATTERS.....	37

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

EXPERTS.....38
FURTHER INFORMATION.....38
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS.....38

PROSPECTUS SUMMARY

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

PURPOSE OF THE OFFER

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

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

IMPORTANT TERMS OF THE OFFER

Table with 2 columns: Description and Value. Rows include: Total number of shares available for primary subscription, Number of Rights you will receive for each outstanding share you own on the Record Date, Number of shares you may purchase with your Rights at the Subscription Price per share, and Subscription Price.

- * The number of Rights to be issued to a shareholder on the Record Date will be rounded up to the nearest number of Rights evenly divisible by four.
** Holders of Rights on the Record Date will be able to acquire additional Fund shares pursuant to an over-subscription privilege in certain circumstances.

Shareholder inquiries should be directed to:
EquiServe
(800) 336-6983 or (781) 575-2000

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

or Gabelli
(800) GABELLI (422-3554)

OVER-SUBSCRIPTION PRIVILEGE

Shareholders on the Record Date ("Record Date Shareholders") who fully exercise all Rights initially issued to them are entitled to buy those Fund shares, referred to as "primary over-subscription shares," that were not purchased by other Rights holders. If enough primary over-subscription shares are available, all such requests will be honored in full. If the requests for primary over-subscription shares exceed the primary over-subscription shares available, the available primary over-subscription shares will be allocated pro rata among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Shares acquired pursuant to the over-subscription privilege are subject to allotment, which is more fully discussed under "The Offer -- Over-Subscription Privilege." Rights acquired in the secondary market may not participate in the oversubscription privilege.

In addition, in the event that the Fund's per share net asset value on the Expiration Date is equal to or less than the Subscription Price, the Fund, in its sole discretion, may determine to issue up to _____ additional Common Shares, referred to as "secondary over-subscription shares," to satisfy over-subscription requests in excess of the new Fund shares available for primary subscription. The Fund, in its sole discretion, would also be able to issue additional Common Shares in an amount of up to 20% of the sum of shares issued pursuant to the primary subscription and secondary over-subscription. Any such new Common Shares will be allocated and issued in conjunction with the secondary over-subscription shares to Record Date Shareholders who are eligible to receive secondary over-subscription shares. Should the Fund determine to issue some or all of the secondary over-subscription shares, they will be allocated only among Record Date Shareholders who submitted over-subscription requests. Secondary over-subscription shares will be allocated pro rata among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Rights acquired in the secondary market may not participate in the oversubscription privilege.

Fund shares acquired pursuant to the over-subscription privilege are subject to allotment, which is more fully discussed under "The Offer -- Over-Subscription Privilege."

METHOD FOR EXERCISING RIGHTS

Except as described below, subscription certificates evidencing the Rights ("Subscription Certificates") will be sent to Record Date Shareholders or their nominees. If you wish to exercise your Rights, you may do so in the following ways:

- (1) Complete and sign the Subscription Certificate. Mail it in the envelope provided or deliver it, together with payment in full to EquiServe (the "Subscription Agent") at the address indicated on the Subscription Certificate. Your completed and signed Subscription Certificate and payment must be received by the Expiration Date.
- (2) Contact your broker, banker or trust company, which can arrange, on your behalf, to guarantee delivery of payment and delivery of a properly completed and executed Subscription Certificate by the close of business on the third Business Day after the Expiration Date pursuant to a notice of guaranteed delivery. A fee may be charged for this service.

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

The notice of guaranteed delivery must be received by the Expiration Date.

Rights holders will have no right to rescind a purchase after the Subscription Agent has received payment. See "The Offer -- Method of Exercise of Rights" and "The Offer -- Payment for Shares."

SALE OF RIGHTS

The Rights are transferable until the Expiration Date and have been admitted for trading on the NYSE. Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE will begin three Business Days prior to the Record Date and may be conducted until the close of trading on the last NYSE trading day prior to the Expiration Date. The value of the Rights, if any, will be reflected by the market price. Rights may be sold by individual holders or may be submitted to the Subscription Agent for sale. Any Rights submitted to the Subscription Agent for sale must be received by the Subscription Agent on or before November __, 2004, one Business Day prior to the Expiration Date, due to normal settlement procedures. Rights that are sold will not confer any right to acquire any Common Shares in the primary or secondary oversubscription, and any Record Date shareholder who sells any Rights will not be eligible to participate in the primary or secondary oversubscription with respect to such Rights. Trading of the Rights on the NYSE will be conducted on a when-issued basis until and including the date on which the Subscription Certificates are mailed to Record Date shareholders and thereafter will be conducted on a regular-way basis until and including the last NYSE trading day prior to the Expiration Date. The shares will begin trading ex- Rights two Business Days prior to the Record Date. If the Subscription Agent receives Rights for sale in a timely manner, it will use its best efforts to sell the Rights on the NYSE. The Subscription Agent will also attempt to sell any Rights (i) a Rights holder is unable to exercise because the Rights represent the right to subscribe for less than one new Share (defined herein) or (ii) attributable to shareholders whose record addresses are outside the United States and Canada or who have an AFO or FPO address as described below under "Restrictions on Foreign Shareholders." Any commissions will be paid by the selling Rights holders. Neither the Fund nor the Subscription Agent will be responsible if Rights cannot be sold and neither has guaranteed any minimum sales price for the Rights. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day such Rights are sold, less any applicable brokerage commissions, taxes and other expenses. For purposes of this Prospectus, a "Business Day" shall mean any day on which trading is conducted on the NYSE.

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

OFFERING FEES AND EXPENSES

Offering expenses incurred by the Fund are estimated to be \$_____.

RESTRICTIONS ON FOREIGN SHAREHOLDERS

The Fund will not mail Subscription Certificates to shareholders whose record addresses are outside the United States and Canada or who have an APO or FPO address. Shareholders whose addresses are outside the United States and Canada or who have an APO or FPO address and who wish to subscribe to the Offer either in part or in full should contact the Subscription Agent, EquiServe, by written instruction or recorded telephone conversation no later than three Business Days prior to the Expiration Date. The Fund will determine whether the

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

offering may be made to any such shareholder. This offering will not be made in any jurisdiction where it would be unlawful to do so. If the Subscription Agent has received no instruction by the third Business Day prior to the Expiration Date or the Fund has determined that the offering may not be made to a particular shareholder, the Subscription Agent will attempt to sell all of such shareholder's Rights and remit the net proceeds, if any, to such shareholder. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day the Rights are sold, less any applicable brokerage commissions, taxes and other expenses.

USE OF PROCEEDS

We estimate the net proceeds of the Offer to be approximately \$_____. This figure is based on the Subscription Price per share of \$_____ and assumes all new Common Shares offered are sold and that the expenses related to the Offer estimated at approximately \$_____ are paid.

The Investment Adviser expects to invest such proceeds in accordance with the Fund's investment objectives and policies within six months after receipt of such proceeds, depending on market conditions for the types of securities in which the Fund principally invests. Pending such investment, the proceeds will be held in high quality short-term debt securities and instruments.

