



THE GABELLI  
DIVIDEND &  
INCOME TRUST

Shareholder Commentary  
December 31, 2009



**THE GABELLI**  
**DIVIDEND &**  
**INCOME TRUST**

Our cover icon represents the underpinnings of Gabelli. The Teton mountains in Wyoming represent what we believe 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](http://www.gabelli.com).

**This report is printed on recycled paper.**

**To Our Shareholders,**

The stock market closed 2009 with a strong finish after three consecutive quarterly gains, more than making up for the freefall in the markets that concluded in the first quarter. The Standard & Poor’s (“S&P”) 500 gained 42% in those three quarters and closed out the year with a 26% gain, at a level last seen in October of 2008. It was a tumultuous year with many twists and turns. Investors had to figure out the effects of a frozen and then a strongly recovering economy; a financial system that was on the verge of collapse and then was bailed out by the government; our largest banks almost failing and then posting strong profits at year end; the bailout of our automobile industry; and a dizzying array of government programs and subsidies designed to stabilize and stimulate the economy.

Every asset class, including stocks, bonds, and commodities, and markets in virtually all countries concluded on a strong note and posted solid gains for the year.

According to S&P, 2009 was the worst year ever for dividends, with the fewest increases and the most decreases since they started to collect the data in 1955. Their analysis showed that dividend cuts in U.S. common stocks cost investors over \$58 billion in income in 2009. There was a 36% decrease in the number of dividend increases for the year, to 1,191 from 1,874 that increased in 2008, and a 53% decline from the 2,513 that increased in 2007.

But this bad news from the past year is now turning into good news, since S&P suggests that the worst is likely over for dividend cuts. Growth in dividend payouts is expected to resume this year. In fact, there is evidence that dividend payouts turned around in the fourth quarter. Some 74 companies out of the nearly 7,000 that report data to S&P cut their dividend, improving markedly from 288 in the same period a year earlier. During the fourth quarter, dividend increases rose to 484 from 475.

**Comparative Results**

<b>Average Annual Returns through December 31, 2009 (a)</b>					
	<u>Quarter</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Since Inception (11/28/03)</u>
<b>Gabelli Dividend &amp; Income Trust</b>					
NAV Total Return (b) .....	<b>6.44%</b>	<b>33.30%</b>	<b>(6.32)%</b>	<b>1.89%</b>	<b>3.53%</b>
Investment Total Return (c) .....	<b>7.31</b>	<b>40.35</b>	<b>(7.38)</b>	<b>1.89</b>	<b>0.85</b>
S&P 500 Index .....	6.04	26.47	(5.62)	0.42	2.92
Dow Jones Industrial Average .....	8.09	22.74	(3.10)	1.97	3.65
Nasdaq Composite Index .....	6.91	43.89	(2.06)	0.85	2.43

(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](http://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 (“NYSE”) and reinvestment of distributions. Since inception return is based on an initial offering price of \$20.00.*



Mario J. Gabelli, CFA



Barbara G. Marciniak, CFA

## **Performance**

The Gabelli Dividend & Income Trust's (the "Fund") NAV total return was 6.4% during the fourth quarter of 2009, compared with gains of 6.0% and 8.1% for the S&P 500 Index and the Dow Jones Industrial Average, respectively. The total return for the Fund's publicly traded shares was 7.3% during the fourth quarter. For 2009, the Fund's NAV total return was 33.3% and the total return for the Fund's publicly traded shares was 40.4%, compared with gains of 26.5% and 22.7% for the S&P 500 Index and the Dow Jones Industrial Average, respectively. On December 31, 2009, the Fund's NAV per share was \$15.58, while the price of the publicly traded shares closed at \$13.11 on the NYSE.

The S&P 500 is divided into ten industry sectors. Technology stocks continued to lead performance in the fourth quarter, posting an 11% gain, with a full year gain of 61%. For the quarter, all ten sectors had positive returns except for the financial stocks, which declined 3% in the quarter, although they gained 16% for the year.

After the technology sector, the two best performing sectors during the year were consumer discretionary and materials, with gains of more than 40% each, benefiting from the improved outlook for the economy. All ten industry groups had positive performance for the year; the three with the lowest returns were telecommunications, utilities, and energy.

Stocks that contributed the most to quarterly performance were some of our positions of more than 1% in the Fund that rose more than 10% in the quarter. These included Verizon, Swedish Match, Statoil, General Mills, NSTAR, Chevron, American Express, Halliburton, ConocoPhillips, and Integrys Energy.

Major contributors to yearly performance from our larger positions of more than 1%, which rose more than 25%, included Cablevision, American Express, Walgreen, Halliburton, Occidental Petroleum, Statoil, Intel, JPMorgan Chase, Coca-Cola, National Fuel Gas, and OGE Energy.

## **The Year In Review**

The first quarter of 2009 began with weak economic and corporate earnings news, accompanied by dismal forecasts and the apparent lack of an effective plan by our government. This was evident on February 10, when Treasury Secretary Timothy Geithner gave his highly anticipated address to Congress. His lack of detail failed to impress investors and the Dow fell 382 points.

The freeze in credit markets made financing virtually unavailable to even creditworthy borrowers. This exacerbated the decline in many durable goods, none more so than automobiles, as evidenced by the 36% plunge in auto sales in the first quarter to levels not seen in twenty-six years. By early March, the economy appeared to be deteriorating at an alarming rate. The Congressional Budget Office said that this recession, which officially started in December of 2007, "will probably be the longest and deepest since World War II," eclipsing the two longest postwar downturns, which began in November of 1973 and July of 1981, each lasting sixteen months. At this point, comparisons with our own Great Depression and with the "Lost Decade" in Japan were common.

Congressional committees held publicly televised hearings in which they grilled and embarrassed the heads of eight of our largest banks and brokerage firms. The three large auto manufacturers and their suppliers were in danger of going bankrupt, and came to Washington where they applied for federal rescue funds and were similarly questioned. Appearing both insensitive and out of touch, they flew in on their private planes and unwittingly helped bring the outrage upon themselves.

On March 9, the stock market hit the low for the year and for this bear market, which started in October of 2007. By the end of the quarter, faint signs were appearing that economic prospects might be bottoming.

Tremendous government stimulus and spending programs put a floor under the economy, and stock and bond markets worldwide rallied broadly for the rest of the year. In addition to government stimulus spending under the American Recovery and Reinvestment Act, the U.S. Treasury established the "TARP" or Troubled Asset Relief

Program, to purchase assets and equity from financial institutions to strengthen the financial sector and the Federal Reserve created the “TALF,” or Term Asset-Backed Securities Loan Facility, to restart the issuance of securities backed by assets such as student loans, auto loans, credit cards, and loans guaranteed by the Small Business Administration.

Also, the Car Allowance Rebate System, colloquially known as “Cash for Clunkers,” provided economic incentives to consumers to purchase a new, more fuel efficient vehicle when trading in a less fuel efficient vehicle, and thus provide stimulus to the economy by boosting auto sales. The Housing and Economic Recovery Act of 2008 established a tax credit for first time homebuyers.

