ReWalk Robotics Ltd.
Form S-1/A
November 07, 2018
As filed with the Securities and Exchange Commission on November 7, 2018

Registration No. 333-227852

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1
REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

ReWalk Robotics Ltd.

(Exact name of registrant as specified in its charter)

Israel	**3842**	**Not Applicable**
(State or other jurisdiction of	(Primary Standard Industrial	(I.R.S. Employer

incorporation or organization) Classification Code Number) Identification Number)

3 Hatnufa Street, Floor 6

Yokneam Ilit, Israel, 2069203

+972.4.959.0123

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

ReWalk Robotics Inc.

200 Donald Lynch Blvd

Marlborough, MA 01752

(508) 251-1154

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period with any new or revised accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Proposed Maximum Aggregate Offering Price(2)(3)		Amount of registration fee	
Units, each unit consisting of one ordinary share, par value NIS 0.01 per share, and one common warrant to purchase one ordinary share	$ 13,800,000	(4)	$ 1,672.56	
Ordinary shares included in the units	—	(5)	—	
Common warrants to purchase ordinary shares included in the units	—	(5)	—	
Pre-funded Units, each pre-funded unit consisting of one pre-funded warrant to purchase one ordinary share and one common warrant to purchase one ordinary share	$ 13,800,000	(4)	$ 1,672.56	
Pre-funded warrants included in the pre-funded units	—	(5)	—	
Common warrants included in the pre-funded units	—	(5)	—	
Ordinary shares issuable upon exercise of the common warrants to purchase ordinary shares included in the units	$ 13,800,000		1,672.56	
Ordinary shares issuable upon exercise of the common warrants to purchase ordinary shares included in the pre-funded units	$ 13,800,000		1,672.56	
Ordinary shares issuable upon exercise of the pre-funded warrants to purchase ordinary shares included in the pre-funded units	$ —	(4)	—	
Underwriter warrants	$ —	(6)(7)	—	
Ordinary shares issuable upon exercise of the underwriters' warrants	$ 1,035,000	(6)	$ 125.44	
Total	$ 56,235,000		$ 6,815.68	(8)

(1) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), the securities being registered hereunder include such indeterminate number of additional securities as may be issuable to prevent dilution resulting from stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act.

(3) Includes our ordinary shares and/or common warrants that the underwriters may purchase pursuant to its option to purchase additional ordinary shares and/or common warrants. See "Underwriting."

(4) The proposed maximum aggregate offering price of the units proposed to be sold in the offering will be reduced on a dollar-for-dollar basis based on the aggregate offering price of the pre-funded units offered and sold in the offering (plus the aggregate exercise price of the ordinary shares issuable upon exercise of the pre-funded warrants). Accordingly, the proposed maximum aggregate offering price of the units and pre-funded units (including the ordinary shares issuable upon exercise of the pre-funded warrants included in the pre-funded units and excluding any ordinary shares and/or common warrants that the underwriters may purchase pursuant to their option to purchase additional ordinary shares and/or common warrants), if any, is $13,800,000.

(5) No additional registration fee is payable pursuant to Rule 457(i) under the Securities Act.

(6) Represents warrants issuable to the underwriters and their designees to purchase a number of ordinary shares equal to 6% of the aggregate number of ordinary shares sold in this offering (including the number of ordinary shares issuable upon exercise of the pre-funded warrants) at an exercise price equal to 125% of the public offering price per unit. Resales of these underwriter warrants and the ordinary shares issuable upon exercise thereof on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, are registered hereby.

(7) No additional registration fee is payable pursuant to Rule 457(g) under the Securities Act.

(8) The registrant previously paid $1,798.00 as a registration fee in connection with this registration statement.

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, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to such Section 8(a) may determine.

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

Subject to completion, November 7, 2018

PRELIMINARY PROSPECTUS

ReWalk Robotics Ltd.

Up to 16,666,666 Units (each Unit contains One Ordinary Share and One Common Warrant to purchase One Ordinary Share)

Up to 16,666,666 Pre-funded Units (each Pre-funded Unit contains One Pre-funded Warrant to Purchase One Ordinary Share and One Common Warrant to purchase One Ordinary Share)

Ordinary Shares Underlying the Pre-funded Warrants and

Ordinary Shares Underlying the Common Warrants

We are offering up to 16,666,666 units (each unit consisting of one ordinary share and one common warrant to purchase one ordinary share) pursuant to this prospectus. Each common warrant contained in a unit has an exercise price of $ per whole ordinary share. The common warrants contained in the units will be exercisable immediately and will expire five years from the date of issuance. We are also offering the ordinary shares that are issuable from time to time upon exercise of the common warrants contained in the units. The offering price is

$ per unit.

We are also offering to each purchaser whose purchase of units in this offering would otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding ordinary shares immediately following the consummation of this offering, the opportunity to purchase, if any such purchaser so chooses, pre-funded units (each pre-funded unit consisting of one pre-funded warrant to purchase one ordinary share and one common warrant to purchase one ordinary share), in lieu of units that would otherwise result in such purchaser's beneficial ownership exceeding 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding ordinary shares. Because we will issue a common warrant as part of each unit or pre-funded unit, the number of common warrants sold in this offering will not change as a result of a change in the mix of the units and pre-funded units sold. Each pre-funded warrant contained in a pre-funded unit will be exercisable for one ordinary share. The purchase price of each pre-funded unit will be equal to the price per unit being sold to the public in this offering, minus $0.01, and the exercise price of each pre-funded warrant included in the pre-funded units will be $0.01 per share. The pre-funded warrants will be immediately exercisable and may be exercised at any time until all of the pre-funded warrants are exercised in full. This offering also relates to the ordinary shares issuable upon exercise of any pre-funded warrants contained in the pre-funded units sold in this offering. Each common warrant contained in a pre-funded unit has an exercise price of $ per whole ordinary share. The common warrants contained in the pre-funded units will be exercisable immediately and will expire five years from the date of issuance. We are also offering the ordinary shares that are issuable from time to time upon exercise of the common warrants contained in the pre-funded units.

For each pre-funded unit we sell, the number of units we are offering will be decreased on a one-for-one basis. Units and the pre-funded units will not be issued or certificated. The ordinary shares or pre-funded warrants, as the case may be, and the common warrants included in the units or the pre-funded units, can only be purchased together in this offering, but the securities contained in the units or pre-funded units will be issued separately and will be immediately separable upon issuance.

Our ordinary shares are listed on the Nasdaq Capital Market under the symbol “RWLK.” The last reported sales price of our ordinary shares on November 5, 2018 was $0.72 per ordinary share. The actual public offering price per unit or pre-funded unit, as the case may be, will be determined between us and the underwriters at the time of pricing, and may be at a discount to the current market price. Therefore, the assumed public offering price used throughout this prospectus may not be indicative of the final offering price. There is no established public trading market for the pre-funded warrants or common warrants, and we do not expect a market to develop. In addition, we do not intend to apply for a listing of the pre-funded warrants or common warrants on any national securities exchange or other nationally recognized trading system.

We are an “emerging growth company” as defined under the federal securities laws and, as such, may continue to elect to comply with certain reduced public company reporting requirements in future reports.

Investing in our securities involves a high degree of risk. See “Risk Factors” beginning on page 10 of this prospectus as well as the risk factors and other information in any documents we incorporate by reference into this prospectus. See “Where You Can Find More Information” and “Incorporation of Certain Documents by Reference.”

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

	Per Unit	Per Pre-Funded Unit	Total
Public offering price	$	$	$
Underwriting discounts and commissions(1)	$	$	$
Proceeds, before expenses, to us	$	$	$

(1) In addition to these commissions, we have agreed to pay the representative of the underwriters a management fee equal to 1% of the aggregate gross proceeds from this offering, to reimburse the representative of the underwriters for certain expenses, and to issue the underwriters or their designees warrants to purchase a number of ordinary shares equal to 6% of the aggregate number of ordinary shares sold in this offering (including the number of ordinary shares issuable upon exercise of the pre-funded warrants), at an exercise price of $ per share, which represents 125% of the public offering price per unit. See “Underwriting” beginning on page 42 of this prospectus for additional information regarding total underwriter compensation.

Delivery of the securities offered hereby is expected to be made on or about , 2018, subject to certain customary closing conditions. We have granted the underwriters an option for a period of 30 days to purchase an additional 2,499,999 of our ordinary shares, at a public offering price of $ and/or common warrants to purchase up to an additional 2,499,999 of our ordinary shares, at a public offering price of $, less underwriting discounts and commissions. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be $, and the total proceeds to us, before expenses, will be $, excluding potential proceeds from the exercise of the common warrants included in such option.

Lead Book-Running Manager

H.C. Wainwright & Co.

Co-Manager

ThinkEquity

a division of Fordham Financial Management, Inc.

Prospectus dated , 2018

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Neither we nor the underwriters have authorized anyone to provide you with any information or to make any representations other than that contained or incorporated by reference into this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor the underwriters are making an offer to sell securities in any jurisdiction in which the offer or sale is not permitted. The information in this prospectus is accurate only as of the date on the front cover of this prospectus, and any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, in each case, regardless of the time of delivery of this prospectus or of any sale of our ordinary shares and the information in any free writing prospectus that we may provide to you in connection with this offering is accurate only as of the date of that free writing prospectus. Our business, financial condition, results of operations and prospects may have changed since those dates.

For investors outside the United States: We have not and the underwriters have not, done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the ordinary shares and the distribution of this prospectus outside of the United States.

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SUMMARY

This summary is not complete and does not contain all of the information that you should consider before investing in the securities offered by this prospectus. You should read this summary together with the entire prospectus carefully, including "Risk Factors" and our consolidated financial statements and the related notes, before making an investment decision. See "Risk Factors" for a discussion of the risks involved in investing in our securities.

Overview

We are an innovative medical device company that is designing, developing and commercializing robotic exoskeletons that allow individuals with mobility impairments or other medical conditions the ability to stand and walk once again. We have developed and are continuing to commercialize ReWalk, an exoskeleton designed for individuals with paraplegia that uses our patented tilt-sensor technology and an on-board computer and motion sensors to drive motorized legs that power movement. Additionally, we are developing and intend to commercialize a lightweight soft exo-suit, designed to support mobility and/or therapy for individuals suffering from other lower limb disabilities such as stroke, multiple sclerosis, cerebral palsy, Parkinson's disease and elderly assistance.

Development of ReWalk took over a decade and was spurred by the experiences of our founder, Dr. Amit Goffer, who became a quadriplegic due to an accident. Current ReWalk designs are intended for people with paraplegia, a spinal cord injury resulting in complete or incomplete paralysis of the legs, who have the use of their upper bodies and arms. We currently offer two products: ReWalk Personal and ReWalk Rehabilitation. ReWalk Personal is currently designed for everyday use by paraplegic individuals at home and in their communities, and is custom fitted for each user. ReWalk Rehabilitation is currently designed for use by paraplegia patients in the clinical rehabilitation environment and provides valuable exercise and therapy. ReWalk Rehabilitation also enables individuals to evaluate their capacity for using ReWalk Personal in the future. In 2011, we launched ReWalk Rehabilitation for use in hospitals and rehabilitation centers in the United States and Europe. We began marketing ReWalk Personal in Europe with CE mark clearance at the end of 2012 and received U.S. Food and Drug Administration, or FDA, clearance to market it in the United States in June 2014. Additionally, we have received regulatory approval to sell the ReWalk device in other countries. In the future we intend to seek approval from the applicable regulatory agencies in other jurisdictions where we may seek to market ReWalk.

ReWalk is a breakthrough product that can fundamentally change the health and life experiences of users. Designed for all-day use, ReWalk is battery-powered and consists of a light, wearable exoskeleton with integrated motors at the joints, an array of sensors and a computer-based control system to power knee and hip movement. ReWalk controls movement using subtle shifts in the user's center of gravity. A forward tilt of the upper body is sensed by the system, which initiates the first step. Repeated body shifting generates a sequence of steps that results in a functional walking speed. Because the exoskeleton supports its own weight and facilitates the user's gait, users do not expend unnecessary energy while walking. While ReWalk does not allow side-to-side actuation, users are able to turn by shifting their weight to the side. ReWalk also allows users to sit, stand and, depending on local regulatory approvals, climb and descend stairs. Use on stairs is not cleared by the FDA in the United States. ReWalk users are able to operate the devices independently, and most are able to put on and remove the devices by themselves. Our safety guidelines and FDA specifications, however, require users to be accompanied by a trained companion at all times when using ReWalk.

Published clinical studies demonstrate ReWalk's ability to deliver a functional walking speed. In addition, our experience working with healthcare practitioners and ReWalk users, including reports by study participants, as well as recently released clinical data suggest that ReWalk may have the potential to provide secondary health benefits. These potential benefits may include reducing pain and spasticity, improving bowel and urinary tract function, changing body and bone composition, enhancing metabolism and physical fitness, and reducing hospitalizations and dependence on medications, as well as emotional and psychological benefits. Because of these potential secondary medical benefits, we believe that ReWalk may have the ability to reduce the lifetime healthcare costs of individuals with spinal cord injuries, which we believe will make it economically attractive for individuals and third-party payors. While we believe that ReWalk could potentially offer significant advantages over competing technologies and therapies, disadvantages include the time it takes for a user to put on ReWalk, the slower pace of ReWalk compared to a wheelchair, the weight of ReWalk when carried, which makes it more burdensome for a companion to transport than a wheelchair, and the requirement that users be accompanied by a trained companion.

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Marketing and Reimbursement

Our initial commercialization efforts focused on penetrating rehabilitation centers, hospitals and similar facilities that treat patients with spinal cord injuries to become an integral part of their rehabilitation programs and to develop a broad-based training network with these facilities to prepare users for home and community use. According to the National Spinal Cord Injury Statistical Center, 87% of persons with spinal cord injuries are sent to private, non-institutional residences (in most cases, their homes) after hospital discharge. As our business has developed, we have shifted our commercialization efforts to marketing ReWalk Personal with insurance companies, physicians and physiotherapists as a standard of care that can be used routinely at home, work or in the community, and we expect sales of ReWalk Personal to account for the substantial majority of our revenues in the future. Our principal markets are the United States and Europe. In Europe we have a direct sales operation in Germany and work with distribution partners in certain other major countries.

We have in the past generated and expect to generate in the future revenues from a combination of third-party payors, self-payors, including private and government employers, and institutions. While a broad uniform policy of coverage and reimbursement by third-party commercial payors currently does not exist in the United States for electronic exoskeleton technologies such as ReWalk, we are pursuing various paths of reimbursement and support fundraising efforts by institutions and clinics. In December 2015, the Veterans' Administration, or the VA, issued a national policy for the evaluation, training and procurement of ReWalk Personal exoskeleton systems for all qualifying veterans across the United States. The VA policy is the first national coverage policy in the United States for qualifying individuals who have suffered spinal cord injury. As of September 30, 2018, we had placed 19 units as part of the VA policy. In June 2018, the VA updated its national policy to provide expanded access to ReWalk exoskeletons for veterans in private rehabilitation clinics through the Veterans Choice Program. Under the VA's revised policy, the exoskeleton evaluation process will have all veterans flow through one of 24 designated spinal cord injury VA centers (which we refer to as "SCI/D"). Once a veteran is determined to be qualified for training and procurement of his/her own exoskeleton system, the individual may be allowed to pursue training on exoskeleton use, such as use of the ReWalk (i) at the applicable SCI/D hub center; (ii) on a case-by-case basis, at a qualified VA hospital designated by the VA's "hub & spoke" program; or (iii) on a case-by-case basis, at a qualified private rehabilitation center via the VA's Veteran's Choice Program, through which veterans can receive care from a community provider paid for by the VA. We continue to work with the VA to accelerate the pace of implementation of the VA policy.

To date, several private insurers in the United States and Europe have provided reimbursement for ReWalk in certain cases. Additionally, in September 2017, each of German insurer BARMER GEK, or Barmer, and national social accident insurance provider *Deutsche Gesetzliche Unfallversicherung*, or DGUV, signed a confirmation and letter of agreement, respectively, regarding the provision of ReWalk systems for all qualifying beneficiaries. In February 2018, the head office of German statutory health insurance, or SHI, Spitzenverband (GKV) confirmed its decision to list the ReWalk Personal 6.0 Exoskeleton System in the German Medical Device Directory, and in June 2018, the ReWalk Personal was added to the official German list of medical aids. This decision means that ReWalk is now listed among all medical devices for compensation, which SHI providers can procure for any approved beneficiary on a case-by-case basis. In March 2018, the Italian Ministry of Labor and Social Policy's statutory insurance corporation put in place a coverage policy that will provide exoskeleton systems for all qualifying beneficiaries. This policy, the first of its kind in Italy, will provide individuals with spinal cord injury access to obtain their own medical device so that they can stand and walk again.

In the near future, we intend to continue focusing on our reimbursement efforts, with our streamlined staffing, by pursuing insurance claims on a case-by-case basis, managing claims through the review process, and investing in efforts to expand commercial reimbursement coverage.

Research and Development

We are committed to investing in a robust research and development program to enhance our current ReWalk products and to develop our pipeline of new and complementary products, and we believe that ongoing research and development efforts are essential to our success. Our research and development team consists of both in-house and external staff, including engineers, machinists, researchers and marketing, quality, manufacturing, regulatory and clinical personnel, who work closely together to design, enhance and validate our technologies. This research and development team conceptualizes technologies and then builds and tests prototypes before refining and/or redesigning as necessary. Our regulatory and clinical personnel work in parallel with engineers and researchers, allowing us to anticipate and resolve potential issues at early stages in the development cycle. Our research and development efforts have been financed, in part, through funding from the Israel Innovation Authority, or the IIA (formerly known as Office of the Chief Scientist in the Israel Ministry of Economy), and from the Israel-U.S. Binational Industrial Research and Development, or BIRD, Foundation.

In June 2017, we unveiled our lightweight exo-suit ReStore system designed initially for rehabilitation of stroke patients and announced our plans to begin clinical studies in the first quarter of 2018 in preparation for the later submission of applications for regulatory clearance. We created the ReStore system through our ongoing collaboration with Harvard University's Wyss Institute for Biologically Inspired Engineering, pursuant to which Harvard licenses to us intellectual property relating to lightweight exo-suit system technologies for lower limb disabilities, as we develop, introduce and commercialize products under the license.

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The ReStore transmits power to a key joint of the legs with motor-driven cable technologies, applying software and mechanics similar to the technologies employed in the currently-marketed ReWalk structural exoskeleton systems. The system is designed to allow a user's unimpaired leg to adjust and assist the leg with mobility impairments affected by stroke. The exoskeletal suit consists of a lightweight fabric-based structure that wraps around the waist and supports an actuator with a motor, computer and cable, along with sensors attached to a stable point on the user's calf and footplate in the user's shoe. This design transfers force in a controlled manner, enabling both powered plantarflexion, or bending to decrease the angle between the sole of the foot and the back of the leg, and powered dorsiflexion, or bending to decrease the angle between the upper surface of the foot and the front of the leg. We believe that the ReStore system's soft, lightweight material will facilitate a natural walking pattern for patients using the device. The ReStore system is also designed to provide advantages to stroke rehabilitation clinics and therapists as compared to other traditional therapies and devices by minimizing setup time, supplying real-time analytics to optimize session productivity and generating on-going data reports to assist with tracking patient progress. We expect the device may also provide other secondary benefits for rehabilitation clinics, including reducing staffing requirements, staff fatigue and the risk for potential staff injuries. The Company is currently undertaking, and expects to finalize in the near future, a prospective clinical study on the ReStore system to assess the safety of the ReStore system during gait training in stroke patients in a rehabilitation setting. The full study is designed to involve 40 patients each partaking in seven training sessions at five designated stroke research centers, all of which received the requisite Internal Review Board approval to conduct the ongoing study. As of November 5, 2018, we had 37 patients fully enrolled and five patients completing medical assessment, which, once all patients are fully enrolled, will place us at or above the study design requirements.

