



Shareholder Commentary
December 31, 2010



THE GABELLI
DIVIDEND &
INCOME TRUST

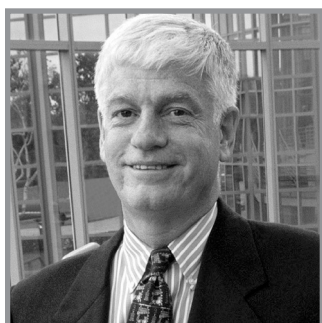
Our cover icon represents the underpinnings of Gabelli. The Teton mountains in Wyoming represent what we believe in in America – that creativity, ingenuity, hard work, and a global uniqueness provide enduring values. They also stand out in an increasingly complex, interconnected, and interdependent economic world.

Investment Objective:

The Gabelli Dividend & Income Trust is a non-diversified, closed-end management investment company. The Fund's investment objective is to seek a high level of total return with an emphasis on dividends and income. In making stock selections, the Fund's investment adviser looks for securities that have a superior yield, as well as capital gains potential.

We have separated the portfolio managers' commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio managers' commentary is unrestricted. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

This report is printed on recycled paper.



Mario J. Gabelli, CFA



Barbara G. Marcin, CFA



Robert D. Leininger, CFA



To Our Shareholders,

The stock market continued to recover in the fourth quarter of 2010, with the S&P 500 adding 10.8% for a full year gain of 15.1%. The year 2010 was a good year for our fellow shareholders as the net asset value (“NAV”) of the Gabelli Dividend & Income Trust (the “Fund”) was up 18.8%. For equity investors focusing on dividends as part of their total return, a major dynamic in the fourth quarter was the results of the midterm Congressional elections and the subsequent compromise in a deeply divided Congress to extend the current 15% tax rate on qualified dividends for two more years. Although 2009 was the worst year ever for dividends according to Standard & Poor’s, with the fewest increases and the most decreases since they started to collect the data in 1955, the year 2010 saw a vast number of companies re-initiate or increase their dividends. For 2010 overall, S&P 500 dividends grew by 8.8%, and we expect dividends in 2011 to grow by at least 9%.

Dividends To Grow In Importance

Historically, dividends have played a meaningful role in the total return of stocks during the last century. In fact, from the end of 1929 until the end of 2010, dividends have represented 45% of the total return of the S&P 500, according to Ned Davis Research. To highlight the importance of dividends, we have included a table which shows the contributions dividends have made to the total return of the S&P 500 during each of the last eight decades.

Decade	Average Annual			Dividend Contribution
	Price Return	Dividend Return	Total Return	To Total Returns
2000s	(3.0)%	2.1%	(0.9)%	NA%
1990s	15.3%	2.9%	18.2%	16%
1980s	12.6%	4.9%	17.5%	28%
1970s	1.6%	4.3%	5.9%	73%
1960s	4.4%	3.4%	7.8%	44%
1950s	13.6%	5.7%	19.4%	29%
1940s	3.0%	6.1%	9.2%	66%
1930s	(5.2)%	5.1%	(0.1)%	NA%

Source: Ibbotson Yearbook through 2009

The astute investor will pick up on the fact that the average annual dividend return, in nominal terms, has been declining over the past couple of decades, but we think that trend is going to reverse. One reason why dividend returns have been less in recent decades is because of the way management teams are compensated. Starting in the 1990s, corporate America truly embraced the concept of paying themselves with stock options. Under the stock option approach, management teams do not receive any dividend payments until, and if, the stock options are actually exercised. Thus, on the margin, management teams were more inclined to return capital to shareholders via share buybacks as opposed to increasing dividends.

The use of stock options has come under pressure over the past few years, due to stock option back dating and other issues. We feel the trend going forward will be for management teams to utilize restricted stock awards (RSAs), which offer a different incentive. Under the RSA model, employees who earn RSAs also receive any dividends paid during the vesting period. Thus, on the margin, management teams now have an additional incentive to increase dividends, since they can collect the dividends in full during the vesting period for their RSAs.

Furthermore, corporate America is flush with cash. Total liquid assets as a percentage of net worth is over 14%, a 60-year high, versus a 60-year average of about 9%. With all of that cash, corporate America will probably start to return some more of it to shareholders in the form of dividends.

We expect meaningful growth in dividend payouts to continue for many years. Currently, the dividend payout ratio for S&P 500 companies is about one third, well below the long-term historical average of just over one half. Despite the tremendous increase in corporate earnings and their recovery to pre-crisis levels, dividends remain well below their peak. Dividends tend to lag earnings. So, while earnings fell dramatically in 2008, bottomed out in 2009, and are now poised to set new highs, dividends have not yet reached their peak. Financial companies are the most glaring examples of this lag. They are on track to post tremendous earnings growth, but are still paying miniscule dividends. This sector is waiting for the Federal Reserve to allow them, on an individual basis, to boost their dividends for the first time since the financial crisis. JPMorgan could serve as the best example of this; it cut its dividend to only \$.20 annually in the second quarter of 2009, and is now poised to earn more in 2011 than it did in 2007. This record low payout ratio for JPMorgan of only about 5% of earnings versus a long-term average of 40% results in a current yield of only 0.5%, versus a long-term average of 3%. We expect JPMorgan and a few other select financials to substantially increase dividends.

Comparative Results

Average Annual Returns through December 31, 2010 (a)

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	Since Inception (11/28/03)
Gabelli Dividend & Income Trust					
NAV Total Return (b)	11.83%	18.77%	(2.91)%	3.71%	5.55%
Investment Total Return (c)	11.85	23.90	(1.85)	5.35	3.81
S&P 500 Index	10.76	15.08	(2.84)	2.29	4.55
Dow Jones Industrial Average	8.01	14.04	(1.58)	4.30	5.05
Nasdaq Composite Index	12.00	16.91	0.01	3.76	4.36

(a) **Returns represent past performance and do not guarantee future results.** Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Performance returns for periods of less than one year are not annualized. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.** The Dow Jones Industrial Average is an unmanaged index of 30 large capitalization stocks. The S&P 500 and the Nasdaq Composite Indices are unmanaged indicators of stock market performance. Dividends are considered reinvested except for the Nasdaq Composite Index. You cannot invest directly in an index.

(b) Total returns and average annual returns reflect changes in the net asset value ("NAV") per share and reinvestment of distributions at NAV on the ex-dividend date and are net of expenses. Since inception return is based on an initial NAV of \$19.06.

(c) Total returns and average annual returns reflect changes in closing market values on the New York Stock Exchange and reinvestment of distributions. Since inception return is based on an initial offering price of \$20.00.

Performance

The Gabelli Dividend & Income Trust's (the "Fund") NAV total return was 11.8% during the fourth quarter of 2010, compared with total returns of 10.8% and 8.0% for the S&P 500 Index and the Dow Jones Industrial Average, respectively. The total return for the Fund's publicly traded shares was 11.9% during the fourth quarter. For 2010, the Fund's NAV total return was 18.8% and the total return for the Fund's publicly traded shares was 23.9%, compared with total returns of 15.1% and 14.0% for the S&P 500 Index and the Dow Jones Industrial Average, respectively. On December 31, 2010, the Fund's NAV per share was \$17.64, while the price of the publicly traded shares closed at \$15.36 on the New York Stock Exchange ("NYSE").

All ten industry sectors in the S&P 500 posted positive returns for the fourth quarter and the year. For the fourth quarter and the full year the best performing sectors were consumer discretionary, industrial, and material stocks as investors revalued these stocks with a stronger economy and higher spending levels than assumed at the start of the year. Larger positions which we held in the Fund for the full year that performed strongly for both the fourth quarter and the year included Genuine Parts (GPC), Halliburton (HAL), ConocoPhillips (COP), National Fuel Gas (NFG), Danone (DN), Honeywell (HON), Freeport-McMoRan (FCX), and Cablevision (CVC).

Since inception on November 28, 2003 through December 31, 2010, the Fund has provided cumulative cash distributions of \$8.63 per share to common shareholders. The cumulative total return to those shareholders who invested in the Fund's initial public offering and continued to hold their shares is 5.6% on a net asset value basis and 3.8% for the Fund's publicly traded common shares. Shareholders paid \$20.00 per share for the Fund at the initial public offering, and the Fund received \$19.06 per share after deducting underwriting fees, sales charges, and offering expenses. The tables reflect the net asset value of the Fund and closing price on the NYSE for the Fund's common shares on December 31, 2010, the cumulative distributions received, and the total combined value of the net asset value and closing market price plus the distributions received.

Public Offering Price (November 28, 2003)	\$20.00
Sales Load and Offering Expenses	<u>0.94</u>
Initial Net Asset Value (after expenses)	<u>\$19.06</u>
Current Net Asset Value (as of December 31, 2010)	\$17.64
Total Distributions Paid Per Share (\$8.63 as of December 31, 2010)	<u>8.63</u>
Current NAV + Distributions Paid Per Share	<u>\$26.27</u>
Public Offering Price (November 28, 2003)	<u>\$20.00</u>
Current Market Price (as of December 31, 2010)	\$15.36
Total Distributions Paid Per Share (\$8.63 as of December 31, 2010)	<u>8.63</u>
Current Market Price + Distributions Paid Per Share	<u>\$23.99</u>
Note: Distributions are added back to the net asset value and current market price rather than reinvested during the period.	

Market Commentary – The Year in Review

It doesn't feel possible, but December marked the eighteenth month of economic recovery. Still more surprising is that nominal GDP is now at an all-time high. This means the recovery has entered the expansion phase, despite little progress on the jobs front and a lackluster housing and construction market. Consumer spending is positive but certainly not robust, as tepid wage growth and balance sheet repair constrains the urge to spend. The manufacturing sector of the economy is strong, helped by exports and a healthy recovery in automotive production and demand. The aerospace cycle is also turning positive, with production at Boeing and Airbus sold out through most of 2013. Strong overseas growth, especially in the emerging markets, is giving us a nice push.

The recovery feels stealth-like, but it is genuine. GDP is in an expansion phase, the typical duration of which is five years. Corporate profits in 2011 should hit an all-time high. Corporate balance sheets are flush with cash.

Credit spreads have recovered to pre-Lehman levels. Consumer confidence is up. Small business confidence is turning up. The Institute for Supply Management (ISM) Manufacturing Index is in elevated territory. Private payrolls are expanding, albeit modestly. The stock market is up. Holiday sales are encouraging. Airline traffic is strong. Rail tonnage continues at a high level. Truckers report healthy shipments. Global oil demand is at a record level and General Motors just had a hugely successful initial public offering. Economists are now raising GDP estimates for 2011 and talking of more in 2012. This is a pretty good report card, especially considering a period filled with uncertainty about taxes and a maze of regulatory changes covering large chunks of the economy. And with unemployment high (nearly 10%) and core consumer inflation hovering near 1%, the Fed continues to do everything it can to keep interest rates low to promote recovery. Bernanke does not want to make the mistake of taking his foot off the gas too soon. We may pay a price for this sometime in the future, but for now bond yields remain shockingly low, especially in the shorter maturities. As much as we all want stronger growth and more jobs, we must acknowledge that the global economy and the U.S. economy have made great strides in the past two years.

JPMorgan Chase & Co; a Focus on the Company

In the Fund, we focus on stocks that pay dividends. We like to invest in fundamentally strong businesses and companies that not only just pay a dividend, but companies that we believe will grow their dividend over time. A good example of just such a company is JPMorgan Chase & Co, a leading global diversified financial services company with over \$2 trillion in assets. JPMorgan has six leading business segments, the largest of which is investment banking. The investment bank at JPMorgan is not only the largest business segment by profits at JPMorgan, it is also the number one investment bank globally in terms of fees generated in 2010. As global capital market activity picks up (as we think it will over the next couple of years), JPMorgan is well positioned to gain global share since other competitors are not as well capitalized.

Another business segment at JPMorgan is retail financial services, which includes retail banking, mortgage banking, and real estate portfolios. Although this segment suffered large losses during the financial crisis, profitability has returned and we expect profitability will continue to improve as the housing market stabilizes. A third business segment is card services, which also suffered losses during the financial crisis, but likewise is now solidly profitable. The other business segments are commercial banking, treasury & securities services, and asset management.

During the financial crisis, JPMorgan, led by Jamie Dimon, was very prudent in maintaining a fortress balance sheet. The capital strength of the firm was why they were able to absorb both Washington Mutual and Bear Stearns, two deals which we view favorably. The fortress balance sheet at JPMorgan is still here today. In fact, the banking industry will be expected to maintain a Tier 1 common ratio of 7% under the new, more stringent Basel III definitions. We estimate that JPMorgan will easily meet this new standard in 2011, years ahead of the new deadline and ahead of almost all of their competitors.