The country now has a tremendous amount of debt, which will have to be paid back some day and which will carry an annual cost to service until then. The energy “cap and trade” and universal healthcare plans address good long-term goals. However, the efforts to sell them are accompanied by unrealistic long-term projections of what they will cost.

Last but not least, and perhaps most effective, are the low interest rates which the government is helping to engineer with its massive purchases of mortgage backed securities and Treasury Bills, helping to restore the quality of bank balance sheets.

## **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, 2009.

*The Coca-Cola Co. (KO - \$57.00 - NYSE)*, headquartered in Atlanta, GA, is the global leader in non-alcoholic beverages. Anchored by its iconic Coca-Cola brand, the company holds 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 over 200 countries. We expect the company to deliver 10% compounded annual growth in earnings per share through 2013, driven by continued volume growth in emerging markets and volume improvements in the U.S. We expect innovation, e.g., Coke Zero, and continued expansion of healthy drink offerings, e.g., Vitaminwater and low calorie drinks sweetened with natural sweetener Truvia to help revive U.S. volume growth.

*Danone (BN.FP - \$61.40 - Paris Stock Exchange)* is a global leader in yogurt, baby nutrition, bottled water, and clinical nutrition. Throughout 2009, price deflation in dairy, Danone’s main cost input for its yogurt business, allowed the company to increase promotions and marketing spending in order to spur volume growth while increasing profitability. The company also completed a €3 billion rights offering in June 2009, resulting in a stronger balance sheet and giving the company the flexibility to invest in its business and pursue acquisitions. While Danone continues to see medium term growth somewhat challenged, it continues to target 8%-10% sales growth long term. As the largest health and wellness “pure play,” we believe that Danone’s long-term growth rate is superior to its food and beverage peers due to increasing per capita consumption in emerging markets, particularly for its core yogurt and baby nutrition products.

*Deere & Co. (DE - \$54.09 - NYSE)* was founded in 1837 and is headquartered in Moline, IL. The company manufactures and distributes agricultural and commercial equipment worldwide. Deere operates in three segments: Agriculture and Turf Division, Construction and Forestry, and Credit. We continue to believe in a prolonged agricultural equipment cycle, mainly due to continued high farmer cash receipts, coupled with availability of credit for equipment financing. The stock has risen substantially over the last year, and we continue to like Deere’s prospects.

*Genuine Parts Co. (GPC - \$37.96 - NYSE)*, located in Atlanta, GA, is a premier North American distributor of “consumables” such as automobile replacement parts, industrial bearings, mechanical power components, office products, and electrical and electronic components and replacement parts. The auto parts business encompasses a network of warehouses and jobber stores under the NAPA brand and is the company’s largest and best known operating segment. We regard GPC as a strong cash flow generator, offering investors protection should the U.S. economy experience significant inflation. We expect GPC to benefit from positive auto aftermarket trends over the next five years.

*Intel Corp. (INTC - \$20.40 - Nasdaq)* recently introduced consumer ultra low voltage mobile processors that are creating a new personal computer segment of ultra thin, full function notebooks. Ultra thin notebooks are now shipping in the market, and we believe that they will further invigorate the notebook category and become a significant contributor to Intel’s future profits. The company has taken significant steps to improve its efficiency and reduce costs resulting in cost savings of \$800 million in 2008, and expected further spending reductions for 2009 of \$700 million over the 2008 level.

*Legg Mason Inc. (LM - \$30.16 - NYSE)*, based in Baltimore, MD, is a holding company for select global asset management subsidiaries. As of November 2009, the company had approximately \$700 billion of assets under management. Legg Mason is benefiting from improved investment performance at its affiliates and a stronger balance sheet from cash flows in 2009. Corporate performance should continue to improve in 2010 due to cost reductions and operating leverage from higher assets under management.

*MasterCard Inc. (MA - \$255.98 - NYSE)* is a leading global payment company, operating a payment network and managing payment card brands including MasterCard, MasterCard Electronic, Maestro, and Cirrus. In 2008, the company processed almost twenty-one billion transactions on its network totaling over \$2.5 trillion in Gross Dollar Volume (GDV) from almost one billion outstanding debit and credit cards. The company benefits from the globalization of electronic payments and the shift of consumer spending from paper based (cash) to plastic (both debit and credit). The incumbent payment networks like MasterCard have a significant advantage on new competitors because of the high cost of replicating a global payment network, which should allow the company to continue to generate significant cash flow while growing earnings rapidly.

## **Looking Ahead**

By 2009 year end, estimates for gross domestic product for 2010 were rising every week as the snap back from the frozen first quarter, as well as the subsequent strength from inventory build in the fourth quarter, were extrapolated to a full year’s worth of growth. The stock and bond markets continued to rally strongly heading into the new year, and investors’ recent aversion to extreme risk ended. Prices rallied and lower quality stock and bond issuance regained full strength.

The job market losses have been abating, and the economy may even begin to generate new jobs in the next several months. However, there are a few forces at work that will keep unemployment relatively high over the next few quarters. For one, the high unemployment now reflects a structural change, whereby many jobs lost in one industry, real estate, will take a long time to be absorbed within the broad economy. The real estate industry accounted for a quarter of all the jobs created in the last recovery, from 2003 to 2007. Jobs in construction and design of commercial and residential real estate, as well as real estate agents and suppliers of home goods and office building products, will not be created over the next year or so as the real estate inventory oversupply is worked off through sales of new and foreclosed properties. What industry can create substantial jobs to re-absorb these housing related workers?

Other forces holding back employment are the terrific technology and management systems, which automate jobs and allow management of larger geographic areas. This was made plain just after the end of the year when United Parcel Service reported a much better quarter than expected. It said that the economy and outlook for its business was improving, but that it would still lay off more workers simply because it could use technology. Rising profit margins and large productivity gains over the past year are also evidence of this trend.

A new commission has been established to examine “what caused the crisis,” and these are publicly televised hearings. The list of witnesses testifying before the commission makes clear that the hearings are for the purpose of venting populist anger at the banks. This inquiry seeks to determine the causes and process of the mortgage meltdown and ensuing financial crisis that led to a government bailout of the system. Notably absent from televised hearings are any representatives from Fannie Mae, Freddie Mac, even AIG or members of Congress or the administration, people who oversaw anything or even who aggressively pushed irresponsible home ownership programs. The commission questioned the chief executive officers of the four largest investment banks, JPMorgan Chase, Bank of America, Goldman Sachs, and Morgan Stanley. In fact, most news reports used words like “public flogging” to describe the questioning.

The frustration of the administration and Congress is palpable and public. As we start the new year, there is fresh anger and pain as it becomes clear that these large banks are making good profits again and, particularly irritating to the administration, are still paying their executives princely sums. We have had no progress on financial reforms that would regulate the derivatives that allowed securitized mortgages to be sliced and sold all over the world. Even Alan Greenspan, when he was head of the Federal Reserve, believed that slicing them up had lowered their risk. There is talk of taxing large investment banks and or taxing compensation, both very blunt tools of anger which do not address needed reform.