IMPORTANT DATES TO REMEMBER

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

EVENT -----	DATE ----
Record Date.....	October __, 2004
Subscription Period.....	October __, 2004 through November __, 2004*
Expiration of the Offer*.....	November __, 2004*
Payment for Guarantees of Delivery Due*.....	November __, 2004*
Confirmation to Participants.....	December __, 2004*

- * A shareholder exercising Rights must deliver by 5:00 New York time on November __, 2004 either (a) a Subscription Certificate and payment for shares or (b) a notice of guaranteed delivery.
- ** Unless the offer is extended to a date no later than November __, 2004.

INFORMATION REGARDING THE FUND

The Fund is a closed-end non-diversified management investment company organized under the laws of the State of Delaware on February 25, 1999. The Fund's primary investment objective is long- term growth of capital and income, which the Fund attempts to achieve by investing at least 80% of its total assets in common stock and other securities of foreign and domestic companies involved to a substantial extent in providing (i) products, services or equipment for the generation or distribution of electricity, gas and water or (ii) telecommunications services or infrastructure operations, such as airports, toll roads and municipal services (collectively, the "Utility Industry"). No assurance can be given that the Fund's investment objectives will be achieved. See "Investment Objectives and Policies." The Fund's

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

outstanding Common Shares are listed and traded on the New York Stock Exchange (the "NYSE"). The average weekly trading volume of the Fund's Common Shares on the NYSE during the period from January 1, 2003 through December 31, 2003 was _____ shares. The Fund has outstanding 1,184,700 shares of 5.625% Series A Cumulative Preferred Shares, liquidation preference \$25 per share (the "Series A Preferred Shares") and 1,000 shares of Series B Auction Market Preferred Shares, liquidation preference \$25,000 per share (the "Series B Preferred Shares"). As of September __, 2004, the net assets of the Fund were approximately \$_____.

INFORMATION REGARDING THE INVESTMENT ADVISER

The Investment Adviser has served as the investment adviser to the Fund since its inception. The Investment Adviser also provides certain administrative services to the Fund. The Investment Adviser and its affiliates have been engaged in the business of providing investment advisory and portfolio management services for over 25 years and as of September 30, 2004, managed total assets of approximately \$_____ billion. The Fund pays the Investment Adviser a monthly fee at the annual rate of 1.00% of the Fund's average weekly net assets. The Investment Adviser's fee is subject to a voluntary fee waiver under certain circumstances. See "Management of the Fund -- Investment Adviser." Since the Investment Adviser's fees are based on the net assets of the Fund, the Investment Adviser will benefit from the Offer. In addition, three Trustees who are "interested persons" of the Fund could benefit indirectly from the Offer because of their interests in the Investment Adviser. See "The Offer -- Purpose of the Offer."

RISK FACTORS AND SPECIAL CONSIDERATIONS

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

Dilution.....

Shareholders who do not exercise their Rights may, at the Offer, own a smaller proportional interest in the exercise their Rights. As a result of the Offer you may experience dilution in net asset value per share if the subscription price is below the net asset value per share on the Expiration Date. If the subscription price is below the net asset value per share on the Expiration Date, you will experience immediate dilution of the aggregate net asset value of the Fund. If you do not participate in the Offer and you will experience dilution of the net asset value per share of your shares whether you do or do not participate in the Offer. The Fund cannot state precisely the amount of this dilution (if any) if you do not exercise your Rights. The Fund does not know what the net asset value per share of the Fund will be when the Offer expires or what proportion of the Rights will be exercised. Assuming, for example that all Rights are exercised, the net asset value per share is \$_____ and the Fund's net asset value per share at the expiration of the Offer increases to \$_____, the Fund's net asset value per share (after payment of estimated offering expense) will be approximately \$_____ (_____%) per share. See "Risk Factors -- Special Considerations -- Dilution." If you do not exercise your Rights, you should consider selling them as set forth in the Prospectus. The Fund cannot give any assurance, however, as to how the value for the Rights will develop or that the Rights will have any value.

Leveraging.....

As provided in the 1940 Act and subject to certain exceptions

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

may issue debt or preferred shares (such as the outstanding Series B Preferred Shares) so long as the Fund's total debt after such issuance, less certain ordinary course liabilities, does not exceed 300% of the amount of the debt outstanding and exceed the amount of preferred shares and debt outstanding. Preferred shares may be convertible in accordance with guidelines which may permit the Fund to obtain leverage at attractive rates. Use of leverage may magnify the impact of Common Shares of changes in net asset value and the return may exceed the return on the securities acquired with leverage, thereby diminishing rather than enhancing the return to shareholders and generally making the Fund's total return to shareholders more volatile. In addition, the Fund may sell investments in order to meet dividend or interest obligations on debt or preferred shares when it may be disadvantageous to do so. Leveraging through the issuance of preferred shares to holders of the preferred shares have class voting rights on matters that could make it more difficult for the holders of Common Shares to change the investment objectives or fundamental policies of the fund, to convert it to an open-end fund or make certain other changes. See "Risk Factors and Special Considerations" and "Special Methods."

Market Loss.....

Shares of closed-end funds frequently trade at a market price less than the value of the net assets attributable to the Fund, although for most of the Fund's life its shares have traded at or over net asset value per share. The possibility that the Fund will trade at a discount from net asset value or at a price that is unsustainable over the long term are risks separate and apart from the risk that the Fund's net asset value will decrease. The risk of purchasing shares of a closed-end fund that might trade at an unsustainable premium is more pronounced for investors who purchase their shares in a relatively short period of time because, for investors, realization of a gain or loss on their investment will be more dependent upon the existence of a premium or discount upon portfolio performance. See "Risk Factors and Special Considerations-- Market Value and Net Asset Value."

Trading Premium.....

Historically, the Fund's Common Shares have traded at a premium to net asset value per share. As of October __, 2004, the Fund's Common Shares were trading at a premium of __%. There is no guarantee that this premium is sustainable during the term of the Offer or over the long term. The offering of additional Common Shares pursuant to the Offer and the possibility of over-subscription and secondary over-subscription may increase or eliminate any premium that common shareholders may receive for their Common Shares.

Share Repurchases.....

You will be free to sell your shares on the NYSE or other market on which the shares may trade, but, because the Fund is a closed-end fund, you do not have the right to redeem your Common Shares. The Fund is authorized to repurchase its shares on the open market if the shares are trading at a discount of 10% or more from net asset value. Repurchases are subject to the Fund maintaining asset coverage of its preferred shares and to certain notice and other requirements. There is no assurance that any action undertaken to repurchase shares will result in the shares trading at a price which approximates their net asset value. Share repurchases by the Fund would decrease the Fund's net asset value and could have the effect of increasing the Fund's leverage.

Anti-takeover Provisions.....

Certain provisions of the Fund's Declaration of Trust constitute "anti-takeover" provisions. Pursuant to these provisions, a committee of three classes of trustees is elected each year, and the

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

of the holders of 75% of the outstanding voting shares (together with a separate class vote by the holders of shares outstanding) is necessary to authorize amendments to the Declaration of Trust that would be necessary to convert the Fund from a closed-end to an open-end investment company. In addition, an affirmative vote of the holders of 80% of the outstanding shares of each class of the Fund, voting as a class, is generally necessary to authorize certain business transactions with the benefit of more than 5% of the outstanding shares of the Fund. In addition, the holders of the preferred shares have the authority to elect two directors each year and would have separate class voting rights on matters including conversion of the Fund to open-end status and reorganizations of the Fund. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by, a principal shareholder, or the conversion of the Fund to open-end status. These provisions may have the effect of depriving Fund shareholders of an opportunity to sell the Fund at a premium above the prevailing market price. See "Certain Provisions of the Declaration of Trust and By-laws."