This strong capital strength is why we believe JPMorgan will soon substantially increase its dividend, which is only \$0.20 per share annually right now, having been slashed in 2009. We believe the dividend will soon approach \$1.00 per share annually and grow to over \$2.00 per share by 2013. The stock price is trading under 10 times our estimate for 2011 earnings per share and less than 9 times our estimate for 2012 earnings per share, valuation levels we find very attractive for such a world class franchise.

Let's Talk Stocks

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. The share prices of the following holdings are stated in U.S. dollars or U.S. dollar equivalent terms as of December 31, 2010.

Bank of New York Mellon Corp. (BK - \$30.20 - NYSE) is a global financial services company with over \$1 trillion of assets under management and \$22.4 trillion of assets under custody and administration. BK provides asset and wealth management, asset servicing, issuer services, and clearing and execution and treasury services to institutions, corporations, and high net worth individuals. The company is the global leader in asset servicing and benefits from

cross selling additional services to existing customers. BK had the largest market share in six of its nine largest businesses, including the #1 global corporate trust business, and over 50% market share in the U.S. for broker-dealer services. The company's leadership position and strong operating track record should fuel continued global growth as it takes advantage of recent dislocations in financial markets. We believe the company, along with other well capitalized financial firms, will raise its dividend in early 2011.

The Coca-Cola Co. (KO - \$65.77 - NYSE), headquartered in Atlanta, Georgia, is the global leader in non-alcoholic beverages. Anchored by its iconic Coca-Cola brand, the company holds a double volume global share advantage over its nearest competitor. The company owns or licenses nearly 500 brands and sells close to 3,000 different sparkling and still beverages in more than 200 countries, generating over 80% of its operating profits internationally. As the global beverage leader, Coca-Cola is well positioned to continue benefitting from growth in emerging markets as those markets transform towards consuming more ready to drink beverages. The United States market remains Coke's largest single market, and we view Coca-Cola's decision to acquire the North America bottling operations from its anchor U.S. bottler (CCE), as the right strategic conclusion to improving its go-to-market capabilities and to exploit the strength and innovation of its brands. We expect average annual EPS growth of 12% through 2014, and we find the current valuation of Coca-Cola shares compelling, including the 2.9% current return.

General Electric Co. (GE - \$18.29 - NYSE) is a large industrial conglomerate based in Fairfield, Connecticut. The company has leading positions in energy infrastructure, healthcare, aviation, as well as a 49% joint venture interest in NBC Universal. In addition, GE owns financial unit GE Capital, which suffered heavy losses during the financial crisis, but which should provide 30%-40% of GE's operating profits going forward. In 2008, GE cut its dividend to help conserve cash during the financial crisis, but in 2010, the company raised its dividend twice and the stock now has a 3.2% current yield. Over the next 3 to 5 years, we expect GE can grow its earnings per share by at least 10% annually, and we expect dividends to increase in line with earnings. Given the strong cash flow from its businesses, we also expect the company will buy back about 2% of its stock each year.

Great Plains Energy Inc. (GXP - \$19.39 - NYSE) a mid-sized regulated utility, is a holding company for Kansas City Power & Light Company and Greater Missouri Operations (GMO). GMO (formerly Missouri Public Service and St. Joseph Light & Power) was acquired by GXP in July of 2008 from Aquila. The electric utilities serve over 820,000 customers located in western Missouri (70% of revenues) and eastern Kansas (30% of revenues). GXP shares offer investors a competitive 4.3% current return on the \$0.83 annual dividend, which we consider secure. On February 11, 2009, GXP cut its annual dividend by 50% to \$0.83 per share from \$1.66 to provide a source of valuable internal equity capital to support its environmentally focused capital expenditure program during the economic recession and financial crisis. We expect GXP to consider a policy of annual dividend increases following its pending rate decisions and assuming reasonable regulatory treatment.

Intel Corp. (INTC - \$21.03 - Nasdaq), based in Santa Clara, California, is the world's leading semiconductor company in microprocessors, with \$35 billion of revenue in 2009 and a commanding market share of 80%. In the first nine months of 2010, the company successfully generated a strong gross margin of 66%, a significant increase from its average gross margin of 56% in 2009. Looking forward into early 2011, Intel is launching its new Sandy Bridge architecture, the first generation of Intel's microprocessor chip with integrated graphic processor capability on 32nm process technology. Furthermore, Intel will integrate its recent acquisitions of McAfee and Infineon wireless solutions business. We continue to remain upbeat on Intel's financial performance as we expect favorable demand upsides coming from corporate PC refresh, Data Center, Windows 7 upgrade, corporate IT spending recovery, and continuing strengths in emerging markets. At \$21.03/share, Intel's valuation is attractive, as the company is trading at 9.8x earnings and 4.8x EBITDA based on our 2011 estimates. Additionally, Intel shares carry an annual dividend yield of 2.9%.

Legg Mason Inc. (LM - \$36.27 - NYSE), based in Baltimore, Maryland, is a holding company for select global asset management subsidiaries, including Permal Alternatives, Royce & Associates, and Western Asset Management. As of November 2010, the company had approximately \$670 billion of assets under management. Legg Mason is benefitting from improved investment performance at its affiliates and a stronger balance sheet from cash flows in 2010. The company currently has no net debt. Margins should improve in 2011 due to a major restructuring plan to

lower corporate costs and operating leverage from higher assets under management. An activist investor, Nelson Peltz, is on the board of directors and we believe he will serve as a catalyst to enhance shareholder value.

National Fuel Gas Co. (NFG - \$65.62 - NYSE), based in Williamsville, New York, is a diversified natural gas and pipeline utility with a rapidly growing exploration and production business. NFG operates business segments participating in exploration and production, pipeline and storage, local natural gas distribution, and energy marketing. The utility serves 730,000 customers in and around Buffalo, New York and Erie and Sharon, Pennsylvania. The pipeline operates 3,000 miles of pipes and 34 storage facilities primarily in the state of New York. The E&P segment, or Seneca Resources, operates in California, the Gulf of Mexico, and most importantly, Appalachia, which is commonly referred to as the company's "Marcellus" acreage. On September 23, 2010, NFG announced that it had hired an adviser to explore joint venture opportunities in the Marcellus. Potential joint ventures will likely exclude mineral rights to the Utica shale, which lies beneath the Marcellus and could potentially prove to be as abundant as the Marcellus.

Occidental Petroleum Corp. (OXY - \$98.10 - NYSE), based in Los Angeles, California, is the fourth largest U.S.-based integrated energy company. Occidental's exploration and production business will post the strongest production growth in its peer group in 2011-2012, with new ventures in the international area and expansion in California likely to drive the production growth. In our opinion, output will grow approximate 5-6% annually during 2011-2014. Relative to other integrated energy companies, OXY is more U.S. focused (over 60% of production) and more crude oil focused (75% of production). The management team at Occidental has a long history of creating shareholder value by focusing on long-lived established energy production areas where the cost to drill is low. It is interesting to note that Occidental has no presence in the Gulf of Mexico. On December 10, 2010, the company decided to increase its dividend by 21%.

Verizon Communications Inc. (VZ - \$35.78 - NYSE), based in New York City, is one of the world's leading telecommunications services companies, serving over 26.5 million switched access lines and 8.3 million broadband connections. VZ also owns a controlling 55% interest in Verizon Wireless, the largest wireless carrier in the United States with 93.2 million subscribers. On July 1, 2010, Verizon completed the sale of its rural wireline operations in 14 states to Frontier Communications in a Reverse Morris Trust transaction valued at approximately \$8.6 billion. This transaction resulted in a \$3.3 billion debt reduction for Verizon and should improve VZ's growth profile. We like VZ for several reasons; strong wireless business (industry leader in profitability with service EBITDA margins in mid- to high- 40's), solid FiOS TV and data customer growth, and attractive valuation. Verizon is trading at 6x 2011P EBITDA based on consolidated figures and 5.5x 2011P EBITDA, based on proportionate consolidation (including 55% of Verizon Wireless results). In addition, the company has a competitive dividend of \$1.95, or 5.7% current return.

Waste Management Inc. (WM - \$36.87 - NYSE) is the largest non-hazardous waste collection and disposal company in the United States. The company collects waste for commercial, industrial, municipal, and residential customers throughout the United States, and operates 268 landfills, 345 transfer stations, 90 recycling facilities, and 16 waste-to-energy facilities. WM has focused on improving profitability by increasing return on capital and cash flow at each of its operations though cost cutting and price increases. In addition, the company is looking for new environmentally friendly ways to increase returns from garbage like landfill gas. The company has a history of returning its strong cash flow to shareholders both through dividends and its large share repurchase program. The current yield for WM is 3.4%.

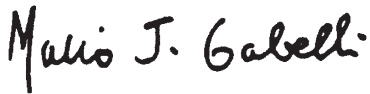
Looking Ahead

As we discussed earlier, dividends have historically played a large role in the total return of the stock market and we believe dividends will start to play a larger role in the years ahead than they do now. One of the many reasons why we believe dividends will play a bigger role in total return going forward is tax policy. Congress recently passed a new tax program which extends the 15% Federal tax rate on qualified dividends for two more years. Prior to this extension, there was concern that tax rates on dividends might go up. With this uncertainty gone and the favorable 15% tax rate in place for at least another two years, we believe corporations will increase dividends at an accelerating rate.

Conclusion

For many reasons, we feel high quality companies that can pay a competitive dividend and grow the dividend over time will be market leaders in the years ahead. This fund focuses on just such companies, and we will continue to apply our intensive, fundamental, bottom up research process to identify those companies on behalf you, our fellow shareholders.

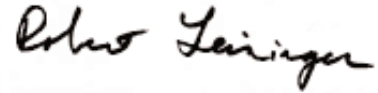
Sincerely,



Mario J. Gabelli, CFA
Portfolio Manager and
Chief Investment Officer



Barbara G. Marcin, CFA
Portfolio Manager



Robert D. Leininger, CFA
Portfolio Manager

January 21, 2011

Note: The views expressed in this Shareholder Commentary reflect those of the Portfolio Managers only through the end of the period stated in this Shareholder Commentary. The Portfolio Managers' views are subject to change at any time based on market and other conditions. The information in this Portfolio Managers' Shareholder Commentary represents the opinions of the individual Portfolio Managers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Managers and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

Portfolio Manager Compensation

Mr. Gabelli's incentive-based, variable compensation structure and dollar amount have been fully disclosed each year since April of 2000 in the annual proxy statement for GAMCO Investors, Inc. (NYSE:GBL). Mr. Gabelli receives no base salary, no annual bonus, and no stock options.

As founder and portfolio manager of The Gabelli Dividend & Income Trust, Mr. Gabelli received \$2,997,712 in calendar year 2009. For the Fund's first twelve months of operation starting in November 2003, Mr. Gabelli received less than \$605,000. Mario J. Gabelli and various entities he is deemed to control owned 2,205,896 common shares and 8 Series B Auction Market Preferred Shares, respectively, of the Fund for a total value of \$33,882,570 and \$200,000 in the common and preferred shares, respectively, as of December 31, 2010. Mr. Gabelli may not have a one hundred percent pecuniary interest in some of the entities he is deemed to control.

Common Share Repurchase Plan – Share Repurchases Exceed Two Million Shares

On May 12, 2004, the Board of Trustees of the Fund (the "Board") voted to authorize the repurchase of the Fund's common shares in the open market from time to time when such shares are trading at a discount of 7.5% or more from NAV. Pursuant to this share repurchase plan, the Fund repurchased and retired 110,500 common shares in the fourth quarter of 2010. In total through December 31, 2010, the Fund has repurchased and retired 2,013,568 common shares in the open market under this share repurchase plan at an average investment of \$16.33 per share and an average discount of approximately 14.3% from its NAV.

Monthly Distribution Policy for Common Shareholders

The Board has reaffirmed the continuation of the Fund's monthly distribution policy for the first quarter of 2011. Pursuant to its distribution policy, the Fund paid cash distributions of \$0.07 per share on October 22, 2010, November 22, 2010, and December 17, 2010, to common shareholders of record on October 15, 2010, November 15, 2010, and December 14, 2010, respectively, for a total distribution of \$0.21 per share during the fourth quarter of 2010.

Under the Fund's current distribution policy, the Fund pays a distribution of \$0.07 per share each month (\$0.84 per share on an annual basis) and, if necessary, an adjusting distribution in December which includes any additional income and net realized capital gains in excess of the monthly distributions for that year to satisfy the minimum distribution requirements of the Internal Revenue Code.