We expect bond yields to rise this year, as the Federal Reserve starts to drain the excess liquidity that kept rates artificially low. In addition, government programs to purchase mortgage backed securities, along with support facilities such as TALF are expected to conclude at the end of the first quarter, which may pressure yields. Last but not least, as we start 2010, investors are beginning to move away from the safe haven of high quality bonds and into riskier assets to improve returns. This may be another catalyst for U.S. Treasury yields to rise as they compete against other asset classes.

## Conclusion

Overall, the 2000s, or the Terrible 2000s we might say, were the worst calendar decade for stocks since records began in the 1820s. We expect the economy to grow at a slow and maybe even recessionary rate for some period. Eventually, the economy will have real growth and when it surfaces, we believe that the stock market can deliver returns closer to the long term average of 9.5% to 10% over the next decade. We believe that stocks that pay a dividend are the best way to achieve this return.

Sincerely,



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



**Barbara G. Marcin, CFA**  
Portfolio Manager

January 22, 2010

**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 \$4,269,661 in calendar year 2008. 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 2,185,343 common shares of the Fund for a total amount invested of \$28,649,847, as of December 31, 2009. Mr. Gabelli may not have pecuniary interest equal to a one hundred percent economic ownership in some of the entities he is deemed to control.

## **Common Share Repurchase Plan – Share Repurchases Exceed 1.5 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 10,000 common shares in the fourth quarter of 2009. In total through December 31, 2009, the Fund has repurchased and retired 1,594,568 common shares in the open market under this share repurchase plan at an average cost of \$16.93 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 2010. Pursuant to its distribution policy, the Fund paid \$0.06 per share cash distributions on October 23, 2009, November 20, 2009, and December 17, 2009 to common shareholders of record on October 16, 2009, November 13, 2009, and December 14, 2009, respectively, for a total distribution of \$0.18 per share during the fourth quarter of 2009.

Under the Fund's current distribution policy, the Fund pays a distribution of \$0.06 per share each month (\$0.72 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 earnings from dividends and interest received and net realized capital gains equal to or in excess of 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 non-taxable return of capital. Since this would be considered a return of a portion of a shareholder's original investment, it is not taxable and is treated as a reduction in the shareholder's cost basis. However, 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. For a closed-end fund with a distribution policy, a return of capital becomes progressively less likely with the passage of time because in later years it is more likely that long-term capital gains can be realized and therefore become available for distribution. 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, will be allocated on a pro-rata basis to all distributions to common shareholders for the year. Based on the distribution allocations of the Fund as of December 31, 2009, the total distributions paid in 2009 include 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](http://www.gabelli.com)). All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2009 distributions in early 2010 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 28, 2009 to preferred shareholders of record on December 18, 2009. 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 2010. 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, 2009, 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 2009.

### **Series B Auction Market Preferred Shares**

The dividend rates for the Series B Auction Market Preferred Shares ranged from 1.461% to 1.487% during the fourth quarter of 2009. 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, 2009, 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 1.464% to 1.489% during the fourth quarter of 2009. 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, 2009, 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 28, 2009 to preferred shareholders of record on December 18, 2009. 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 2010. 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, 2009, 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 2009.

### **Series E Auction Rate Preferred Shares**

The dividend rates for the Series E Auction Rate Preferred Shares ranged from 1.714% to 1.736% during the fourth quarter of 2009. 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, 2009, 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, will be allocated on a pro-rata basis to all distributions to preferred shareholders for the year. Based on the distribution allocations of the Fund as of December 31, 2009, the total preferred distributions paid in 2009 are deemed 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](http://www.gabelli.com)). All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2009 distributions in early 2010 via Form 1099-DIV.

**www.gabelli.com**

Please visit us on the Internet. Our homepage at [www.gabelli.com](http://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](mailto:closedend@gabelli.com).

You may sign up for our e-mail alerts at [www.gabelli.com](http://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](http://www.gabelli.com).

**Top Ten Holdings**  
**December 31, 2009**

Verizon Communications Inc.	JPMorgan Chase & Co.
Swedish Match AB	StatoilHydro ASA
Occidental Petroleum Corp.	General Mills Inc.
Intel Corp.	Danone
NSTAR	American Express Co.

The Annual Meeting of The Gabelli Dividend & Income Trust's shareholders will be held on Monday, May 17, 2010 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.

## **THE GABELLI DIVIDEND & INCOME TRUST AND YOUR PERSONAL PRIVACY**

### **Who are we?**

The Gabelli Dividend & Income Trust (the “Fund”) is a closed-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC, which is affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory or brokerage services for a variety of clients.

### **What kind of non-public information do we collect about you if you become a shareholder?**

When you purchase shares of the Fund on the New York Stock Exchange, you have the option of registering directly with our transfer agent in order, for example, to participate in our dividend reinvestment plan.

- *Information you give us on your application form.* This could include your name, address, telephone number, social security number, bank account number, and other information.
- *Information about your transactions with us.* This would include information about the shares that you buy or sell; it may also include information about whether you sell or exercise rights that we have issued from time to time. If we hire someone else to provide services—like a transfer agent—we will also have information about the transactions that you conduct through them.

### **What information do we disclose and to whom do we disclose it?**

We do not disclose any non-public personal information about our customers or former customers to anyone other than our affiliates, our service providers who need to know such information, and as otherwise permitted by law. If you want to find out what the law permits, you can read the privacy rules adopted by the Securities and Exchange Commission. They are in volume 17 of the Code of Federal Regulations, Part 248. The Commission often posts information about its regulations on its website, [www.sec.gov](http://www.sec.gov).

### **What do we do to protect your personal information?**

We restrict access to non-public personal information about you to the people who need to know that information in order to provide services to you or the Fund and to ensure that we are complying with the laws governing the securities business. We maintain physical, electronic, and procedural safeguards to keep your personal information confidential.

**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*

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:	83,468,637	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](http://www.gabelli.com).

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](http://www.gabelli.com), or e-mail us at: [closedend@gabelli.com](mailto: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](http://www.gabelli.com)

e-mail: [closedend@gabelli.com](mailto:closedend@gabelli.com)

GDV Dec/2009



**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, 2009:

Financial Services .....	11.7%	Energy and Utilities: Water .....	0.8%
Energy and Utilities: Oil .....	10.9%	Transportation .....	0.8%
Food and Beverage .....	10.5%	Business Services .....	0.8%
Energy and Utilities: Integrated .....	10.0%	Environmental Services .....	0.7%
Telecommunications .....	6.8%	Paper and Forest Products .....	0.6%
U.S. Government Obligations .....	6.2%	Computer Software and Services .....	0.6%
Energy and Utilities: Electric .....	5.3%	Machinery .....	0.5%
Energy and Utilities: Natural Gas .....	4.2%	Broadcasting .....	0.5%
Diversified Industrial .....	3.8%	Wireless Communications .....	0.3%
Consumer Products .....	3.5%	Energy and Utilities .....	0.3%
Energy and Utilities: Services .....	3.5%	Hotels and Gaming .....	0.2%
Health Care .....	3.2%	Agriculture .....	0.2%
Retail .....	2.7%	Publishing .....	0.2%
Cable and Satellite .....	2.4%	Computer Hardware .....	0.2%
Aerospace .....	1.7%	Communications Equipment .....	0.1%
Electronics .....	1.5%	Real Estate .....	0.0%
Equipment and Supplies .....	1.3%	Automotive .....	0.0%
Specialty Chemicals .....	1.2%	Building and Construction .....	0.0%
Metals and Mining .....	1.1%	Manufactured Housing and Recreational Vehicles ..	0.0%
Automotive: Parts and Accessories .....	0.9%	Restaurants .....	0.0%
Entertainment .....	0.8%	Consumer Services .....	0.0%
			<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, 2009. Shareholders may obtain this information at [www.gabelli.com](http://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](http://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](http://www.sec.gov).