We intend to commercialize use of the ReStore system by stroke patients in Europe and the United States during the third quarter of 2019 if we receive CE mark and FDA clearance, respectively, to market the device. We applied for CE mark at the beginning of the fourth quarter of 2018 and intend to apply for FDA clearance by the first quarter of 2019. Obtaining clearance could involve an extensive and time-consuming process and delay commercialization beyond our planned timetable, and we cannot make any assurances regarding the ultimate timing of FDA clearance or CE mark or commercialization of the products. For more information on the clearance processes, see "Part I, Item 1. Business—Government Regulation" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, or the 2017 Form 10-K, filed with the Securities and Exchange Commission, or the SEC, on March 8, 2018, incorporated by reference into this prospectus.

Our ongoing collaboration with Harvard University's Wyss Institute for Biologically Inspired Engineering, through which we created the ReStore system, centers on the research, design, development and commercialization of lightweight "soft-exosuit" system technologies for the above-mentioned lower limb disabilities. We and Harvard both engage in research efforts through various means, including clinical trials, and are required to report to one another our respective results and findings on a regular basis. We pay Harvard quarterly installment payments to help fund the research. As part of this collaboration, which involves pursuing clinical studies and regulatory approvals, Harvard has also licensed to us certain of its intellectual property relating to lightweight "soft suit" exoskeleton system technologies for lower limb disabilities. We are obligated to use commercially reasonable efforts to develop products under the license in accordance with an agreed-upon development plan and to introduce and market such products commercially, and to make various royalty and milestone payments to Harvard. Following an earlier amendments to the license agreement and collaboration agreement in May 2017, on April 1, 2018, we amended the license agreement and the collaboration agreement with Harvard, effective July 1, 2018, to extend the expiration date of the collaboration agreement by one year to May 16, 2022, to reallocate the Company's quarterly installment payments to Harvard through such date, and to make certain technical changes. For more information on our collaboration with Harvard, including the terms of the license agreement and the collaboration agreement, see "Part I, Item 1. Business—Research and Development" in our 2017 Form 10-K incorporated by reference into this prospectus.

Liquidity and Capital Initiatives

Since inception, we have incurred net losses and negative cash flows from operations, and have funded our operations primarily through the sale of certain of our equity securities and convertible notes to investors in private placements, the sale of our ordinary shares in public offerings and the incurrence of bank debt. As of September 30, 2018, based on our preliminary estimates of our unaudited condensed consolidated financial statements, subject to the completion of our financial closing procedures, we had cash and cash equivalents of approximately $5.2 million. We also had an accumulated deficit in the total amount of approximately $143.4 million as of June 30, 2018 and anticipate further losses in the development of our business. Those factors raise substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon us obtaining the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they become due. Our consolidated financial statements incorporated by reference into this prospectus have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and liabilities and commitments in the normal course of business.

We intend to finance operating costs over the next twelve months with existing cash on hand, reducing operating spend, issuances under the Company's at-the-market offering program with Piper Jaffray & Co., or the ATM Offering Program, or other future public or private issuances of equity and debt securities, or through a combination of the foregoing. Additionally, regarding the additional $15.0 million of proceeds that we would receive within the next 12 months upon completion of the remaining issuances of ordinary shares under our investment agreement with Timwell Corporation Limited, or Timwell, we are still in discussions with Timwell, yet due to various delays in the process and other barriers to closing, there is a significant risk that we and Timwell will not reach the required milestones in order to complete the closings of the second and third tranches. See "—Recent Developments—Investment Agreement with Timwell Corporation Limited." We will also need to seek additional sources of financing if we require more funds than anticipated during the next 12 months or in later periods, including if we cannot make our loan repayments under our loan agreement with Kreos Capital V (Expert Fund) Limited, or if we cannot raise sufficient funds from equity issuances, such as the ATM Offering Program.

We anticipate that our incurrence of net losses and negative cash flows will continue in the near term, as we continue to evaluate means of reducing spending where possible, focus resources on achieving commercial reimbursement coverage decisions, further commercialization activities and advancing our clinical studies, including our FDA mandatory 522 postmarket study (discussed further in "Risk Factors" in this prospectus) and ReStore clinical studies, to support future regulatory clearance and commercialization of the ReStore device for stroke patients.

Given our liquidity situation, we are committed to maintaining optionality so as to ensure that we can operate our business without interruptions, enhance our product portfolio and pursue new markets. As such, from time to time, we have engaged and may in the future engage in strategic transactions designed to enhance shareholder value including, but not limited to, alliances, divestitures, private placements, sales of our assets or business and joint ventures. We are routinely in discussions with possible sources of additional funding, including during the pendency of this offering. We have not entered into any agreement or understanding regarding any such transaction.

Certain Relationships and Related Party Transactions

As previously disclosed, on September 24, 2013, we and Yaskawa entered into an Exclusive Distribution Agreement, which provides that Yaskawa will be our exclusive distributor in Japan, China (including Hong Kong and Macau), Taiwan, South Korea, Singapore and Thailand. In addition, if we desire to sell any exoskeleton products into any regional market in the Asian and Pacific regions (other than Australia, New Zealand or India), Yaskawa will have a right of first refusal to serve as distributor in those markets, subject to an agreement on minimum purchase requirements. In addition, if we offer better pricing to any other distributor than what we offer Yaskawa, Yaskawa will be entitled to that pricing. As required under the investment agreement with Timwell Corporation Limited (as discussed in this prospectus under "—Recent Developments—Investment Agreement with Timwell Corporation Limited"), we amended our exclusive distribution agreement with Yaskawa on May 15, 2018 to terminate the distribution rights granted to Yaskawa in China (including Hong Kong and Macau).

We also entered into several reportable agreements with Kreos Capital V (Expert Fund) Limited, or Kreos V, and its affiliates. These previously included a loan agreement with affiliated fund Kreos Capital IV (Expert Fund) Limited, or Kreos IV, dated June 19, 2014, pursuant to which Kreos IV provided us a $5.0 million line of credit in exchange for warrants to purchase 96,696 ordinary shares on a post-IPO-split basis. After our IPO, Kreos IV exercised all such warrants on a cashless basis into 79,200 ordinary shares, and we did not draw down under the loan agreement until it expired on December 31, 2015.

We are also party to a secured loan agreement with Kreos V dated December 30, 2015, or the Kreos V Loan Agreement, pursuant to which Kreos V extended a line of credit to us in the amount of $20.0 million, $3.0 million of which was extended by an additional three years subject to repayment pursuant to a convertible note, or the Kreos V Convertible Note. On September 3, 2018, Kreos V agreed to defer $0.5 million in principal and interest payments under the Kreos V Loan Agreement and Kreos V Convertible Note until October 2, 2018. We are in discussions with Kreos V regarding deferral of up to $1.0 million in additional payments under the Kreos V Loan Agreement until early 2019. We may also choose to refinance up to a substantial portion of our indebtedness under our Kreos V Loan Agreement, which we have considered with Kreos V from time to time, including by exchanging our indebtedness with Kreos V for new convertible debt from a third-party investor, or to borrow additional funds. For more information on our currently-in-effect agreements with Kreos V, see “Part I, Item 1A. Risk Factors,” “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and in Note 6 to our audited consolidated financial statements in our 2017 Form 10-K, which is incorporated by reference into this prospectus.

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For more information on certain relationships and related party transactions for which disclosure would be required in this prospectus under Item 404(a) of Regulation S-K, including the Exclusive Distribution Agreement with Yaskawa, see “Certain Relationships and Related Party Transactions and Director Independence—Certain Relationships and Related Transactions” in our Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 26, 2018 and incorporated by reference into this prospectus.

Recent Developments

Investment Agreement with Timwell Corporation Limited

On March 6, 2018, we entered into an investment agreement, or the Investment Agreement, for a private placement of 16,000,000 ordinary shares to Timwell, a Hong Kong entity, in exchange for total aggregate proceeds of $20.0 million at a price of $1.25 per share. Timwell agreed to make the investment in three separate tranches, consisting of $5.0 million for 4,000,000 shares in the first tranche, $10.0 million for 8,000,000 shares in the second tranche and $5.0 million for 4,000,000 shares in the third tranche. On a post-transaction basis, based on 35,647,411 of our ordinary shares outstanding as of September 30, 2018 (excluding ordinary shares issuable upon conversion or exercise of derivative securities owned by other shareholders or shares issued under our equity incentive plans or shares issued in this offering, and assuming no changes otherwise to our capitalization), after each closing, Timwell would beneficially own 11.2%, 27.5% and 33.6% of our ordinary shares, respectively.

Pursuant to the Investment Agreement, we also entered into a joint venture framework agreement, or the JV Framework Agreement, with RealCan Ambrum Healthcare Industry Investment (Shenzhen) Partnership Enterprise (Limited Partnership), or RealCan, an affiliate of Timwell, concerning the formation among us, RealCan and certain other affiliates of Timwell of a joint venture company in China (including Hong Kong and Macau), or the China JV, for the purposes of assembly, registration, operations, sales and marketing of our products and to grant to the joint venture, in accordance with the terms of an agreed form of license agreement, an exclusive license for certain Company-owned or Company-controlled patent rights marks and a non-exclusive sublicense for certain Company-controlled know-how.

The first tranche, consisting of $5.0 million for 4,000,000 shares, closed on May 15, 2018. In connection with the closing, Ning Cong was appointed to our board of directors as Timwell’s designee. The net aggregate proceeds after deducting commissions, fees and offering expenses in the amount of approximately $705 thousand were approximately $4.3 million.

The closing of the second and third tranches is subject to specified closing conditions, including, with respect to the second tranche, the signing of a license agreement and a supply agreement and the formation of the China JV based on the JV Framework Agreement, and, with respect to the third tranche, the successful production of certain ReWalk products by the China JV. The second tranche closing was initially expected to occur by July 1, 2018 and the third tranche closing was initially expected to occur by December 31, 2018 and no later than April 1, 2019. While we are still in discussions with Timwell, due to the different jurisdictions involved, new positions taken by the counterparty on certain key commercial points, and certain technical and administrative delays relating to governmental approvals in China, there is a significant risk that we and Timwell will not reach the required milestones in order to complete the closings of the second and third tranches and receive the gross proceeds of $10.0 million and $5.0 million, respectively. We continue to view China as a market with key opportunities for products designed for stroke patients. Thus, although we remain in dialogue with RealCan, Timwell’s affiliate, and have discussed with RealCan various alternatives to the original investment agreement, we are also evaluating alternative paths with different groups to penetrate the Chinese market.

Additional information about the Investment Agreement is available in the 2017 Form 10-K and elsewhere in this prospectus. See “Part I. Item 1. Business—Timwell Investment Agreement and Related Transactions” in our 2017 Form 10-K, incorporated by reference in this prospectus, for information generally about the Investment Agreement, and “Risk Factors—Risks Related to our Business and our Industry” for information about the potential effect of the delays in the second tranche closing on our business and our liquidity.

Securities Litigation Update

As previously disclosed, between September 2016 and January 2017, eight putative class actions on behalf of alleged shareholders that purchased or acquired our ordinary shares pursuant and/or traceable to our registration statement on Form F-1 (File No. 333-197344) used in connection with our initial public offering, or our IPO, were commenced in the following courts: (i) the Superior Court of the State of California, County of San Mateo; (ii) the Superior Court of the Commonwealth of Massachusetts, Suffolk County; (iii) the United States District Court for the Northern District of California; and (iv) the United States District Court for the District of Massachusetts. As of the date of this prospectus, seven have been dismissed and one has been partially dismissed. The actions involved or involve claims under various sections of the Securities Act of 1933, or the Securities Act, against us, certain of our current and former directors and officers, the underwriters of our IPO and certain other defendants.

The four actions commenced in the Superior Court of the State of California, County of San Mateo were dismissed in January 2017 for lack of personal jurisdiction, and the action commenced in the United States District Court for the Northern District of California was voluntarily dismissed in March 2017. Additionally, the two actions commenced in the Superior Court of the Commonwealth of Massachusetts, Suffolk County, or the Superior Court, were consolidated in December 2017, and voluntarily dismissed with prejudice in November 2018, after the District Court for the District of Massachusetts partially dismissed the related claims in that court and the parties in the Superior Court entered a stipulation of dismissal with prejudice.

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The action commenced in the United States District Court for the District of Massachusetts, or the District Court, alleging violations of Sections 11 and 15 of the Securities Act and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, was partially dismissed on August 23, 2018. In particular, the District Court granted the motion to dismiss the claims under Sections 11 and 15 of the Securities Act, finding that the plaintiff failed to plead a false or misleading statement in the IPO registration statement. The District Court did not address the claims under Sections 10(b) and 20(a) of the Exchange Act because, as a result of the dismissal of the claims under the Securities Act, the lead plaintiff lacked standing to pursue those claims. Because the action in the District Court was styled as a class action, the District Court permitted the plaintiff to file a supplemental memorandum concerning standing or a motion to appoint a substitute or supplemental plaintiff. On September 10, 2018, the plaintiff sought leave to amend his complaint to add a new plaintiff that purportedly has standing to pursue Exchange Act claims, and we opposed the motion to amend on September 24, 2018.

Based on information currently available and the current stage of the litigation, we are unable to reasonably estimate a possible loss or range of possible losses, if any, with regard to the remaining lawsuit in the District Court; therefore, as discussed in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018, or the Q2 2018 Form 10-Q, no litigation reserve has been recorded in our condensed consolidated balance sheets as of June 30, 2018. We will continue to evaluate information as it becomes known and will record an estimate for losses at the time or times if and when it is probable that a loss will be incurred and the amount of the loss is reasonably estimable.

Regulatory Update

In 2017, the European Union adopted a new Medical Device Regulation, which will repeal and replace the existing directives effective May 26, 2020. The new regulation does not set out a radically new system, but envisages, among other things, stricter controls of medical devices, including strengthening of the conformity assessment procedures, increased expectations with regard to clinical data for devices and pre-market regulatory review of high-risk devices. Under transitional provisions, medical devices with notified body certificates issued under the existing directives prior to May 26, 2020 may continue to be placed on the market for the remaining validity of the certificate, until May 27, 2024 at the latest. After the expiry of any applicable transitional period, only devices that have been CE marked under the new regulation may be placed on the market in the E.U.

For more information on non-U.S. governmental regulation applicable to us, see “Part I, Item 1. Business—Government Regulation—Non-U.S. Regulation” in our 2017 Form 10-K incorporated by reference into this prospectus and “Risk Factors—Risks Related to Government Regulation” in this prospectus.

Third Quarter 2018 Preliminary Financial Results: Cash, Revenue and Unit Information

Our unaudited consolidated condensed financial statements for the three and nine months ended September 30, 2018 are not yet available. The financial and operational results we present below are therefore preliminary and subject to the completion of our financial closing procedures and any adjustments that may result from the completion of the quarterly review of our unaudited consolidated condensed financial statements.

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Our revenues were approximately $1.6 million and $5.0 million for the three and nine months ended September 30, 2018, respectively, compared to revenues of $1.7 million and $6.2 million for the three and nine months ended September 30, 2017, respectively. We derived approximately 65% of our revenues from the United States for the nine months ended September 30, 2018, compared to 68% for the nine months ended September 30, 2017. We derived approximately 32% of our revenues from Europe for the nine months ended September 30, 2018, compared to 32% for the nine months ended September 30, 2017. The remaining 3% in revenues originated in Africa, Latin America and Asia Pacific for the nine months ended September 30, 2018. We placed 22 and 66 units during the three and nine months ended September 30, 2018, respectively, compared to 16 and 84 units during the three and nine months ended September 30, 2017, respectively. During the three and nine months ended September 30, 2018, 11 and 26 unit placements were covered by insurance, respectively, compared to seven and 34 units covered by insurance, respectively, during the three and nine months ended September 30, 2017. As of September 30, 2018, there were 226 pending insurance claims relating to coverage for ReWalk, compared to 218 as of September 30, 2017. As of September 30, 2018, we had placed 118 units in use at rehabilitation centers and 381 personal units in a home or community use since inception.

Our cash and cash equivalents were approximately $5.2 million as of September 30, 2018, compared to $14.6 million as of December 31, 2017 and $12.9 million as of September 30, 2017.

Our independent registered public accounting firm has not audited, reviewed or performed any procedures with respect to these preliminary results and, accordingly, does not express an opinion or any other form of assurance about them. These preliminary results may differ materially from the actual results that will be reflected in our unaudited consolidated condensed financial statements for the three and nine months ended September 30, 2018 when they are completed.

Corporate Information

Our legal and commercial name is ReWalk Robotics Ltd. We are a company limited by shares organized under the laws of the State of Israel and were founded in 2001. In September 2014, we listed our shares on the Nasdaq Global Market and transferred our listing to the Nasdaq Capital Market effective May 25, 2017. Our corporate headquarters are located at 3 Hatnufa St., Floor 6, Yokneam Ilit 2069203, Israel, and our telephone number is +972 (4) 959 0123. We also have offices in Marlborough, Massachusetts and Berlin, Germany. Our website address is http://rewalk.com/. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus and is not incorporated by reference into this prospectus. We have included our website address in this prospectus solely for informational purposes. Our agent for service of process in the United States is ReWalk Robotics Inc., located at 200 Donald Lynch Blvd., Marlborough, Massachusetts 01752, and its telephone number is (508) 251-1154.

ReWalk® is our registered trademark in Israel and in the United States. Other trademarks and service marks appearing in this prospectus are the property of their respective holders.

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The Offering

Units offered by us	16,666,666 units, each consisting of one ordinary share and one common warrant to purchase one ordinary share.
Pre-funded units offered by us	We are also offering to each purchaser whose purchase of units in this offering would otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding ordinary shares immediately following the consummation of this offering, the opportunity to purchase, if such purchasers so choose, pre-funded units (each pre-funded unit consisting of one pre-funded warrant to purchase one ordinary share and one common warrant to purchase one ordinary share), in lieu of units that would otherwise result in any such purchaser's beneficial ownership exceeding 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding ordinary shares. Each pre-funded warrant included in the pre-funded units will be exercisable for one share of our ordinary shares. The purchase price of each pre-funded unit will equal the public offering price at which units are being sold to the public in this offering, minus $0.01, and the exercise price of each pre-funded warrant included in each pre-funded unit will be $0.01 per share. The pre-funded warrants will be exercisable immediately and may be exercised at any time until all of the pre-funded warrants are exercised in full. This offering also relates to the ordinary shares issuable upon exercise of any pre-funded warrants sold in this offering. For each pre-funded unit we sell, the number of units we are offering will be decreased on a one-for-one basis. Because we will issue a common warrant for each unit or pre-funded unit sold in this offering, the number of common warrants sold in this offering will not change as a result of a change in the mix of units and pre-funded units sold.
Common warrants offered by us	Common warrants to purchase an aggregate of 16,666,666 of our ordinary shares. Each unit and each pre-funded unit includes one common warrant to purchase one ordinary share. Each common warrant will have an exercise price of $ per share, will be immediately exercisable and will expire on the fifth anniversary of the original issuance date. This prospectus also relates to the offering of the ordinary shares issuable upon exercise of the common warrants.
Option to purchase additional shares and/or common warrants	The underwriters have a 30-day option to purchase up to an additional 2,499,999 ordinary shares and/or common warrants to purchase up to an additional 2,499,999 of our ordinary shares from us at the public offering price of $, less underwriting discounts and commissions.
Ordinary shares to be outstanding after this offering	52,150,743 ordinary shares (or 54,650,742 ordinary shares if the underwriters exercise in full their option to purchase additional shares) in each case assuming no sale of pre-funded units and assuming no exercise of any common warrants issued in this offering, based on 35,484,077 ordinary shares outstanding as of June 30, 2018.