Each quarter, the Board reviews the amount of any potential distribution and the income, capital gain, or capital available. The Board will continue to monitor the Fund's distribution level, taking into consideration the Fund's net asset value and the financial market environment. The Fund's distribution policy is subject to modification by the Board at any time.

Monthly distributions were implemented to improve shareholder value with the objective of narrowing the discount to NAV of the publicly traded shares on the NYSE. We firmly believe that our shareholders prefer a monthly distribution to a quarterly payment, and that this will help to close the gap between NAV and market price over time. Of course, we are most directly responsible for the NAV because it reflects the performance of the investments that are in the Fund. However, we also know that we have a responsibility to improve shareholder value, and that means using shareholder initiatives such as the distribution policy to improve the market price when trading at a discount to NAV.

If the Fund does not generate sufficient earnings from dividends and interest and net realized capital gains to satisfy the aggregate distributions paid by the Fund in a given year, then the amount distributed in excess of the Fund's investment income and net realized capital gains would be deemed a return of capital. Since this would be considered a return of a portion of a shareholder's original investment, it is generally not taxable and is treated as a reduction in the shareholder's cost basis. Under federal tax regulations, some or all of the return of capital distributed by the Fund may be taxable as ordinary income in certain circumstances. This may occur when the Fund has a capital loss carry forward, net capital gains are realized in a fiscal year and distributions are made in excess of investment company taxable income. Despite the challenges of the extra record keeping, a distribution that is occasionally supplemented with a return of capital serves as a smoothing mechanism resulting in a more stable and consistent cash flow available to shareholders. A portion of the distribution may be treated as long-term capital gain and qualified dividend income for individuals, each subject to the maximum federal income tax rate, which is currently 15% in taxable accounts for individuals. Long-term capital gains, qualified dividend income, ordinary income, and paid-in capital, if any, are allocated on a pro-rata basis to all distributions to common shareholders for the year. Based on distribution allocations of the Fund as of December 31, 2010, the total distributions paid in 2010 represent approximately 21% from net investment income and 79% from paid-in capital. The estimated components of each distribution are provided to shareholders of record in a notice accompanying the distribution and are available on our website (www.gabelli.com). All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2010 distributions in early 2011 via Form 1099-DIV.

5.875% Series A Cumulative Preferred Shares

The Fund's 5.875% Series A Cumulative Preferred Shares paid a \$0.3671875 per share cash distribution on December 27, 2010 to preferred shareholders of record on December 17, 2010. The Series A Preferred Shares, which trade on the NYSE under the symbol "GDV Pr A", are rated "Aaa" by Moody's Investors Service and have an annual dividend rate of \$1.46875 per share. The Series A Preferred Shares were issued on October 12, 2004 at \$25.00 per share and pay distributions quarterly. After five years of call protection, the Series A Preferred Shares became callable at any time at the liquidation value of \$25.00 per share plus accrued dividends. The next distribution is scheduled for March 2011. The Fund is authorized to purchase its Series A Preferred Shares in the open market from time to time when such shares are trading at a discount to the liquidation value of \$25.00 per share. In total through December 31, 2010, the Fund has repurchased and retired 151,981 Series A Preferred Shares in the open market under this share repurchase authorization. The Fund did not repurchase any Series A Preferred Shares during the fourth quarter of 2010.

Series B Auction Market Preferred Shares

The dividend rates for the Series B Auction Market Preferred Shares ranged from 1.498% to 1.505% during the fourth quarter of 2010. Dividend rates for the Series B Preferred Shares are cumulative at a rate that may be reset every seven days based on the results of an auction. Since February 2008, the number of Series B Preferred Shares subject to bid orders by potential holders has been less than the number of Series B Preferred Shares subject to sell orders. Therefore, the weekly auctions have failed, and the holders have not been able to sell any or all of the Series B Preferred Shares for which they submitted sell orders. The dividend rate since then has been the maximum rate. The current maximum rate is 125 basis points greater than the seven day Telerate/British Bankers Association LIBOR on the day of such auction. The Series B Preferred Shares do not trade on an exchange. The Series B Preferred Shares are rated “Aaa” by Moody’s Investors Service and “AAA” by Standard & Poor’s Ratings Services. The Fund issued 4,000 Series B Preferred Shares on October 12, 2004 at \$25,000 per share. As of December 31, 2010, 3,600 Series B Preferred Shares were outstanding.

Series C Auction Market Preferred Shares

The dividend rates for the Series C Auction Market Preferred Shares ranged from 1.498% to 1.505% during the fourth quarter of 2010. Dividend rates for the Series C Preferred Shares are cumulative at a rate that may be reset every seven days based on the results of an auction. Since February 2008, the number of Series C Preferred Shares subject to bid orders by potential holders has been less than the number of Series C Preferred Shares subject to sell orders. Therefore, the weekly auctions have failed, and the holders have not been able to sell any or all of the Series C Preferred Shares for which they submitted sell orders. The dividend rate since then has been the maximum rate. The current maximum rate is 125 basis points greater than the seven day Telerate/British Bankers Association LIBOR on the day of such auction. The Series C Preferred Shares do not trade on an exchange. The Series C Preferred Shares are rated “Aaa” by Moody’s Investors Service and “AAA” by Standard & Poor’s Ratings Services. The Fund issued 4,800 Series C Preferred Shares on October 12, 2004 at \$25,000 per share. As of December 31, 2010, 4,320 Series C Preferred Shares were outstanding.

6.00% Series D Cumulative Preferred Shares

The Fund’s 6.00% Series D Cumulative Preferred Shares paid a \$0.375 per share cash distribution on December 27, 2010 to preferred shareholders of record on December 17, 2010. The Series D Preferred Shares, which trade on the NYSE under the symbol “GDV Pr D”, are rated “Aaa” by Moody’s Investors Service and have an annual dividend rate of \$1.50 per share. The Series D Preferred Shares were issued on November 3, 2005 at \$25.00 per share and pay distributions quarterly. The Series D Preferred Shares will be callable at any time at the liquidation value of \$25.00 per share plus accrued dividends following the expiration of the five year call protection on November 3, 2010. The next distribution is scheduled for March 2011. The Fund is authorized to purchase its Series D Preferred Shares in the open market from time to time when such shares are trading at a discount to the liquidation value of \$25.00 per share. In total through December 31, 2010, the Fund has repurchased and retired 57,704 Series D Preferred Shares in the open market under this share repurchase authorization. The Fund did not repurchase any Series D Preferred Shares during the fourth quarter of 2010.

Series E Auction Rate Preferred Shares

The dividend rates for the Series E Auction Rate Preferred Shares ranged from 1.748% to 1.755% during the fourth quarter of 2010. Dividend rates for the Series E Preferred Shares are cumulative at a rate that may be reset every seven days based on the results of an auction. Since February 2008, the number of Series E Preferred Shares subject to bid orders by potential holders has been less than the number of Series E Preferred Shares subject to sell orders. Therefore, the weekly auctions have failed, and the holders have not been able to sell any or all of the Series E Preferred Shares for which they submitted sell orders. The dividend rate since then has been the maximum rate. The current maximum rate is 150 basis points greater than the seven day Telerate/British Bankers Association LIBOR on the day of such auction. The Series E Preferred Shares do not trade on an exchange. The Series E Preferred Shares are rated “Aaa” by Moody’s Investors Service and “AAA” by Standard & Poor’s Ratings Services. The Fund issued 5,400 Series E Preferred Shares on November 3, 2005 at \$25,000 per share. As of December 31, 2010, 4,860 Series E Preferred Shares were outstanding.

It should be noted that the Investment Adviser does not receive a management fee on the incremental assets attributable to the Preferred Shares unless the total return of the net asset value of the common shares during the year, including distributions and management fee subject to reduction, exceeds the stated dividend rate or corresponding swap rate of each particular series of Preferred Shares for the fiscal year. The Investment Adviser believes this fee arrangement is in the best interest of all shareholders.

The Board shares the Investment Adviser's view that the issuance of the Preferred Shares is designed to benefit the common shareholders. To the extent that the Fund earns in excess of the dividend rate on the Preferred Shares, additional value will thereby be created for its common shareholders.

A portion of the distributions may be treated as long-term capital gain and qualified dividend income for individuals, each subject to the maximum federal income tax rate, which is currently 15% in taxable accounts for individuals. Long-term capital gains, qualified dividend income, and ordinary income, if any, are allocated on a pro-rata basis to all distributions to preferred shareholders for the year. Under federal tax regulations, some or all of the return of capital distributed by the Fund may be taxable as ordinary income in certain circumstances. This may occur when the Fund has a capital loss carry forward, net capital gains are realized in a fiscal year and distributions are made in excess of investment company taxable income. Based on the distribution allocations of the Fund as of December 31, 2010, the total Preferred Share distributions paid in 2010 represent approximately 100% from net investment income. The estimated components of each distribution are provided to shareholders of record in a notice accompanying the distribution and are available on our website (www.gabelli.com). All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2010 distributions in early 2011 via Form 1099-DIV.

www.gabelli.com

Please visit us on the Internet. Our homepage at www.gabelli.com contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news. We welcome your comments and questions via e-mail at closedend@gabelli.com.

You may sign up for our e-mail alerts at www.gabelli.com and receive early notice of quarterly report availability, news events, media sightings, and mutual fund prices and performance.

e-delivery

We are pleased to offer electronic delivery of Gabelli fund documents. Shareholders of our closed-end funds can now elect to receive e-mail announcements regarding available materials, including shareholder commentaries and fund reports. For more information or to register for e-delivery, please visit our website at www.gabelli.com.

**Top Ten Holdings
December 31, 2010**

Verizon Communications Inc.	Occidental Petroleum Corp.
Swedish Match AB	Sara Lee Corp.
National Fuel Gas Co.	The Coca-Cola Co.
Kraft Foods Inc.	JPMorgan Chase & Co.
ConocoPhillips	NSTAR

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

AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLANS

Enrollment in the Plan

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

The Gabelli Dividend & Income Trust
c/o Computershare
P.O. Box 43010
Providence, RI 02940–3010

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

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

The number of shares of common shares distributed to participants in the Plan in lieu of cash dividends is determined in the following manner. Under the Plan, whenever the market price of the Fund’s common shares is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividends or capital gains distribution, participants are issued shares of common shares valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then current market price of the Fund’s common shares. The valuation date is the dividend or distribution payment date or, if that date is not a New York Stock Exchange (“NYSE”) trading day, the next trading day. If the net asset value of the common shares at the time of valuation exceeds the market price of the common shares, participants will receive shares from the Fund valued at market price. If the Fund should declare a dividend or capital gains distribution payable only in cash, Computershare will buy shares of common shares in the open market, or on the NYSE or elsewhere, for the participants’ accounts, except that Computershare will endeavor to terminate purchases in the open market and cause the Fund to issue shares at net asset value if, following the commencement of such purchases, the market value of the common shares exceeds the then current net asset value.

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

Voluntary Cash Purchase Plan

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

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

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

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

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

TRUSTEES AND OFFICERS
THE GABELLI DIVIDEND & INCOME TRUST
One Corporate Center, Rye, NY 10580-1422

Trustees

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

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

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

Mario d'Urso
Former Italian Senator

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

Michael J. Melarkey
Attorney-at-Law,
Avansino, Melarkey, Knobel & Mulligan

Salvatore M. Salibello
Certified Public Accountant,
Salibello & Broder, LLP

Edward T. Tokar
Senior Managing Director,
Beacon Trust Company

Anthonie C. van Ekris
Chairman, BALMAC International, Inc.

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

Officers

Bruce N. Alpert
President

Carter W. Austin
Vice President

Peter D. Goldstein
Chief Compliance Officer

Laurissa M. Martire
Vice President & Ombudsman

Agnes Mullady
Treasurer & Secretary

Investment Adviser

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

Custodian

State Street Bank and Trust Company

Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

Transfer Agent and Registrar

Computershare Trust Company, N.A.

Stock Exchange Listing

	5.875%	6.00%
	<u>Common</u>	<u>Preferred</u>
NYSE-Symbol:	GDV	GDV PrA
Shares Outstanding:	83,049,637	3,048,019
		2,542,296

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 "XGDVX."

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 its common shares in the open market when the Fund's shares are trading at a discount of 7.5% or more from the net asset value of the shares. The Fund may also, from time to time, purchase its preferred shares in the open market when the preferred shares are trading at a discount to the liquidation value.