**THE GABELLI DIVIDEND & INCOME TRUST**  
**SCHEDULE OF INVESTMENTS**  
**December 31, 2009**

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
<b>COMMON STOCKS — 91.5%</b>					
<b>Aerospace — 1.7%</b>					
10,000	Goodrich Corp. . . . . \$ 281,823	\$ 642,500	450,000	Eastman Kodak Co.† . . . . . \$ 3,747,352	\$ 1,899,000
40,000	Kaman Corp. . . . . 748,703	923,600	85,000	Fortune Brands Inc. . . . . 3,417,169	3,672,000
166,000	Rockwell Automation Inc. . . . . 8,236,469	7,798,680	50,000	Hanesbrands Inc.† . . . . . 1,118,462	1,205,500
2,000,000	Rolls-Royce Group plc† . . . . . 14,847,048	15,618,942	76,000	Harman International Industries Inc. . . . . 3,006,689	2,681,280
120,000,000	Rolls-Royce Group plc, Cl. C† . . . . . 196,037	193,823	195,000	Kimberly-Clark Corp. . . . . 12,809,831	12,423,450
77,000	The Boeing Co. . . . . 4,664,974	4,168,010	25,000	Philip Morris International Inc. . . . . 1,011,008	1,204,750
	<u>28,975,054</u>	<u>29,345,555</u>	1,020,000	Swedish Match AB . . . . . 12,706,962	22,368,390
			160,000	The Procter & Gamble Co. . . . . 8,942,017	9,700,800
				<u>54,677,403</u>	<u>62,600,000</u>
<b>Agriculture — 0.2%</b>			<b>Consumer Services — 0.0%</b>		
115,000	Archer-Daniels-Midland Co. . . . . 3,213,601	3,600,650	1,000	Keystone North America Inc. . . . . 7,494	7,573
1,000	Terra Industries Inc. . . . . 39,650	32,190		<b>Diversified Industrial — 3.3%</b>	
	<u>3,253,251</u>	<u>3,632,840</u>	100,000	Bouygues SA . . . . . 3,516,295	5,221,698
<b>Automotive — 0.0%</b>			175,000	Cooper Industries plc . . . . . 5,671,227	7,462,000
20,000	Navistar International Corp.† . . . . . 458,857	773,000	500,000	General Electric Co. . . . . 13,238,120	7,565,000
<b>Automotive: Parts and Accessories — 0.9%</b>			280,000	Honeywell International Inc. . . . . 9,789,754	10,976,000
30,000	BorgWarner Inc. . . . . 992,327	996,600	95,000	ITT Corp. . . . . 4,299,475	4,725,300
380,000	Genuine Parts Co. . . . . 12,834,307	14,424,800	130,000	Owens-Illinois Inc.† . . . . . 4,551,363	4,273,100
	<u>13,826,634</u>	<u>15,421,400</u>	300,000	Textron Inc. . . . . 2,689,261	5,643,000
<b>Building and Construction — 0.0%</b>			950,000	Tomkins plc . . . . . 4,601,533	2,964,530
15,000	Layne Christensen Co.† . . . . . 430,456	430,650	230,000	Tyco International Ltd. . . . . 10,307,915	8,206,400
<b>Business Services — 0.8%</b>			156,464	WHX Corp.† . . . . . 2,189,218	375,514
190,000	Diebold Inc. . . . . 6,770,214	5,405,500		<u>60,854,161</u>	<u>57,412,542</u>
120,000	Intermec Inc.† . . . . . 2,353,342	1,543,200	<b>Electronics — 1.5%</b>		
36,000	Lender Processing Services Inc. . . . . 1,216,358	1,463,760	20,000	Chartered Semiconductor Manufacturing Ltd., ADR† (b) . . . . . 368,968	381,400
20,000	MasterCard Inc., Cl. A . . . . . 3,089,996	5,119,600	10,000	Emulex Corp.† . . . . . 94,406	109,000
20,000	PHH Corp.† . . . . . 403,933	322,200	1,000,000	Intel Corp. . . . . 20,787,583	20,400,000
10,000	Rewards Network Inc. . . . . 135,825	126,400	190,000	Tyco Electronics Ltd. . . . . 6,894,879	4,664,500
200,000	Trans-Lux Corp.† (a) . . . . . 1,405,249	142,000		<u>28,145,836</u>	<u>25,554,900</u>
	<u>15,374,917</u>	<u>14,122,660</u>	<b>Energy and Utilities: Electric — 5.3%</b>		
<b>Cable and Satellite — 2.4%</b>			30,000	Allegheny Energy Inc. . . . . 438,040	704,400
600,000	Cablevision Systems Corp., Cl. A . . . . . 16,754,919	15,492,000	85,000	ALLETE Inc. . . . . 2,788,153	2,777,800
16,000	Cogeco Inc. . . . . 316,415	438,763	250,000	American Electric Power Co. Inc. . . . . 7,904,906	8,697,500
350,000	DIRECTV, Cl. A† . . . . . 8,317,789	11,672,500	720	Brookfield Infrastructure Partners LP . . . . . 15,120	12,074
240,000	DISH Network Corp., Cl. A . . . . . 5,422,198	4,984,800	350,000	DPL Inc. . . . . 6,916,537	9,660,000
50,000	EchoStar Corp., Cl. A† . . . . . 1,307,563	1,007,000	30,000	Edison International . . . . . 1,307,130	1,043,400
81,734	Liberty Global Inc., Cl. A† . . . . . 1,686,985	1,790,792	270,000	Electric Power Development Co. Ltd. . . . . 6,584,683	7,653,406
34,318	Liberty Global Inc., Cl. C† . . . . . 760,276	749,848	220,000	FPL Group Inc. . . . . 7,596,481	11,620,400
180,000	Rogers Communications Inc., Cl. B . . . . . 2,310,816	5,580,000	750,000	Great Plains Energy Inc. . . . . 21,429,625	14,542,500
27,000	Zon Multimedia Servicos de Telecomunicacoes e Multimedia SGPS SA . . . . . 265,410	167,906	370,000	Integrus Energy Group Inc. . . . . 17,973,625	15,536,300
	<u>37,142,371</u>	<u>41,883,609</u>	110,000	Pepco Holdings Inc. . . . . 2,077,470	1,853,500
<b>Communications Equipment — 0.1%</b>			230,000	Pinnacle West Capital Corp. . . . . 8,967,575	8,413,400
30,000	Thomas & Betts Corp.† . . . . . 790,717	1,073,700	100,000	The Southern Co. . . . . 2,893,572	3,332,000
<b>Computer Hardware — 0.1%</b>			225,000	UniSource Energy Corp. . . . . 5,702,134	7,242,750
30,000	SanDisk Corp.† . . . . . 287,056	869,700		<u>92,595,051</u>	<u>93,089,430</u>
<b>Computer Software and Services — 0.6%</b>			<b>Energy and Utilities: Integrated — 10.0%</b>		
50,000	Microsoft Corp. . . . . 1,155,211	1,524,500	12,000	Alliant Energy Corp. . . . . 305,115	363,120
800,000	Sun Microsystems Inc.† . . . . . 7,403,987	7,496,000	140,000	Ameren Corp. . . . . 6,365,276	3,913,000
95,000	Yahoo! Inc.† . . . . . 2,656,334	1,594,100	50,000	Avista Corp. . . . . 926,534	1,079,500
	<u>11,215,532</u>	<u>10,614,600</u>	50,000	Black Hills Corp. . . . . 1,384,060	1,331,500
<b>Consumer Products — 3.5%</b>			40,000	CH Energy Group Inc. . . . . 1,728,883	1,700,800
187,000	Alberto-Culver Co. . . . . 6,235,008	5,477,230	108,000	Chubu Electric Power Co. Inc. . . . . 2,458,019	2,574,328
20,000	Altria Group Inc. . . . . 375,937	392,600	150,000	CONSOL Energy Inc. . . . . 6,316,307	7,470,000
50,000	Avon Products Inc. . . . . 1,306,968	1,575,000	190,000	Consolidated Edison Inc. . . . . 7,753,122	8,631,700
			70,000	Dominion Resources Inc. . . . . 2,986,000	2,724,400
			180,000	Duke Energy Corp. . . . . 2,531,073	3,097,800