Use of proceeds	We intend to use the net proceeds from this offering for (i) sales, marketing and reimbursement expenses related to market development activities and broadening third-party payor coverage and (ii) research and development costs related to developing our lightweight exo-suit technology for various lower limb disabilities, including stroke and other indications affecting the ability to walk. See "Use of Proceeds."
Dividend policy	We have never declared or paid any cash dividends on our ordinary shares. We do not anticipate paying any cash dividends in the foreseeable future. See "Price Range of Ordinary Shares and Dividend Policy."
Risk factors	You should carefully consider the risk factors described in the section of this prospectus entitled "Risk Factors," together with all of the other information included in or incorporated by reference into this prospectus, before deciding to purchase our ordinary shares.
Nasdaq Capital Market symbol	Our ordinary shares are listed on the Nasdaq Capital Market under the symbol "RWLK." We do not intend to list the pre-funded warrants or the common warrants on any securities exchange or nationally recognized trading system.

		100,497,076	141,743,462
	Cable and Satellite 8.1%		
1,250,000	Cablevision Systems Corp., Cl. A	21,136,796	42,300,000

105,000	Comcast Corp., Cl. A, Special	630,439	2,185,050
567,000	DIRECTV, Cl. A	12,103,495	22,640,310
100,000	DISH Network Corp., Cl. A	2,548,495	1,966,000
30,740	EchoStar Corp., Cl. A	923,528	767,578
122,000	Liberty Global Inc., Cl. A	2,115,989	4,316,360
122,000	Liberty Global Inc., Cl. C	2,682,556	4,134,580
483,690	Rogers Communications Inc., Cl. B, New York	4,008,509	16,750,185
19,310	Rogers Communications Inc., Cl. B, Toronto	137,424	671,956
120,000	Scripps Networks Interactive Inc., Cl. A	3,863,791	6,210,000
155,000	Shaw Communications Inc., Cl. B, New York	319,001	3,313,900
40,000	Shaw Communications Inc., Cl. B, Non-Voting, Toronto	52,983	859,700
70,000	Time Warner Cable Inc.	3,990,407	4,622,100
		54,513,413	110,737,719
	Financial Services 8.0%		
524,000	American Express Co. (a)	24,720,883	22,490,080
19,452	Argo Group International Holdings Ltd.	752,879	728,477
70,000	Artio Global Investors Inc.	1,819,126	1,032,500
73,000	Banco Santander SA, ADR	261,644	777,450
130	Berkshire Hathaway Inc., Cl. A	381,651	15,658,500
10,000	Calamos Asset Management Inc.,	88,164	140,000

	Cl. A		
380,000	Citigroup Inc.	1,846,023	1,797,400
110,000	Commerzbank AG, ADR	1,939,000	809,600
200,000	Deutsche Bank AG	13,546,548	10,410,000
10,000	Fortress Investment Group LLC, Cl. A	49,694	57,000
22,000	H&R Block Inc.	369,710	262,020
17,000	Interactive Brokers Group Inc., Cl. A	384,193	302,940
185,000	Janus Capital Group Inc.	3,080,975	2,399,450
61,088	JPMorgan Chase & Co.	1,720,041	2,591,353
30,000	Kinnevik Investment AB, Cl. A	450,841	609,309
149,000	Legg Mason Inc.	2,921,818	5,404,230
127,000	Leucadia National Corp.	1,599,641	3,705,860
5,000	Loews Corp.	183,078	194,550
155,000	Marsh & McLennan Companies Inc.	4,715,688	4,237,700
15,000	Moody s Corp.	670,737	398,100
22,000	Och-Ziff Capital Management Group LLC, Cl. A	214,559	342,760
120,000	State Street Corp.	4,047,374	5,560,800
20,000	SunTrust Banks Inc.	419,333	590,200
140,000	T. Rowe Price Group Inc.	4,303,432	9,035,600
185,000	The Bank of New York Mellon Corp.	6,052,357	5,587,000
43,000	The Charles Schwab Corp.	628,338	735,730
15,000	The Dun & Bradstreet Corp.	353,346	1,231,350
90,000	Waddell & Reed Financial Inc., Cl. A	1,986,736	3,176,100
290,000	Wells Fargo & Co.	8,655,084	8,987,100
		88,162,893	109,253,159
	Diversified Industrial 7.3%		
3,000	Acuity Brands Inc.	76,507	173,010
158,000	Ampco-Pittsburgh Corp.	2,060,108	4,431,900

120,000	Baldor Electric Co.	3,999,250	7,564,800
195,000	Cooper Industries plc	4,956,064	11,366,550
235,000	Crane Co.	5,417,395	9,651,450
215,000	General Electric Co.	4,699,511	3,932,350
185,000	Greif Inc., Cl. A	2,262,757	11,451,500
12,000	Greif Inc., Cl. B	498,330	732,000
415,000	Honeywell International Inc.	13,779,476	22,061,400
240,000	ITT Corp.	5,965,926	12,506,400
10,000	Jardine Strategic Holdings Ltd.	190,495	276,800
30,000	Material Sciences Corp.	30,306	191,700

See accompanying notes to financial statements.

THE GABELLI EQUITY TRUST INC.
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2010

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Diversified Industrial (Continued)		
98,000	Park-Ohio Holdings Corp.	$ 1,017,645	$ 2,049,180
1,000	Pentair Inc.	31,908	36,510
20,500	Sulzer AG	578,604	3,124,331
30,000	Trinity Industries Inc.	428,108	798,300
207,000	Tyco International Ltd.	9,455,900	8,578,080
		55,448,290	98,926,261
	Energy and Utilities 7.1%		
3,500	AGL Resources Inc.	63,091	125,475
20,000	Allegheny Energy Inc.	643,634	484,800
36,000	Anadarko Petroleum Corp.	1,554,403	2,741,760
67,000	Apache Corp.	2,611,727	7,988,410
108,000	BP plc, ADR	6,423,086	4,770,360
61,000	CH Energy Group Inc.	2,515,309	2,982,290
39,000	CMS Energy Corp.	249,159	725,400
217,000	ConocoPhillips	13,079,651	14,777,700
80,000	Constellation Energy Group Inc.	2,413,836	2,450,400
10,000	Diamond Offshore Drilling Inc.	715,430	668,700
60,000	DPL Inc.	1,411,620	1,542,600
115,000	Duke Energy Corp.	2,081,023	2,048,150
230,000	El Paso Corp.	2,096,546	3,164,800
265,000	El Paso Electric Co.	4,404,805	7,295,450
75,000	Exxon Mobil Corp.	2,571,862	5,484,000
15,000	GenOn Energy Inc.	141,261	57,150
140,000	GenOn Energy Inc., Escrow (b)	0	0
25,000	Great Plains Energy Inc.	599,622	484,750
200,000	Halliburton Co.	3,416,551	8,166,000
12,000	Marathon Oil Corp.	134,019	444,360
5,000	Massey Energy Co.	240,258	268,250
32,000	NextEra Energy Inc.	1,423,514	1,663,680
2,000	Niko Resources Ltd., OTC	110,842	207,543
1,000	Niko Resources Ltd., Toronto	55,421	103,771
10,000	NiSource Inc.	215,500	176,200
20,000	Noble Corp.	694,578	715,400
195,000	Northeast Utilities	3,912,596	6,216,600
5,000	NSTAR	193,283	210,950
19,000	Oceaneering International Inc.	512,207	1,398,970
100,000	Progress Energy Inc., CVO	52,000	15,250
185,000	Rowan Companies Inc.	6,741,661	6,458,350
5,000	SJW Corp.	68,704	132,350

20,000	Southwest Gas Corp.	451,132	733,400
130,000	Spectra Energy Corp.	3,274,110	3,248,700
20,000	TECO Energy Inc.	343,100	356,000
60,000	The AES Corp.	342,618	730,800
16,000	Transocean Ltd.	1,086,152	1,112,160
250,000	Westar Energy Inc.	4,221,060	6,290,000
4,000	Wisconsin Energy Corp.	229,160	235,440
		71,294,531	96,676,369
	Equipment and Supplies 6.0%		
351,000	AMETEK Inc.	3,841,434	13,776,750
4,000	Amphenol Corp., Cl. A	14,775	211,120
94,000	CIRCOR International Inc.	974,241	3,974,320
191,000	Donaldson Co. Inc.	2,976,575	11,131,480
100,000	Flowserve Corp.	3,093,762	11,922,000
23,000	Franklin Electric Co. Inc.	250,434	895,160
60,000	Gerber Scientific Inc.	688,424	472,200
70,000	GrafTech International Ltd.	626,515	1,388,800
300,000	IDEX Corp.	7,173,399	11,736,000
40,000	Ingersoll-Rand plc	806,578	1,883,600
204,000	Lufkin Industries Inc.	990,973	12,727,560
11,000	Mueller Industries Inc.	485,034	359,700
2,000	Sealed Air Corp.	17,404	50,900
70,000	Tenaris SA, ADR	3,080,791	3,428,600
4,000	The Manitowoc Co. Inc.	25,450	52,440
70,000	The Weir Group plc	294,552	1,942,625
169,000	Watts Water Technologies Inc., Cl. A	2,532,745	6,183,710
		27,873,086	82,136,965
	Entertainment 5.4%		
32,000	Canal+ Groupe	34,011	214,665
2,002	Chestnut Hill Ventures (b)	54,500	91,191
95,000	Discovery Communications Inc., Cl. A	1,748,895	3,961,500
95,000	Discovery Communications Inc., Cl. C	1,220,927	3,485,550
500	DreamWorks Animation SKG Inc., Cl. A	10,535	14,735
675,000	Grupo Televisa SA, ADR	7,867,905	17,502,750
27,000	Liberty Media Corp. Starz, Cl. A	475,165	1,794,960
344,500	Madison Square Garden Inc., Cl. A	5,308,548	8,881,210
10,000	Regal Entertainment Group, Cl. A	134,259	117,400
280,000	Time Warner Inc.	12,005,041	9,007,600
100,000	Tokyo Broadcasting System Holdings Inc.	2,864,975	1,420,126
110,000	Universal Entertainment Corp.	2,400,880	3,215,051
300,000	Viacom Inc., Cl. A	13,911,309	13,758,000
390,000	Vivendi	11,450,308	10,527,441
		59,487,258	73,992,179
	Telecommunications 4.5%		
65,000	BCE Inc.	1,607,839	2,304,900

5,000(c)	Bell Aliant Regional Communications Income Fund	129,613	130,695
45,480	Brasil Telecom SA, ADR	1,438,987	997,376
15,801	Brasil Telecom SA, Cl. C, ADR	254,380	141,893
1,100,000	BT Group plc	4,548,616	3,100,716
7,040,836	Cable & Wireless Jamaica Ltd. (d)	128,658	27,263
750,000	Cincinnati Bell Inc.	4,517,256	2,100,000
155,000	Deutsche Telekom AG, ADR	2,554,250	1,984,000
5,000	Fastweb SpA	96,670	119,666
44,000	Hellenic Telecommunications Organization SA	802,330	360,429
16,000	Hellenic Telecommunications Organization SA, ADR	128,689	64,000
95,000	Koninklijke KPN NV	221,092	1,386,287
50,000	Qwest Communications International Inc.	204,496	380,500
1,100,000	Sprint Nextel Corp.	11,245,833	4,653,000
159,000	Tele Norte Leste Participacoes SA, ADR	2,111,791	2,337,300
28,000	Telecom Argentina SA, ADR	165,941	696,920
600,000	Telecom Italia SpA	2,452,905	775,326
195,000	Telefonica SA, ADR	9,029,038	13,341,900
37,000	Telefonos de Mexico SAB de CV, Cl. L, ADR	185,511	597,180
270,000	Telephone & Data Systems Inc.	12,543,458	9,868,500
324,000	Telephone & Data Systems Inc., Special	14,186,259	10,212,480
15,000	TELUS Corp.	280,203	686,111
148,000	Verizon Communications Inc.	4,860,194	5,295,440
		73,694,009	61,561,882

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2010

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Consumer Products 4.2%		
65,000	Avon Products Inc.	$ 1,782,368	$ 1,888,900
17,000	Christian Dior SA	643,155	2,428,474
12,000	Church & Dwight Co. Inc.	79,628	828,240
9,000	Clorox Co.	500,281	569,520
150,000	Eastman Kodak Co.	1,189,414	804,000
95,000	Energizer Holdings Inc.	4,418,480	6,925,500
115,000	Fortune Brands Inc.	5,451,150	6,928,750
2,266	Givaudan SA	653,003	2,445,341
60,000	Hanesbrands Inc.	1,376,148	1,524,000
30,000	Harley-Davidson Inc.	1,393,692	1,040,100
4,000	Jarden Corp.	91,909	123,480
8,000	Mattel Inc.	144,000	203,440
13,000	National Presto Industries Inc.	408,869	1,690,130
10,000	Oil-Dri Corp. of America	171,255	214,900
56,000	Reckitt Benckiser Group plc	1,721,681	3,077,642
33,000	Svenska Cellulosa AB, Cl. B	450,176	521,080
890,000	Swedish Match AB	9,822,659	25,764,499
1,000	The Estee Lauder Companies Inc., Cl. A	72,260	80,700
		30,370,128	57,058,696
	Automotive: Parts and Accessories 3.9%		
91,000	BorgWarner Inc.	1,793,704	6,584,760
157,000	CLARCOR Inc.	1,274,041	6,733,730
215,000	Dana Holding Corp.	1,440,698	3,700,150
272,000	Genuine Parts Co.	9,655,727	13,964,480
169,000	Johnson Controls Inc.	3,607,709	6,455,800
135,000	Midas Inc.	1,878,589	1,094,850
280,000	Modine Manufacturing Co.	6,249,296	4,340,000
113,000	O Reilly Automotive Inc.	3,284,666	6,827,460
175,000	Standard Motor Products Inc.	1,873,526	2,397,500
45,000	Superior Industries International Inc.	919,172	954,900
		31,977,128	53,053,630
	Health Care 3.6%		
12,000	Abbott Laboratories	506,418	574,920
14,046	Allergan Inc.	655,380	964,539
38,000	Amgen Inc.	2,221,438	2,086,200
38,000	Baxter International Inc.	1,967,745	1,923,560
35,000	Beckman Coulter Inc.	2,559,900	2,633,050

3,500	Becton, Dickinson and Co.	283,140	295,820
35,000	Biogen Idec Inc.	806,669	2,346,750
200,000	Boston Scientific Corp.	1,962,585	1,514,000
85,000	Bristol-Myers Squibb Co.	2,152,363	2,250,800
1,000	Cephalon Inc.	57,920	61,720
52,000	Covidien plc	2,061,309	2,374,320
5,000	Endo Pharmaceuticals Holdings Inc.	176,446	178,550
30,000	Henry Schein Inc.	764,324	1,841,700
15,000	Hospira Inc.	528,513	835,350
45,000	Johnson & Johnson	2,919,812	2,783,250
74,000	Life Technologies Corp.	1,938,480	4,107,000
51,000	Mead Johnson Nutrition Co.	2,186,697	3,174,750
100,000	Merck & Co. Inc.	2,237,482	3,604,000
10,000	Nobel Biocare Holding AG	286,712	188,556
97,000	Novartis AG, ADR	4,333,718	5,718,150
95,000	UnitedHealth Group Inc.	4,478,503	3,430,450
10,000	Warner Chilcott plc, Cl. A	239,465	225,600
4,000	Waters Corp.	285,470	310,840
12,000	Watson Pharmaceuticals Inc.	491,936	619,800
64,000	William Demant Holding A/S	2,909,321	4,727,100
7,000	Zimmer Holdings Inc.	339,145	375,760
		39,350,891	49,146,535
	Machinery 2.7%		
15,000	Caterpillar Inc.	101,378	1,404,900
27,000	CNH Global NV	402,613	1,288,980
405,000	Deere & Co. (a)	11,857,416	33,635,250
		12,361,407	36,329,130
	Consumer Services 2.5%		
100,000	IAC/InterActiveCorp.	2,555,272	2,870,000
215,000	Liberty Media Corp. - Interactive, Cl. A	4,583,311	3,390,550
1,427,845	Rollins Inc.	9,754,264	28,199,939
		16,892,847	34,460,489
	Retail 2.2%		
100,000	AutoNation Inc.	1,070,027	2,820,000
500	AutoZone Inc.	43,965	136,295
5,000	Best Buy Co. Inc.	170,200	171,450
7,000	Big Lots Inc.	210,860	213,220
18,000	BJ s Wholesale Club Inc.	832,298	862,200
40,000	Coldwater Creek Inc.	157,162	126,800
40,000	Costco Wholesale Corp.	1,843,960	2,888,400
115,000	CVS Caremark Corp.	3,957,699	3,998,550
29,000	HSN Inc.	513,331	888,560
5,000	J. Crew Group Inc.	219,246	215,700
390,000	Macy s Inc.	7,012,577	9,867,000
50,000	Sally Beauty Holdings Inc.	416,927	726,500

5,000	The Children s Place Retail Stores Inc.	245,384	248,200
50,000	Wal-Mart Stores Inc.	2,439,000	2,696,500
80,000	Walgreen Co.	2,690,043	3,116,800
22,000	Whole Foods Market Inc.	447,986	1,112,980
		22,270,665	30,089,155
	Publishing 2.2%		
500,000	Il Sole 24 Ore SpA	4,134,104	924,058
150,000	Media General Inc., Cl. A	5,150,736	867,000
114,000	Meredith Corp.	4,806,823	3,950,100
1,275,000	News Corp., Cl. A (a)	16,187,375	18,564,000
20,000	News Corp., Cl. B	186,274	328,400
27,000	The E.W. Scripps Co., Cl. A	172,847	274,050
130,000	The McGraw-Hill Companies Inc.	5,211,271	4,733,300
		35,849,430	29,640,908
	Business Services 2.0%		
6,000	ACCO Brands Corp.	77,008	51,120
18,000	Ascent Media Corp., Cl. A	550,594	697,680
145,000	Clear Channel Outdoor Holdings Inc., Cl. A	2,305,342	2,035,800
180,000	Contax Participacoes SA, ADR	73,939	657,000
100,000	Diebold Inc.	3,782,286	3,205,000
5,230	Edenred	94,604	123,808
200,000	G4S plc	0	793,888
1,000	Hertz Global Holdings Inc.	7,031	14,490
12,000	Jardine Matheson Holdings Ltd.	289,300	528,000
91,000	Landauer Inc.	2,492,235	5,457,270
40,500	MasterCard Inc., Cl. A	1,780,529	9,076,455
30,000	Monster Worldwide Inc.	533,936	708,900
330,000	The Interpublic Group of Companies Inc.	2,811,358	3,504,600
8,000	Visa Inc., Cl. A	352,000	563,040
		15,150,162	27,417,051
	Specialty Chemicals 2.0%		
12,000	Ashland Inc.	200,880	610,320
28,000	E.I. du Pont de Nemours and Co.	1,155,798	1,396,640

See accompanying notes to financial statements.