Non-Diversified Status.....

As a non-diversified investment company under the 1940 Act, the Fund is not limited in the proportion of its assets that may be invested in the securities of a single issuer. As a result of investment in a large proportion of its assets in the securities of a smaller number of issuers, the Fund may be more vulnerable to events affecting a single issuer than a diversified fund. Accordingly, an investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company. See "Risk Factors and Special Considerations - Non-Diversified Status."

Foreign Securities.....

There is no limitation on the amount of foreign securities that the Fund may invest. Investing in securities of foreign companies, including foreign governments, which generally are denominated in foreign currencies, may involve certain risk and opportunity not typically associated with investing in domestic companies. The Fund may be affected favorably or unfavorably by changes in exchange rates and revaluations of currencies. See "Investment Objectives and Policies" and "Risk Factors and Special Considerations."

Industry Risks.....

Under normal market conditions, the Fund will invest 80% of its total assets in companies in the Utility Industry and, as a result, the value of the Fund's shares will be more susceptible to changes in the value of those particular types of companies, including government regulation, deregulation, inflationary and other cost increases in operating expenses, technological innovations that may render existing products and equipment obsolete and increases in interest rates in higher interest costs on borrowings needed for capital expenditures programs, including costs associated with compliance with environmental and other regulations. As a consequence of its concentration in the Utility Industry, the Fund's investments may be subject to greater risk and volatility than a fund that has securities representing a broader range of investment alternatives. See "Investment Objectives and Policies and Special Considerations."

Key Personnel Dependence.....

The Investment Adviser is dependent upon the expertise of Mr. 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 will be found. Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser.

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

Taxation.....	The Fund intends to continue to be treated and qualify investment company, for U.S. federal income tax purposes. Qualification requires, among other things, compliance with certain distribution requirements. The Fund is also, subject to certain statutory limitations on distributions on its part, the Fund fails to satisfy the 1940 Act's asset coverage requirements which could jeopardize the Fund's ability to meet the investment company distribution requirements. See "Taxation" for a complete discussion.
---------------	---

TABLE OF FEES AND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES	
Voluntary Cash Purchase Plan Purchase Fees.....	\$0.75 (1)
Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan Sales Fees.....	\$2.50 (1)
ANNUAL OPERATING EXPENSES (as a percentage of net assets attributable to Common Shares)	
Management Fees.....	1.21% (2)
Other Expenses.....	0.83%
Total Annual Operating Expenses.....	2.04% (2)

- (1) Shareholders participating in the Fund's Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan would pay \$0.75 per transaction to purchase shares and \$2.50 per transaction to sell shares. See "Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan" in the SAI.

- (2) The Investment Adviser has voluntarily agreed to waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of its outstanding Series A Preferred Shares and/or Series B Preferred Shares for any calendar year in which the net asset value total return of the Fund allocable to the common shares, including distributions and the advisory fee subject to potential waiver, is less than (i) in the case of the Series A Preferred Shares, the stated annual dividend rate of such series and (ii) in the case of the Series B Preferred Shares, the net cost of capital to the Fund with respect to the Series B Preferred Shares for such year expressed as a percentage (including, without duplication, dividends paid by the Fund on the Series B Preferred Shares and the net cost to the Fund of any associated swap or cap transaction if the Fund hedges its Series B Preferred Shares dividend obligations). This waiver will apply separately to the portion of the Fund's assets attributable to the Series A Preferred Shares and Series B Preferred Shares for so long as any shares of such series remain outstanding.

EXAMPLE

The following examples illustrate the projected dollar amount of cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in the Fund. These amounts are based upon payment by the Fund of expenses at levels set forth in the above table.

You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return (3):

1 YEAR	3 YEARS	5 YEARS	10 YEARS
--------	---------	---------	----------

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

SHAREHOLDERS:

Net investment income.....	(0.09)	(0.11)	(0.21)	(0)
Net realized gain on investments.....	(0.22)	(0.36)	(0.49)	(0)
Return of capital.....	(0.41)	(0.25)	--	
	-----	-----	-----	-----
Total distributions.....	(0.72)	(0.72)	(0.70)	(1)

CAPITAL SHARE TRANSACTIONS:

Increase in net asset value from common stock share transactions.....	0.03	0.03	0.01	
Increase in net asset value from shares issued in rights offering....	0.12	0.15	--	
Offering costs for preferred shares charged to paid-in capital.....	(0.09)	--	--	
	-----	-----	-----	-----

TOTAL CAPITAL SHARE TRANSACTIONS

0.06	0.18	0.01	
-----	-----	-----	-----

NET ASSET VALUE ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS, END OF PERIOD:

	\$ 6.83	\$ 6.27	\$ 7.32	\$ 8
	-----	-----	-----	-----
Market value, end of period.....	\$ 9.60	\$ 8.72	\$ 9.33	\$ 8
	-----	-----	-----	-----
Net asset value total return +	18.60%	(6.79%)	(3.15%)	22
	-----	-----	-----	-----
Total Investment Return ++	19.86%	1.70%	15.82%	29
	-----	-----	-----	-----

RATIOS TO AVERAGE NET

ASSETS AND SUPPLEMENTAL DATA:

Net assets including liquidation value of preferred shares, end of period (in 000's).....	\$ 211,507	\$ 95,111	\$ 82,197	\$ 90
Net assets attributable to common shares, end of period (in thousands).	\$ 156,507	\$ 95,111	\$ 82,197	\$ 90
Ratio of net investment income to average net assets attributable to common shares (c).....	1.52%	1.65%	1.57%	1
Ratio of operating expenses to average net assets attributable to common shares (c) (d).....	2.04%	1.93%	2.00%	1
Ratio of operating expenses to average total net assets including liquidation value of preferred shares (d).....	1.68%	--	--	
Portfolio turnover rate`.....	28%	29%	41%	

PREFERRED STOCK:

5.625% CUMULATIVE PREFERRED STOCK

Liquidation value, end of period (in 000's).....	\$ 30,000	--	--	
Total shares outstanding (in 000's)....	1,200	--	--	
Liquidation preference per share.....	\$ 25.00			
Average market value (e).....	\$ 25.12	--	--	
Asset coverage per share.....	\$ 96.14	--	--	

AUCTION RATE CUMULATIVE

PREFERRED STOCK

Liquidation value, end of period (in

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

000's).....	\$ 25,000	--	--
Total shares outstanding (in 000's)....	1	--	--
Liquidation preference per share.....	\$ 25,000	--	--
Average market value (e).....	\$ 25,000	--	--
Asset coverage per share.....	\$ 96,140	--	--
ASSET COVERAGE (f).....	385%	--	--

- + Based on net asset value per share, adjusted for reinvestment of distribution, including the effect of shares issued pursuant to the rights offering assuming full subscription by shareholder.
- ++ Based on market value per share, adjusted for reinvestment of distributions including the effects of shares issued pursuant to rights offering, assuming full subscription by shareholders.
- (a) The Gabelli Utility Trust commenced investment operations on July 9, 1999.
- (b) Annualized.
- (c) During the period ended December 31, 1999, the Utility Trust's administrator voluntarily reimbursed certain expenses. If such reimbursement had not occurred, the annualized ratios of net investment income and operating expenses to average net assets would have been 1.85% and 2.17%, respectively.
- (d) 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 year ended December 31, 2003, 2002, 2001 and 2000, the ratio of operating expenses to average net assets attributable to common stock would be 2.04%, 1.93%, 2.00% and 1.93%, respectively, and the ratios of operating expenses to average total net assets including liquidation value of preferred shares would be 1.68%.
- (e) Based on weekly prices.
- (f) Asset coverage calculated by combining all series of preferred stock.