See accompanying notes to financial statements.

**THE GABELLI DIVIDEND & INCOME TRUST**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**December 31, 2009**

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>		
<b>COMMON STOCKS (Continued)</b>			<b>Energy and Utilities: Oil — 10.9%</b>				
<b>Energy and Utilities: Integrated (Continued)</b>			44,000	Anadarko Petroleum Corp. . . \$	2,007,408 \$	2,746,480	
430,000	Edison SpA . . . . . \$	1,002,090 \$	654,644	39,000	Apache Corp. . . . .	1,861,319	4,023,630
650,000	El Paso Corp. . . . .	8,134,739	6,389,500	45,000	BG Group plc, ADR . . . . .	1,819,092	4,072,500
112,000	Endesa SA . . . . .	4,642,723	3,844,546	160,000	BP plc, ADR . . . . .	7,479,063	9,275,200
450,000	Enel SpA . . . . .	2,812,556	2,611,028	80,000	Chesapeake Energy Corp. . . . .	1,432,512	2,070,400
40,000	Exelon Corp. . . . .	2,582,860	1,954,800	230,000	Chevron Corp. . . . .	13,728,626	17,707,700
160,000	FirstEnergy Corp. . . . .	5,651,701	7,432,000	320,000	ConocoPhillips . . . . .	17,096,010	16,342,400
120,000	Hawaiian Electric Industries Inc. . . . .	2,801,280	2,508,000	78,000	Devon Energy Corp. . . . .	3,448,499	5,733,000
250,000	Hera SpA . . . . .	552,073	580,229	170,000	Eni SpA, ADR . . . . .	6,249,080	8,603,700
121,500	Hokkaido Electric Power Co. Inc. . . . .	2,282,208	2,203,398	210,000	Exxon Mobil Corp. . . . .	9,845,136	14,319,900
121,500	Hokuriku Electric Power Co. . . . .	2,131,359	2,641,730	36,000	Hess Corp. . . . .	1,130,043	2,178,000
10,000	Iberdrola SA . . . . .	156,751	95,618	470,000	Marathon Oil Corp. . . . .	16,539,721	14,673,400
102,000	Iberdrola SA, ADR . . . . .	5,060,553	3,860,700	136,000	Murphy Oil Corp. . . . .	6,865,210	7,371,200
85,000	Korea Electric Power Corp., ADR† . . . . .	1,253,867	1,235,900	260,000	Occidental Petroleum Corp. . . . .	9,791,234	21,151,000
121,500	Kyushu Electric Power Co. Inc. . . . .	2,374,466	2,496,924	20,000	PetroChina Co. Ltd., ADR . . . . .	1,480,813	2,379,200
22,000	Maine & Maritimes Corp. . . . .	626,971	765,600	98,000	Petroleo Brasileiro SA, ADR . . . . .	4,072,585	4,672,640
72,000	MGE Energy Inc. . . . .	2,324,253	2,573,280	270,000	Repsol YPF SA, ADR . . . . .	5,719,267	7,198,200
35,102	National Grid plc, ADR . . . . .	1,588,562	1,908,847	200,000	Royal Dutch Shell plc, Cl. A, ADR . . . . .	9,567,840	12,022,000
240,000	NiSource Inc. . . . .	5,019,902	3,691,200	810,000	Statoil ASA, ADR . . . . .	11,784,181	20,177,100
550,000	NSTAR . . . . .	13,073,770	20,240,000	175,000	Sunoco Inc. . . . .	9,228,015	4,567,500
420,000	OGE Energy Corp. . . . .	10,103,995	15,493,800	185,000	Total SA, ADR . . . . .	8,118,724	11,847,400
30,000	Ormat Technologies Inc. . . . .	484,088	1,135,200			149,264,378	193,132,550
310,000	Progress Energy Inc. . . . .	13,915,532	12,713,100	<b>Energy and Utilities: Services — 3.5%</b>			
290,000	Public Service Enterprise Group Inc. . . . .	8,874,696	9,642,500	210,000	ABB Ltd., ADR . . . . .	2,290,480	4,011,000
121,500	Shikoku Electric Power Co. Inc. . . . .	2,264,565	3,130,939	77,000	Cameron International Corp.† . . . . .	1,065,290	3,218,600
15,000	TECO Energy Inc. . . . .	255,758	243,300	102,000	Diamond Offshore Drilling Inc. . . . .	5,683,975	10,038,840
121,500	The Chugoku Electric Power Co. Inc. . . . .	2,194,052	2,315,590	580,000	Halliburton Co. . . . .	15,557,482	17,452,200
48,100	The Empire District Electric Co. . . . .	1,046,694	900,913	5,000	Nabors Industries Ltd.† . . . . .	110,564	109,450
121,500	The Kansai Electric Power Co. Inc. . . . .	2,333,021	2,739,572	10,000	Noble Corp. . . . .	254,820	407,000
108,000	The Tokyo Electric Power Co. Inc. . . . .	2,545,172	2,707,682	38,000	Oceaneering International Inc.† . . . . .	1,614,498	2,223,760
121,500	Tohoku Electric Power Co. Inc. . . . .	2,112,763	2,400,387	205,000	Rowan Companies Inc.† . . . . .	7,334,351	4,641,200
205,000	Vectren Corp. . . . .	5,572,873	5,059,400	120,000	Schlumberger Ltd. . . . .	3,977,835	7,810,800
465,000	Westar Energy Inc. . . . .	9,188,447	10,099,800	46,000	Transocean Ltd.† . . . . .	3,995,781	3,808,800
85,000	Wisconsin Energy Corp. . . . .	2,690,561	4,235,550	480,000	Weatherford International Ltd.† . . . . .	10,047,467	8,596,800
170,000	Xcel Energy Inc. . . . .	2,854,199	3,607,400			51,932,543	62,318,450
		163,263,489	176,999,225	<b>Energy and Utilities: Water — 0.8%</b>			
<b>Energy and Utilities: Natural Gas — 4.2%</b>			11,000	American States Water Co. . . . .	273,608	389,510	
30,000	Atmos Energy Corp. . . . .	749,916	882,000	380,000	American Water Works Co. Inc. . . . .	7,954,100	8,515,800
22,000	Delta Natural Gas Co. Inc. . . . .	554,413	629,420	68,033	Aqua America Inc. . . . .	1,131,745	1,191,258
6,000	Energen Corp. . . . .	124,550	280,800	6,000	Artesian Resources Corp., Cl. A . . . . .	113,635	109,860
160,356	GDF Suez, Strips . . . . .	0	230	3,000	California Water Service Group . . . . .	94,710	110,460
20,000	Kinder Morgan Energy Partners LP . . . . .	824,553	1,219,600	11,500	Connecticut Water Service Inc. . . . .	276,036	284,855
350,000	National Fuel Gas Co. . . . .	9,372,113	17,500,000	2,000	Consolidated Water Co. Ltd. . . . .	26,006	28,580
210,000	Nicor Inc. . . . .	7,147,795	8,841,000	6,000	Middlesex Water Co. . . . .	111,082	105,780
230,000	ONEOK Inc. . . . .	5,763,836	10,251,100	60,000	Pennichuck Corp. . . . .	1,362,461	1,267,800
188,000	Sempra Energy . . . . .	5,619,606	10,524,240	90,000	SJW Corp. . . . .	1,564,611	2,031,300
35,000	South Jersey Industries Inc. . . . .	839,202	1,336,300	16,800	Southwest Water Co. . . . .	192,169	98,952
140,000	Southern Union Co. . . . .	2,884,173	3,178,000	9,000	The York Water Co. . . . .	115,031	130,590
190,000	Southwest Gas Corp. . . . .	4,719,351	5,420,700	25,000	United Utilities Group plc, ADR . . . . .	662,400	405,500
610,000	Spectra Energy Corp. . . . .	13,426,444	12,511,100			13,877,594	14,670,245
43,000	The Laclede Group Inc. . . . .	1,222,566	1,452,110	<b>Entertainment — 0.8%</b>			
		53,248,518	74,026,600	8,000	Grupo Televisa SA, ADR . . . . .	79,516	166,080
				290,000	Take-Two Interactive Software Inc.† . . . . .	7,230,943	2,914,500