THE GABELLI EQUITY TRUST INC.
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2010

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Specialty Chemicals (Continued)		
455,000	Ferro Corp.	$ 5,432,442	$ 6,661,200
4,000	FMC Corp.	136,430	319,560
45,000	H.B. Fuller Co.	620,163	923,400
70,000	International Flavors & Fragrances Inc.	3,296,486	3,891,300
270,000	Omnova Solutions Inc.	1,693,885	2,257,200
235,000	Sensient Technologies Corp.	4,294,444	8,631,550
100,000	Zep Inc.	1,293,508	1,988,000
		18,124,036	26,679,170
	Hotels and Gaming 1.9%		
20,000	Accor SA	694,524	889,982
197,000	Gaylord Entertainment Co.	5,070,213	7,080,180
70,000	Genting Singapore plc	52,525	119,453
37,000	Interval Leisure Group Inc.	712,898	597,180
1,500,087	Ladbrokes plc	10,712,466	2,869,670
50,000	Las Vegas Sands Corp.	260,857	2,297,500
3,900,000	Mandarin Oriental International Ltd.	7,272,574	8,073,000
29,000	MGM Resorts International	158,500	430,650
32,000	Orient-Express Hotels Ltd., Cl. A	473,395	415,680
65,000	Pinnacle Entertainment Inc.	310,631	911,300
34,000	Starwood Hotels & Resorts Worldwide Inc.	520,597	2,066,520
200,000	The Hongkong & Shanghai Hotels Ltd.	155,450	342,734
2,000	Wynn Resorts Ltd.	74,539	207,680
		26,469,169	26,301,529
	Aviation: Parts and Services 1.9%		
345,000	Curtiss-Wright Corp.	4,896,861	11,454,000
305,000	GenCorp Inc.	2,789,615	1,576,850
89,000	Precision Castparts Corp.	4,580,068	12,389,690
		12,266,544	25,420,540
	Aerospace 1.9%		
638,462	BBA Aviation plc	1,531,666	2,205,849
27,800	Kaman Corp.	595,372	808,146
4,000	Lockheed Martin Corp.	234,360	279,640
40,000	Northrop Grumman Corp.	2,270,086	2,591,200
1,200,000	Rolls-Royce Group plc	9,166,092	11,655,749
76,800,000	Rolls-Royce Group plc., Cl. C	121,203	119,738

117,000	The Boeing Co.	7,147,925	7,635,420
		21,066,704	25,295,742
	Communications Equipment 1.7%		
20,000	Cisco Systems Inc.	408,100	404,600
460,000	Corning Inc.	3,898,919	8,887,200
200,000	Motorola Inc.	1,598,314	1,814,000
247,000	Thomas & Betts Corp.	8,097,864	11,930,100
		14,003,197	23,035,900
	Wireless Communications 1.3%		
76,000	America Movil SAB de CV, Cl. L, ADR .	1,086,757	4,357,840
10,000	Millicom International Cellular SA	1,000,288	956,000
1,500	NTT DoCoMo Inc.	2,980,751	2,619,781
32,165	Tim Participacoes SA, ADR	390,212	1,098,113
115,400	United States Cellular Corp.	5,343,392	5,763,076
56,938	Vivo Participacoes SA, ADR	2,233,072	1,855,609
66,000	Vodafone Group plc, ADR	1,752,720	1,744,380
		14,787,192	18,394,799
	Metals and Mining 1.3%		
15,000	Agnico-Eagle Mines Ltd.	717,413	1,150,500
53,000	Alcoa Inc.	749,463	815,670
85,000	Barrick Gold Corp.	2,488,800	4,520,300
4,000	Freeport-McMoRan Copper & Gold Inc.	102,895	480,360
49,000	Ivanhoe Mines Ltd.	367,582	1,123,080
52,000	New Hope Corp. Ltd.	70,252	257,950
155,000	Newmont Mining Corp.	4,747,145	9,521,650
		9,243,550	17,869,510
	Electronics 1.2%		
20,000	Bel Fuse Inc., Cl. A	591,897	510,100
4,000	Hitachi Ltd., ADR	287,076	213,400
100,000	Intel Corp.	2,148,940	2,103,000
35,000	Koninklijke Philips Electronics NV	48,221	1,074,500
75,000	LSI Corp.	442,152	449,250
20,000	MEMC Electronic Materials Inc.	253,051	225,200
2,400	Mettler-Toledo International Inc.	337,270	362,904
35,000	Molex Inc., Cl. A	779,893	660,450
2,000	Rovi Corp.	33,295	124,020
275,000	Texas Instruments Inc.	6,623,135	8,937,500
59,000	Tyco Electronics Ltd.	2,264,250	2,088,600
		13,809,180	16,748,924
	Environmental Services 1.0%		
215,000	Republic Services Inc.	4,602,429	6,419,900

190,000	Waste Management Inc. (a)	4,812,032	7,005,300
		9,414,461	13,425,200
	Broadcasting 0.9%		
330,000	CBS Corp., Cl. A, Voting	9,794,431	6,279,900
2,000	Cogeco Inc.	39,014	75,410
25,334	Corus Entertainment Inc., Cl. B, OTC .	46,981	566,215
6,666	Corus Entertainment Inc., Cl. B, Toronto	12,406	148,498
36,000	Gray Television Inc.	97,892	67,320
77,000	Liberty Media Corp. Capital, Cl. A	990,182	4,817,120
40,000	LIN TV Corp., Cl. A	300,656	212,000
100,000	Television Broadcasts Ltd.	396,239	540,346
		11,677,801	12,706,809
	Agriculture 0.9%		
5,000	Agrium Inc.	412,700	458,750
280,000	Archer-Daniels-Midland Co.	6,436,364	8,422,400
21,000	Monsanto Co.	938,179	1,462,440
15,000	Syngenta AG, ADR	189,981	881,700
15,000	The Mosaic Co.	516,110	1,145,400
		8,493,334	12,370,690
	Automotive 0.9%		
122,000	Navistar International Corp.	3,144,177	7,065,020
87,750	PACCAR Inc.	388,556	5,038,605
		3,532,733	12,103,625
	Computer Software and Services 0.7%		
45,000	AOL Inc.	1,286,238	1,066,950
10,000	Check Point Software Technologies Ltd.	169,874	462,600
95,000	NCR Corp.	1,582,259	1,460,150
28,000	Rockwell Automation Inc.	976,136	2,007,880
10,000	Symantec Corp.	170,750	167,400
285,000	Yahoo! Inc.	6,875,436	4,739,550
		11,060,693	9,904,530

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2010

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Transportation 0.7%		
460,000	AMR Corp.	$ 4,436,464	$ 3,583,400
158,000	GATX Corp.	4,217,308	5,574,240
3,000	Grupo TMM SA, Cl. A, ADR	6,660	7,650
		8,660,432	9,165,290
	Closed-End Funds 0.4%		
30,000	Royce Value Trust Inc.	368,797	436,200
103,000	The Central Europe and Russia Fund Inc.	2,379,790	4,309,520
70,957	The New Germany Fund Inc.	765,717	1,114,734
		3,514,304	5,860,454
	Real Estate 0.4%		
55,500	Griffin Land & Nurseries Inc.	529,368	1,797,090
164,000	The St. Joe Co.	7,702,775	3,583,400
		8,232,143	5,380,490
	Manufactured Housing and Recreational Vehicles 0.1%		
6,400	Martin Marietta Materials Inc.	132,795	590,336
9,500	Nobility Homes Inc.	185,367	77,045
30,500	Skyline Corp.	1,025,011	795,440
		1,343,173	1,462,821
	Real Estate Investment Trusts 0.1%		
2,000	Camden Property Trust	37,490	107,960
24,984	Rayonier Inc.	798,811	1,312,160
		836,301	1,420,120
	Computer Hardware 0.1%		
110,000	Xerox Corp.	1,158,055	1,267,200
	Exchange Traded Notes 0.0%		
12,500	iPath S&P 500 VIX Short-Term Futures	682,835	469,875
	TOTAL COMMON STOCKS	933,569,051	1,357,506,808
	CONVERTIBLE PREFERRED STOCKS 0.1%		

	Telecommunications 0.1%		
23,000	Cincinnati Bell Inc., 6.750% Cv. Pfd., Ser. B	720,607	937,710
	RIGHTS 0.0%		
	Metals and Mining 0.0%		
49,000	Ivanhoe Mines Ltd., expire 01/26/11	0	68,600
	WARRANTS 0.0%		
	Retail 0.0%		
150,000	Talbots Inc., expire 04/06/15	450,000	196,500
	Energy and Utilities 0.0%		
12,183	GenOn Energy Inc., expire 01/03/11 (b)	36,353	85
	TOTAL WARRANTS	486,353	196,585

Principal Amount		**Cost**	**Market Value**
	CONVERTIBLE CORPORATE BONDS 0.2%		
	Diversified Industrial 0.2%		
$ 2,000,000	Griffon Corp., Sub. Deb. Cv., 4.000%, 01/15/17 (e)	$ 2,000,000	$ 2,187,500
	Retail 0.0%		
2,000,000	The Great Atlantic & Pacific Tea Co. Inc., Cv., 5.125%, 06/15/11 (b)	1,976,465	630,000
	TOTAL CONVERTIBLE CORPORATE BONDS	3,976,465	2,817,500
	CORPORATE BONDS 0.0%		
	Consumer Products 0.0%		
1,000,000	Pillowtex Corp., Sub. Deb., 9.000%, 12/15/11 (b)	0	0
	U.S. GOVERNMENT OBLIGATIONS 0.2%		
2,790,000	U.S. Treasury Bills, 0.105% to 0.180% , 02/10/11 to 06/30/11	2,789,330	2,789,341
	TOTAL INVESTMENTS 100.0%	$ 941,541,806	1,364,316,544

Notional Amount		**Termination Date**	**Unrealized Appreciation/ Depreciation**
	EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS		
$ 584,107 (60,000 Shares)	Rolls-Royce Group plc	06/27/11	(10,539)
17,901 (11,520,000 Shares)	Rolls-Royce Group plc, Cl. C	06/27/11	17.961
			7,422

TOTAL EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS

Number of Contracts			Expiration Date
	FUTURES CONTRACTS SHORT POSITION		
455	S & P 500 E-Mini Futures	03/18/2011	36,855

	Market Value
Other Assets and Liabilities (Net)	(189,162)
PREFERRED STOCK	
(8,218,262 preferred shares outstanding)	(305,356,550)
NET ASSETS COMMON STOCK	
(180,857,486 common shares outstanding)	$ 1,058,815,109
NET ASSET VALUE PER COMMON SHARE	
($1,058,815,109 ÷ 180,857,486 shares outstanding)	$ 5.85

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2010

(a) Securities, or a portion thereof, with a value of $90,247,600 were pledged as collateral for futures contracts.

(b) Security fair valued under procedures established by the Board of Directors. The procedures may include reviewing available financial information about the company and reviewing the valuation of comparable securities and other factors on a regular basis. At December 31, 2010, the market value of fair valued securities amounted to $721,276 or 0.05% of total investments.

(c) Denoted in units.

(d) At December 31, 2010, the Fund held an investment in a restricted security amounting to $27,263 or 0.00% of total investments, which were valued under methods approved by the Board of Directors as follows:

Acquisition Shares	Issuer	Acquisition Date	Acquisition Cost	12/31/10 Carrying Value Per Unit
7,040,836	Cable & Wireless Jamaica Ltd.	09/30/93	$ 128,658	$ 0.0040

(e) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2010, the market value of the Rule 144A security amounted to $2,187,500 or 0.16% of total investments.

Non-income producing security.

Represents annualized yield at date of purchase.

ADR American Depositary Receipt

CVO Contingent Value Obligation

Geographic Diversification	% of Market Value	Market Value
North America	80.5%	$ 1,097,683,223
Europe	14.2	193,748,884
Latin America	3.7	50,159,437
Japan	1.5	20,936,518
Asia/Pacific	0.1	1,788,482
Total Investments	100.0%	$ 1,364,316,544

See accompanying notes to financial statements.

THE GABELLI EQUITY TRUST INC.
STATEMENT OF ASSETS AND LIABILITIES
December 31, 2010

Assets:	
Investments, at value (cost $941,541,806)	$ 1,364,316,544
Foreign currency, at value (cost $2,494)	2,519
Cash	30,155
Receivable for investments sold	3,303,472
Dividends and interest receivable	1,891,829
Unrealized appreciation on swap contracts	17,961
Variation margin receivable	36,855
Prepaid expense	31,236
Total Assets .	1,369,630,571
Liabilities:	
Payable for investments purchased	259,442
Distributions payable	176,494
Payable for investment advisory fees	3,950,715
Payable for payroll expenses	38,846
Payable for accounting fees	7,500
Payable for auction agent fees	716,533
Unrealized depreciation on swap contracts	10,539
Other accrued expenses	298,843
Total Liabilities	5,458,912
Preferred Stock:	
Series C Cumulative Preferred Stock (Auction Market, $25,000 liquidation value, $0.001 par value, 5,200 shares authorized with 2,880 shares issued and outstanding)	72,000,000
Series D Cumulative Preferred Stock (5.875%, $25 liquidation value, $0.001 par value, 3,000,000 shares authorized with 2,363,860 shares issued and outstanding)	59,096,500
Series E Cumulative Preferred Stock (Auction Rate, $25,000 liquidation value, $0.001 par value, 2,000 shares authorized with 1,120 shares issued and outstanding)	28,000,000
Series F Cumulative Preferred Stock (6.200%, $25 liquidation value, $0.001 par value, 6,000,000 shares authorized with 5,850,402 shares issued and outstanding)	146,260,050
Total Preferred Stock	305,356,550
Net Assets Attributable to Common Shareholders	$ 1,058,815,109
Net Assets Attributable to Common Shareholders Consist of:	
Paid-in capital	$ 723,691,721
Accumulated distributions in excess of net investment income	(857,916)
Accumulated net realized loss on investments, futures contracts, swap contracts, and foreign currency transactions	(86,021,319)
Net unrealized appreciation on investments	422,774,738
Net unrealized depreciation on futures contracts	(801,745)

Net unrealized appreciation on swap contracts	7,422
Net unrealized appreciation on foreign currency translations	22,208
Net Assets	$ 1,058,815,109
Net Asset Value per Common Share:	
($1,058,815,109 ÷ 180,857,486 shares outstanding at $0.001 par value; 246,000,000 shares authorized)	$ 5.85

STATEMENT OF OPERATIONS
For the Year Ended December 31, 2010

Investment Income:	
Dividends (net of foreign withholding taxes of $657,367)	$ 22,750,852
Interest	200,832
Total Investment Income	22,951,684
Expenses:	
Investment advisory fees	12,514,560
Shareholder communications expenses	412,895
Payroll expenses	178,830
Custodian fees .	168,802
Directors fees .	143,994
Offering expense for issuance of preferred shares	143,532
Shareholder services fees	127,652
Legal and audit fees	82,711
Auction agent fees	50,960
Accounting fees	45,000
Interest expense	3,718
Tax expense	3,344
Miscellaneous expenses	349,893
Total Expenses	14,225,891
Net Investment Income	8,725,793
Net Realized and Unrealized Gain/(Loss) on Investments, Futures Contracts, Swap Contracts, and Foreign Currency:	
Net realized loss on investments	(5,536,868)
Net realized loss on futures contracts	(2,177,505)
Net realized gain on swap contracts	323,726
Net realized loss on foreign currency transactions	(63,157)
Net realized loss on investments, futures contracts, swap contracts, and foreign currency transactions	(7,453,804)
Net change in unrealized appreciation/depreciation:	
on investments	253,073,947
on futures contracts	(801,745)
on swap contracts	37,488

on foreign currency translations	17,847
Net change in unrealized appreciation/depreciation on investments, futures contracts, swap contracts, and foreign currency translations	252,327,537
Net Realized and Unrealized Gain/(Loss) on Investments, Futures Contracts, Swap Contracts, and Foreign Currency	244,873,733
Net Increase in Net Assets Resulting from Operations	253,599,526
Total Distributions to Preferred Stock Shareholders	(12,839,531)
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	$ 240,759,995

See accompanying notes to financial statements.

THE GABELLI EQUITY TRUST INC.
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS

	Year Ended December 31, 2010	Year Ended December 31, 2009
Operations:		
Net investment income	$ 8,725,793	$ 11,574,335
Net realized loss on investments, futures contracts, swap contracts, and foreign currency transactions	(7,453,804)	(55,179,842)
Net change in unrealized appreciation on investments, futures contracts, swap contracts, and foreign currency translations	252,327,537	344,037,176
Net Increase in Net Assets Resulting from Operations	253,599,526	300,431,669
Distributions to Preferred Shareholders:		
Net investment income	(9,224,573)	(12,991,753)
Return of capital	(3,614,958)	
Total Distributions to Preferred Shareholders	(12,839,531)	(12,991,753)
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	240,759,995	287,439,916
Distributions to Common Shareholders:		
Net investment income		(17,615)
Return of capital	(92,239,189)	(127,616,760)
Total Distributions to Common Shareholders	(92,239,189)	(127,634,375)
Fund Share Transactions:		
Net increase in net assets from common shares issued upon reinvestment of distributions		26,068,179
Net increase in net assets attributable to common shareholders from repurchase of preferred shares		319,017
Recapture of gain on sale of Fund shares by an affiliate	25,488	
Net Increase in Net Assets from Fund Share Transactions	25,488	26,387,196
Net Increase in Net Assets Attributable to Common Shareholders	148,546,294	186,192,737

Net Assets Attributable to Common Shareholders:				
Beginning of period		910,268,815		724,076,078
End of period (including undistributed net investment income of $0 and $0, respectively)	$	1,058,815,109	$	910,268,815

See accompanying notes to financial statements.

THE GABELLI EQUITY TRUST INC.
FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout each period:

	Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Operating Performance:					
Net asset value, beginning of period	$ 5.03	$ 4.14	$ 9.22	$ 9.40	$ 8.10
Net investment income	0.05	0.06	0.12	0.14	0.18
Net realized and unrealized gain/(loss) on investments, written options, futures contracts, swap contracts, and foreign currency transactions	1.35	1.62	(4.30)	1.12	2.18
Total from investment operations	1.40	1.68	(4.18)	1.26	2.36
Distributions to Preferred Shareholders:(a)					
Net investment income	(0.05)	(0.07)	(0.11)	(0.02)	(0.03)
Net realized gain				(0.12)	(0.12)
Return of capital	(0.02)				
Total distributions to preferred shareholders	(0.07)	(0.07)	(0.11)	(0.14)	(0.15)
Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations	1.33	1.61	(4.29)	1.12	2.21
Distributions to Common Shareholders:					
Net investment income		(0.00)(e)	(0.00)(e)	(0.12)	(0.16)
Net realized gain				(0.57)	(0.72)
Return of capital	(0.51)	(0.72)	(0.80)	(0.61)	
Total distributions to common shareholders	(0.51)	(0.72)	(0.80)	(1.30)	(0.88)
Fund Share Transactions:					
Increase in net asset value from common stock share transactions		0.00(e)	0.01		
Increase in net asset value from repurchase of preferred shares		0.00(e)	0.00(e)		

Recapture of gain on sale of Fund shares by an affiliate	0.00(e)				
Offering costs for preferred shares charged to paid-in capital			0.00(e)		(0.03)
Offering costs for issuance of rights charged to paid-in capital					(0.00)(e)
Total fund share transactions	0.00(e)	0.00(e)	0.01		(0.03)
Net Asset Value Attributable to Common Shareholders, End of Period	$ 5.85	$ 5.03	$ 4.14	$ 9.22	$ 9.40
NAV total return	28.15%	44.10%	(49.06)%	12.14%	28.17%
Market value, end of period	$ 5.67	$ 5.04	$ 3.70	$ 9.28	$ 9.41
Investment total return	23.96%	61.56%	(54.77)%	12.75%	29.42%

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.
FINANCIAL HIGHLIGHTS (Continued)

Selected data for a share outstanding throughout each period:

	Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Ratios to Average Net Assets and Supplemental Data:					
Net assets including liquidation value of preferred shares, end of period (in 000 s)	$ 1,364,172	$ 1,215,626	$ 1,106,614	$ 1,990,123	$ 2,114,399
Net assets attributable to common shares, end of period (in 000 s)	$ 1,058,815	$ 910,269	$ 724,076	$ 1,586,381	$ 1,586,906
Ratio of net investment income to average net assets attributable to common shares before preferred distributions	0.92%	1.53%	1.73%	1.16%	2.12%
Ratio of operating expenses to average net assets attributable to common shares before fees waived	1.50%	1.74%	1.52%		
Ratio of operating expenses to average net assets attributable to common shares net of fee reduction, if any	1.50%	1.72%	1.19%	1.46%	1.43%
Ratio of operating expenses to average net assets including liquidation value of preferred shares before fees waived	1.14%	1.22%	1.14%		
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of fee reduction, if any	1.14%	1.20%	0.89%	1.17%	1.11%
Portfolio turnover rate	5.5%	6.7%	13.5%	17.2%	29.5%
Preferred Stock:					
7.200% Series B Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)					$ 123,750
Total shares outstanding (in 000 s)					4,950
Liquidation preference per share					$ 25.00
Average market value (b)					$ 25.27
Asset coverage per share					$ 100.21

Auction Rate Series C Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)	$ 72,000	$ 72,000	$ 117,000	$ 130,000	$ 130,000
Total shares outstanding (in 000 s)	3	3	5	5	5
Liquidation preference per share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Average market value (c)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Asset coverage per share	$ 111,687	$ 99,525	$ 72,320	$ 123,230	$ 100,211
5.875% Series D Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)	$ 59,097	$ 59,097	$ 72,532	$ 73,743	$ 73,743
Total shares outstanding (in 000 s)	2,364	2,364	2,901	2,950	2,950
Liquidation preference per share	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
Average market value (b)	$ 25.03	$ 23.39	$ 22.69	$ 23.86	$ 23.98
Asset coverage per share	$ 111.69	$ 99.53	$ 72.32	$ 123.23	$ 100.21
Auction Rate Series E Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)	$ 28,000	$ 28,000	$ 45,000	$ 50,000	$ 50,000
Total shares outstanding (in 000 s)	1	1	2	2	2
Liquidation preference per share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Average market value (c)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Asset coverage per share	$ 111,687	$ 99,525	$ 72,320	$ 123,230	$ 100,211
6.200% Series F Cumulative Preferred Stock					
Liquidation value, end of period (in 000 s)	$ 146,260	$ 146,260	$ 148,007	$ 150,000	$ 150,000
Total shares outstanding (in 000 s)	5,850	5,850	5,920	6,000	6,000
Liquidation preference per share	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
Average market value (b)	$ 25.71	$ 24.08	$ 23.48	$ 24.69	$ 25.12
Asset coverage per share	$ 111.69	$ 99.53	$ 72.32	$ 123.23	$ 100.21
Asset Coverage (d)	447%	398%	289%	493%	401%

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

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

Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the years ended December 31, 2007 and 2006, would have been 27.3% and 33.1%, respectively.