THE OFFER

TERMS OF THE OFFER

The Fund is issuing to Record Date Shareholders Rights to subscribe for additional Common Shares. Each Record Date Shareholder is being issued one transferable Right for each Common Share owned on the Record Date. The Right entitles the holder to acquire at the Subscription Price one Share for each four Rights held rounded up to the nearest number of Rights evenly divisible by four. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, Shares may be purchased only pursuant to the exercise of Rights in integral multiples of three. In the case of Common Shares held of record by Cede & Co. ("Cede"), as nominee for the Depository Trust Company ("DTC"), or any other depository or nominee, the number of Rights issued to Cede or such other depository or nominee will be adjusted to permit rounding up (to the nearest number of Rights evenly divisible by three) of the Rights to be received by beneficial owners for whom it is the holder of record only if Cede or such other depository or nominee provides to the Fund on or before the close of business on October __, 2004 written representation of the number of Rights

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

required for such rounding. Rights may be exercised at any time during the period (the "Subscription Period"), which commences on October __, 2004, and ends at 5:00 p.m., New York time, on November __, 2004 (the "Subscription Period"), unless extended by the Fund to a date not later than November __, 2004, 5:00 p.m., New York time. See "Expiration of the Offer." The Right to acquire one additional Share for each Right held during the Subscription Period at the Subscription Price will be referred to in the remainder of this Prospectus as the "Primary Subscription."

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

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

Rights will be evidenced by Subscription Certificates. The number of Rights issued to each holder will be stated on the Subscription Certificate

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

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

The Rights are transferable until the Expiration Date and will be admitted for trading on the NYSE. Assuming a market exists for the Rights, the Rights may be purchased and sold through usual brokerage channels and sold through the Subscription Agent. Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE will begin three Business Days before the Record Date and may be conducted until the close of trading on the last NYSE trading day prior to the Expiration Date due to normal settlement procedures. Rights that are sold will not confer any right to acquire any Common Shares in the primary or secondary oversubscription, and any Record Date shareholder who sells any Rights will not be eligible to participate in the primary or secondary oversubscription. Trading of the Rights on the NYSE will be conducted on a when-issued basis until and including the date on which the Subscription Certificates are mailed to Record Date Shareholders and thereafter will be conducted on a regular way basis until and including the last NYSE trading day prior to the Expiration Date. The method by which Rights may be transferred is set forth below under "Method of Transferring Rights." The Common Shares will begin trading ex-Rights two Business Days prior to the Record Date.

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

PURPOSE OF THE OFFER

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

The Fund's Investment Adviser will benefit from the Offer because the Investment Adviser's fee is based on the average net assets of the Fund. See "Management of the Fund." It is not possible to state precisely the amount of additional compensation the Investment Adviser will receive as a result of the Offer because the proceeds of the Offer will be invested in additional portfolio securities which will fluctuate in value. However, assuming all Rights are exercised and that the Fund receives the maximum proceeds of the Offer, the annual compensation to be received by the Investment Adviser would be increased by approximately \$_____ net of offering expenses. Three of the Fund's Trustees, including Mario J. Gabelli, who voted to authorize the Offer

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

are "interested persons" of the Investment Adviser within the meaning of the 1940 Act and may benefit indirectly from the Offer because of their interest in the Investment Adviser. See "Management of the Fund" in the SAI. In determining that the Offer was in the best interest of shareholders, the Fund's Board of Trustees was cognizant of this benefit as well as the possible participation of the Affiliated Parties and Mr. Gabelli in the Offer as shareholders on the same basis as other shareholders.

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

OVER-SUBSCRIPTION PRIVILEGE

If all of the Rights initially issued are not exercised, any Primary Subscription Shares for which subscriptions have not been received will be offered, by means of the Over-Subscription Privilege, to Record Date Shareholders who have exercised all the Rights initially issued to them and who wish to acquire additional Common Shares. Record Date Shareholders who exercise all the Rights initially issued to them will have the opportunity to indicate on the Subscription Certificate how many Shares they are willing to acquire pursuant to the Over-Subscription Privilege. If sufficient Primary Subscription Shares remain after the Primary Subscriptions have been exercised, all over-subscription requests will be honored in full. If sufficient Primary Subscription Shares are not available to honor all subscription requests, the available Common Shares will be allocated among those Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Rights acquired in the secondary market may not participate in the oversubscription privilege.

In addition, the Board of Trustees of the Fund has established a Pricing Committee which is authorized, in the event that the Fund's per share net asset value on the Expiration Date is at or below the Subscription Price, to direct the Fund to issue Secondary Over-Subscription Shares to satisfy over-subscription requests in excess of the available Primary Subscription Shares. The Fund would also be able to issue additional Common Shares in an amount of up to 20% of the sum of the Primary Subscription Shares and Secondary Over-Subscription Shares to satisfy over-subscription requests in these circumstances. Should the Pricing Committee determine to issue some or all of these Secondary Over-Subscription Shares and any additional Common Shares, they will be allocated only among Record Date Shareholders that submitted over-subscription requests. Secondary Over-Subscription Shares and any additional Common Shares will be allocated pro rata among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Any Secondary Over-Subscription Shares issued by the Fund, collectively with any Primary Subscription Shares not subscribed for through the Primary Subscription, and any additional Common Shares, will be referred to in this Prospectus as the "Excess Shares." Rights acquired in the secondary market may not participate in the oversubscription privilege.

The percentage of Excess Shares each over-subscribing Record Date Shareholder may acquire will be rounded down to result in delivery of whole

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

Common Shares; provided, however, that if a pro rata allocation results in any holder being allocated a greater number of Excess Shares than the holder subscribed for pursuant to the exercise of such holder's Over-Subscription Privilege, then such holder will be allocated only such number of Excess Shares as such holder subscribed for and the remaining Excess Shares will be allocated among all other holders then entitled to receive Excess Shares whose over-subscription requests have not been fully honored. The allocation process may be iterative in order to assure that the total number of Excess Shares is distributed in accordance with the method described above.

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

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

The Fund will not offer or sell any Common Shares which are not subscribed for under the Primary Subscription or the Over-Subscription Privilege.

THE SUBSCRIPTION PRICE

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

The Fund announced the Offer on August __, 2004. The net asset value per Common Share at the close of business on August __, 2004 (the last date prior to the Fund's announcement of the Offer), was \$_____. The last reported sale price of a Common Share on the NYSE on that date was \$_____, representing a _____% premium in relation to the then current net asset value per share and a premium in relation to the Subscription Price.