See accompanying notes to financial statements.

**THE GABELLI DIVIDEND & INCOME TRUST**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**December 31, 2009**

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
<b>COMMON STOCKS (Continued)</b>			<b>Food and Beverage — 10.5%</b>		
<b>Entertainment (Continued)</b>			215,000	Cadbury plc, ADR . . . . . \$	10,349,819 \$
200,000	Time Warner Inc. . . . . \$ 6,387,568	\$ 5,828,000	90,000	Campbell Soup Co. . . . .	2,793,859
195,000	Vivendi . . . . .	6,016,494	350,000	China Mengniu Dairy Co. Ltd.† . . . . .	857,331
		<u>19,714,521</u>			<u>1,252,676</u>
		<u>14,721,653</u>	230,000	ConAgra Foods Inc. . . . .	5,501,671
<b>Environmental Services — 0.7%</b>			140,000	Constellation Brands Inc., Cl. A† . . . . .	1,835,999
1,250	Suez Environnement Co. SA . . . . .	0			2,230,200
12,375	Veolia Environnement . . . . .	395,937	300,082	Danone . . . . .	15,096,110
350,000	Waste Management Inc. . . . .	12,663,686	950,000	Davide Campari - Milano SpA . . . . .	9,573,232
		<u>13,059,623</u>			<u>9,934,845</u>
		<u>12,272,636</u>	280,000	Dr. Pepper Snapple Group Inc. . . . .	6,532,369
<b>Equipment and Supplies — 1.3%</b>			280,000	General Mills Inc. . . . .	13,697,777
95,000	Circor International Inc. . . . .	1,731,985			19,826,800
30,000	Lufkin Industries Inc. . . . .	513,283	280,000	H.J. Heinz Co. . . . .	3,150,879
65,000	Mueller Industries Inc. . . . .	2,587,485	90,000	ITO EN Ltd. . . . .	4,917,151
420,000	RPC Inc. . . . .	1,866,263	210,000	ITO EN Ltd., Preference . . . . .	876,682
230,000	Tenaris SA, ADR . . . . .	10,691,126	40,000	Kellogg Co. . . . .	35,550
335,000	Xerox Corp. . . . .	3,552,457	1,000	Kikkoman Corp. . . . .	3,116,054
		<u>20,942,599</u>	240,000	Kraft Foods Inc., Cl. A . . . . .	12,241,858
		<u>23,214,300</u>	400,000	Morinaga Milk Industry Co. Ltd. . . . .	588,860
<b>Financial Services — 11.5%</b>			150,000	NISSIN FOODS HOLDINGS CO. LTD. . . . .	6,829,272
170,000	Aflac Inc. . . . .	9,031,497			6,506,684
75,000	AllianceBernstein Holding LP . . . . .	1,388,717	200,000	Parmlat SpA . . . . .	2,181,130
450,000	American Express Co. . . . .	19,430,810	600,000	Parmlat SpA, GDR (c)(d) . . . . .	981,615
50,000	Artio Global Investors Inc.† . . . . .	1,299,580	339,450	PepsiAmericas Inc. . . . .	4,978,019
10,000	Astoria Financial Corp. . . . .	115,083	240,000	Pernod-Ricard SA . . . . .	6,780,748
590,000	Bank of America Corp. . . . .	8,787,139	75,480	Remy Cointreau SA . . . . .	919,900
25,500	BlackRock Inc. . . . .	2,312,072	19,000	Sara Lee Corp. . . . .	21,492,909
500,000	Citigroup Inc. . . . .	1,655,000	1,400,000	The Coca-Cola Co. . . . .	13,818,791
18,000	CME Group Inc. . . . .	6,236,837	310,000	The Hershey Co. . . . .	16,153,351
93,000	Deutsche Bank AG . . . . .	8,136,739	370,000	YAKULT HONSHA Co. Ltd. . . . .	12,093,514
470,000	Discover Financial Services . . . . .	8,054,511	450,000		<u>177,394,450</u>
78,909	Fidelity National Financial Inc., Cl. A . . . . .	1,529,570			<u>185,962,221</u>
210,000	Fidelity National Information Services Inc. . . . .	3,766,920	<b>Health Care — 3.2%</b>		
60,000	HSBC Holdings plc, ADR . . . . .	4,176,449	20,000	Abbott Laboratories . . . . .	886,633
90,000	Hudson City Bancorp Inc. . . . .	1,409,172	10,000	Allion Healthcare Inc.† . . . . .	64,580
125,000	Invesco Ltd. . . . .	3,131,339	280,000	Boston Scientific Corp.† . . . . .	3,242,593
485,000	JPMorgan Chase & Co. . . . .	16,704,832	125,000	Bristol-Myers Squibb Co. . . . .	3,034,562
261,000	Legg Mason Inc. . . . .	8,309,716	77,000	Covidien plc . . . . .	3,264,457
40,000	M&T Bank Corp. . . . .	2,557,647	150,000	Eli Lilly & Co. . . . .	7,575,479
120,000	Moody's Corp. . . . .	4,380,102	1,000	Facet Biotech Corp.† . . . . .	16,592
100,000	Morgan Stanley . . . . .	2,912,750	6,000	Fresenius Kabi Pharmaceuticals Holding Inc., CVR† . . . . .	0
100,000	National Australia Bank Ltd., ADR . . . . .	2,388,166			1,740
180,000	New York Community Bancorp Inc. . . . .	3,037,621	220,000	IMS Health Inc. . . . .	4,954,327
260,000	NewAlliance Bancshares Inc. . . . .	3,751,892	50,000	Johnson & Johnson . . . . .	3,244,276
231,000	PNC Financial Services Group Inc. . . . .	12,207,207	10,000	Mead Johnson Nutrition Co. Cl. A . . . . .	240,000
235,000	SLM Corp.† . . . . .	5,037,042	170,000	Merck & Co. Inc. . . . .	5,867,832
46,000	State Street Corp. . . . .	961,661	80,000	Owens & Minor Inc. . . . .	2,569,964
130,000	T. Rowe Price Group Inc. . . . .	4,538,233	730,000	Pfizer Inc. . . . .	14,236,903
355,000	The Bank of New York Mellon Corp. . . . .	11,679,796	26,000	Schiff Nutrition International Inc. . . . .	145,435
70,000	The Blackstone Group LP . . . . .	1,269,007	42,000	St. Jude Medical Inc.† . . . . .	1,595,510
290,000	The Travelers Companies Inc. . . . .	10,913,064	55,000	Watson Pharmaceuticals Inc.† . . . . .	1,977,646
400,000	Waddell & Reed Financial Inc., Cl. A . . . . .	8,243,214	80,000	Zimmer Holdings Inc.† . . . . .	5,101,084
10,000	Webster Financial Corp. . . . .	40,182			<u>58,017,873</u>
530,000	Wells Fargo & Co. . . . .	15,506,240	<b>Hotels and Gaming — 0.2%</b>		
19,260	Willis Group Holdings Ltd. . . . .	556,229	90,000	Boyd Gaming Corp.† . . . . .	925,277
170,000	Wilmington Trust Corp. . . . .	5,440,624	900,000	Ladbrokes plc . . . . .	8,455,012
		<u>200,896,660</u>	60,000	Las Vegas Sands Corp.† . . . . .	350,218
		<u>202,632,014</u>	20,000	Pinnacle Entertainment Inc.† . . . . .	89,925
					<u>9,820,432</u>
					<u>3,828,105</u>