(a) Calculated based upon average common shares outstanding on the record dates throughout the periods.

(b) Based on weekly prices.

(c) Based on weekly auction prices. Since February 2008, the weekly auctions have failed. Holders that have submitted orders have not been able to sell any or all of their shares in the auctions.

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

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

See accompanying notes to financial statements.

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization. The Gabelli Equity Trust Inc. (the Equity Trust) is a non-diversified closed-end management investment company organized as a Maryland corporation on May 20, 1986 and registered under the Investment Company Act of 1940, as amended (the 1940 Act), whose primary objective is long-term growth of capital. Investment operations commenced on August 21, 1986.

The Equity Trust will invest at least 80% of its assets in equity securities under normal market conditions (the 80% Policy). The 80% Policy may be changed without shareholder approval. The Equity Trust will provide shareholders with notice at least sixty days prior to the implementation of any changes in the 80% Policy.

2. Significant Accounting Policies. The Fund s financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), which may require the use of management estimates and assumptions. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

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

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

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

The inputs and valuation techniques used to measure fair value of the Fund s investments are summarized into three levels as described in the hierarchy below:

Level 1 quoted prices in active markets for identical securities;

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and

Level 3 significant unobservable inputs (including the Fund s determinations as to the fair value of investments).

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund s investments in securities and other financial instruments by inputs used to value the Fund s investments as of December 31, 2010 is as follows:

		Valuation Inputs		
	Level 1 Quoted Prices	**Level 2 Other Significant Observable Inputs**	**Level 3 Significant Unobservable Inputs**	**Total Market Value at 12/31/10**
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Energy and Utilities	$ 96,661,119	$ 15,250	$ 0	$ 96,676,369
Entertainment	73,900,988		91,191	73,992,179
Aerospace	25,176,004	119,738		25,295,742
Other Industries (a)	1,161,542,518			1,161,542,518
Total Common Stocks	1,357,280,629	134,988	91,191	1,357,506,808
Convertible Preferred Stocks (a)	937,710			937,710
Rights (a)	68,600			68,600
Warrants:				
Retail	196,500			196,500
Energy and Utilities			85	85
Total Warrants	196,500		85	196,585
Convertible Corporate Bonds		2,187,500	630,000	2,817,500
Corporate Bonds			0	0
U.S. Government Obligations		2,789,341		2,789,341
TOTAL INVESTMENTS IN SECURITIES ASSETS	$1,358,483,439	$ 5,111,829	$ 721,276	$1,364,316,544
OTHER FINANCIAL INSTRUMENTS:				
ASSETS (Unrealized Appreciation):*				
EQUITY CONTRACT				
Contract for Difference Swap Agreement	$	$ 17,961	$	$ 17,961

	Level 1	Level 2	Level 3	Total
LIABILITIES (Unrealized Depreciation):*				
EQUITY CONTRACTS				
Contract for Difference Swap Agreement		(10,539)		(10,539)
Futures Contracts Sold (b)	(801,745)			(801,745)
TOTAL OTHER FINANCIAL INSTRUMENTS	$ (801,745)	$ 7,422	$	$ (794,323)

(a) Please refer to the Schedule of Investments (SOI) for the industry classifications of these portfolio holdings.

(b) Represents cumulative unrealized depreciation of futures contracts as reported in the Notes to Financial Statements.

* Other financial instruments are derivatives reflected in the SOI, such as futures, forwards, and swaps, which are valued at the unrealized appreciation/depreciation of the instrument.

The Fund did not have significant transfers between Level 1 and Level 2 during the year ended December 31, 2010.

The following table reconciles Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Balance as of 12/31/09	**Accrued discounts/ (premiums)**	**Realized gain/ (loss)**	**Change in unrealized appreciation/ depreciation**	**Net purchases/ (sales)**	**Transfers into Level 3**	**Transfers out of Level 3**	**Balance as of 12/31/10**	**Net change in unrealized appreciation/ depreciation during the period on Level 3 investments held at 12/31/10**
INVESTMENTS IN SECURITIES:									
ASSETS (Market Value):									
Common Stocks:									
Energy and Utilities	$ 0	$	$	$	$	$	$	$ 0	$
Entertainment	67,527			23,664				91,191	23,664
Equipment and Supplies	0		(71,252)	71,252	(0)				
Total Common Stocks	67,527		(71,252)	94,916	(0)			91,191	23,664
Warrants				(5,763)		5,848		85	(5,763)

Convertible Corporate Bonds			(74,750)	(1,253,205)	(1,226,545)	3,184,500		630,000	(1,253,205)
Corporate Bonds	0							0	
TOTAL INVESTMENTS IN SECURITIES	$67,527	$	$(146,002)	$(1,164,052)	$(1,226,545)	$3,190,348	$	$721,276	$(1,235,304)

Net change in unrealized appreciation/depreciation on investments is included in the related amounts in the Statement of Operations.

The Fund s policy is to recognize transfers into and transfers out of Level 3 as of the beginning of the reporting period.

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

In January 2010, the Financial Accounting Standards Board (FASB) issued amended guidance to improve disclosure about fair value measurements which requires additional disclosures about transfers between Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). FASB also clarified existing disclosure requirements relating to the levels of disaggregation of fair value measurement and inputs and valuation techniques used to measure fair value. The amended guidance is effective for financial statements for fiscal years beginning after December 15, 2009 and interim periods within those fiscal years. Management has adopted the amended guidance and determined that there was no material impact to the Fund s financial statements except for additional disclosures made in the notes. Disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Management is currently evaluating the impact of the additional disclosure requirements on the Fund s financial statements.

Derivative Financial Instruments.

The Fund may engage in various portfolio investment strategies by investing in a number of derivative financial instruments for the purpose of increasing the income of the Fund, hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase, or hedging against a specific transaction with respect to either the currency in which the transaction is denominated or another currency. Investing in certain derivative financial instruments, including participation in the options, futures, or swap markets, entails certain execution, liquidity, hedging, tax, and securities, interest, credit, or currency market risks. Losses may arise if the Adviser s prediction of movements in the direction of the securities, foreign currency, and interest rate markets is inaccurate. Losses may also arise if the counterparty does not perform its duties under a contract, or that, in the event of default, the Fund may be delayed in or prevented from obtaining payments or other contractual remedies owed to it under derivative contracts. The creditworthiness of the counterparties is closely monitored in order to minimize these risks. Participation in derivative transactions involves investment risks, transaction costs, and potential losses to which the Fund would not be subject absent the use of these strategies. The consequences of these risks, transaction costs, and losses may have a negative impact on the Fund s ability to pay distributions.

The Fund s derivative contracts held at December 31, 2010, if any, are not accounted for as hedging instruments under GAAP.

Options. The Fund may purchase or write call or put options on securities or indices for the purpose of achieving additional return or for hedging the value of the Fund s portfolio. As a writer of put options, the Fund receives a premium at the outset and then bears the risk of unfavorable changes in the price of the financial instrument underlying the option. The Fund would incur a loss if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. The Fund would realize a gain, to the extent of the premium, if the price of the financial instrument increases between those dates. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a written put option is exercised, the premium reduces the cost basis of the security.

As a purchaser of put options, the Fund pays a premium for the right to sell to the seller of the put option the underlying security at a specified price. The seller of the put has the obligation to purchase the underlying security upon exercise at the exercise price. If the price of the underlying security declines, the Fund would realize a gain upon sale or exercise. If the price of the underlying security increases or stays the same, the Fund would realize a loss upon sale or at the expiration date, but only to the extent of the premium paid.

In the case of call options, these exercise prices are referred to as in-the-money, at-the-money, and out-of-the-money, respectively. The Fund may write (a) in-the-money call options when the Adviser expects that the price of the underlying security will remain stable or decline during the option period, (b) covered at-the-money call options when the Adviser expects that the price of the underlying security will remain stable, decline, or advance moderately during the option period, and (c) out-of-the-money call options when the Adviser expects that the premiums received from writing the call option will be greater than the appreciation in the price of the underlying security above the exercise price. By writing a call option, the Fund limits its opportunity to profit from any increase in the market value of the underlying security above the exercise price of the option. Out-of-the-money, at-the-money, and in-the-money put options (the reverse of call options as to the relation of exercise price to market price) may be utilized in the same market environments that such call options are used in equivalent transactions. During the year ended December 31, 2010 the Fund held no investments in options.

Swap Agreements. The Fund may enter into equity contract for difference, and interest rate swap or cap transactions for the purpose of increasing the income of the Fund or to hedge or protect its exposure to interest rate movements and movements in the securities markets. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Fund would agree to pay periodically to the other party (which is known as the counterparty) a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

periodically a variable rate payment that is intended to approximate the Fund s variable rate payment obligation on Series C Cumulative Preferred Stock and Series E Cumulative Preferred Stock. In an interest rate cap, the Fund would pay a premium to the counterparty and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from that counterparty payments of the difference based on the notional amount of such cap. Swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred stock dividends when due in accordance with the Articles Supplementary even if the counterparty defaulted. In an equity contract for difference, a set of future cash flows is exchanged between two counterparties. One of these cash flow streams will typically be based on a reference interest rate combined with the performance of a notional value of shares of a stock. The other will be based on the performance of the shares of a stock. Depending on the general state of short-term interest rates and the returns on the Fund s portfolio securities at the time a swap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction.

Unrealized gains related to swaps are reported as an asset and unrealized losses are reported as a liability in the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be received or paid on swaps, is reported as unrealized gain or loss in the Statement of Operations. A realized gain or loss is recorded upon receipt or payment of a periodic payment or termination of swap agreements. During the year ended December 31, 2010, the Fund held no investments in interest rate swap agreements.

The Fund has entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc. Details of the swaps at December 31, 2010 are reflected within the Schedule of Investments and further details are as follows:

Notional Amount	Equity Security Received	Interest Rate/ Equity Security Paid	Termination Date	Net Unrealized Appreciation/ Depreciation
	Market Value Appreciation on:	One Month LIBOR plus 90 bps plus Market Value Depreciation on:		
$584,107 (60,000 Shares)	Rolls-Royce Group plc	Rolls-Royce Group plc	6/27/11	$ (10,539)
17,901 (11,520,000 Shares)	Rolls-Royce Group plc, Cl. C	Rolls-Royce Group plc, Cl. C	6/27/11	17,961
				$ 7,422

The Fund s volume of activity in equity contract for difference swap agreements during the year ended December 31, 2010 had an average monthly notional amount of approximately $1,522,421.

As of December 31, 2010, the value of equity contract for difference swap agreements can be found in the Statement of Assets and Liabilities under Assets, Unrealized appreciation on swap contracts and under Liabilities, Unrealized depreciation on swap contracts. For the year ended December 31, 2010, the effect of equity contract for difference swap agreements can be found in the Statement of Operations under Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency, Net realized gain on swap contracts and Net change in unrealized appreciation on swap contracts.

Futures Contracts. The Fund may engage in futures contracts for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Upon entering into a futures contract, the Fund is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as the initial margin. Subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract, and are included in unrealized appreciation/depreciation on futures contracts. The Fund recognizes a realized gain or loss when the contract is closed. There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. Open positions in futures contracts at December 31, 2010 are reflected within the Schedule of Investments.

The Fund s volume of activity in equity futures contracts sold during the year ended December 31, 2010 had an average monthly notional value of approximately $8,857,424.

As of December 31, 2010, the value of equity futures contracts can be found in the Statement of Assets and Liabilities under Assets, Variation margin receivable. For the year ended December 31, 2010, the effect of equity futures contracts can be found in the Statement of Operations under Net Realized and Unrealized Gain/(Loss) on Investments, Futures Contracts, Swap Contracts, and Foreign Currency, Net realized loss on futures contracts and Net change in unrealized depreciation on futures contracts.

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for the purpose of hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on investments and foreign currency translations. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund s portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. During the year ended December 31, 2010, the Fund held no investments in forward foreign exchange contracts.

Repurchase Agreements. The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund s holding period. It is the policy of the Fund to receive and maintain securities as collateral whose market value is not less than their repurchase price. The Fund will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. At December 31, 2010, the Fund held no investments in repurchase agreements.

Investments in other Investment Companies. The Fund may invest, from time to time, in shares of other investment companies (or entities that would be considered investment companies but are excluded from the definition pursuant to certain exceptions under the 1940 Act) (the Acquired Funds) in accordance with the 1940 Act and related rules. Shareholders in the Fund would bear the pro rata portion of the periodic expenses of the Acquired Funds in addition to the Fund s expenses. For the year ended December 31, 2010, the Fund s pro rata portion of the periodic expenses charged by the Acquired Funds was 0.01%.

Foreign Currency Translations. The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments, and other assets and liabilities are translated into U.S. dollars at the current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange rate prevailing on the respective dates of such transactions. Unrealized gains and losses that result from changes in foreign exchange rates and/or changes in market prices of securities have been included in unrealized appreciation/depreciation on investments and foreign currency translations. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial purchase trade date and subsequent sale trade date is included in realized gain/loss on investments.

Foreign Securities. The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the inability to repatriate funds, less complete financial information about companies, and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S.

issuers.

Foreign Taxes. The Fund may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Restricted and Illiquid Securities. The Fund may invest up to 10% of its net assets in securities for which the markets are illiquid. Illiquid securities include securities the disposition of which is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. The Fund held no illiquid securities at December 31, 2010. For the restricted securities the Fund held as of December 31, 2010, refer to the Schedule of Investments.

Securities Transactions and Investment Income. Securities transactions are accounted for on the trade date with realized gain or loss on investments determined by using the identified cost method. Interest income (including amortization of premium and accretion of discount) is recorded on the accrual basis. Premiums and discounts on debt securities are amortized using the effective yield to maturity method. Dividend income is recorded on the ex-dividend date, except for certain dividends from foreign securities that are recorded as soon after the ex-dividend date as the Fund becomes aware of such dividends.

Custodian Fee Credits and Interest Expense. When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as Custodian fee credits. When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 110% of the 90 day Treasury Bill rate on outstanding balances. This amount, if any, would be included in interest expense in the Statement of Operations. There were no custodian fee credits earned during the year ended December 31, 2010.

Distributions to Shareholders. Distributions to common shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to the tax treatment of currency gains and losses, disallowed expenses related to offering expense, recharacterization of distributions, adjustments on the sale of a security no longer deemed a passive foreign investment company, distributions and basis adjustments on underlying investments and real estate investment trusts, and swap contract reclasses. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2010, reclassifications were made to decrease accumulated distributions in excess of net investment income by $515,769 and to increase accumulated net realized loss on investments, futures contracts, swap contracts, and foreign currency transactions by $373,897, with an offsetting adjustment to paid-in capital.

Under the Fund s distribution policy, the Fund declares and pays quarterly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. Pursuant to this policy, distributions during the year may be made in excess of required distributions. To the extent such distributions are made from current earnings and profits, they are considered ordinary income or long-term capital gains. The Fund s current distribution policy may restrict the Fund s ability to pass through to shareholders all of its net realized long-term capital gains as a Capital Gain Dividend, subject to the maximum federal income tax rate of 15%, and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate of 35%. Distributions sourced from paid-in capital should not be considered as dividend yield or the total return from an investment in the Fund. The Board will continue to monitor the Fund s distribution level, taking into consideration the Fund s net asset value (NAV) and the financial market environment. The Fund s distribution policy is subject to modification by the Board at any time.

Distributions to shareholders of the Fund s Series C Auction Rate Cumulative Preferred Stock, 5.875% Series D Cumulative Preferred Stock, Series E Auction Rate Cumulative Preferred Stock, and 6.20% Series F Cumulative Preferred Stock (Cumulative Preferred Stock) are recorded on a daily basis and are determined as described in Note 5.

The tax character of distributions paid during the years ended December 31, 2010 and December 31, 2009 was as follows:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Common	Preferred	Common	Preferred
Distributions paid from:				
Ordinary income		$ 9,224,573	$ 17,615	$ 12,991,753
Return of capital	$ 92,239,189	3,614,958	127,616,760	
Total distributions paid	$ 92,239,189	$ 12,839,531	$ 127,634,375	$ 12,991,753

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THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

Provision for Income Taxes. The Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). It is the policy of the Fund to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of its net investment company taxable income and net capital gains. Therefore, no provision for federal income taxes is required.

The Fund paid a $3,344 corporate tax expense due to a previously unidentified passive foreign investment company investment held in prior years.

As of December 31, 2010, the components of accumulated earnings/losses on a tax basis were as follows:

Accumulated capital loss carryforwards	$ (72,413,822)
Net unrealized appreciation on investments, futures contracts, swap contracts, and foreign currency translations	407,802,924
Other temporary differences*	(265,714)
Total	$ 335,123,388

* Other temporary differences are primarily due to income adjustments from investments in hybrid and defaulted securities, and swap contract mark-to-market and accrual adjustments.

At December 31, 2010, the Fund had net capital loss carryforwards for federal income tax purposes of $72,413,822 which are available to reduce future required distributions of net capital gains to shareholders. $5,677,952 of the loss carryforward is available through 2016; $53,348,591 is available through 2017; and $13,387,279 is available through 2018.

At December 31, 2010, the temporary difference between book basis and tax basis net unrealized appreciation on investments was primarily due to deferral of losses from wash sales for tax purposes, basis adjustments on investments in real estate investment trusts and partnerships, adjustments on the sale of a security no longer deemed a passive foreign investment company, distribution and basis adjustments on underlying investments and real estate investment trusts, mark-to-market adjustments on investments in swap contracts, and mark-to-market adjustments on passive foreign investment companies.