THE GABELLI DIVIDEND & INCOME TRUST

One Corporate Center, Rye, NY 10580-1422

Phone: 800-GABELLI (800-422-3554)

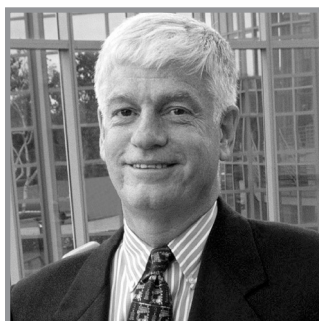
Fax: 914-921-5118 Internet: www.gabelli.com

e-mail: closedend@gabelli.com

GDV Dec/2010

The Gabelli Dividend & Income Trust

Annual Report – December 31, 2010



Mario J. Gabelli, CFA

Barbara G. Marcin, CFA

Robert D. Leining, CFA

To Our Shareholders,

The Sarbanes-Oxley Act requires a fund's principal executive and financial officers to certify the entire contents of the semi-annual and annual shareholder reports in a filing with the Securities and Exchange Commission ("SEC") on Form N-CSR. This certification would cover the portfolio managers' commentary and subjective opinions if they are attached to or a part of the financial statements. Many of these comments and opinions would be difficult or impossible to certify.

Because we do not want our portfolio managers to eliminate their opinions and/or restrict their commentary to historical facts, we have separated their commentary from the financial statements and investment portfolio and have sent it to you separately. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

Enclosed are the audited financial statements including the investment portfolio as of December 31, 2010.

Investment Performance

For the year ended December 31, 2010, The Gabelli Dividend & Income Trust's (the "Fund") net asset value ("NAV") total return was 18.8% and the total return for the Fund's publicly traded shares was 23.9%, compared with gains of 15.1% and 14.0% for the Standard & Poor's ("S&P") 500 Index and the Dow Jones Industrial Average, respectively.

On December 31, 2010, the Fund's NAV per share was \$17.64, while the price of the Fund's publicly traded shares closed at \$15.36 on the New York Stock Exchange ("NYSE").

Sincerely yours,

Bruce N. Alpert
President

February 25, 2011

Comparative Results

Average Annual Returns through December 31, 2010 (a) (Unaudited)

	Quarter	1 Year	3 Year	5 Year	Since Inception (11/28/03)
Gabelli Dividend & Income Trust					
NAV Total Return (b)	11.83%	18.77%	(2.91)%	3.71%	5.55%
Investment Total Return (c)	11.85	23.90	(1.85)	5.35	3.81
S&P 500 Index	10.76	15.08	(2.84)	2.29	4.55
Dow Jones Industrial Average	8.01	14.04	(1.58)	4.30	5.05
Nasdaq Composite Index	12.00	16.91	0.01	3.76	4.36

- (a) **Returns represent past performance and do not guarantee future results.** Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Performance returns for periods of less than one year are not annualized. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.** The Dow Jones Industrial Average is an unmanaged index of 30 large capitalization stocks. The S&P 500 and the Nasdaq Composite Indices are unmanaged indicators of stock market performance. Dividends are considered reinvested except for the Nasdaq Composite Index. You cannot invest directly in an index.
- (b) Total returns and average annual returns reflect changes in the NAV per share and reinvestment of distributions at NAV on the ex-dividend date and are net of expenses. Since inception return is based on an initial NAV of \$19.06.
- (c) Total returns and average annual returns reflect changes in closing market values on the New York Stock Exchange and reinvestment of distributions. Since inception return is based on an initial offering price of \$20.00.

THE GABELLI DIVIDEND & INCOME TRUST
Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total investments as of December 31, 2010:

Financial Services	12.3%	Entertainment	1.0%
Food and Beverage	10.4%	Energy and Utilities: Water	0.9%
Energy and Utilities: Oil	10.4%	Environmental Services	0.8%
Energy and Utilities: Integrated	9.8%	Business Services	0.6%
Telecommunications	6.3%	Paper and Forest Products	0.6%
Consumer Products	4.8%	Transportation	0.5%
U.S. Government Obligations	4.5%	Automotive	0.5%
Energy and Utilities: Natural Gas	4.5%	Computer Software and Services	0.4%
Energy and Utilities: Electric	4.0%	Hotels and Gaming	0.3%
Diversified Industrial	3.9%	Wireless Communications	0.3%
Health Care	3.6%	Energy and Utilities	0.3%
Energy and Utilities: Services	3.5%	Computer Hardware	0.3%
Retail	2.5%	Agriculture	0.2%
Machinery	2.0%	Communications Equipment	0.1%
Aerospace	2.0%	Building and Construction	0.1%
Electronics	1.7%	Publishing	0.1%
Specialty Chemicals	1.6%	Consumer Services	0.0%
Cable and Satellite	1.5%	Real Estate	0.0%
Equipment and Supplies	1.4%	Manufactured Housing and Recreational Vehicles ..	0.0%
Metals and Mining	1.2%	Broadcasting	0.0%
Automotive: Parts and Accessories	1.1%		<u>100.0%</u>

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, the last of which was filed for the quarter ended September 30, 2010. Shareholders may obtain this information at www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Proxy Voting

The Fund files Form N-PX with its complete proxy voting record for the twelve months ended June 30th, no later than August 31st of each year. A description of the Fund's proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by (i) calling 800-GABELLI (800-422-3554); (ii) writing to The Gabelli Funds at One Corporate Center, Rye, NY 10580-1422; or (iii) visiting the SEC's website at www.sec.gov.

THE GABELLI DIVIDEND & INCOME TRUST
SCHEDULE OF INVESTMENTS
December 31, 2010

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>		
COMMON STOCKS — 93.5%			195,000	Kimberly-Clark Corp. \$	12,663,991 \$	12,292,800	
Aerospace — 1.9%			25,000	Philip Morris International Inc.	1,011,008	1,463,250	
10,000	Goodrich Corp. \$	281,823 \$	880,700	1,000,000	Swedish Match AB	12,269,968	28,948,875
32,000	Kaman Corp.	594,408	930,240	145,000	The Procter & Gamble Co.	7,977,094	9,327,850
147,000	Rockwell Automation Inc.	7,069,734	10,541,370	50,000	Tupperware Brands Corp.	2,397,023	2,383,500
1,664,000	Rolls-Royce Group plc†	12,489,118	16,162,639			71,425,691	91,993,475
128,000,000	Rolls-Royce Group plc., Cl. C†	202,004	199,563	Consumer Services — 0.0%			
123,000	The Boeing Co.	7,831,364	8,026,980	19,500	Dollar Thrifty Automotive Group Inc.†	811,102	921,570
		28,468,451	36,741,492	Diversified Industrial — 3.4%			
Agriculture — 0.2%			100,000	Archer-Daniels-Midland Co.	2,706,857	3,008,000	
Automotive — 0.3%			126,000	Cooper Industries plc	3,996,818	7,344,540	
200,000	Ford Motor Co.†	2,895,000	3,358,000	661,000	General Electric Co.	15,580,381	12,089,690
27,100	Navistar International Corp.†	753,048	1,569,361	280,000	Honeywell International Inc.	9,789,754	14,884,800
		3,648,048	4,927,361	95,000	ITT Corp.	4,299,475	4,950,450
Automotive: Parts and Accessories — 1.1%			121,000	Owens-Illinois Inc.†	4,233,776	3,714,700	
24,000	BorgWarner Inc.†	792,911	1,736,640	7,000	Sulzer AG	690,270	1,066,845
370,000	Genuine Parts Co.	12,454,843	18,995,800	252,000	Textron Inc.	1,826,603	5,957,280
		13,247,754	20,732,440	255,000	Tyco International Ltd.	10,715,467	10,567,200
Building and Construction — 0.1%					54,648,839	64,885,769	
30,000	Layne Christensen Co.†	825,175	1,032,600	Electronics — 1.7%			
Business Services — 0.6%			30,000	Dionex Corp.†	3,535,566	3,540,300	
165,000	Diebold Inc.	5,797,438	5,288,250	929,900	Intel Corp.	19,298,108	19,555,797
120,000	Intermec Inc.†	2,232,531	1,519,200	100,000	Texas Instruments Inc.	2,570,320	3,250,000
34,000	Lender Processing Services Inc.	1,146,789	1,003,680	172,000	Tyco Electronics Ltd.	6,186,923	6,088,800
20,000	MasterCard Inc., Cl. A	3,089,996	4,482,200			31,590,917	32,434,897
116,000	Trans-Lux Corp.†	781,768	18,560	Energy and Utilities: Electric — 4.0%			
		13,048,522	12,311,890	85,000	ALLETE Inc.	2,788,153	3,167,100
Cable and Satellite — 1.5%			222,000	American Electric Power Co. Inc.	6,986,776	7,987,560	
401,000	Cablevision Systems Corp., Cl. A	8,438,780	13,569,840	239,400	DPL Inc.	4,525,133	6,154,974
16,000	Cogeco Inc.	316,415	603,279	50,000	Edison International	2,007,537	1,930,000
5,000	DIRECTV, Cl. A†	92,926	199,650	220,000	Electric Power Development Co. Ltd.	5,427,931	6,901,589
230,000	DISH Network Corp., Cl. A†	5,062,422	4,521,800	796,000	Great Plains Energy Inc.	21,623,270	15,434,440
50,000	EchoStar Corp., Cl. A†	1,307,563	1,248,500	306,000	Integrus Energy Group Inc.	14,869,612	14,844,060
70,000	Liberty Global Inc., Cl. A†	1,477,668	2,476,600	100,000	Pepco Holdings Inc.	1,871,858	1,825,000
33,000	Liberty Global Inc., Cl. C†	730,884	1,118,370	212,000	Pinnacle West Capital Corp.	8,262,262	8,787,400
161,000	Rogers Communications Inc., Cl. B	2,071,636	5,575,430	100,000	Southern Co.	2,893,572	3,823,000
		19,498,294	29,313,469	183,000	UniSource Energy Corp.	4,670,592	6,558,720
Communications Equipment — 0.1%					75,926,696	77,413,843	
40,000	Thomas & Betts Corp.†	1,276,501	1,932,000	Energy and Utilities: Integrated — 9.8%			
Computer Hardware — 0.1%			12,000	Alliant Energy Corp.	305,115	441,240	
30,000	SanDisk Corp.†	287,056	1,495,800	130,000	Ameren Corp.	5,419,515	3,664,700
Computer Software and Services — 0.4%			50,000	Avista Corp.	926,534	1,126,000	
105,000	McAfee Inc.†	4,947,314	4,862,550	55,000	Black Hills Corp.	1,514,660	1,650,000
60,000	Microsoft Corp.	1,441,981	1,675,200	40,000	CH Energy Group Inc.	1,728,883	1,955,600
120,000	Yahoo! Inc.†	2,494,555	1,995,600	108,000	Chubu Electric Power Co. Inc.	2,458,019	2,655,105
		8,883,850	8,533,350	268,000	CONSOL Energy Inc.	10,658,688	13,062,320
Consumer Products — 4.8%			176,000	Consolidated Edison Inc.	7,177,871	8,724,320	
550,000	Alberto-Culver Co.	19,903,442	20,372,000	70,000	Dominion Resources Inc.	2,979,664	2,990,400
15,000	Altria Group Inc.	321,236	369,300	150,000	Duke Energy Corp.	2,106,757	2,671,500
165,000	Avon Products Inc.	4,716,691	4,794,900	400,000	Edison SpA	932,177	459,690
350,000	Eastman Kodak Co.†	2,422,698	1,876,000	500,000	El Paso Corp.	6,588,514	6,880,000
90,000	Fortune Brands Inc.	3,659,121	5,422,500	126,000	Endesa SA	4,972,497	3,248,794
50,000	Hanesbrands Inc.†	1,118,462	1,270,000	450,000	Enel SpA	2,812,556	2,249,008
75,000	Harman International Industries Inc.†	2,964,957	3,472,500	50,000	Exelon Corp.	2,474,807	2,082,000
				110,000	FirstEnergy Corp.	3,836,421	4,072,200
				95,000	Hawaiian Electric Industries Inc.	2,184,256	2,165,050
				250,000	Hera SpA	552,073	517,486