See accompanying notes to financial statements.

**THE GABELLI DIVIDEND & INCOME TRUST**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**December 31, 2009**

<u>Shares/ Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	
<b>COMMON STOCKS (Continued)</b>						
<b>Machinery — 0.5%</b>						
215,000	CNH Global NV† . . . . . \$ 4,840,071	\$ 5,370,700	219,800	Hellenic Telecommunications Organization SA . . . . . \$ 699,575	\$ 467,613	
70,000	Deere & Co. . . . . 3,746,042	3,786,300	205,000	Hellenic Telecommunications Organization SA, ADR . . . . . 1,748,090	1,652,896	
	8,586,113	9,157,000	100,000	Portugal Telecom SGPS SA . . . . . 2,457,634	2,503,835	
<b>Manufactured Housing and Recreational Vehicles — 0.0%</b>						
17,000	Skyline Corp. . . . . 481,446	312,800	100,000	Qwest Communications International Inc. . . . . 516,750	421,000	
<b>Metals and Mining — 1.1%</b>						
16,000	Agnico-Eagle Mines Ltd. . . . . 766,400	864,000	2,270,000	Sprint Nextel Corp.† . . . . . 18,616,538	8,308,200	
300,000	Alcoa Inc. . . . . 6,972,347	4,836,000	100,000	Tandberg ASA . . . . . 2,900,204	2,849,839	
20,000	Alliance Holdings GP LP . . . . . 461,803	549,000	15,000	Telecom Corp. of New Zealand Ltd., ADR . . . . . 228,721	134,850	
8,000	Arch Coal Inc. . . . . 122,766	178,000	90,000	Telecom Italia SpA, ADR . . . . . 2,537,910	1,388,700	
8,000	BHP Billiton Ltd., ADR . . . . . 217,549	612,640	15,000	Telefonica SA, ADR . . . . . 640,361	1,252,800	
130,000	Freeport-McMoRan Copper & Gold Inc.† . . . . . 4,088,250	10,437,700	175,000	Telefonos de Mexico SAB de CV, Cl. L, ADR . . . . . 1,690,503	2,901,500	
10,000	Massey Energy Co. . . . . 235,475	420,100	80,000	Telekom Austria AG . . . . . 1,284,524	1,141,104	
25,000	Peabody Energy Corp. . . . . 404,351	1,130,250	38,000	Telephone & Data Systems Inc. . . . . 1,230,970	1,288,960	
3,000	Rio Tinto plc, ADR . . . . . 326,635	646,170	100,000	Telephone & Data Systems Inc., Special . . . . . 3,548,843	3,020,000	
	13,595,576	19,673,860	180,000	Telmex Internacional SAB de CV, ADR . . . . . 1,210,039	3,195,000	
<b>Paper and Forest Products — 0.6%</b>						
410,000	International Paper Co. . . . . 12,635,151	10,979,800	130,000	Telstra Corp. Ltd., ADR . . . . . 2,392,135	1,989,000	
<b>Publishing — 0.2%</b>						
1,200,000	Il Sole 24 Ore . . . . . 9,992,269	3,301,174	76,100	TELUS Corp., Non-Voting . . . . . 1,574,712	2,370,515	
<b>Real Estate — 0.0%</b>						
18,000	Brookfield Asset Management Inc., Cl. A . . . . . 186,196	399,240	1,000,000	Verizon Communications Inc. . . . . 36,248,381	33,130,000	
<b>Restaurants — 0.0%</b>						
1,000	Landry's Restaurants Inc.† . . . . . 13,599	21,290	160,000	Vodafone Group plc, ADR . . . . . 4,486,387	3,694,400	
<b>Retail — 2.4%</b>						
250,000	CVS Caremark Corp. . . . . 8,595,011	8,052,500		126,035,272	112,465,118	
142,000	Ingles Markets Inc., Cl. A . . . . . 1,615,209	2,148,460	<b>Transportation — 0.8%</b>			
105,000	Macy's Inc. . . . . 1,203,699	1,759,800	55,000	Burlington Northern Santa Fe Corp. . . . . 5,395,003	5,424,100	
400,000	Safeway Inc. . . . . 8,456,277	8,516,000	250,000	GATX Corp. . . . . 7,479,104	7,187,500	
300,000	Sally Beauty Holdings Inc.† . . . . . 3,712,676	2,295,000	20,000	Golden Ocean Group Ltd.† . . . . . 12,000	36,512	
55,000	SUPERVALU Inc. . . . . 1,562,248	699,050	27,000	Kansas City Southern† . . . . . 453,321	898,830	
130,000	The Great Atlantic & Pacific Tea Co. Inc.† . . . . . 2,130,179	1,532,700	22,000	Teekay Corp. . . . . 794,715	510,620	
35,000	Wal-Mart Stores Inc. . . . . 1,729,286	1,870,750		14,134,143	14,057,562	
380,000	Walgreen Co. . . . . 14,470,477	13,953,600	<b>Wireless Communications — 0.3%</b>			
75,000	Whole Foods Market Inc.† . . . . . 2,367,352	2,058,750	111,030	United States Cellular Corp.† . . . . . 5,129,256	4,708,782	
	45,842,414	42,886,610	40,000	Vimpel-Communications, ADR . . . . . 230,241	743,600	
<b>Specialty Chemicals — 1.2%</b>						
5,000	Arkema, ADR . . . . . 269,656	185,000		5,359,497	5,452,382	
108,000	Ashland Inc. . . . . 4,170,520	4,278,960	<b>TOTAL COMMON STOCKS . . . . . 1,541,826,018</b>			<b>1,615,498,184</b>
160,000	E. I. du Pont de Nemours and Co. . . . . 6,907,625	5,387,200	<b>CONVERTIBLE PREFERRED STOCKS — 0.9%</b>			