SALES BY SUBSCRIPTION AGENT

Holders of Rights who are unable or do not wish to exercise any or all of their Rights may instruct the Subscription Agent to sell any unexercised Rights. The Subscription Certificates representing the Rights to be sold by the Subscription Agent must be received on or before November __, 2004. Upon the timely receipt of the appropriate instructions to sell Rights, the Subscription Agent will use its best efforts to complete the sale and will remit the proceeds of sale, net of commissions, to the holders. If the Rights can be sold, sales of the Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day such Rights are sold. The selling Rights holder will pay all brokerage commissions incurred by the Subscription Agent. These sales may be effected by the Subscription Agent through Gabelli & Company, Inc., a registered broker-dealer and an affiliate of the Investment Adviser, at a commission of up to \$0.02 per Right, provided that, if the Subscription Agent is able to negotiate a lower brokerage commission with an independent broker, the Subscription Agent will execute these sales through that independent broker. Gabelli & Company, Inc. may also act on behalf of its clients to purchase or sell Rights in the open market and be compensated for its services. The Subscription Agent will automatically attempt to sell any unexercised Rights that remain unclaimed as a result of Subscription Certificates being returned by the postal authorities as undeliverable as of the fourth Business Day prior to the Expiration Date. These sales will be made net of commissions on behalf of the nonclaiming holders of Rights. Proceeds from those sales will be held by EquiServe, in its capacity as the Fund's transfer agent, for the account of the nonclaiming holder of rights until the proceeds are either claimed or escheated. There can be no assurance that the Subscription Agent will be able to complete the sale of any of these Rights and neither the Fund nor the Subscription Agent has guaranteed any minimum sales price for the Rights. All of these Rights will be sold at the

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

market price, if any, on the NYSE or through an unaffiliated market maker if no market exists on the NYSE.

METHOD OF TRANSFERRING RIGHTS

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

Holders wishing to transfer all or a portion of their Rights (but not fractional Rights) should allow at least three Business Days prior to the Expiration Date for (i) the transfer instructions to be received and processed by the Subscription Agent, (ii) a new Subscription Certificate to be issued and transmitted to the transferee or transferees with respect to transferred Rights, and to the transferor with respect to retained rights, if any, and (iii) the Rights evidenced by the new Subscription Certificates to be exercised or sold by the recipients thereof. Neither the Fund nor the Subscription Agent shall have any liability to a transferee or transferor of Rights if Subscription Certificates are not received in time for exercise or sale prior to the Expiration Date.

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

The Fund anticipates that the Rights will be eligible for transfer through, and that the exercise of the Primary Subscription and Over-Subscription may be effected through, the facilities of DTC (Rights exercised through DTC are referred to as "DTC Exercised Rights").

EXPIRATION OF THE OFFER

The Offer will expire at 5:00 p.m., New York time, on November ____, 2004, unless extended by the Fund to a date not later than December ____, 2004, 5:00 p.m., New York time (the "Expiration Date"). Rights will expire on the Expiration Date and thereafter may not be exercised.

SUBSCRIPTION AGENT

The Subscription Agent is EquiServe Attn: Corporate Actions, P.O. Box 859208, Braintree, MA 02185-9208. The Subscription Agent will receive from the Fund an amount estimated to be \$_____ comprised of the fee for its services and the reimbursement for certain expenses related to the Offer. INQUIRIES BY ALL HOLDERS OF RIGHTS SHOULD BE DIRECTED TO P.O. BOX 43025, PROVIDENCE, R.I. 02940-3025 (TELEPHONE (800) 336-6983 OR (781) 575-2000); HOLDERS MAY ALSO CONSULT THEIR BROKERS OR NOMINEES.

METHOD OF EXERCISE OF RIGHTS

Rights may be exercised by filling in and signing the reverse side of the Subscription Certificate and mailing it in the envelope provided, or

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

otherwise delivering the completed and signed Subscription Certificate to the Subscription Agent, together with payment for the Shares as described below under "Payment for Shares." Rights may also be exercised through a Rights holder's broker, who may charge the Rights holder a servicing fee in connection with such exercise.

Completed Subscription Certificates must be received by the Subscription Agent prior to 5:00 p.m., New York time, on the Expiration Date (unless payment is effected by means of a notice of guaranteed delivery as described below under "Payment for Shares"). The Subscription Certificate and payment should be delivered to EquiServe at the following address:

If By Mail: Equiserve
Attn: Corporate Actions
P.O. Box 859208
Braintree, MA 02185-9208

If By Hand: Securities Transfer and Reporting Services, Inc.
c/o EquiServe
100 Williams St. Galleria
New York, NY 10038

If By Overnight Courier: EquiServe
Attn: Corporate Actions
161 Bay State Drive
Braintree, MA 02184

PAYMENT FOR SHARES

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

- (1) A subscription will be accepted by the Subscription Agent if, prior to 5:00 p.m., New York time, on the Expiration Date, the Subscription Agent has received a notice of guaranteed delivery by telegram or otherwise from a bank, a trust company, or a NYSE member, guaranteeing delivery of (i) payment of the full Subscription Price for the Common Shares subscribed for on the Primary Subscription and any additional Common Shares subscribed for pursuant to the Over-Subscription Privilege and (ii) a properly completed and executed Subscription Certificate. The Subscription Agent will not honor a notice of guaranteed delivery if a properly completed and executed Subscription Certificate and full payment is not received by the Subscription Agent by the close of business on the third Business Day after the Expiration Date. The notice of guaranteed delivery may be delivered to the Subscription Agent in the same manner as Subscription Certificates at the addresses set forth above, or may be transmitted to the Subscription Agent by facsimile transmission (fax number (781) 380-3388; telephone number to confirm receipt (781) 843-1833, extension 200).
- (2) Alternatively, a holder of Rights can send the Subscription Certificate together with payment in the form of a check for the Shares subscribed for on Primary Subscription and additional Common Shares subscribed for pursuant to the Over-Subscription Privilege to the Subscription Agent based on the Subscription Price of \$_____ per Share. To be accepted, the payment, together with the executed Subscription Certificate, must be received by the Subscription Agent at the addresses noted above prior to 5:00 p.m., New York time, on the Expiration Date. The Subscription Agent will deposit all stock purchase checks received by it prior to the final due date into a

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

segregated interest-bearing account pending proration and distribution of Common Shares. The Subscription Agent will not accept cash as a means of payment for Common Shares. EXCEPT AS OTHERWISE SET FORTH BELOW, A PAYMENT PURSUANT TO THIS METHOD MUST BE IN UNITED STATES DOLLARS BY MONEY ORDER OR CHECK DRAWN ON A BANK LOCATED IN THE CONTINENTAL UNITED STATES, MUST BE PAYABLE TO THE GABELLI UTILITY TRUST, AND MUST ACCOMPANY AN EXECUTED SUBSCRIPTION CERTIFICATE TO BE ACCEPTED. If the aggregate Subscription Price paid by a Record Date Shareholder is insufficient to purchase the number of Common Shares that the holder indicates are being subscribed for, or if a Record Date Shareholder does not specify the number of Common Shares to be purchased, then the Record Date Shareholder will be deemed to have exercised first, the Primary Subscription Rights (if not already fully exercised) and second, the Over-Subscription Privilege to the full extent of the payment tendered. If the aggregate Subscription Price paid by such holder is greater than the Common Shares he has indicated an intention to subscribe, then the Rights holder will be deemed to have exercised first, the Primary Subscription Rights (if not already fully subscribed) and second, the Over-Subscription Privilege to the full extent of the excess payment tendered.