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2010

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS (Continued)			36,000	Hess Corp. \$	2,755,440
Energy and Utilities: Integrated (Continued)			470,000	Marathon Oil Corp.	17,404,100
121,500	Hokkaido Electric		114,000	Murphy Oil Corp.	8,498,700
	Power Co. Inc. \$	2,484,173	233,100	Occidental Petroleum Corp.	22,867,110
121,500	Hokuriku Electric Power Co.	2,985,497	3,600	PetroChina Co. Ltd., ADR ..	473,364
90,000	Iberdrola SA, ADR	2,758,500	77,000	Petroleo Brasileiro SA, ADR	2,913,680
100,000	Korea Electric Power		220,000	Repsol YPF SA, ADR	6,146,800
	Corp., ADR†	1,351,000	220,000	Royal Dutch Shell plc, Cl. A,	
121,500	Kyushu Electric			ADR	14,691,600
	Power Co. Inc.	2,723,611	775,000	Statoil ASA, ADR	18,421,750
65,000	MGE Energy Inc.	2,779,400	115,000	Sunoco Inc.	4,635,650
35,102	National Grid plc, ADR	1,557,827	185,000	Total SA, ADR	9,893,800
250,000	NextEra Energy Inc.	12,997,500			200,230,914
230,000	NiSource Inc.	4,052,600	Energy and Utilities: Services — 3.5%		
496,700	NSTAR	20,955,773	190,000	ABB Ltd., ADR	4,265,500
387,600	OGE Energy Corp.	17,651,304	74,000	Cameron International Corp.†	3,754,020
25,000	Ormat Technologies Inc. ...	739,500	85,000	Diamond Offshore	
297,000	Progress Energy Inc.	12,913,560		Drilling Inc.	5,683,950
201,000	Public Service Enterprise		512,600	Halliburton Co.	20,929,458
	Group Inc.	6,393,810	10,000	Noble Corp.	357,700
121,500	Shikoku Electric		38,000	Oceaneering	
	Power Co. Inc.	3,573,617		International Inc.†	2,797,940
121,500	The Chugoku Electric		151,000	Rowan Companies Inc.† ...	5,271,410
	Power Co. Inc.	2,469,208	117,000	Schlumberger Ltd.	9,769,500
50,000	The Empire District		45,000	Transocean Ltd.†	3,127,950
	Electric Co.	1,110,000	540,000	Weatherford International	
121,500	The Kansai Electric			Ltd.†	12,312,000
	Power Co. Inc.	2,998,965			68,269,428
108,000	The Tokyo Electric		Energy and Utilities: Water — 0.9%		
	Power Co. Inc.	2,637,813	11,000	American States Water Co. ...	379,170
121,500	Tohoku Electric		429,000	American Water Works	
	Power Co. Inc.	2,708,646		Co. Inc.	10,849,410
168,000	Vectren Corp.	4,263,840	74,000	Aqua America Inc.	1,663,520
345,000	Westar Energy Inc.	8,680,200	11,500	Connecticut Water	
77,000	Wisconsin Energy Corp. ...	4,532,220		Service Inc.	320,620
150,000	Xcel Energy Inc.	3,532,500	50,000	Pennhuck Corp.	1,368,000
		159,562,183	90,000	SJW Corp.	2,382,300
		189,466,477	12,000	The York Water Co.	207,480
			25,000	United Utilities Group plc,	
				ADR	460,500
					17,631,000
			Entertainment — 1.0%		
			37,000	Grupo Televisa SA, ADR† ..	959,410
			90,000	Madison Square Garden Inc.,	
				Cl. A†	2,320,200
			200,000	Take-Two Interactive	
				Software Inc.†	2,448,000
			298,000	Time Warner Inc.	9,586,660
			176,000	Vivendi	4,750,845
					20,065,115
			Environmental Services — 0.8%		
			12,375	Veolia Environnement	361,660
			406,000	Waste Management Inc.	14,969,220
					15,330,880
			Equipment and Supplies — 1.4%		
			95,000	CIRCOR International Inc. ...	4,016,600
			57,000	Lufkin Industries Inc.	3,556,230
			65,000	Mueller Industries Inc.	2,125,500
			482,500	RPC Inc.	8,742,900
			157,000	Tenaris SA, ADR	7,689,860
					26,131,090

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2010

<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS (Continued)				CONVERTIBLE PREFERRED STOCKS — 1.1%			
Real Estate — 0.0%				Automotive — 0.2%			
18,000	Brookfield Asset Management Inc., Cl. A	186,196	\$ 599,220	92,000	Ford Motor Co. Capital Trust II, 6.500% Cv. Pfd.	3,935,362	\$ 4,771,120
Retail — 2.4%				Broadcasting — 0.0%			
216,000	CVS Caremark Corp.	7,294,196	7,510,320	14,000	Emmis Communications Corp., 6.250% Cv. Pfd., Ser. A† ..	516,175	213,220
142,000	Ingles Markets Inc., Cl. A ..	1,615,209	2,726,400	Building and Construction — 0.0%			
105,000	Macy's Inc.	1,203,699	2,656,500	200	Fleetwood Capital Trust, 6.000% Cv. Pfd. (d)	6,210	0
400,000	Safeway Inc.	8,456,277	8,996,000	Energy and Utilities — 0.3%			
295,000	Sally Beauty Holdings Inc.†	3,650,305	4,286,350	129,000	El Paso Energy Capital Trust I, 4.750% Cv. Pfd.	4,649,004	5,014,230
35,000	Wal-Mart Stores Inc.	1,729,286	1,887,550	Financial Services — 0.2%			
358,000	Walgreen Co.	13,324,564	13,947,680	1,500	Doral Financial Corp., 4.750% Cv. Pfd.†	202,379	187,440
75,000	Whole Foods Market Inc.† ..	2,367,352	3,794,250	74,000	Newell Financial Trust I, 5.250% Cv. Pfd.	3,488,000	3,108,000
		39,640,888	45,805,050	Telecommunications — 0.4%			
Specialty Chemicals — 1.6%				55,000	Cincinnati Bell Inc., 6.750% Cv. Pfd., Ser. B ..	2,254,718	2,242,350
59,000	Air Products & Chemicals Inc.	5,004,831	5,366,050	78,000	Crown Castle International Corp., 6.250% Cv. Pfd.	3,611,400	4,777,500
6,000	Airgas Inc.	369,645	374,760			5,866,118	7,019,850
100,000	Ashland Inc.	3,658,864	5,086,000	Transportation — 0.0%			
155,000	E. I. du Pont de Nemours and Co.	6,660,064	7,731,400	1,500	GATX Corp., \$2.50 Cv. Pfd., Ser. A (d)	199,475	264,600
380,000	Ferro Corp.†	3,983,378	5,563,200	TOTAL CONVERTIBLE PREFERRED STOCKS			
100,000	Olin Corp.	1,826,860	2,052,000			18,862,723	20,578,460
124,000	The Dow Chemical Co.	4,778,495	4,233,360	WARRANTS — 0.0%			
		26,282,137	30,406,770	650	Parmalat SpA, GDR, expire 12/31/15† (a)(b)(d)	0	436
Telecommunications — 5.9%				Principal Amount			
598,000	AT&T Inc.	16,409,499	17,569,240	CONVERTIBLE CORPORATE BONDS — 0.9%			
293,000	BCE Inc.	7,091,772	10,389,780	Aerospace — 0.1%			
33,000	Belgacom SA	1,028,445	1,107,967	\$ 1,500,000	GenCorp Inc., Sub. Deb. Cv., 4.063%, 12/31/39	1,354,109	1,413,750
40,000(c)	Bell Aliant Regional Communications Income Fund	1,082,414	1,045,560	Automotive: Parts and Accessories — 0.0%			
600,000	Deutsche Telekom AG, ADR	10,682,810	7,680,000	500,000	Standard Motor Products Inc., Sub. Deb. Cv., 15.000%, 04/15/11 (d) ...	489,866	505,000
200,000	Fastweb SpA†	4,566,006	4,786,658	Computer Hardware — 0.2%			
55,000	France Telecom SA, ADR ..	1,338,443	1,159,400	3,000,000	SanDisk Corp., Cv., 1.000%, 05/15/13	2,612,922	2,902,500
100,000	Frontier Communications Corp.	971,642	973,000	Diversified Industrial — 0.5%			
219,800	Hellenic Telecommunications Organization SA, ADR ..	1,748,090	879,200	8,800,000	Griffon Corp., Sub. Deb. Cv., 4.000%, 01/15/17 (a)	8,800,000	9,625,000
170,000	Portugal Telecom SGPS SA	2,045,769	1,903,706	Financial Services — 0.0%			
1,750,000	Sprint Nextel Corp.†	6,943,576	7,402,500	200,000	Janus Capital Group Inc., Cv., 3.250%, 07/15/14	200,000	238,000
15,000	Telefonica SA, ADR	640,361	1,026,300	Real Estate — 0.0%			
165,000	Telefonos de Mexico SAB de CV, Cl. L, ADR	1,589,027	2,663,100	450,000	Palm Harbor Homes Inc., Cv., 3.250%, 05/15/24†	422,927	83,250
110,000	Telekom Austria AG	1,691,571	1,546,377	TOTAL COMMON STOCKS			
43,000	Telephone & Data Systems Inc.	1,398,598	1,571,650			1,495,609,019	1,801,805,877
90,000	Telephone & Data Systems Inc., Special	3,138,541	2,836,800				
120,000	Telstra Corp. Ltd., ADR	2,195,069	1,722,000				
76,100	TELUS Corp., Non-Voting ..	1,574,712	3,314,916				
1,000,000	Verizon Communications Inc.	34,073,478	35,780,000				
40,000	VimpelCom Ltd., ADR	230,241	601,600				
269,000	Vodafone Group plc, ADR ..	7,083,148	7,109,670				
		107,523,212	113,069,424				
Transportation — 0.5%							
250,000	GATX Corp.	7,479,104	8,820,000				
20,000	Kansas City Southern†	335,793	957,200				
		7,814,897	9,777,200				
Wireless Communications — 0.3%							
115,000	United States Cellular Corp.†	5,186,126	5,743,100				

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2010

Assets:	
Investments, at value (cost \$1,620,900,046)	\$1,926,302,198
Cash	1,530
Receivable for investments sold	4,399,362
Dividends and interest receivable	2,840,576
Deferred offering expense	141,715
Prepaid expense	43,028
Other asset	4,956
Total Assets	<u>1,933,733,365</u>
Liabilities:	
Payable for Fund shares repurchased	619,106
Distributions payable	142,773
Payable for investment advisory fees	5,820,421
Payable for payroll expenses	54,866
Payable for accounting fees	7,500
Payable for auction agent fees	2,320,859
Other accrued expenses	340,756
Total Liabilities	<u>9,306,281</u>
Preferred Shares:	
Series A Cumulative Preferred Shares (5.875%, \$25 liquidation value, \$0.001 par value, 3,200,000 shares authorized with 3,048,019 shares issued and outstanding)	76,200,475
Series B Cumulative Preferred Shares (Auction Market, \$25,000 liquidation value, \$0.001 par value, 4,000 shares authorized with 3,600 shares issued and outstanding)	90,000,000
Series C Cumulative Preferred Shares (Auction Market, \$25,000 liquidation value, \$0.001 par value, 4,800 shares authorized with 4,320 shares issued and outstanding)	108,000,000
Series D Cumulative Preferred Shares (6.000%, \$25 liquidation value, \$0.001 par value, 2,600,000 shares authorized with 2,542,296 shares issued and outstanding)	63,557,400
Series E Cumulative Preferred Shares (Auction Rate, \$25,000 liquidation value, \$0.001 par value, 5,400 shares authorized with 4,860 shares issued and outstanding)	121,500,000
Total Preferred Shares	<u>459,257,875</u>
Net Assets Attributable to Common Shareholders ..	<u>\$1,465,169,209</u>
Net Assets Attributable to Common Shareholders Consist of:	
Paid-in capital	\$1,333,549,363
Accumulated net investment income	1,780,691
Accumulated net realized loss on investments, swap contracts, and foreign currency transactions ...	(175,564,406)
Net unrealized appreciation on investments	305,402,152
Net unrealized appreciation on foreign currency translations	1,409
Net Assets	<u>\$1,465,169,209</u>
Net Asset Value per Common Share:	
(\$1,465,169,209 ÷ 83,049,637 shares outstanding at \$0.001 par value; unlimited number of shares authorized)	<u>\$17.64</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2010

Investment Income:	
Dividends (net of foreign withholding taxes of \$1,206,435)	\$ 47,157,146
Interest	1,595,509
Total Investment Income	<u>48,752,655</u>
Expenses:	
Investment advisory fees	17,710,137
Auction agent fees	751,375
Shareholder communications expenses	384,673
Legal and audit fees	251,445
Custodian fees	245,875
Payroll expenses	244,814
Trustees' fees	190,628
Accounting fees	45,000
Shareholder services fees	39,280
Interest expense	1,839
Miscellaneous expenses	284,013
Total Expenses	<u>20,149,079</u>
Less:	
Advisory fee reduction on unsupervised assets (See Note 3)	(8,508)
Custodian fee credits	(634)
Total Reduction and Credits	<u>(9,142)</u>
Net Expenses	<u>20,139,937</u>
Net Investment Income	<u>28,612,718</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:	
Net realized loss on investments	(13,621,746)
Net realized loss on swap contracts	(1,819,013)
Net realized loss on foreign currency transactions	(61,184)
Net realized loss on investments, swap contracts, and foreign currency transactions	<u>(15,501,943)</u>
Net change in unrealized appreciation:	
on investments	232,589,977
on swap contracts	1,864,569
on foreign currency translations	29
Net change in unrealized appreciation on investments, swap contracts, and foreign currency translations	<u>234,454,575</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency	<u>218,952,632</u>
Net Increase in Net Assets Resulting from Operations	<u>247,565,350</u>
Total Distributions to Preferred Shareholders	(13,509,968)
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	<u>\$ 234,055,382</u>