The following summarizes the tax cost of investments and the related net unrealized appreciation at December 31, 2010:

	Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
Investments	$956,543,250	$505,772,095	$(97,998,801)	$407,773,294

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund s tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold. For the year ended December 31, 2010, the Fund did not incur any interest or penalties. As of December 31, 2010, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund s net assets or results of operations. Tax years ended December 31, 2007 through December 31, 2010 remain subject to examination by the Internal Revenue Service and state taxing authorities. On an ongoing basis, the Adviser will monitor the Fund s tax positions to determine if adjustments to this conclusion are necessary.

3. Agreements and Transactions with Affiliates. The Fund has entered into an investment advisory agreement (the Advisory Agreement) with the Adviser which provides that the Fund will pay the Adviser a fee, computed weekly and paid monthly, equal on an annual basis to 1.00% of the value of the Fund s average weekly net assets including the liquidation value of preferred stock. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund s portfolio and oversees the administration of all aspects of the Fund s business and affairs. The Adviser has agreed to reduce the management fee on the incremental assets attributable to the Cumulative Preferred Stock if the total return of the NAV of the common shares of the Fund, including distributions and advisory fee subject to reduction, does not exceed the stated dividend rate or corresponding swap rate of each particular series of the Cumulative Preferred Stock for the year.

The Fund s total return on the NAV of the common shares is monitored on a monthly basis to assess whether the total return on the NAV of the common shares exceeds the stated dividend rate of each particular series of Cumulative Preferred Stock for the period. For the year ended December 31, 2010, the Fund s total return on the NAV of the common shares exceeded the stated dividend rate of the outstanding Preferred Stock. Thus, advisory fees were accrued on these assets.

During the year ended December 31, 2010, the Fund paid brokerage commissions on security trades of $228,541 to Gabelli & Company, Inc. (Gabelli & Co.), an affiliate of the Adviser.

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

The cost of calculating the Fund s NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During the year ended December 31, 2010, the Fund paid or accrued $45,000 to the Adviser in connection with the cost of computing the Fund s NAV.

As per the approval of the Board, the Fund compensates officers of the Fund, who are employed by the Fund and are not employed by the Adviser (although the officers may receive incentive based variable compensation from affiliates of the Adviser) and pays its allocated portion of the cost of the Fund s Chief Compliance Officer. For the year ended December 31, 2010, the Fund paid or accrued $178,830 in payroll expenses in the Statement of Operations.

The Fund pays each Director who is not considered an affiliated person an annual retainer of $12,000 plus $1,500 for each Board meeting attended. Each Director is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive $1,000 per meeting attended, the Audit Committee Chairman receives an annual fee of $3,000, the Proxy Voting Committee Chairman receives an annual fee of $1,500, the Nominating Committee Chairman receives an annual fee of $2,000, and the Lead Director receives an annual fee of $1,000. A Director may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Directors who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

4. Portfolio Securities. Purchases and sales of securities for the year ended December 31, 2010, other than short-term securities and U.S. Government obligations, aggregated $68,311,548, and $165,481,753, respectively.

Sales of U.S. Government obligations for the year ended December 31, 2010, other than short-term obligations, aggregated $375,449.

5. Capital. The charter permits the Fund to issue 246,000,000 shares of common stock (par value $0.001) and authorizes the Board to increase its authorized shares from time to time. The Board has authorized the repurchase of its shares on the open market when the shares are trading on the NYSE at a discount of 10% or more (or such other percentage as the Board may determine from time to time) from the NAV of the shares. During the years ended December 31, 2010 and December 31, 2009, the Fund did not repurchase any shares of its common stock in the open market.

Transactions in common shares were as follows:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Shares	**Amount**	**Shares**	**Amount**
Net increase from shares issued upon reinvestment of distributions		$	5,943,836	$ 26,068,179
Net decrease from write-off of common shares	(5,502)			
Net increase/(decrease)	(5,502)	$	5,943,836	$ 26,068,179

The Fund s Articles of Incorporation, as amended, authorizes the issuance of up to 18,000,000 shares of $0.001 par value Cumulative Preferred Stock. The Cumulative Preferred Stock is senior to the common stock and results in the financial leveraging of the common stock. Such leveraging tends to magnify both the risks and opportunities to common shareholders. Dividends on shares of the Cumulative Preferred Stock are cumulative. The Fund is required by the 1940 Act and by the Articles Supplementary to meet certain asset coverage tests with respect to the Cumulative Preferred Stock. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Series C Auction Rate, 5.875% Series D, Series E Auction Rate, and 6.20% Series F Cumulative Preferred Stock at redemption prices of $25,000, $25, $25,000, and $25, respectively, per share plus an amount equal to the accumulated and unpaid dividends whether or not declared on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund s ability to pay dividends to common shareholders and could lead to sales of portfolio securities at inopportune times. The income received on the Fund s assets may vary in a manner unrelated to the fixed and variable rates, which could have either a beneficial or detrimental impact on net investment income and gains available to common shareholders.

A shelf registration authorizing the offering of an additional $500,000,000 of preferred shares was declared effective by the SEC on March 20, 2008. Offering costs of $143,532 relating to this shelf registration was written off in 2010.

On June 27, 2002, the Fund received net proceeds of $128,246,557 (after underwriting discounts of $1,300,000 and offering expenses of $453,443) from the public offering of 5,200 shares of Series C Auction Rate Cumulative Preferred Stock (Series C Stock). The dividend rate, as set by the auction process, which is generally held every seven days, is expected to vary with short-term interest rates. Since February 2008, the number of Series C Stock subject to bid orders by potential holders has been less than the number of Series C Stock subject to sell orders. Therefore, the weekly auctions have failed, and the dividend rate has been the maximum rate. Holders that have submitted sell orders have not been able to sell any or all of the Series C Stock for which they have

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

submitted sell orders. The current maximum rate is 150% of the AA Financial Composite Commercial Paper Rate. The dividend rates of Series C Stock ranged from 0.105% to 0.420% during the year ended December 31, 2010. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Shareholders of Series C Stock may also trade their shares in the secondary market. The Fund, at its option, may redeem the Series C Stock in whole or in part at the redemption price at any time. There were no redemptions of Series C Stock during the year ended December 31, 2010. At December 31, 2010, 2,880 shares of Series C Stock were outstanding with an annualized dividend rate of 0.345% and accrued dividends amounted to $2,070.

During the year ended December 31, 2009, the Fund redeemed and retired 1,800 shares of Series C Stock.

On October 7, 2003, the Fund received net proceeds of $72,375,842 (after underwriting discounts of $2,362,500 and offering expenses of $261,658) from the public offering of 3,000,000 shares of 5.875% Series D Cumulative Preferred Stock (Series D Stock). Commencing October 7, 2008 and thereafter, the Fund, at its option, may redeem the Series D Stock in whole or in part at the redemption price at any time. The Board has authorized the repurchase of Series D Stock in the open market at prices less than the $25 liquidation value per share. During the year ended December 31, 2010, the Fund did not repurchase any shares of 5.875% Series D Cumulative Preferred Stock. At December 31, 2010, 2,363,860 shares of 5.875% Series D Stock were outstanding and accrued dividends amounted to $48,221.

During the year ended December 31, 2009, the Fund repurchased and retired 57,409 shares of Series D Stock in the open market at a cost of $1,292,467 and an average discount of approximately 9.99% from its liquidation preference. In addition, the Fund also redeemed and retired 480,000 shares of its outstanding Series D Stock as authorized by the Board.

On October 7, 2003, the Fund received net proceeds of $49,350,009 (after underwriting discounts of $500,000 and offering expenses of $149,991) from the public offering of 2,000 shares of Series E Auction Rate Cumulative Preferred Stock (Series E Stock). The dividend rate, as set by the auction process, which is generally held every seven days, is expected to vary with short-term interest rates. Since February 2008, the number of Series E Stock subject to bid orders by potential holders has been less than the number of Series E Stock subject to sell orders. Therefore, the weekly auctions have failed, and the dividend rate has been the maximum rate. In that event, holders that have submitted sell orders have not been able to sell any or all of the Series E Stock for which they have submitted sell orders. The current maximum rate is 150% of the AA Financial Composite Commercial Paper Rate. The dividend rates of Series E Stock ranged from 0.090% to 0.525% during the year ended December 31, 2010. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Shareholders of Series E Stock may also trade shares in the secondary market. The Fund, at its option, may redeem the Series E Stock in whole or in part at the redemption price at any time. There were no redemptions of Series E Stock during the year ended December 31, 2010. At December 31, 2010, 1,120 shares of Series E Stock were outstanding with an annualized dividend rate of 0.330% and accrued dividends amounted to $257.

During the year ended December 31, 2009, the Fund redeemed and retired 680 shares of Series E Stock.

On November 10, 2006, the Fund received net proceeds of $144,765,000 (after underwriting discounts of $4,725,000 and estimated offering expenses of $510,000) from the public offering of 6,000,000 shares of 6.20% Series F Cumulative Preferred Stock (Series F Stock). Commencing November 10, 2011 and thereafter, the Fund, at its option, may redeem the 6.20% Series F Stock in whole or in part at the redemption price at any time. The Board has authorized the repurchase of Series F Stock in the open market at prices less than the $25 liquidation value per share. During the year ended December 31, 2010, the Fund did not repurchase any shares of 6.200% Series F Cumulative Preferred Stock. At December 31, 2010, 5,850,402 shares of Series F Stock were outstanding and accrued dividends amounted to $125,946.

During the year ended December 31, 2009, the Fund repurchased and retired 69,864 shares of Series F Stock in the open market at a cost of $1,570,341 and an average discount of approximately 10.13% from its liquidation preference.

The holders of Cumulative Preferred Stock generally are entitled to one vote per share held on each matter submitted to a vote of shareholders of the Fund and will vote together with holders of common stock as a single class.

The holders of Cumulative Preferred Stock voting together as a single class also have the right currently to elect two Directors and under certain circumstances are entitled to elect a majority of the Board of Directors. In addition, the affirmative vote of a majority of the votes entitled to be cast by holders of all outstanding shares of the preferred stock, voting as a single class, will be required to approve any plan of reorganization adversely affecting the preferred stock, and the approval of two-thirds of each class, voting separately, of the Fund s outstanding voting stock must approve the conversion of the Fund from a closed-end to an open-end investment company. The approval of a majority (as defined in the 1940 Act) of the outstanding preferred stock and a majority (as defined in the 1940 Act) of the Fund s outstanding voting securities are required to approve certain other actions, including changes in the Fund s investment objectives or fundamental investment policies.

THE GABELLI EQUITY TRUST INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

6. Indemnifications. The Fund enters into contracts that contain a variety of indemnifications. The Fund s maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts. Management has reviewed the Fund s existing contracts and expects the risk of loss to be remote.

7. Other Matters. On April 24, 2008, the Adviser entered into a settlement with the SEC to resolve an inquiry regarding prior frequent trading activity in shares of the GAMCO Global Growth Fund (the Global Growth Fund) by one investor who was banned from the Global Growth Fund in August 2002. In the administrative settlement order, the SEC found that the Adviser had willfully violated Section 206(2) of the 1940 Act, Section 17(d) of the 1940 Act and Rule 17d-1 thereunder, and had willfully aided and abetted and caused violations of Section 12(d)(1)(B)(i) of the 1940 Act. Under the terms of the settlement, the Adviser, while neither admitting nor denying the SEC s findings and allegations, paid $16 million (which included a $5 million civil monetary penalty), approximately $12.8 million of which is in the process of being paid to shareholders of the Global Growth Fund in accordance with a plan developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and acceptable to the staff of the SEC, and agreed to cease and desist from future violations of the above referenced federal securities laws and rule. The SEC order also noted the cooperation that the Adviser had given the staff of the SEC during its inquiry. The settlement did not have a material adverse impact on the Adviser or its ability to fulfill its obligations under the Advisory Agreement. On the same day, the SEC filed a civil action against the Executive Vice President and Chief Operating Officer of the Adviser, alleging violations of certain federal securities laws arising from the same matter. The officer is also an officer of the Fund, the Global Growth Fund, and other funds in the Gabelli/GAMCO fund complex. The officer denied the allegations and is continuing in his positions with the Adviser and the funds. The court dismissed certain claims and found that the SEC was not entitled to pursue various remedies against the officer while leaving one remedy in the event the SEC were able to prove violations of law. The court subsequently dismissed without prejudice the remaining remedy against the officer, which would allow the SEC to appeal the court s rulings. On October 29, 2010 the SEC filed its appeal with the U.S. Court of Appeals for the Second Circuit regarding the lower court s orders. The Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Fund or the Adviser or its ability to fulfill its obligations under the Advisory Agreement.

8. Subsequent Events. Management has evaluated the impact on the Fund of all subsequent events occurring through the date the financial statements were issued and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

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THE GABELLI EQUITY TRUST INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of The Gabelli Equity Trust Inc.:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Gabelli Equity Trust Inc. (hereafter referred to as the Trust) at December 31, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Trust s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2010 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York

February 28, 2011

THE GABELLI EQUITY TRUST INC.
ADDITIONAL FUND INFORMATION (Unaudited)

The business and affairs of the Fund are managed under the direction of the Fund s Board of Directors. Information pertaining to the Directors and officers of the Fund is set forth below. The Fund s Statement of Additional Information includes additional information about the Fund s Directors and officers and is available without charge, upon request, by calling 800-GABELLI (800-422-3554) or by writing to The Gabelli Equity Trust Inc. at One Corporate Center, Rye, NY 10580-1422.

Name, Position(s) Address[1] and Age	**Term of Office and Length of Time Served[2]**	**Number of Funds in Fund Complex Overseen by Director**	**Principal Occupation(s) During Past Five Years**	**Other Directorships Held by Director[5]**
INTERESTED DIRECTORS[3]:				
Mario J. Gabelli Director and Chief Investment Officer Age: 68	Since 1986***	26	Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds complex; Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications)
INDEPENDENT DIRECTORS[6]:				
Thomas E. Bratter Director Age: 71	Since 1986***	3	Director, President, and Founder of The John Dewey Academy (residential college preparatory therapeutic high school)	
Anthony J. Colavita[4] Director Age: 75	Since 1999*	34	President of the law firm of Anthony J. Colavita, P.C.	
James P. Conn[4] Director Age: 72	Since 1989**	18	Former Managing Director and Chief Investment Officer of Financial Security	Director of First Republic Bank (banking) through January 2008 and LaQuinta

			Assurance Holdings Ltd. (insurance holding company) (1992-1998)	Corp. (hotels) through January 2006
Frank J. Fahrenkopf Jr. Director Age: 71	Since 1998*	6	President and Chief Executive Officer of the American Gaming Association; Co-Chairman of the Commission on Presidential Debates; Former Chairman of the Republican National Committee (1983-1989)	Director of First Republic Bank (banking)
Arthur V. Ferrara Director Age: 80	Since 2001***	8	Former Chairman of the Board and Chief Executive Officer of The Guardian Life Insurance Company of America (1992-1995)	
Anthony R. Pustorino Director Age: 85	Since 1986**	13	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing) (2002-2010)
Salvatore J. Zizza Director Age: 65	Since 1986*	28	Chairman and Chief Executive Officer of Zizza & Co., Ltd. (private holding company) and Chief Executive Officer of General Employment Enterprises, Inc.	Director of Harbor BioSciences, Inc. (biotechnology); and Trans-Lux Corporation (business services); Chairman of each of BAM (manufacturing); Metropolitan Paper Recycling (recycling); Bergen Cove Realty Inc. (real estate); Bion Environmental Technologies (technology) (2005-2008); Director of Earl Scheib Inc. (automotive painting) through April 2009

THE GABELLI EQUITY TRUST INC.
ADDITIONAL FUND INFORMATION (Continued) (Unaudited)

Name, Position(s) Address[1] and Age	Term of Office and Length of Time Served[2]	Principal Occupation(s) During Past Five Years
OFFICERS:		
Bruce N. Alpert President Age: 59	Since 2003	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex. Director of Teton Advisors, Inc. since 1998; Chairman of Teton Advisors, Inc. 2008 to 2010; President of Teton Advisors, Inc. 1998 through 2008; Senior Vice President of GAMCO Investors, Inc. since 2008
Carter W. Austin Vice President Age: 44	Since 2000	Vice President of other closed-end funds within the Gabelli Funds complex; Vice President of Gabelli Funds, LLC since 1996
Molly A.F. Marion Vice President and Ombudsman Age: 56	Since 2009	Vice President of The Gabelli Global Gold, Natural Resources & Income Trust since 2005; Assistant Vice President of GAMCO Investors, Inc. since 2006
Agnes Mullady Treasurer and Secretary Age: 52	Since 2006	Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex
Peter D. Goldstein Chief Compliance Officer Age: 57	Since 2004	Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex

1 Address: One Corporate Center, Rye, NY 10580-1422, unless otherwise noted.

2 The Fund s Board of Directors is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term. The three year term for each class expires as follows:

* Term expires at the Fund s 2011 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

** Term expires at the Fund s 2012 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

*** Term expires at the Fund s 2013 Annual Meeting of Shareholders or until their successors are duly elected and qualified. Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

3 Interested person of the Fund as defined in the 1940 Act. Mr. Gabelli is considered an interested person of the Fund because of his affiliation with the Fund s Investment Adviser.

4 Represents holders of the Fund s Preferred Stock.

5 This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended, i.e., public companies, or other investment companies registered under the 1940 Act.

6 Directors who are not interested persons are considered Independent Directors.

Certifications

The Fund s Chief Executive Officer has certified to the New York Stock Exchange (NYSE) that, as of June 14, 2010, he was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund reports to the SEC on Form N-CSR which contains certifications by the Fund s principal executive officer and principal financial officer that relate to the Fund s disclosure in such reports and that are required by Rule 30a-2(a) under the 1940 Act.

THE GABELLI EQUITY TRUST INC.
INCOME TAX INFORMATION (Unaudited)
December 31, 2010

Cash Dividends and Distributions

Payable Date	Record Date	Total Amount Paid Per Share (a)	Ordinary Investment Income (a)	Long-Term Capital Gains (a)	Return of Capital (c)	Dividend Reinvestment Price
Common Stock						
03/24/10	03/17/10	$ 0.11000			$ 0.11000	$ 5.1321
06/23/10	06/16/10	0.11000			0.11000	4.6677
09/23/10	09/16/10	0.12000			0.12000	5.0315
12/17/10	12/14/10	0.17000			0.17000	5.7918
		$ 0.51000			$ 0.51000	
5.875% Series D Cumulative Preferred Stock						
03/26/10	03/19/10	$ 0.36719	$ 0.26431		$ 0.10288	
06/28/10	06/21/10	0.36719	0.26431		0.10288	
09/27/10	09/20/10	0.36719	0.26431		0.10288	
12/27/10	12/17/10	0.36719	0.26431		0.10288	
		$ 1.46875	$ 1.05723		$ 0.41152	
6.200% Series F Cumulative Preferred Stock						
03/26/10	03/19/10	$ 0.38750	$ 0.27890		$ 0.10860	
06/28/10	06/21/10	0.38750	0.27890		0.10860	
09/27/10	09/20/10	0.38750	0.27890		0.10860	
12/27/10	12/17/10	0.38750	0.27890		0.10860	
		$ 1.55000	$ 1.11560		$ 0.43440	

Auction Rate Series C and E Cumulative Preferred Stock

Auction Rate Preferred Stock pays dividends weekly based on a rate set at auction, usually held every seven days. There were no 2010 distributions derived from long-term capital gains for the Auction Rate Series C and Series E Cumulative Preferred Stock.