Any payment required from a holder of Rights must be received by the Subscription Agent on the Expiration Date, or if the Rights holder has elected to make payment by means of a notice of guaranteed delivery, on the third Business Day after the Expiration Date. All payments by a holder of Rights must be in United States dollars by money order or check drawn on a bank located in the continental United States of America and payable to The Gabelli Utility Trust. Whichever of the two methods of payment described above is used, issuance and delivery of certificates for the Shares purchased are subject to collection of checks and actual payment pursuant to any notice of guaranteed delivery.

Within ten Business Days following the Expiration Date (the "Confirmation Date"), a confirmation will be sent by the Subscription Agent to each holder of Rights (or, if the Common Shares are held by Cede or any other depository or nominee, to Cede or such other depository or nominee), showing (i) the number of Shares acquired pursuant to the Primary Subscription, (ii) the number of Shares, if any, acquired pursuant to the Over-Subscription Privilege, (iii) the per share and total purchase price for the Common Shares and (iv) any excess to be refunded by the Fund to such holder as a result of payment for Common Shares pursuant to the Over-Subscription Privilege which the holder is not acquiring. Any payment required from a holder of Rights must be received by the Subscription Agent on the Expiration Date, or if the Rights holder has elected to make payment by means of a notice of guaranteed delivery, on the third Business Day after the Expiration Date. Any excess payment to be refunded by the Fund to a holder of Rights, or to be paid to a holder of Rights as a result of sales of Rights on his behalf by the Subscription Agent or exercises by Record Date Shareholders of their Over-Subscription Privileges, and all interest accrued on the holder's excess payment will be mailed by the Subscription Agent to the holder within fifteen Business Days after the Expiration Date. Interest on the excess payment will accrue through the date that is one Business Day prior to the mail date of the reimbursement check. All payments by a holder of Rights must be in United States dollars by money order or check drawn on a bank located in the continental United States of America and payable to The Gabelli Utility Trust except that holders of Rights who are residents of Canada may make payment in U.S. dollars by money order or check drawn on a bank located in Canada.

Whichever of the two methods described above is used, issuance and delivery of certificates for the Common Shares purchased are subject to collection of checks and actual payment pursuant to any notice of guaranteed delivery.

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

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

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

Holders who hold Common Shares for the account of others, such as brokers, trustees or depositories for securities, should notify the respective beneficial owners of the Common Shares as soon as possible to ascertain such beneficial owners' intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the record holder of the Rights should complete Subscription Certificates and submit them to the Subscription Agent with the proper payment. In addition, beneficial owners of Common Shares or Rights held through such a holder should contact the holder and request the holder to effect transactions in accordance with the beneficial owner's instructions.

The instructions accompanying the Subscription Certificates should be read carefully and followed in detail. DO NOT SEND SUBSCRIPTION CERTIFICATES TO THE FUND.

THE METHOD OF DELIVERY OF SUBSCRIPTION CERTIFICATES AND PAYMENT OF THE SUBSCRIPTION PRICE TO THE SUBSCRIPTION AGENT WILL BE AT THE ELECTION AND RISK OF THE RIGHTS HOLDERS, BUT IF SENT BY MAIL IT IS RECOMMENDED THAT THE CERTIFICATES AND PAYMENTS BE SENT BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, AND THAT A SUFFICIENT NUMBER OF DAYS BE ALLOWED TO ENSURE DELIVERY TO THE SUBSCRIPTION AGENT AND CLEARANCE OF PAYMENT PRIOR TO 5:00 P.M., NEW YORK TIME, ON THE EXPIRATION DATE. BECAUSE UNCERTIFIED PERSONAL CHECKS MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR, YOU ARE STRONGLY URGED TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF A CERTIFIED OR CASHIER'S CHECK OR MONEY ORDER.

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

DELIVERY OF STOCK CERTIFICATES

Certificates representing Common Shares purchased pursuant to the Primary Subscription will be delivered to subscribers as soon as practicable after the corresponding Rights have been validly exercised and full payment for

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

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

FOREIGN RESTRICTIONS

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

FEDERAL INCOME TAX CONSEQUENCES TO SHAREHOLDERS

For U.S. federal income tax purposes, neither the receipt nor the exercise of the Rights will result in taxable income to you. Moreover, you will not realize a loss if you do not exercise the Rights. The holding period for a Common Share acquired upon exercise of a Right begins with the date of exercise. The basis for determining gain or loss upon the sale of a share acquired upon the exercise of a Right will be equal to the sum of:

- o the subscription price per share,
- o any servicing fee charged to you by your broker, bank or trust company, and
- o the basis, if any, in the Rights that you exercised.

A gain or loss recognized upon a sale of a Common Share acquired upon the exercise of a Right will be a capital gain or loss assuming the Common Share is held as a capital asset at the time of sale. This gain or loss will be a long-term capital gain or loss if the Common Share has been held at the time of sale for more than one year.

As noted above, your basis in Common Shares issued under the Offer includes your basis in the Rights underlying those Shares. Assuming that, as the Fund expects, the aggregate fair market value of the Rights at the time they are distributed is less than 15% of the aggregate fair market value of the Fund's Common Shares at such time, the basis of the Rights issued to you will

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

be zero unless you elect to allocate your basis of previously owned Common Shares to the Rights issued to you in the Offer. This allocation is based upon the relative fair market value of such Common Shares and the Rights as of the date of distribution of the Rights. Thus, if you make such an election and the Rights are later exercised, the basis in the Common Shares you originally owned will be reduced by an amount equal to the basis allocated to the Rights. This election must be made in a statement attached to your federal income tax return for the year in which the Rights are distributed. If the Rights expire without exercise, you will realize no loss and you will not be permitted to allocate a portion of your basis in the Common Shares to the unexercised Rights.

The foregoing is a general summary of the material United States federal income tax consequences of the receipt and exercise of Rights. The discussion is based upon applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations thereunder and other authorities currently in effect, and does not address state, local or foreign taxes. The Code and Treasury regulations thereunder are subject to change by legislative or administrative action, possibly with retroactive effect. You should consult your tax advisors regarding specific questions as to federal, state, local or foreign taxes. You should also review the discussion of certain tax considerations affecting yourself and the Fund set forth under "Taxation."

EMPLOYEE PLAN CONSIDERATIONS

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

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

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

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

USE OF PROCEEDS

The net proceeds of the Offer, assuming all Primary Subscription Shares offered hereby are sold, are estimated to be approximately

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

\$_____, before deducting expenses payable by the Fund estimated at approximately \$_____. The net proceeds of the Offer assuming all Secondary Over-subscription Shares are sold in addition to all Primary Subscription Shares, are estimated to be approximately \$_____, before deducting expenses payable by the Fund estimated to be \$_____. The net proceeds of the Offering assuming all Secondary Over-subscription Shares and all additional Common Shares are sold in addition to all Primary Subscription Shares are estimated to be \$_____ before deducting expenses payable by the Fund expected to be \$_____. The Investment Adviser anticipates that investment of the proceeds, in accordance with the Fund's investment objectives and policies, will be invested promptly as investment opportunities are identified, depending on market conditions and the availability of appropriate securities, and is anticipated to take not more than approximately six months.