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS

	<u>Year Ended December 31, 2010</u>	<u>Year Ended December 31, 2009</u>
Operations:		
Net investment income	\$ 28,612,718	\$ 34,009,983
Net realized loss on investments, swap contracts, and foreign currency transactions	(15,501,943)	(119,259,851)
Net change in unrealized appreciation on investments, swap contracts, and foreign currency translations	<u>234,454,575</u>	<u>422,770,032</u>
Net Increase in Net Assets Resulting from Operations	<u>247,565,350</u>	<u>337,520,164</u>
Distributions to Preferred Shareholders:		
Net investment income	(13,509,968)	(13,549,022)
Total Distributions to Preferred Shareholders	<u>(13,509,968)</u>	<u>(13,549,022)</u>
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	<u>234,055,382</u>	<u>323,971,142</u>
Distributions to Common Shareholders:		
Net investment income	(13,371,165)	(17,201,564)
Return of capital	(49,887,140)	(65,457,086)
Total Distributions to Common Shareholders	<u>(63,258,305)</u>	<u>(82,658,650)</u>
Fund Share Transactions:		
Net decrease from repurchase of common shares	(5,896,139)	(635,911)
Net increase in net assets from repurchase of preferred shares	<u>—</u>	<u>315,833</u>
Net Decrease in Net Assets from Fund Share Transactions	<u>(5,896,139)</u>	<u>(320,078)</u>
Net Increase in Net Assets Attributable to Common Shareholders	164,900,938	240,992,414
Net Assets Attributable to Common Shareholders:		
Beginning of period	<u>1,300,268,271</u>	<u>1,059,275,857</u>
End of period (including undistributed net investment income of \$1,780,691 and \$2,005,214, respectively)	<u>\$ 1,465,169,209</u>	<u>\$ 1,300,268,271</u>

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

FINANCIAL HIGHLIGHTS

Selected data for a share of beneficial interest outstanding throughout each period:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
Operating Performance:					
Net asset value, beginning of period	\$ 15.58	\$ 12.68	\$ 23.57	\$ 23.65	\$ 20.62
Net investment income	0.34	0.41	0.55	0.53	0.87
Net realized and unrealized gain/(loss) on investments, swap contracts, and foreign currency transactions	2.63	3.64	(9.92)	1.37	4.00
Total from investment operations	2.97	4.05	(9.37)	1.90	4.87
Distributions to Preferred Shareholders: (a)					
Net investment income	(0.16)	(0.16)	(0.27)	(0.10)	(0.12)
Net realized gain	—	—	(0.00)(f)	(0.23)	(0.19)
Total distributions to preferred shareholders	(0.16)	(0.16)	(0.27)	(0.33)	(0.31)
Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations					
	2.81	3.89	(9.64)	1.57	4.56
Distributions to Common Shareholders:					
Net investment income	(0.16)	(0.21)	(0.29)	(0.51)	(0.61)
Net realized gain on investments	—	—	(0.00)(f)	(1.15)	(0.93)
Return of capital	(0.60)	(0.78)	(0.99)	—	—
Total distributions to common shareholders	(0.76)	(0.99)	(1.28)	(1.66)	(1.54)
Fund Share Transactions:					
Increase in net assets value from repurchase of common shares	0.01	0.00(f)	0.01	0.01	0.01
Increase in net assets value from repurchase of preferred shares	—	0.00(f)	0.02	—	—
Offering costs for preferred shares charged to paid-in capital	—	—	—	—	(0.00)(f)
Total from fund share transactions	0.01	0.00(f)	0.03	0.01	0.01
Net Asset Value Attributable to Common Shareholders, End of Period					
	\$ 17.64	\$ 15.58	\$ 12.68	\$ 23.57	\$ 23.65
NAV total return †	19.73%	35.49%	(41.27)%	7.75%	24.09%
Market value, end of period	\$ 15.36	\$ 13.11	\$ 10.30	\$ 20.68	\$ 21.47
Investment total return ††	23.90%	40.35%	(45.63)%	4.14%	31.82%
Ratios to Average Net Assets and Supplemental Data:					
Net assets including liquidation value of preferred shares, end of period (in 000's)	\$1,924,427	\$1,759,526	\$1,521,400	\$2,475,831	\$2,486,081
Net assets attributable to common shares, end of period (in 000's)	\$1,465,169	\$1,300,268	\$1,059,276	\$1,975,831	\$1,986,081
Ratio of net investment income to average net assets attributable to common shares before preferred share distributions	2.18%	3.18%	2.94%	2.17%	3.91%
Ratio of operating expenses to average net assets attributable to common shares before fees waived	1.53%	1.66%	1.48%	—	—
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any (b)	1.53%	1.66%	1.17%	1.38%	1.41%
Ratio of operating expenses to average net assets including liquidation value of preferred shares before fees waived	1.14%	1.16%	1.13%	—	—
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of advisory fee reduction, if any (b)	1.14%	1.16%	0.89%	1.11%	1.11%
Portfolio turnover rate †††	19.0%	13.3%	32.0%	33.8%	28.8%

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST
FINANCIAL HIGHLIGHTS (Continued)

Selected data for a share of beneficial interest outstanding throughout each period:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
5.875% Series A Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$ 76,201	\$ 76,201	\$ 78,211	\$ 80,000	\$ 80,000
Total shares outstanding (in 000's)	3,048	3,048	3,128	3,200	3,200
Liquidation preference per share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (c)	\$ 24.98	\$ 23.34	\$ 22.25	\$ 23.52	\$ 23.86
Asset coverage per share	\$ 104.76	\$ 95.78	\$ 82.30	\$ 123.79	\$ 124.30
Series B Auction Market Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$ 90,000	\$ 90,000	\$ 90,000	\$ 100,000	\$ 100,000
Total shares outstanding (in 000's)	4	4	4	4	4
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Average market value (d)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share	\$104,757	\$ 95,781	\$ 82,305	\$123,792	\$124,304
Series C Auction Market Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$108,000	\$108,000	\$108,000	\$120,000	\$120,000
Total shares outstanding (in 000's)	4	4	4	5	5
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Average market value (d)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share	\$104,757	\$ 95,781	\$ 82,305	\$123,792	\$124,304
6.000% Series D Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$ 63,557	\$ 63,557	\$ 64,413	\$ 65,000	\$ 65,000
Total shares outstanding (in 000's)	2,542	2,542	2,577	2,600	2,600
Liquidation preference per share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (c)	\$ 25.52	\$ 24.44	\$ 23.99	\$ 24.41	\$ 24.37
Asset coverage per share	\$ 104.76	\$ 95.78	\$ 82.30	\$ 123.79	\$ 124.30
Series E Auction Rate Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$121,500	\$121,500	\$121,500	\$135,000	\$135,000
Total shares outstanding (in 000's)	5	5	5	5	5
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Average market value (d)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share	\$104,757	\$ 95,781	\$ 82,305	\$123,792	\$124,304
Asset Coverage (e)	419%	383%	329%	495%	497%

† 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 obtained 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 58.0% and 30.8%, respectively.

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

(b) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian ("Custodian Fee Credits"). Including such Custodian Fee Credits, for the year ended December 31, 2007, the ratios of operating expenses to average net assets attributable to common shares net of fee reduction, would have been 1.37% and the ratios of operating expenses to average net assets including liquidation value of preferred shares net of fee reduction would have been 1.10%. For the years ended December 31, 2010, 2009, 2008, and 2006, the effect of Custodian Fee Credits was minimal.

(c) Based on weekly prices.

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

(e) Asset coverage is calculated by combining all series of preferred shares.

(f) Amount represents less than \$0.005 per share.

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS

1. Organization. The Gabelli Dividend & Income Trust (the “Fund”) is a non-diversified closed-end management investment company organized as a Delaware statutory trust on November 18, 2003 and registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Investment operations commenced on November 28, 2003.

The Fund’s investment objective is to provide a high level of total return on its assets with an emphasis on dividends and income. The Fund will attempt to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in dividend paying securities (such as common and preferred stock) or other income producing securities (such as fixed income debt securities and securities that are convertible into equity securities).

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 Trustees (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 DIVIDEND & INCOME TRUST
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			Total Market Value at 12/31/10
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Aerospace	\$ 36,541,929	\$ 199,563	—	\$ 36,741,492
Other Industries (a)	1,765,064,385	—	—	1,765,064,385
Total Common Stocks	1,801,606,314	199,563	—	1,801,805,877
Convertible Preferred Stocks:				
Building and Construction	—	—	0	0
Transportation	—	264,600	—	264,600
Other Industries (a)	20,313,860	—	—	20,313,860
Total Convertible Preferred Stocks	20,313,860	264,600	0	20,578,460
Warrants (a)	—	436	—	436
Convertible Corporate Bonds	—	14,767,500	\$1,575,000	16,342,500
U.S. Government Obligations	—	87,574,925	—	87,574,925
TOTAL INVESTMENTS IN SECURITIES – ASSETS	\$1,821,920,174	\$102,807,024	\$1,575,000	\$1,926,302,198

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

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):									
Convertible Preferred Stocks:									
Building and Construction	\$—	\$—	\$—	\$ (52)	\$—	\$ 52	\$—	\$ 0	\$ (52)
Convertible Corporate Bonds:	—	—	—	(3,539,500)	—	5,114,500	—	1,575,000	(3,539,500)
TOTAL INVESTMENTS IN SECURITIES	\$—	\$—	\$—	\$(3,539,552)	\$—	\$5,114,552	\$—	\$1,575,000	\$(3,539,552)

† 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.

There were no Level 3 investments at December 31, 2009.

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 achieving additional return or of hedging the value of the Fund's portfolio, increasing the income of the Fund, hedging or protecting its exposure to interest rate movements and movements in the securities markets, managing risks, protecting the value

THE GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

of its portfolio against uncertainty in the level of future currency exchange rates, or hedging 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 hedging or protecting 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 periodically a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on Series B Auction Market Cumulative Preferred Shares ("Series B Shares"). 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 share dividends when due in accordance with the Statement of Preferences even if the counterparty defaulted. In a swap, 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 the 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.

THE GABELLI DIVIDEND & INCOME TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

The Fund held an interest rate swap agreement through June 2, 2010, with an average monthly notional amount while it was outstanding of approximately \$100,000,000. At December 31, 2010, the Fund held no investments in interest rate swap agreements.

The Fund held an equity contract for difference swap agreement through January 29, 2010, with an average monthly notional amount while it was outstanding of approximately \$2,638,658. At December 31, 2010, the Fund held no investments in equity contracts for difference swap agreements.

Futures Contracts. The Fund may engage in futures contracts for the purpose of certain hedging, yield enhancements, and risk management purposes. 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. During the year ended December 31, 2010, the Fund held no investments in futures contracts.

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for the purpose of protecting the value of its portfolio against uncertainty in the level of future currency exchange rates or 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 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.

Effect of Derivative Instruments on the Statement of Operations during the year ended December 31, 2010:

The following table presents the effect of derivatives on the Statement of Operations during the year ended December 31, 2010, by primary risk exposure:

Derivative Contracts	Realized Gain or (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation or Depreciation on Derivatives Recognized in Income
Equity Contracts	\$ 86,333	\$ (1,575)
Interest Rate Contracts	<u>(1,905,346)</u>	<u>1,866,144</u>
Total	<u>\$(1,819,013)</u>	<u>\$1,864,569</u>

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.

THE GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

Securities Sold Short. The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The broker retains collateral for the value of open positions, which is adjusted periodically as the value of the position fluctuates. At December 31, 2010, there were no short sales outstanding.

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 is not subject to an independent limitation on the amount it may invest 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. 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. For the restricted and illiquid 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 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be included in "interest expense" in the Statement of Operations.

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 and reclassifications

THE GABELLI DIVIDEND & INCOME TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

of gains on investments in hybrid securities and swap contracts. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2010, reclassifications were made to decrease accumulated net investment income by \$1,956,108 and to decrease accumulated net realized loss on investments, swap contracts, and foreign currency transactions by \$1,998,194, with an offsetting adjustment to paid-in capital.