A Form 1099-DIV has been mailed to all shareholders of record which sets forth specific amounts to be included in the 2010 tax returns. Ordinary income distributions include net investment income and realized net short-term capital gains, if any. Ordinary income is reported in box 1a of Form 1099-DIV. Capital gain distributions are reported in box 2a of Form 1099-DIV. There were no long-term gain distributions for the year ended December 31, 2010.

Corporate Dividends Received Deduction, Qualified Dividend Income, and U.S. Government Securities Income

In 2010, the Fund paid to common, 5.875% Series D, and 6.200% Series F cumulative preferred shareholders ordinary income dividends totaling $0.00000, $1.05723, and $1.11560 per share, respectively. The Fund paid weekly distributions to auction rate Series C and Series E cumulative preferred shareholders at varying rates throughout the year, including an ordinary income dividend totaling $47.84624 and $48.73162 per share, respectively, in 2010. For the year ended December 31, 2010, 100% of the ordinary income dividend qualified for the dividend received deduction available to corporations, and 100% of the ordinary income distribution was deemed qualified dividend income and is reported in box 1b on Form 1099-DIV. The percentage of the ordinary income dividends paid by the

Fund during 2010 derived from U.S. Government securities was 0.02%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund s fiscal year in U.S. Government securities. The Fund did not meet this strict requirement in 2010. The percentage of U.S. Government securities held as of December 31, 2010 was 0.20%. For the year ended December 31, 2010, 0.86% of the ordinary income dividend was qualified interest income.

The Annual Meeting of The Gabelli Equity Trust s shareholders will be held on Monday, May 16, 2011 at the Greenwich Library in Greenwich, Connecticut.

THE GABELLI EQUITY TRUST INC.
INCOME TAX INFORMATION (Continued) (Unaudited)
December 31, 2010

Historical Distribution Summary

	Investment Income	Short-Term Capital Gains (b)	Long-Term Capital Gains	Non-Taxable Return of Capital	Undistributed Long-Term Capital Gains	Taxes Paid on Undistributed Capital Gains (c)	Total Distributions (a)	Adjustment to Cost Basis
Common Stock								
2010				$ 0.51000			$ 0.51000	$ 0.51000
2009	$ 0.00040			0.71960			0.72000	0.71960
2008	0.01000			0.79000			0.80000	0.79000
2007 (d)	0.10455	$ 0.05323	$ 0.52679	0.63543			1.32000	0.63543
2006	0.15690	0.06400	0.65910				0.88000	
2005 (e)	0.08756	0.00672	0.75572				0.85000	
2004	0.01930	0.04990	0.73080				0.80000	
2003	0.01140	0.04480	0.63380				0.69000	
2002	0.05180	0.01550	0.88270				0.95000	
2001 (f)	0.06700	0.06400	0.94900				1.08000	
2000	0.04070	0.15500	1.11430				1.31000	
1999 (g)	0.03010	0.21378	0.99561	0.91176			2.15125	0.91176
1998	0.06420		1.10080				1.16500	
1997	0.07610	0.00210	0.93670	0.02510			1.04000	0.02500
1996	0.10480		0.78120	0.11400			1.00000	0.11400
1995 (h)	0.12890		0.49310	0.37800			1.00000	0.37800
1994 (i)	0.13536	0.06527	0.30300	1.38262			1.88625	1.38262
1993 (j)	0.13050	0.02030	0.72930	0.22990			1.11000	0.22990
1992 (k)	0.20530	0.04050	0.29660	0.51760			1.06000	0.51760
1991 (l)	0.22590	0.03990	0.14420	0.68000			1.09000	0.68000
1990	0.50470		0.22950	0.44580			1.18000	0.44580
1989	0.29100	0.35650	0.66250		$ 0.62880	$ 0.21380	1.31000	0.41500 +
1988	0.14500	0.20900	0.19600		0.25130	0.08540	0.55000	0.16590 +
1987	0.25600	0.49100	0.33500				1.08200	

	Investment Income	Short-Term Capital Gains (b)	Long-Term Capital Gains	Non-Taxable Return of Capital	Undistributed Long-Term Capital Gains	Taxes Paid on Undistributed Capital Gains (c)	Total Distributions (a)	Adjustment to Cost Basis
5.875% Series D Cumulative Preferred Stock								
2010	$ 1.05723			$ 0.41152			$ 1.46875	$ 0.41152
2009	1.46875						1.46875	
2008	1.46875						1.46875	
2007	0.22096	$ 0.11474	$ 1.13305				1.46875	
2006	0.26193	0.10688	1.09994				1.46875	
2005	0.14405	0.01170	1.31300				1.46875	
2004	0.03542	0.09159	1.34174				1.46875	
2003	0.00535	0.02086	0.29610				0.32231	

THE GABELLI EQUITY TRUST INC.
INCOME TAX INFORMATION (Continued) (Unaudited)
December 31, 2010

Historical Distribution Summary (Continued)

	Investment Income	Short-Term Capital Gains (b)	Long-Term Capital Gains	Non-Taxable Return of Capital	Undistributed Long-Term Capital Gains	Taxes Paid on Undistributed Capital Gains (c)	Total Distributions (a)	Adjustment to Cost Basis
6.200% Series F Cumulative Preferred Stock								
2010	$ 1.11560			$ 0.43440			$ 1.55000	$ 0.43440
2009	1.55000						1.55000	
2008	1.55000						1.55000	
2007	0.23330	$ 0.12100	$ 1.19570				1.55000	
2006	0.03527	0.01480	0.15229				0.20236	
Auction Rate Series C Cumulative Preferred Stock								
2010	$ 47.84624			$ 18.62376			$ 66.47000	$ 18.62376
2009	70.60000						70.60000	
2008	760.66000						760.66000	
2007	203.92150	$ 105.89030	$ 1,045.68820				1,355.50000	
2006	219.92983	89.73249	923.57769				1,233.24000	
2005	83.01020	6.73650	756.60330				846.35000	
2004	9.15570	23.67550	346.83810				379.66930	
2003	5.42000	21.05000	298.41000				324.88000	
2002	12.28350	3.71450	209.89200				225.89000	
Auction Rate Series E Cumulative Preferred Stock								
2010	$ 48.73162			$ 18.96838			$ 67.70000	$ 18.96838
2009	65.24000						65.24000	
2008	783.29000						783.29000	
2007	199.17211	$ 103.42412	$ 1,021.33377				1,323.93000	
2006	218.22316	89.03616	916.41068				1,223.67000	
2005	82.44330	6.69050	751.43620				840.57000	
2004	9.30280	24.05620	352.41090				385.76000	
2003	1.07000	4.18000	59.32000				64.57000	

(a) Total amounts may differ due to rounding.

(b) Taxable as ordinary income.

(c) Net Asset Value was reduced by this amount on the last business day of the year. Non-taxable.

(d) On June 28, 2007, the Fund distributed shares of The Gabelli Healthcare & WellnessRx Trust valued at $8.40 per share.

(e)

On September 21, 2005, the Fund also distributed Rights equivalent to $0.21 per share based upon full subscription of all issued shares.

(f) On January 10, 2001, the Fund also distributed Rights equivalent to $0.56 per share based upon full subscription of all issued shares.

(g) On July 9, 1999, the Fund also distributed shares of The Gabelli Utility Trust valued at $9.8125 per share.

(h) On October 19, 1995, the Fund also distributed Rights equivalent to $0.37 per share based upon full subscription of all issued shares.

(i) On November 15, 1994, the Fund also distributed shares of The Gabelli Global Multimedia Trust Inc. valued at $8.0625 per share.

(j) On July 14, 1993, the Fund also distributed Rights equivalent to $0.50 per share based upon full subscription of all issued shares.

(k) On September 28, 1992, the Fund also distributed Rights equivalent to $0.36 per share based upon full subscription of all issued shares.

(l) On October 21, 1991, the Fund also distributed Rights equivalent to $0.42 per share based upon full subscription of all issued shares.

Decrease in cost basis.

\+ Increase in cost basis.

All designations are based on financial information available as of the date of this annual report and, accordingly, are subject to change. For each item, it is the intention of the Fund to designate the maximum amount permitted under the Internal Revenue Code and the regulations thereunder.

DIRECTORS AND OFFICERS
THE GABELLI EQUITY TRUST INC.
One Corporate Center, Rye, NY 10580-1422

Directors
Mario J. Gabelli, CFA
Chairman & Chief Executive Officer,
GAMCO Investors, Inc.

Dr. Thomas E. Bratter
President & Founder, John Dewey Academy

Anthony J. Colavita
President,
Anthony J. Colavita, P.C.

James P. Conn
Former Managing Director &
Chief Investment Officer,
Financial Security Assurance Holdings Ltd.

Frank J. Fahrenkopf, Jr.
President & Chief Executive Officer,
American Gaming Association

Arthur V. Ferrara
Former Chairman & Chief Executive Officer,
Guardian Life Insurance Company of America

Anthony R. Pustorino
Certified Public Accountant,
Professor Emeritus, Pace University

Salvatore J. Zizza
Chairman, Zizza & Co., Ltd.

Officers
Bruce N. Alpert
President

Carter W. Austin
Vice President

Peter D. Goldstein
Chief Compliance Officer

Molly A.F. Marion
Vice President & Ombudsman

Agnes Mullady
Treasurer & Secretary

Investment Adviser
Gabelli Funds, LLC
One Corporate Center
Rye, New York 10580-1422

Custodian
The Bank of New York Mellon

Counsel
Willkie Farr & Gallagher LLP

Transfer Agent and Registrar
Computershare Trust Company, N.A.

Stock Exchange Listing

	Common	5.875% Preferred	6.20% Preferred
NYSE Symbol:	GAB	GAB PrD	GAB PrF
Shares Outstanding:	180,857,486	2,363,860	5,850,402

The Net Asset Value per share appears in the Publicly Traded Funds column, under the heading General Equity Funds, in Monday s The Wall Street Journal. It is also listed in Barron s Mutual Funds/Closed End Funds section under the heading General Equity Funds.

The Net Asset Value per share may be obtained each day by calling (914) 921-5070 or visiting www.gabelli.com.

The NASDAQ symbol for the Net Asset Value is XGABX.

For general information about the Gabelli Funds, call **800-GABELLI** (800-422-3554), fax us at 914-921-5118, visit Gabelli Funds Internet homepage at: **www.gabelli.com,** or e-mail us at: closedend@gabelli.com

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may, from time to time, purchase shares of its common stock in the open market when the Fund s shares are trading at a discount of 10% or more from the net asset value of the shares. The Fund may also, from time to time, purchase shares of its preferred stock in the open market when the preferred shares are trading at a discount to the liquidation value.

THE GABELLI EQUITY TRUST INC. One Corporate Center, Rye, NY 10580-1422 Phone: 800-GABELLI (800-422-3554) Fax: 914-921-5118 Internet: www.gabelli.com e-mail: closedend@gabelli.com GAB Q4/2010

Item 2. Code of Ethics.

(a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.

(c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.

(d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item s instructions.

Item 3. Audit Committee Financial Expert.

As of the end of the period covered by the report, the registrant s Board of Directors has determined that Anthony R. Pustorino is qualified to serve as an audit committee financial expert serving on its audit committee and that he is independent, as defined by Item 3 of Form N-CSR.

Item 4. Principal Accountant Fees and Services.

<u>Audit Fees</u>

(a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant s annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are $55,400 for 2009 and $45,427 for 2010.

<u>Audit-Related Fees</u>

(b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant s financial statements and are not reported under paragraph (a) of this Item are $20,200 for 2009 and $13,463 for 2010. Audit-related fees represent services provided in the preparation of Preferred Shares Reports.

Tax Fees

(c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are $5,000 for 2009 and $4,200 for 2010. Tax fees represent tax compliance services provided in connection with the review of the Registrant s tax returns.

All Other Fees

(d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are $0 for 2009 and $0 for 2010.

(e)(1) Disclose the audit committee s pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X.

Pre-Approval Policies and Procedures. The Audit Committee (Committee) of the registrant is responsible for pre-approving (i) all audit and permissible non-audit services to be provided by the independent registered public accounting firm to the registrant and (ii) all permissible non-audit services to be provided by the independent registered public accounting firm to the Adviser, Gabelli Funds, LLC, and any affiliate of Gabelli Funds, LLC (Gabelli) that provides services to the registrant (a Covered Services Provider) if the independent registered public accounting firm s engagement related directly to the operations and financial reporting of the registrant. The Committee may delegate its responsibility to pre-approve any such audit and permissible non-audit services to the Chairperson of the Committee, and the Chairperson must report to the Committee, at its next regularly scheduled meeting after the Chairperson s pre-approval of such services, his or her decision(s). The Committee may also establish detailed pre-approval policies and procedures for pre-approval of such services in accordance with applicable laws, including the delegation of some or all of the Committee s pre-approval responsibilities to the other persons (other than Gabelli or the registrant s officers). Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the permissible non-audit services were not recognized by the registrant at the time of the engagement to be non-audit services; and (ii) such services are promptly brought to the attention of the Committee and approved by the Committee or Chairperson prior to the completion of the audit.

(e)(2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X are as follows:

(b) 100%

(c) 100%

(d) N/A

(f) The percentage of hours expended on the principal accountant s engagement to audit the registrant s financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant s full-time, permanent employees was 0%.

(g) The aggregate non-audit fees billed by the registrant s accountant for services rendered to the registrant, and rendered to the registrant s investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant was $0 for 2009 and $0 for 2010.

(h) The registrant s audit committee of the board of directors has considered whether the provision of non-audit services that were rendered to the registrant s investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant s independence.

Item 5. Audit Committee of Listed registrants.

The registrant has a separately designated audit committee consisting of the following members: Anthony J. Colavita, Anthony R Pustorino and Salvatore J. Zizza.

Item 6. Investments.

(a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.

(b) Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Proxy Voting Policies are attached herewith.

The Voting of Proxies on Behalf of Clients

Rules 204(4)-2 and 204-2 under the Investment Advisers Act of 1940 and Rule 30b1-4 under the Investment Company Act of 1940 require investment advisers to adopt written policies and procedures governing the voting of proxies on behalf of their clients.

These procedures will be used by GAMCO Asset Management Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., and Teton Advisors, Inc. (collectively, the Advisers) to determine how to vote proxies relating to portfolio securities held by their clients, including the procedures that the Advisers use when a vote presents a conflict between the interests of the shareholders of an investment company managed by one of the Advisers, on the one hand, and those of the Advisers; the principal underwriter; or any affiliated person of the investment company, the Advisers, or the principal underwriter. These procedures will not apply where the Advisers do not have voting discretion or where the Advisers have agreed to with a client to vote the client s proxies in accordance with specific guidelines or procedures supplied by the client (to the extent permitted by ERISA).

I. Proxy Voting Committee

The Proxy Voting Committee was originally formed in April 1989 for the purpose of formulating guidelines and reviewing proxy statements within the parameters set by the substantive proxy voting guidelines originally published in 1988 and updated periodically, a copy of which are appended as Exhibit A. The Committee will include representatives of Research, Administration, Legal, and the Advisers. Additional or replacement members of the Committee will be nominated by the Chairman and voted upon by the entire Committee.

Meetings are held as needed basis to form views on the manner in which the Advisers should vote proxies on behalf of their clients.

In general, the Director of Proxy Voting Services, using the Proxy Guidelines, recommendations of Institutional Shareholder Corporate Governance Service (ISS), other third-party services and the analysts of Gabelli & Company, Inc., will determine how to vote on each issue. For non-controversial matters, the Director of Proxy Voting Services may vote the proxy if the vote is (1) consistent with the recommendations of the issuer s Board of Directors and not contrary to the Proxy Guidelines; (2) consistent with the recommendations of the issuer s Board of Directors and is a non-controversial issue not covered by the Proxy Guidelines; or (3) the vote is contrary to the recommendations of the Board of Directors but is consistent with the Proxy Guidelines. In those instances, the Director of Proxy Voting Services or the Chairman of the Committee may sign and date the proxy statement indicating how each issue will be voted.

All matters identified by the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department as controversial, taking into account the recommendations of ISS or other third party services and the analysts of Gabelli & Company, Inc., will be presented to the Proxy Voting Committee. If the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department has identified the matter as one that (1) is controversial; (2) would benefit from deliberation by the Proxy Voting Committee; or (3) may give rise to a conflict of interest between the Advisers and their clients, the Chairman of the Committee will initially determine what vote to recommend that the Advisers should cast and the matter will go before the Committee.

A. Conflicts of Interest.

The Advisers have implemented these proxy voting procedures in order to prevent conflicts of interest from influencing their proxy voting decisions. By following the Proxy Guidelines, as well as the recommendations of ISS, other third-party services and the analysts of Gabelli & Company, the Advisers are able to avoid, wherever possible, the influence of potential conflicts of interest. Nevertheless, circumstances may arise in which one or more of the Advisers are faced with a conflict of interest or the appearance of a conflict of interest in connection with its vote. In general, a conflict of interest may arise when an Adviser knowingly does business with an issuer, and may appear to have a material conflict between its own interests and the interests of the shareholders of an investment company managed by one of the Advisers regarding how the proxy is to be voted. A conflict also may exist when an Adviser has actual knowledge of a material business arrangement between an issuer and an affiliate of the Adviser.

In practical terms, a conflict of interest may arise, for example, when a proxy is voted for a company that is a client of one of the Advisers, such as GAMCO Asset Management Inc. A conflict also may arise when a client of one of the Advisers has made a shareholder proposal in a proxy to be voted upon by one or more of the Advisers. The Director of Proxy Voting Services, together with the Legal Department, will scrutinize all proxies for these or other situations that may give rise to a conflict of interest with respect to the voting of proxies.

B. **Operation of Proxy Voting Committee**

For matters submitted to the Committee, each member of the Committee will receive, prior to the meeting, a copy of the proxy statement, any relevant third party research, a summary of any views provided by the Chief Investment Officer and any recommendations by Gabelli & Company, Inc. analysts. The Chief Investment Officer or the Gabelli & Company, Inc. analysts may be invited to present their viewpoints. If the Director of Proxy Voting Services or the Legal Department believe that the matter before the committee is one with respect to which a conflict of interest may exist between the Advisers and their clients, counsel will provide an opinion to the Committee concerning the conflict. If the matter is one in which the interests of the clients of one or more of Advisers may diverge, counsel will so advise and the Committee may make different recommendations as to different clients. For any matters where the recommendation may trigger appraisal rights, counsel will provide an opinion concerning the likely risks and merits of such an appraisal action.

Each matter submitted to the Committee will be determined by the vote of a majority of the members present at the meeting. Should the vote concerning one or more recommendations be tied in a vote of the Committee, the Chairman of the Committee will cast the deciding vote. The Committee will notify the proxy department of its decisions and the proxies will be voted accordingly.

Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy Guidelines and will review each matter on its own merits. Written minutes of all Proxy Voting Committee meetings will be maintained. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues.

If the vote cast either by the analyst or as a result of the deliberations of the Proxy Voting Committee runs contrary to the recommendation of the Board of Directors of the issuer, the matter will be referred to legal counsel to determine whether an amendment to the most recently filed Schedule 13D is appropriate.

II. Social Issues and Other Client Guidelines

If a client has provided special instructions relating to the voting of proxies, they should be noted in the client s account file and forwarded to the proxy department. This is the responsibility of the investment professional or sales assistant for the client. In accordance with Department of Labor guidelines, the Advisers policy is to vote on behalf of ERISA accounts in the best interest of the plan participants with regard to social issues that carry an economic impact. Where an account is not governed by ERISA, the Advisers will vote shares held on behalf of the client in a manner consistent with any individual investment/voting guidelines provided by the client. Otherwise the Advisers will abstain with respect to those shares.

III. Client Retention of Voting Rights

If a client chooses to retain the right to vote proxies or if there is any change in voting authority, the following should be notified by the investment professional or sales assistant for the client.