INVESTMENT OBJECTIVES AND POLICIES

The Fund is a closed-end non-diversified management investment company organized under the laws of the State of Delaware on February 25, 1999.

The primary objective of the Fund is long-term growth of capital and income, which the Fund attempts to achieve by investing at least 80% of its total assets in common stock and other debt or equity securities of foreign and domestic companies involved to a substantial extent (e.g., at least 50% of the assets, gross income or net profits of a company is committed to or derived from) in providing products, services or equipment for (i) the generation or distribution of electricity, gas and water and (ii) telecommunications services or infrastructure operations, such as airports, toll roads and municipal services (collectively, the "Utility Industry"). The remaining 20% of its assets may be invested in other securities including stocks, equity securities, debt obligations and money market instruments, as well as certain derivative instruments in the utility industry or other industries. Moreover, should extraordinary conditions affecting such sectors or securities markets as a whole warrant, the Fund may temporarily be primarily invested in money market instruments. When the Fund is invested in these instruments for temporary or defensive purposes it may not achieve its investment objective.

The investment policy of the Fund relating to the type of securities in which 80% of the Fund's total assets must be invested may be changed by the Board of Trustees without shareholder approval. Shareholders will, however, receive at least 60 days prior notice of any change in this policy.

Although many companies in the Utility Industry traditionally pay above average dividends, the Fund intends to focus on those companies whose securities have the potential to increase in value. The Fund's performance is expected to reflect conditions affecting public utility industries. These industries are sensitive to factors such as interest rates, local and national government regulations, the price and availability of fuel, environmental protection or energy conservation regulations, weather, the level of demand for services, and the risks associated with constructing and operating nuclear power facilities. These factors may change rapidly. The Fund emphasizes quality in selecting utility investments, and generally looks for companies that have proven dividend records and sound financial structures. Believing that the industry is under consolidation due to changes in regulation, the Fund intends to position itself to take advantage of trends in consolidation.

Under normal circumstances the Fund will invest in securities of issuers located in countries other than the United States and may invest in such foreign securities without limitation. Investing in securities of foreign issuers, which generally are denominated in foreign currencies, may involve certain risk and opportunity considerations not typically associated with investing in domestic companies and could cause the Fund to be affected

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

favorably or unfavorably by changes in currency exchange rates and revaluations of currencies.

INVESTMENT METHODOLOGY OF THE FUND

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

- o 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;
- o the potential for capital appreciation of the securities;
- o the interest or dividend income generated by the securities;
- o the prices of the securities relative to other comparable securities;
- o whether the securities are entitled to the benefits of call protection or other protective covenants;
- o the existence of any anti-dilution protections or guarantees of the security; and
- o the number of issuers in the Fund's portfolio.

The Investment Adviser's investment philosophy with respect to debt and equity securities is to identify assets 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 issuers' 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.

TEMPORARY DEFENSIVE INVESTMENTS

During temporary defensive periods and during inopportune periods to be fully invested, the Fund may invest in U.S. government securities and in money market mutual funds not affiliated with the Investment Adviser that invest in those securities. Obligations of certain agencies and instrumentalities of the U.S. government, such as the Government National Mortgage Association, are supported by the "full faith and credit" of the U.S. government; others, such as those of the Export-Import Bank of the U.S., are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. government to purchase the agency's obligations; and still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. No assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored instrumentalities if it is not obligated to do so by law. During temporary defensive periods, the Fund may not achieve its investment objective.

OPTIONS

On behalf of the Fund, the Investment Adviser may, subject to the guidelines of the Board of Trustees, purchase or sell, i.e., write, options on securities, securities indices and foreign currencies which are listed on a national securities exchange or in the U.S. over-the-counter ("OTC") markets as

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

a means of achieving additional return or of hedging the value of the Fund's portfolio. The Fund may write covered call options on common stocks that it owns or has an immediate right to acquire through conversion or exchange of other securities in an amount not to exceed 25% of total assets or invest up to 10% of its total assets in the purchase of put options on common stocks that the Fund owns or may acquire through the conversion or exchange of other securities that it owns.

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

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

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

An exchange-traded option may be closed out only on an exchange which provides a secondary market for an option of the same series. Although the Fund will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option.

FUTURES CONTRACTS AND OPTIONS THEREON

The Fund may purchase and sell financial futures contracts and options thereon which are traded on a commodities exchange or board of trade for certain hedging, yield enhancement and risk management purposes, in accordance with regulations of the Commodity Futures Trading Commission ("CFTC") and the Fund's fundamental investment restrictions. These futures contracts and related options may be on debt securities, financial indices, securities indices, U.S. government securities and foreign currencies. A financial futures contract is an agreement to purchase or sell an agreed amount of securities or currencies at a set price for delivery in the future.

FORWARD CURRENCY EXCHANGE CONTRACTS

The Fund may enter into forward foreign currency exchange contracts to protect the value of its portfolio against future changes in the level of currency exchange rates. The Fund may enter into such contracts on a spot, i.e., cash, basis at the rate then prevailing in the currency exchange market or on a forward basis, by entering into a forward contract to purchase or sell currency. A forward contract on foreign currency is an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days agreed upon by the parties from the date of the contract at a price set on the date of the contract. The Fund's dealings in forward contracts will be limited to hedging involving either specific transactions or portfolio positions, and the amount the Fund may invest in forward currency contracts is limited to the amount of its aggregate investments in foreign currencies. The Fund will only enter into forward currency contracts with parties which it believes to be creditworthy.

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

LEVERAGING

As provided in the 1940 Act and subject to compliance with the Fund's investment objectives, policies and restrictions, the Fund may issue debt or preferred shares (such as the outstanding Series A or Series B Preferred Shares) so long as the Fund's total assets immediately after such issuance, less certain ordinary course liabilities, exceed 300% of the amount of the debt outstanding and exceed 200% of the sum of the amount of preferred shares and debt outstanding. Such debt or preferred shares may be convertible in accordance with SEC staff guidelines which may permit the Fund to obtain leverage at more attractive rates.

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

INVESTMENT RESTRICTIONS

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

PORTFOLIO TURNOVER

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

Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities and may result in taxable gains being passed to shareholders. The portfolio turnover rate is computed by dividing the lesser of the amount of the long-term securities purchased or securities sold by the average monthly value of securities owned during the year (excluding securities whose maturities at acquisition were one year or less). Higher portfolio turnover may decrease the after-tax return to individual investors to the extent it results in a decrease of the long term capital gains portion of distributions to shareholders.

The portfolio turnover rates of the Fund for the fiscal years ended December 31, 2003, December 31, 2002 and December 31, 2001 were 28%, 29% and 41% respectively.

OTHER INVESTMENTS

The Fund is permitted to invest in securities subject to reorganization, lower rated securities and repurchase agreements and enter into forward commitments for the purchase or sale of securities, including on a "when issued" or "delayed delivery" basis and the Fund may make short sales of securities. See "Investment Objectives and Policies" in the SAI for a discussion of these investments and techniques and the risks associated with them.