Under the Fund's distribution policy, the Fund declares and pays monthly 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 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 5.875% Series A Cumulative Preferred Shares, Series B Auction Market Cumulative Preferred Shares, Series C Auction Market Cumulative Preferred Shares, 6.000% Series D Cumulative Preferred Shares, and Series E Auction Rate Cumulative Preferred Shares ("Cumulative Preferred Shares") 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	\$13,371,165	\$13,509,968	\$17,201,564	\$13,549,022
Return of capital	49,887,140	—	65,457,086	—
Total distributions paid	<u>\$63,258,305</u>	<u>\$13,509,968</u>	<u>\$82,658,650</u>	<u>\$13,549,022</u>

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.

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

Accumulated capital loss carryforwards	\$(152,531,605)
Net unrealized appreciation on investments and foreign currency translations	287,033,799
Post-October capital and currency loss deferrals	(2,357,169)
Other temporary differences*	(525,179)
Total	<u>\$ 131,619,846</u>

* Other temporary differences are primarily due to adjustments on preferred share class distribution payables, income from investments in hybrid securities, and defaulted bond premium adjustments.

At December 31, 2010, the Fund had net capital loss carryforwards for federal income tax purposes of \$152,531,605 which are available to reduce future required distributions of net capital gains to shareholders. \$22,445,283 of the loss carryforward is available through 2016; \$104,827,291 is available through 2017; and \$25,259,031 is available through 2018.

Under the current tax law, capital losses related to securities and foreign currency realized after October 31 and prior to the Fund's fiscal year end may be treated as occurring on the first day of the following year. For the year ended December 31, 2010, the Fund had deferred capital losses of \$2,356,693 and currency losses of \$476.

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 and basis adjustments on investments in unit trusts and partnerships.

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	\$1,639,269,808	\$374,343,239	\$(87,310,849)	\$287,032,390

THE GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

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 income tax, 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 shares. 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 Preferred Shares 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 Preferred Shares 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 or corresponding swap rate of each particular series of Preferred Shares 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 or corresponding swap rate of the outstanding Preferred Shares. Thus, advisory fees were accrued on these assets.

There was a reduction in the advisory fee paid to the Adviser relating to certain portfolio holdings, i.e., unsupervised assets, of the Fund with respect to which the Adviser transferred dispositive and voting control to the Fund's Proxy Voting Committee. During the year ended December 31, 2010, the Fund's Proxy Voting Committee exercised control and discretion over all rights to vote or consent with respect to such securities, and the Adviser reduced its fee with respect to such securities by \$8,508.

During the year ended December 31, 2010, the Fund paid brokerage commissions on security trades of \$420,059 to Gabelli & Company, Inc. ("Gabelli & Co."), an affiliate of the Adviser.

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 \$244,814 in payroll expenses in the Statement of Operations.

The Fund pays each Trustee who is not considered an affiliated person an annual retainer of \$12,000 plus \$1,500 for each Board meeting attended. Each Trustee 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 Trustee receives an annual fee of \$1,000. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Trustees 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 \$313,142,694 and \$341,020,245, respectively.

Sales of U.S. Government obligations for the year ended December 31, 2010, other than short-term obligations, aggregated \$595,000.

5. Capital. The Fund is authorized to issue an unlimited number of common shares of beneficial interest (par value \$0.001). The Board has authorized the repurchase and retirement of its shares on the open market when the shares are trading at a discount of 7.5% or more (or such other percentage as the Board may determine from time to time) from the NAV of the shares. During the year ended December 31, 2010, the Fund repurchased and retired 419,000 shares of beneficial interest in the open market at a cost of \$5,896,139 and an average discount of approximately 14.38% from its NAV.

THE GABELLI DIVIDEND & INCOME TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

During the year ended December 31, 2009, the Fund repurchased and retired 60,000 common shares of beneficial interest in the open market at a cost of \$635,911 and an average discount of approximately 16.16% from its NAV.

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Shares	Amount	Shares	Amount
Net decrease from repurchase of common shares	(419,000)	\$(5,896,139)	(60,000)	\$(635,911)

The Fund's Declaration of Trust, as amended, authorizes the issuance of an unlimited number of shares of \$0.001 par value Cumulative Preferred Shares. The Cumulative Preferred Shares is senior to the common shares and results in the financial leveraging of the common shares. Such leveraging tends to magnify both the risks and opportunities to common shareholders. Dividends on shares of the Cumulative Preferred Shares are cumulative. The Fund is required by the 1940 Act and by the Statements of Preferences to meet certain asset coverage tests with respect to the Cumulative Preferred Shares. 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 5.875% Series A, Series B Auction Market, Series C Auction Market, 6.000% Series D, and Series E Auction Rate Cumulative Preferred Shares at redemption prices of \$25, \$25,000, \$25,000, \$25, and \$25,000, 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.

The shelf registration authorizing the offering of \$500 million of preferred shares or notes was declared effective by the SEC on June 17, 2008.

On October 12, 2004, the Fund received net proceeds of \$77,280,971 (after underwriting discounts of \$2,520,000 and offering expenses of \$199,029) from the public offering of 3,200,000 shares of 5.875% Series A Cumulative Preferred Shares. Commencing October 12, 2009 and thereafter, the Fund, at its option, may redeem the 5.875% Series A Cumulative Preferred Shares in whole or in part at the redemption price at any time. The Board has authorized the repurchase of Series A Cumulative Preferred Shares 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 A Cumulative Preferred Shares. At December 31, 2010, 3,048,019 shares of 5.875% Series A Cumulative Preferred Shares were outstanding and accrued dividends amounted to \$62,177.

During the year ended December 31, 2009 the Fund repurchased and retired 80,397 shares of 5.875% Series A Cumulative Preferred Shares in the open market at a cost of \$1,796,631 and an average discount of approximately 10.65% from its liquidation preference.

On October 12, 2004, the Fund received net proceeds of \$217,488,958 (after underwriting discounts of \$2,200,000 and offering expenses of \$311,042) from the public offering of 4,000 shares of Series B Shares and 4,800 shares of Series C Auction Market Cumulative Preferred Shares ("Series C Shares"), respectively. 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 B and Series C Shares subject to bid orders by potential holders has been less than the number of Series B and Series C Shares subject to sell orders. Therefore, the weekly auctions have failed, and the dividend rate since then has been the maximum rate. Holders that have submitted sell orders have not been able to sell any or all of the Series B or Series C Shares for which they have submitted sell orders. The current maximum rate for both Series B and Series C Shares is 125 basis points greater than the seven day Telerate/British Bankers Association LIBOR rate on the day of such auction. The dividend rates of Series B Shares ranged from 1.458% to 1.581% during the year ended December 31, 2010. The dividend rates of Series C Shares ranged from 1.456% to 1.583% during the year ended December 31, 2010. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Series B and C Shares shareholders may also trade their shares in the secondary market. The Fund, at its option, may redeem the Series B and C Shares in whole or in part at the redemption price at any time. There were no redemptions of Series B and C Shares during the years ended December 31, 2010 and December 31, 2009. At December 31, 2010, 3,600 and 4,320 shares of the Series B and C Shares were outstanding with an annualized dividend rate of 1.504% and 1.504% per share and accrued dividends amounted to \$11,280 and \$4,512, respectively.

On November 3, 2005, the Fund received net proceeds of \$62,617,239 (after underwriting discounts of \$2,047,500 and offering expenses of \$335,261) from the public offering of 2,600,000 shares of 6.000% Series D Cumulative Preferred Shares. Commencing November 3, 2010 and thereafter, the Fund, at its option, may redeem the 6.000% Series D Cumulative Preferred Shares in whole or in part at the redemption price at any time. The Board has authorized the repurchase of Series D Cumulative Preferred Shares 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 6.000% Series D Cumulative Preferred Shares. At December 31, 2010, 2,542,296 shares of 6.000% Series D Cumulative Preferred Shares were outstanding and accrued dividends amounted to \$52,964. During the year ended December 31, 2009 the Fund repurchased and retired 34,238 shares of 6.000% Series D Cumulative Preferred Shares in the open market at a cost of \$753,411 and an average discount of approximately 12.02% from its liquidation preference.

THE GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

On November 3, 2005, the Fund received net proceeds of \$133,379,387 (after underwriting discounts of \$1,350,000 and offering expenses of \$270,613) from the public offering of 5,400 shares of Series E Auction Rate Cumulative Preferred Shares (“Series E Shares”). 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 Shares subject to bid orders by potential holders has been less than the number of Series E Shares subject to sell orders. Therefore the weekly auctions have failed, and the dividend rate since then has been the maximum rate. Holders that have submitted sell orders have not been able to sell any or all of the Series E Shares for which they have submitted sell orders. The current maximum rate is 150 basis points greater than the seven day Telerate/British Bankers Association LIBOR rate on the day of such auction. The dividend rates of Series E Shares ranged from 1.708% to 1.831% 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 the Series E Shares may also trade their shares in the secondary market. The Fund, at its option, may redeem the Series E Shares in whole or in part at the redemption price at any time. There were no redemptions of Series E Shares during the years ended December 31, 2010 and December 31, 2009. At December 31, 2010, 4,860 Series E Shares were outstanding with an annualized dividend rate of 1.754% and accrued dividends amounted to \$11,840.

The holders of Cumulative Preferred Shares 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 shares as a single class. The holders of Cumulative Preferred Shares voting together as a single class also have the right currently to elect two Trustees and under certain circumstances are entitled to elect a majority of the Board of Trustees. In addition, the affirmative vote of a majority of the votes entitled to be cast by holders of all outstanding shares of the Preferred Shares, voting as a single class, will be required to approve any plan of reorganization adversely affecting the Preferred Shares, 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 Shares 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.

6. Transactions in Securities of Affiliated Issuers. The 1940 Act defines affiliated issuers as those in which the Fund’s holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. Trans-Lux Corp. is no longer considered a security of an affiliated issuer at December 31, 2010.

7. 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.

8. 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.

9. 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.

THE GABELLI DIVIDEND & INCOME TRUST
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of
The Gabelli Dividend & Income Trust:

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 Dividend & Income Trust (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 DIVIDEND & INCOME TRUST ADDITIONAL FUND INFORMATION (Unaudited)

The business and affairs of the Fund are managed under the direction of the Fund's Board of Trustees. Information pertaining to the Trustees and officers of the Fund is set forth below. The Fund's Statement of Additional Information includes additional information about the Fund's Trustees and is available without charge, upon request, by calling 800-GABELLI (800-422-3554) or by writing to The Gabelli Dividend & Income Trust 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 Trustee	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee ⁴
<u>INTERESTED TRUSTEES³:</u>				
Mario J. Gabelli Trustee and Chief Investment Officer Age: 68	Since 2003***	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 LICOT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications)
Salvatore M. Salibello Trustee Age: 65	Since 2003**	3	Certified Public Accountant and Managing Partner of the public accounting firm Salibello & Broder LLP since 1978	Director of Kid Brands, Inc. (group of companies in infant and juvenile products) and until September 2007, Director of Brooklyn Federal Bank Corp., Inc. (independent community bank)
Edward T. Tokar Trustee Age: 63	Since 2003**	2	Senior Managing Director of Beacon Trust Company (trust services) since 2004; Chief Executive Officer of Allied Capital Management LLC (1977-2004); Vice President of Honeywell International Inc. (1977-2004); Director of Teton Advisors, Inc. (financial services) (2008-present)	Director of CH Energy Group (energy services); Trustee of Levco Series Trust Mutual Funds through 2005; Director of DB Hedge Strategies Fund through March 2007; Director of Topiary Fund for Benefit Plan Investors Fund (BPI) LLC through December 2007
<u>INDEPENDENT TRUSTEES⁵:</u>				
Anthony J. Colavita Trustee Age: 75	Since 2003*	34	President of the law firm of Anthony J. Colavita, P.C.	—
James P. Conn Trustee Age: 72	Since 2003**	18	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)	Director of First Republic Bank (banking) through January 2008 and LaQuinta Corp. (hotels) through January 2006
Mario d'Urso Trustee Age: 70	Since 2003***	5	Chairman of Mittel Capital Markets S.p.A. (2001-2008); Senator in the Italian Parliament (1996-2001)	—
Frank J. Fahrenkopf, Jr. Trustee Age: 71	Since 2003*	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)
Michael J. Melarkey Trustee Age: 61	Since 2003***	5	Partner in the law firm of Avansino, Melarkey, Knobel, Mulligan & McKenzie	Director of Southwest Gas Corporation (natural gas utility)
Anthonie C. van Ekris Trustee Age: 76	Since 2003*	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	Director of Aurado Energy Inc. (oil and gas operations) through 2005)
Salvatore J. Zizza Trustee Age: 65	Since 2003*	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 DIVIDEND & INCOME TRUST
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 2003	Vice President of other closed-end funds within the Gabelli Funds complex; Vice President of Gabelli Funds, LLC since 1996
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 Trustees 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 an "interested person" of the Fund as a result of his employment as an officer of the Adviser. Mr. Gabelli is also a registered representative of an affiliated broker-dealer. Mr. Tokar is an "interested person" as a result of his son's employment by an affiliate of the Adviser. Mr. Salibello may be considered an "interested person" of the Fund as a result of being a partner in an accounting firm that provides professional services to affiliates of the Adviser.