Operations

Legal Department

Proxy Department

Investment professional assigned to the account

In the event that the Board of Directors (or a Committee thereof) of one or more of the investment companies managed by one of the Advisers has retained direct voting control over any security, the Proxy Voting Department will provide each Board Member (or Committee member) with a copy of the proxy statement together with any other relevant information including recommendations of ISS or other third-party services.

IV. Voting Records

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers will supply information on how an account voted its proxies upon request.

A letter is sent to the custodians for all clients for which the Advisers have voting responsibility instructing them to forward all proxy materials to:

[Adviser name]
Attn: Proxy Voting Department
One Corporate Center
Rye, New York 10580-1433

The sales assistant sends the letters to the custodians along with the trading/DTC instructions. Proxy voting records will be retained in compliance with Rule 204-2 under the Investment Advisers Act.

V. Voting Procedures

1. Custodian banks, outside brokerage firms and clearing firms are responsible for forwarding proxies directly to the Advisers.

Proxies are received in one of two forms:

Shareholder Vote Authorization Forms (VAFs) Issued by Broadridge Financial Solutions, Inc. (Broadridge) VAFs must be voted through the issuing institution causing a time lag. Broadridge is an outside service contracted by the various institutions to issue proxy materials.

Proxy cards which may be voted directly.

2. Upon receipt of the proxy, the number of shares each form represents is logged into the proxy system according to security.

3. In the case of a discrepancy such as an incorrect number of shares, an improperly signed or dated card, wrong class of security, etc., the issuing custodian is notified by phone. A corrected proxy is requested. Any arrangements are made to insure that a

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proper proxy is received in time to be voted (overnight delivery, fax, etc.). When securities are out on loan on record date, the custodian is requested to supply written verification.
4. Upon receipt of instructions from the proxy committee (see Administrative), the votes are cast and recorded for each account on an individual basis.
Records have been maintained on the Proxy Edge system. The system is backed up regularly.
Proxy Edge records include:
Security Name and Cusip Number
Date and Type of Meeting (Annual, Special, Contest)
Client Name
Adviser or Fund Account Number
Directors Recommendation
How GAMCO voted for the client on each issue
5. VAFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.
6. Shareholder Vote Authorization Forms issued by Broadridge are always sent directly to a specific individual at Broadridge.
7. If a proxy card or VAF is received too late to be voted in the conventional matter, every attempt is made to vote on one of the following manners:

VAFs can be faxed to Broadridge up until the time of the meeting. This is followed up by mailing the original form.

When a solicitor has been retained, the solicitor is called. At the solicitor s direction, the proxy is faxed.

8. In the case of a proxy contest, records are maintained for each opposing entity.
9. Voting in Person
a) At times it may be necessary to vote the shares in person. In this case, a legal proxy is obtained in the following manner:

Banks and brokerage firms using the services at Broadridge:

The back of the VAF is stamped indicating that we wish to vote in person. The forms are then sent overnight to Broadridge. Broadridge issues individual legal proxies and sends them back via overnight (or the Adviser can pay messenger charges). A lead-time of at least two weeks prior to the meeting is needed to do this. Alternatively, the procedures detailed below for banks not using Broadridge may be implemented.

Banks and brokerage firms issuing proxies directly:

The bank is called and/or faxed and a legal proxy is requested.

All legal proxies should appoint:

Representative of [Adviser name] with full power of substitution.

b) The legal proxies are given to the person attending the meeting along with the following supplemental material:

A limited Power of Attorney appointing the attendee an Adviser representative.

A list of all shares being voted by custodian only. Client names and account numbers are not included. This list must be presented, along with the proxies, to the Inspectors of Elections and/or tabulator at least one-half hour prior to the scheduled start of the meeting. The tabulator must qualify the votes (i.e. determine if the vote have previously been cast, if the votes have been rescinded, etc. vote have previously been cast, etc.).

A sample ERISA and Individual contract.

A sample of the annual authorization to vote proxies form.

A copy of our most recent Schedule 13D filing (if applicable).

Appendix A
Proxy Guidelines

PROXY VOTING GUIDELINES

GENERAL POLICY STATEMENT

It is the policy of **GAMCO Investors, Inc.** to vote in the best economic interests of our clients. As we state in our Magna Carta of Shareholders Rights, established in May 1988, we are neither *for* nor *against* management. We are for shareholders.

At our first proxy committee meeting in 1989, it was decided that each proxy statement should be evaluated on its own merits within the framework first established by our Magna Carta of Shareholders Rights. The attached guidelines serve to enhance that broad framework.

We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

BOARD OF DIRECTORS

The advisers do not consider the election of the Board of Directors a routine issue. Each slate of directors is evaluated on a case-by-case basis.

Factors taken into consideration include:

Historical responsiveness to shareholders

This may include such areas as:

Paying greenmail

Failure to adopt shareholder resolutions receiving a majority of shareholder votes

Qualifications

Nominating committee in place

Number of outside directors on the board

Attendance at meetings

Overall performance

SELECTION OF AUDITORS

In general, we support the Board of Directors recommendation for auditors.

BLANK CHECK PREFERRED STOCK

We oppose the issuance of blank check preferred stock.

Blank check preferred stock allows the company to issue stock and establish dividends, voting rights, etc. without further shareholder approval.

CLASSIFIED BOARD

A classified board is one where the directors are divided into classes with overlapping terms. A different class is elected at each annual meeting.

While a classified board promotes continuity of directors facilitating long range planning, we feel directors should be accountable to shareholders on an annual basis. We will look at this proposal on a case-by-case basis taking into consideration the board s historical responsiveness to the rights of shareholders.

Where a classified board is in place we will generally not support attempts to change to an annually elected board.

When an annually elected board is in place, we generally will not support attempts to classify the board.

INCREASE AUTHORIZED COMMON STOCK

The request to increase the amount of outstanding shares is considered on a case-by-case basis.

Factors taken into consideration include:

Future use of additional shares

Stock split

Stock option or other executive compensation plan

Finance growth of company/strengthen balance sheet

Aid in restructuring

Improve credit rating

Implement a poison pill or other takeover defense

Amount of stock currently authorized but not yet issued or reserved for stock option plans

Amount of additional stock to be authorized and its dilutive effect

We will support this proposal if a detailed and verifiable plan for the use of the additional shares is contained in the proxy statement.

CONFIDENTIAL BALLOT

We support the idea that a shareholder s identity and vote should be treated with confidentiality.

However, we look at this issue on a case-by-case basis.

In order to promote confidentiality in the voting process, we endorse the use of independent Inspectors of Election.

CUMULATIVE VOTING

In general, we support cumulative voting.

Cumulative voting is a process by which a shareholder may multiply the number of directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or more candidates.

Where cumulative voting is in place, we will vote against any proposal to rescind this shareholder right.

Cumulative voting may result in a minority block of stock gaining representation on the board. When a proposal is made to institute cumulative voting, the proposal will be reviewed on a case-by-case basis. While we feel that each board member should represent all shareholders, cumulative voting provides minority shareholders an opportunity to have their views represented.

DIRECTOR LIABILITY AND INDEMNIFICATION

We support efforts to attract the best possible directors by limiting the liability and increasing the indemnification of directors, except in the case of insider dealing.

EQUAL ACCESS TO THE PROXY

The SEC s rules provide for shareholder resolutions. However, the resolutions are limited in scope and there is a 500 word limit on proponents written arguments. Management has no such limitations. While we support equal access to the proxy, we would look at such variables as length of time required to respond, percentage of ownership, etc.

FAIR PRICE PROVISIONS

Charter provisions requiring a bidder to pay all shareholders a fair price are intended to prevent two-tier tender offers that may be abusive. Typically, these provisions do not apply to board-approved transactions.

We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits. Reviewed on a case-by-case basis.

GOLDEN PARACHUTES

Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover. We support any proposal that would assure management of its own welfare so that they may continue to make decisions in the best interest of the company and shareholders even if the decision results in them losing their job. We do not, however, support excessive golden parachutes. Therefore, each proposal will be decided on a case-by- case basis.

Note: Congress has imposed a tax on any parachute that is more than three times the executive s average annual compensation.

ANTI-GREENMAIL PROPOSALS

We do not support greenmail. An offer extended to one shareholder should be extended to all shareholders equally across the board.

LIMIT SHAREHOLDERS RIGHTS TO CALL SPECIAL MEETINGS

We support the right of shareholders to call a special meeting.

CONSIDERATION OF NONFINANCIAL EFFECTS OF A MERGER

This proposal releases the directors from only looking at the financial effects of a merger and allows them the opportunity to consider the merger s effects on employees, the community, and consumers.

As a fiduciary, we are obligated to vote in the best economic interests of our clients. In general, this proposal does not allow us to do that. Therefore, we generally cannot support this proposal.

Reviewed on a case-by-case basis.

MERGERS, BUYOUTS, SPIN-OFFS, RESTRUCTURINGS

Each of the above is considered on a case-by-case basis. According to the Department of Labor, we are not required to vote for a proposal simply because the offering price is at a premium to the current market price. We may take into consideration the long term interests of the shareholders.

MILITARY ISSUES

Shareholder proposals regarding military production must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to the client s direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

NORTHERN IRELAND

Shareholder proposals requesting the signing of the MacBride principles for the purpose of countering the discrimination of Catholics in hiring practices must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to client direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

OPT OUT OF STATE ANTI-TAKEOVER LAW

This shareholder proposal requests that a company opt out of the coverage of the state s takeover statutes. Example: Delaware law requires that a buyer must acquire at least 85% of the company s stock before the buyer can exercise control unless the board approves.

We consider this on a case-by-case basis. Our decision will be based on the following:

- State of Incorporation
- Management history of responsiveness to shareholders
- Other mitigating factors

POISON PILL

In general, we do not endorse poison pills.

In certain cases where management has a history of being responsive to the needs of shareholders and the stock is very liquid, we will reconsider this position.

REINCORPORATION

Generally, we support reincorporation for well-defined business reasons. We oppose reincorporation if proposed solely for the purpose of reincorporating in a state with more stringent anti-takeover statutes that may negatively impact the value of the stock.

STOCK OPTION PLANS

Stock option plans are an excellent way to attract, hold and motivate directors and employees. However, each stock option plan must be evaluated on its own merits, taking into consideration the following:

- Dilution of voting power or earnings per share by more than 10%
- Kind of stock to be awarded, to whom, when and how much
- Method of payment

Amount of stock already authorized but not yet issued under existing stock option plans

SUPERMAJORITY VOTE REQUIREMENTS

Supermajority vote requirements in a company s charter or bylaws require a level of voting approval in excess of a simple majority of the outstanding shares. In general, we oppose supermajority-voting requirements. Supermajority requirements often exceed the average level of shareholder participation. We support proposals approvals by a simple majority of the shares voting.

LIMIT SHAREHOLDERS RIGHT TO ACT BY WRITTEN CONSENT

Written consent allows shareholders to initiate and carry on a shareholder action without having to wait until the next annual meeting or to call a special meeting. It permits action to be taken by the written consent of the same percentage of the shares that would be required to effect proposed action at a shareholder meeting.

Reviewed on a case-by-case basis.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

PORTFOLIO MANAGER

Mr. Mario J. Gabelli, CFA, is primarily responsible for the day-to-day management of The Gabelli Equity Trust Inc. (the Fund). Mr. Gabelli serves as Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. Mr. Zahid Siddique is an Associate Portfolio Manager of the Fund. Mr. Siddique joined GAMCO Investors, Inc. in 2005 as a security analyst, and currently leads a research team covering the global industrial and infrastructure sectors.

MANAGEMENT OF OTHER ACCOUNTS

The table below shows the number of other accounts managed by Mario J. Gabelli and the total assets in each of the following categories: registered investment companies, other paid investment vehicles and other accounts as of December 31, 2010. For each category, the table also shows the number of accounts and the total assets in the accounts with respect to which the advisory fee is based on account performance.

Name of Portfolio Manager	Type of Accounts	Total No. of Accounts Managed	Total Assets	No. of Accounts where Advisory Fee is Based on Performance	Total Assets in Accounts where Advisory Fee is Based on Performance
1. Mario J. Gabelli	Registered Investment Companies:	26	15.9B	8	2.9B
	Other Pooled Investment Vehicles:	16	478.4M	14	470.6M
	Other Accounts:	1,702	14.4B	9	1.9B
2. Zahid Siddique	Registered Investment Companies:	0	0	0	0
	Other Pooled Investment Vehicles:	0	0	0	0
	Other Accounts:	1	$ 564.6K	0	0

POTENTIAL CONFLICTS OF INTEREST

As reflected above, Mr. Gabelli manages accounts in addition to the Trust. Actual or apparent conflicts of interest may arise when a Portfolio Manager also has day-to-day management responsibilities with respect to one or more other accounts. These potential conflicts include:

ALLOCATION OF LIMITED TIME AND ATTENTION. As indicated above, Mr. Gabelli manages multiple accounts. As a result, he will not be able to devote all of his time to management of the Trust. Mr. Gabelli, therefore, may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as might be the case if he were to devote all of his attention to the management of only the Trust.

ALLOCATION OF LIMITED INVESTMENT OPPORTUNITIES. As indicated above, Mr. Gabelli manages managed accounts with investment strategies and/or policies that are similar to the Trust. In these cases, if he identifies an investment opportunity that may be suitable for multiple accounts, a Fund may not be able to take full advantage of that opportunity because the opportunity may be allocated among all or many of these accounts or other accounts managed primarily by other Portfolio Managers of the Adviser, and their affiliates. In addition, in the event the Mr. Gabelli determines to purchase a security for more than one account in an aggregate amount that may influence the market price of the security, accounts that purchased or sold the security first may receive a more favorable price than accounts that made subsequent transactions.

SELECTION OF BROKER/DEALERS. Because of Mr. Gabelli s position with the Distributor and his indirect majority ownership interest in the Distributor, he may have an incentive to use the Distributor to execute portfolio transactions for a Fund.

PURSUIT OF DIFFERING STRATEGIES. At times, Mr. Gabelli may determine that an investment opportunity may be appropriate for only some of the accounts for which he exercises investment responsibility, or may decide that certain of the funds or accounts should take differing positions with respect to a particular security. In these cases, he may execute differing or opposite transactions for one or more accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment of one or more other accounts.

VARIATION IN COMPENSATION. A conflict of interest may arise where the financial or other benefits available to Mr. Gabelli differ among the accounts that they manage. If the structure of the Adviser s management fee or the Portfolio Manager s compensation differs among accounts (such as where certain accounts pay higher management fees or performance-based management fees), the Portfolio Manager may be motivated to favor certain accounts over others. The Portfolio Manager also may be motivated to favor accounts in which he has an investment interest, or in which the Adviser, or their affiliates have investment interests. Similarly, the desire to maintain assets under management or to enhance a Portfolio Manager s performance record or to derive other rewards, financial or otherwise, could influence the Portfolio Manager in affording preferential treatment to those accounts that could most significantly benefit the Portfolio Manager. For example, as reflected above, if the Portfolio Manager manages accounts which have performance fee arrangements, certain portions of his compensation will depend on the achievement of performance milestones on those accounts. The Portfolio Manager could be incented to afford preferential treatment to those accounts and thereby by subject to a potential conflict of interest.

The Adviser, and the Funds have adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for the Adviser and their staff members. However, there is no guarantee that such policies and procedures will be able to detect and prevent every situation in which an actual or potential conflict may arise.

COMPENSATION STRUCTURE FOR MARIO J. GABELLI

Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by the Adviser for managing the Trust. Net revenues are determined by deducting from gross investment management fees the firm s expenses (other than Mr. Gabelli s compensation) allocable to this Trust. Five closed-end registered investment companies (including this Trust) managed by Mr. Gabelli have arrangements whereby the Adviser will only receive its investment advisory fee attributable to the liquidation value of outstanding preferred stock (and Mr. Gabelli would only receive his percentage of such advisory fee) if certain performance levels are met. Additionally, he receives similar incentive based variable compensation for managing other accounts within the firm and its affiliates. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. The level of compensation is not determined with specific reference to the performance of any account against any specific benchmark. One of the other registered investment companies managed by Mr. Gabelli has a performance (fulcrum) fee arrangement for which his compensation is adjusted up or down based on the performance of the investment company relative to an index. Mr. Gabelli manages other accounts with performance fees. Compensation for managing these accounts has two components. One component is based on a percentage of net revenues to the investment adviser for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of such performance fee is paid to Mr. Gabelli. As an executive officer of the Adviser s parent company, GBL, Mr. Gabelli also receives ten percent of the net operating profits of the parent company. He receives no base salary, no annual bonus, and no stock options.

OWNERSHIP OF SHARES IN THE FUND

Mario J. Gabelli and Zahid Siddique owned over $1,000,000 and $0 of shares of the Trust as of December 31, 2010.

(b) Not applicable.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

REGISTRANT PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month #1 07/01/10 through 07/31/10	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common 180,862,988 Preferred Series D 2,363,860 Preferred Series F 5,850,402
Month #2 08/01/10 through 08/31/10	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common 180,862,988 Preferred Series D 2,363,860 Preferred Series F 5,850,402
Month #3 09/01/10 through 09/30/10	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common 180,862,988 Preferred Series D 2,363,860 Preferred Series F 5,850,402
Month #4 10/01/10 through 10/31/10	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common 180,862,988 Preferred Series D 2,363,860 Preferred Series F 5,850,402
Month #5 11/01/10	Common N/A Preferred Series D	Common N/A Preferred Series D N/A	Common N/A Preferred Series D N/A	Common 180,862,988 Preferred Series D 2,363,860

through 11/30/10	N/A Preferred Series F N/A	Preferred Series F N/A	Preferred Series F N/A	Preferred Series F 5,850,402
Month 12/01/10 through 12/31/10	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common 180,857,486 Preferred Series D 2,363,860 Preferred Series F 5,850,402
Total	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	Common N/A Preferred Series D N/A Preferred Series F N/A	N/A

Footnote columns (c) and (d) of the table, by disclosing the following information in the aggregate for all plans or programs publicly announced:

a. The date each plan or program was announced The notice of the potential repurchase of common and preferred shares occurs quarterly in the Fund s quarterly report in accordance with Section 23(c) of the Investment Company Act of 1940, as amended.

b. The dollar amount (or share or unit amount) approved Any or all common shares outstanding may be repurchased when the Fund s common shares are trading at a discount of 10% or more from the net asset value of the shares.

   Any or all preferred shares outstanding may be repurchased when the Fund s preferred shares are trading at a discount to the liquidation value of $25.00.

c. The expiration date (if any) of each plan or program The Fund s repurchase plans are ongoing.

d. Each plan or program that has expired during the period covered by the table The Fund s repurchase plans are ongoing.

e. Each plan or program the registrant has determined to terminate prior to expiration, or under which the registrant does not intend to make further purchases. The Fund s repurchase plans are ongoing.

Item 10. Submission of Matters to a Vote of Security Holders.

On December 3, 2010, the Board of Directors of The Gabelli Equity Trust, Inc. (the Fund) amended and restated in its entirety the bylaws of the Fund (the Amended and Restated Bylaws) and adopted certain Articles Supplementary. The Amended and Restated Bylaws and the Articles Supplementary were deemed effective December 3, 2010.

Item 11. Controls and Procedures.

(a) The registrant s principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant s second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

(a)(3) Not applicable.

(b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes- Oxley Act of 2002 are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) The Gabelli Equity Trust Inc.

By (Signature and Title)* /s/ Bruce N. Alpert

Bruce N. Alpert, Principal Executive Officer

Date 3/9/11

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Bruce N. Alpert

Bruce N. Alpert, Principal Executive Officer

Date 3/9/11

By (Signature and Title)* /s/ Agnes Mullady

Agnes Mullady, Principal Financial Officer and Treasurer

Date 3/9/11

* Print the name and title of each signing officer under his or her signature.