LONG-TERM OBJECTIVE

The Fund is intended for investors seeking long-term capital growth and income. The Fund is not meant to provide a vehicle for those who wish to play short-term swings in the stock market. An investment in shares of the Fund should not be considered a complete investment program. Each shareholder should

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

take into account the shareholder's investment objectives as well as the shareholder's other investments when considering the Offering.

RISK FACTORS AND SPECIAL CONSIDERATIONS

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

PRINCIPAL RISKS ASSOCIATED WITH THE FUND

DILUTION

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

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

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

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

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

Scenario 1: (assumes net asset value per share is above subscription price) (1) NAV.....	\$ _____
Subscription Price.....	\$ _____
Reduction in NAV(\$)(2).....	\$ _____
Reduction in NAV(%).....	_____%
Scenario 2: (assumes net asset value per share is below subscription price) (1) NAV.....	\$ _____
Subscription Price.....	\$ _____
Increase in NAV(\$)(2).....	\$ _____

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

Increase in NAV(%)..... _____%

- (1) Both examples assume full primary and primary over-subscription privilege exercise. Actual amounts may vary due to rounding.
- (2) Assumes \$_____ in estimated offering expenses.

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

INDUSTRY RISKS

Under normal market conditions, the Fund will invest at least 80% of its total assets in foreign and domestic companies involved in the Utility Industry and, as a result, the value of the Common Shares will be more susceptible to factors affecting those particular types of companies, including governmental regulation, inflation, cost increases in fuel and other operating expenses, technological innovations that may render existing products and equipment obsolete and increasing interest rates resulting in high interest costs on borrowings needed for capital construction programs, including costs associated with compliance with environmental and other regulations.

Sector Risk. The Fund concentrates its investments in the Utility Industry. As a result, the Fund's investments may be subject to greater risk and market fluctuation than a fund that had securities representing a broader range of investment alternatives. The prices of securities issued by traditional utility companies may change in response to interest rate changes. Traditionally, when interest rates have gone up, the value of securities issued by traditional utility companies have gone down. Conversely, when interest rates have gone down, the value of securities issued by utility companies have gone up. There is no guarantee that this relationship will continue.

Government Regulation. There are substantial differences between the regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. There is no assurance that regulatory authorities will, in the future, permit rate increases or that such increases will be adequate to permit the payment of dividends on common stocks by companies subject to such regulatory provisions. Additionally, existing and possible future regulatory legislation may make it even more difficult for these utilities to obtain adequate relief.

Various regulatory regimes also impose limitations on the percentage of the shares of a public utility held by a fund as an investment for its clients. These limitations may unfavorably restrict the ability of the Fund to make certain investments.

Deregulation. Changing regulation constitutes one of the industry-specific risks for the Fund, especially with respect to its investments in traditionally regulated public utilities and partially regulated utility companies. Domestic and foreign regulators monitor and control utility revenues and costs, and therefore may limit utility profits and dividends paid to investors, which could result in reduced income to the Fund. Regulatory authorities also may restrict a company's access to new markets, thereby diminishing the company's long-term prospects. The deregulation of certain utility companies may eliminate restrictions on profits and dividends, but may also subject these companies to greater risks of loss. Deregulation of the utility industry could have a positive or negative impact on the Fund. The

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

Investment Adviser believes that certain utility companies' fundamentals should continue to improve as the industry undergoes deregulation. Companies may seek to strengthen their competitive positions through mergers and takeovers. The loosening of the government regulation of utilities should encourage convergence within the industry. Improving earnings prospects, strong cash flows, share repurchases and takeovers from industry consolidation may tend to boost share prices. However, as has occurred in California and elsewhere, certain companies may be less able to meet the challenge of deregulation as competition increases and investments in these companies would not be likely to perform well. Individual sectors of the utility market are subject to additional risks. These risks can apply to all utility companies - regulated or fully or partially deregulated and unregulated. For example, telecommunications companies have been affected by technological developments leading to increased competition, as well as changing regulation of local and long-distance telephone services and other telecommunications businesses. Certain telecommunications companies have been adversely affected by the new competitive climate.

Financing. Currently, companies in the Utility Industry have encountered difficulties in obtaining financing for construction programs during inflationary periods. Issuers experiencing difficulties in financing construction programs may also experience lower profitability, which can result in reduced income to the Fund. Historically, companies in the Utility Industry have also encountered such financing difficulties during inflationary periods.

Equipment and Supplies. Traditional utility companies face the risk of lengthy delays and increased costs associated with the design, construction, licensing and operation of their facilities. Moreover, technological innovations may render existing plants, equipment or products obsolete. Increased costs and a reduction in the availability of fuel (such as oil, coal, nuclear or natural gas) also may adversely affect the profitability of utility companies.

Electric utilities may be burdened by unexpected increases in fuel and other operating costs. They may also be negatively affected when long-term interest rates rise. Long-term borrowings are used to finance most utility investments, and rising interest rates lead to higher financing costs and reduced earnings. There are also the considerable costs associated with environmental compliance, nuclear waste clean-up, and safety regulation. Increasingly, regulators are calling upon electric utilities to bear these added costs, and there is a risk that these costs will not be fully recovered through an increase in revenues.

Among gas companies, there has been a move to diversify into oil and gas exploration and development, making investment returns more sensitive to energy prices. In the case of the water utility sector, the industry is highly fragmented, and most water supply companies find themselves in mature markets, although upgrading of fresh water and waste water systems is an expanding business.

RISKS TO HOLDERS OF COMMON SHARES OF LEVERAGING AND ISSUANCE OF SENIOR SECURITIES

The Fund utilizes leverage through the issuance of preferred shares, currently the Series A Preferred and Series B Preferred Shares. Leverage entails two primary risks. The first risk is that the use of leverage magnifies the impact on the common shareholders of changes in net asset value. For example, a fund that uses 33% leverage (that is, \$50 of leverage per \$100 of common equity) 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

Edgar Filing: GABELLI UTILITY TRUST - Form N-2

return to common shareholders. These two risks generally make the Fund's total return to common shareholders more volatile. In addition, the Fund might be required to sell investments in order to meet dividend or interest payments on the debt or preferred shares when it may be disadvantageous to do so.

As provided in the 1940 Act and subject to certain exceptions, the Fund may issue debt or preferred shares so long as the Fund's total assets immediately after such issuance, less certain ordinary course liabilities, are at least 300% of the amount of the debt outstanding and are at least 200% of the sum of the amount of the preferred shares and debt outstanding. Such debt or preferred shares may be convertible in accordance with SEC guidelines which may permit the registrant to obtain leverage at more attractive rates. A leveraged capital structure creates certain special risks and potential benefits not associated with unleveraged funds having similar investment objectives and policies. Any investment income or gains from the capital represented by preferred shares or debt which is in excess of the dividends payable thereon will cause the total return of the common shares to be higher than would otherwise be the case. Conversely, if the investment performance of the capital represented by preferred shares or debt fails to cover the dividends payable thereon, the total return of the common shares would be less or, in the case of negative returns, would result in higher negative returns to a greater extent than would otherwise be the case. The requirement under the 1940 Act t