⁴ 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.

⁵ Trustees who are not interested persons are considered "Independent" Trustees.

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 DIVIDEND & INCOME TRUST
INCOME TAX INFORMATION (Unaudited)
December 31, 2010

Cash Dividends and Distributions

	<u>Payable Date</u>	<u>Record Date</u>	<u>Total Amount Paid Per Share (a)</u>	<u>Ordinary Investment Income (a)</u>	<u>Long-Term Capital Gains (a)</u>	<u>Return of Capital (c)</u>	<u>Dividend Reinvestment Price</u>
Common Shares							
	01/22/10	01/14/10	\$0.06000	\$0.01270	—	\$0.04730	\$13.011900
	02/19/10	02/11/10	0.06000	0.01270	—	0.04730	12.976500
	03/24/10	03/17/10	0.06000	0.01270	—	0.04730	13.850600
	04/23/10	04/16/10	0.06000	0.01270	—	0.04730	14.605200
	05/24/10	05/17/10	0.06000	0.01270	—	0.04730	11.993200
	06/23/10	06/16/10	0.06000	0.01270	—	0.04730	12.674200
	07/23/10	07/16/10	0.06000	0.01270	—	0.04730	13.238200
	08/24/10	08/17/10	0.06000	0.01270	—	0.04730	12.563100
	09/23/10	09/16/10	0.07000	0.01490	—	0.05510	13.862100
	10/22/10	10/15/10	0.07000	0.01490	—	0.05510	14.521300
	11/22/10	11/15/10	0.07000	0.01490	—	0.05510	14.665500
	12/17/10	12/14/10	0.07000	0.01490	—	0.05510	14.959100
			<u>\$0.76000</u>	<u>\$0.16120</u>	<u>—</u>	<u>\$0.59880</u>	
5.875% Series A Cumulative Preferred Shares							
	03/26/10	03/19/10	\$0.36719	\$0.36719	—		
	06/28/10	06/21/10	0.36719	0.36719	—		
	09/27/10	09/20/10	0.36719	0.36719	—		
	12/27/10	12/17/10	0.36719	0.36719	—		
			<u>\$1.46875</u>	<u>\$1.46875</u>	<u>—</u>		
6.000% Series D Cumulative Preferred Shares							
	03/26/10	03/19/10	\$0.37500	\$0.37500	—		
	06/28/10	06/21/10	0.37500	0.37500	—		
	09/27/10	09/20/10	0.37500	0.37500	—		
	12/27/10	12/17/10	0.37500	0.37500	—		
			<u>\$1.50000</u>	<u>\$1.50000</u>	<u>—</u>		

Series B and C Auction Market Cumulative and Series E Auction Rate Cumulative Preferred Shares

The Series B Auction Market Cumulative Preferred Shares, Series C Auction Market Cumulative Preferred Shares, and Series E Auction Rate Cumulative Preferred Shares pay 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 Series B, Series C, or Series E Auction Rate Cumulative Preferred Shares.

A Form 1099-DIV has been mailed to all shareholders of record for the distributions mentioned above, setting 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. Ordinary income is reported in box 1a of Form 1099-DIV. Capital gain distributions are reported in box 2 of Form 1099-DIV.

THE GABELLI DIVIDEND & INCOME TRUST
INCOME TAX INFORMATION (Continued) (Unaudited)

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 A, and 6.00% Series D Cumulative Preferred shareholders ordinary income dividends of \$0.16120, \$1.46875, and \$1.50000 per share, respectively. The Fund paid weekly distributions to Series B, C, and E preferred shareholders at varying rates throughout the year, including ordinary income dividends totaling \$381.65, \$381.65, and \$444.84 per share, respectively. For the year ended December 31, 2010, 100% of the ordinary dividend qualified for the dividends received deduction available to corporations, 100% of the ordinary income distribution was qualified dividend income, and 3.39% of the ordinary income distribution was qualified interest income. The percentage of ordinary income dividends paid by the Fund during 2010 derived from U.S. Treasury securities was 0.35%. 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. Treasury securities held as of December 31, 2010 was 4.55%.

Historical Distribution Summary

	<u>Investment Income (b)</u>	<u>Short-Term Capital Gains (b)</u>	<u>Long-Term Capital Gains</u>	<u>Return of Capital (c)</u>	<u>Total Distributions (a)</u>	<u>Adjustment to Cost Basis (d)</u>
Common Shares						
2010	\$0.16120	—	—	\$0.59880	\$0.76000	\$0.59880
2009	0.20460	—	—	0.78540	0.99000	0.78540
2008	0.27910	—	\$0.00250	0.99840	1.28000	0.99840
2007	0.50910	\$0.23480	0.91610	—	1.66000	—
2006	0.60798	0.24082	0.69120	—	1.54000	—
2005	0.45996	0.08568	0.65436	—	1.20000	—
2004	0.40005	0.10023	0.13893	0.56079	1.20000	0.56079
5.875% Series A Cumulative Preferred Shares						
2010	\$1.46875	—	—	—	\$1.46875	—
2009	1.46875	—	—	—	0.146875	—
2008	1.46583	—	\$0.00292	—	1.46875	—
2007	0.45059	\$0.20776	0.81040	—	1.46875	—
2006	0.57983	0.22967	0.65925	—	1.46875	—
2005	0.56290	0.10493	0.80092	—	1.46875	—
2004	0.19150	0.04798	0.06651	—	0.30599	—
6.000% Series D Cumulative Preferred Shares						
2010	\$1.50000	—	—	—	\$1.50000	—
2009	1.50000	—	—	—	\$1.50000	—
2008	1.49700	—	\$0.00300	—	1.50000	—
2007	0.46020	\$0.21220	0.82760	—	1.50000	—
2006	0.59215	0.23457	0.67328	—	1.50000	—
2005	0.08620	0.01610	0.12270	—	0.22500	—
Auction Market/Rate Cumulative Preferred Shares						
2010 Class B Shares	\$ 381.65000	—	—	—	\$ 381.65000	—
2010 Class C Shares	381.65000	—	—	—	381.65000	—
2010 Class E Shares	444.84000	—	—	—	444.84000	—
2009 Class B Shares	388.12000	—	—	—	388.12000	—
2009 Class C Shares	388.02000	—	—	—	388.02000	—
2009 Class E Shares	451.10000	—	—	—	451.10000	—
2008 Class B Shares	944.35220	—	\$ 1.87780	—	946.23000	—
2008 Class C Shares	966.50741	—	1.92259	—	968.43000	—
2008 Class E Shares	1,044.21367	—	2.07633	—	1,046.29000	—
2007 Class B Shares	414.02782	\$190.66719	743.74499	—	1,348.44000	—
2007 Class C Shares	409.97064	188.64406	735.87530	—	1,334.49000	—
2007 Class E Shares	407.63287	187.65002	731.97711	—	1,327.26000	—
2006 Class B Shares	484.90820	192.07260	551.32920	—	1,228.31000	—
2006 Class C Shares	484.32800	191.84250	550.66950	—	1,226.84000	—
2006 Class E Shares	483.94880	191.69260	550.23860	—	1,225.88000	—
2005 Class B Shares	320.22640	59.69220	455.63150	—	835.55000	—
2005 Class C Shares	324.19300	60.43160	461.27540	—	845.90000	—
2005 Class E Shares	67.54440	12.59070	96.10490	—	176.24000	—
2004 Class B Shares	68.71140	17.21520	23.86340	—	109.80000	—
2004 Class C Shares	70.77030	17.73100	24.57840	—	113.10000	—

- (a) Total amounts may differ due to rounding.
- (b) Taxable as ordinary income for federal tax purposes.
- (c) Non-taxable.
- (d) Decrease 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.

THE GABELLI DIVIDEND & INCOME TRUST

ANNUAL APPROVAL OF CONTINUANCE OF INVESTMENT ADVISORY AGREEMENT

During the six months ended December 31, 2010, the Board of Trustees of the Trust approved the continuation of the investment advisory agreement with the Adviser for the Trust on the basis of the recommendation by the trustees (the “Independent Board Members”) who are not “interested persons” of the Trust. The following paragraphs summarize the material information and factors considered by the Independent Board Members as well as their conclusions relative to such factors.

Nature, Extent and Quality of Services. The Independent Board Members considered information regarding the portfolio managers, the depth of the analyst pool available to the Adviser and the portfolio managers, the scope of administrative, shareholder, and other services supervised or provided by the Adviser and the absence of significant service problems reported to the Board. The Independent Board Members noted the experience, length of service, and reputation of the portfolio managers.

Investment Performance. The Independent Board Members reviewed the performance of the Fund over one, three, and five year periods against a peer group of equity closed-end funds prepared by Lipper. The Independent Board Members noted the Fund’s average relative performance for the one and three year periods and above average performance for the five year period. The Independent Board Members also noted that the Fund has not achieved its initial goal of earning at least 9% per year.

Profitability. The Independent Board Members reviewed summary data regarding the profitability of the Fund to the Adviser.

Economies of Scale. The Independent Board Members noted that the Fund was a closed-end fund trading at a discount to net asset value and accordingly unlikely to achieve growth of the type that might lead to economies of scale that the shareholders would not participate in. The Independent Board Members noted that the investment management fee schedule for the Fund does not take into account any potential economies of scale that may develop.

Service and Cost Comparisons. The Independent Board Members compared the expense ratios of the investment management fee, other expenses, and total expenses of the Fund with similar expense ratios of the Lipper peer group of equity closed-end value funds and noted that the Adviser’s management fee includes substantially all administrative services of the Fund as well as investment advisory services. The Independent Board Members noted that the Fund was larger than average within the peer group and that its expense ratios were slightly above average. The Independent Board Members also noted that the management fee structure was the same as that in effect for most of the Gabelli funds. The Independent Board Members were presented with, but did not attach significance to, information comparing the management fee with the fee for other types of accounts managed by an affiliate of the Adviser.

Conclusions. The Independent Board Members concluded that the Fund enjoyed highly experienced portfolio management services, good ancillary services, and a reasonable performance record. The Independent Board Members also concluded that the Fund’s expense ratios and the profitability to the Adviser of managing the Fund were reasonable, and that economies of scale were not a significant factor in their thinking. The Independent Board Members did not view the potential profitability of ancillary services as material to their decision. On the basis of the foregoing and without assigning particular weight to any single conclusion, the Independent Board Members determined to recommend continuation of the Advisory Agreement to the full Board.

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

TRUSTEES AND OFFICERS
THE GABELLI DIVIDEND & INCOME TRUST
One Corporate Center, Rye, NY 10580-1422

Trustees

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

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

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

Mario d’Urso
Former Italian Senator

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

Michael J. Melarkey
Attorney-at-Law,
Avansino, Melarkey, Knobel & Mulligan

Salvatore M. Salibello
Certified Public Accountant,
Salibello & Broder, LLP

Edward T. Tokar
Senior Managing Director,
Beacon Trust Company

Anthonie C. van Ekris
Chairman, BALMAC International, Inc.

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

Officers

Bruce N. Alpert
President

Carter W. Austin
Vice President

Peter D. Goldstein
Chief Compliance Officer

Laurissa M. Martire
Vice President & Ombudsman

Agnes Mullady
Treasurer & Secretary

Investment Adviser

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

Custodian

State Street Bank and Trust Company

Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

Transfer Agent and Registrar

Computershare Trust Company, N.A.

Stock Exchange Listing

	5.875%	6.00%
	<u>Common</u>	<u>Preferred</u>
NYSE–Symbol:	GDV	GDV PrA
Shares Outstanding:	83,049,637	3,048,019
		2,542,296

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 “XGDVX.”

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 its common shares in the open market when the Fund’s shares are trading at a discount of 7.5% or more from the net asset value of the shares. The Fund may also, from time to time, purchase its preferred shares in the open market when the preferred shares are trading at a discount to the liquidation value.

THE GABELLI DIVIDEND & INCOME TRUST

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GDV Q4/2010