400,000	Ferro Corp. . . . . 4,388,817	3,296,000	<b>Broadcasting — 0.0%</b>			
100,000	Olin Corp. . . . . 1,826,860	1,752,000	16,000	Emmis Communications Corp., 6.250% Cv. Pfd., Ser. A† . . . . . 607,690	243,680	
200,000	The Dow Chemical Co. . . . . 7,933,394	5,526,000	<b>Building and Construction — 0.0%</b>			
	25,496,872	20,425,160	200	Fleetwood Capital Trust, 6.000% Cv. Pfd.† . . . . . 6,210	52	
<b>Telecommunications — 6.4%</b>						
610,000	AT&T Inc. . . . . 16,653,139	17,098,300	<b>Energy and Utilities — 0.3%</b>			
275,000	BCE Inc. . . . . 6,597,703	7,592,750	5,000	Chesapeake Energy Corp., 5.000% Cv. Pfd. (d) . . . . . 512,500	432,550	
30,000	Belgacom SA . . . . . 920,936	1,088,923	129,000	El Paso Energy Capital Trust I, 4.750% Cv. Pfd. . . . . 4,649,004	4,714,950	
45,000	Bell Aliant Regional Communications Income Fund (b)(d) . . . . . 1,219,425	1,203,176		5,161,504	5,147,500	
65,000	BT Group plc, ADR . . . . . 2,040,081	1,413,100	<b>Financial Services — 0.2%</b>			
16,000	CenturyTel Inc. . . . . 527,864	579,360	1,500	Doral Financial Corp., 4.750% Cv. Pfd. . . . . 207,335	73,768	
685,000	Deutsche Telekom AG, ADR . . . . . 12,496,181	10,069,500	85,000	Newell Financial Trust I, 5.250% Cv. Pfd. . . . . 4,004,063	2,996,250	
55,000	France Telecom SA, ADR . . . . . 1,338,443	1,388,200		4,211,398	3,070,018	
10,000	GVT Holding SA† . . . . . 229,223	321,597				

See accompanying notes to financial statements.



## THE GABELLI DIVIDEND & INCOME TRUST

### STATEMENT OF ASSETS AND LIABILITIES

December 31, 2009

<b>Assets:</b>	
Investments, at value (cost \$1,692,098,821) .....	\$1,766,174,245
Investments in affiliates, at value (cost \$1,405,249) .....	142,000
Foreign currency, at value (cost \$1,677) .....	1,681
Cash .....	78
Receivable for investments sold .....	56,255
Dividends and interest receivable .....	2,760,623
Unrealized appreciation on swap contracts .....	1,575
Deferred offering expense .....	141,715
Prepaid expense .....	45,352
<b>Total Assets</b> .....	<u>1,769,323,524</u>
<b>Liabilities:</b>	
Distributions payable .....	122,808
Payable for investment advisory fees .....	5,690,614
Payable for payroll expenses .....	55,857
Payable for accounting fees .....	11,250
Unrealized depreciation on swap contracts .....	1,866,144
Payable for auction agent fees .....	1,569,484
Other accrued expenses .....	481,221
<b>Total Liabilities</b> .....	<u>9,797,378</u>
<b>Preferred Shares:</b>	
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 Market, \$25,000 liquidation value, \$0.001 par value, 5,400 shares authorized with 4,860 shares issued and outstanding) .....	121,500,000
<b>Total Preferred Shares</b> .....	<u>459,257,875</u>
<b>Net Assets Attributable to Common Shareholders</b> ..	<u>\$1,300,268,271</u>
<b>Net Assets Attributable to Common Shareholders Consist of:</b>	
Paid-in capital .....	\$1,389,374,728
Accumulated net investment income .....	2,005,214
Accumulated net realized loss on investments, swap contracts, and foreign currency transactions ...	(162,060,657)
Net unrealized appreciation on investments .....	72,812,175
Net unrealized depreciation on swap contracts .....	(1,864,569)
Net unrealized appreciation on foreign currency translations .....	1,380
<b>Net Assets</b> .....	<u>\$1,300,268,271</u>
<b>Net Asset Value per Common Share</b>	
(\$1,300,268,271 ÷ 83,468,637 shares outstanding, at \$0.001 par value; unlimited number of shares authorized)	<u>\$15.58</u>

### STATEMENT OF OPERATIONS

For the Year Ended December 31, 2009

<b>Investment Income:</b>	
Dividends (net of foreign taxes of \$1,511,291) .....	\$ 50,164,385
Interest .....	1,652,223
<b>Total Investment Income</b> .....	<u>51,816,608</u>
<b>Expenses:</b>	
Investment advisory fees .....	15,297,417
Auction agent expenses .....	806,721
Shareholder communications expenses .....	529,625
Payroll expenses .....	229,096
Custodian fees .....	223,235
Trustees' fees .....	177,375
Legal and audit fees .....	148,929
Accounting fees .....	45,000
Shareholder services fees .....	40,062
Tax expense .....	2,239
Interest expense .....	123
Miscellaneous expenses .....	312,958
<b>Total Expenses</b> .....	<u>17,812,780</u>
Less:	
Advisory fee reduction .....	(5,741)
Advisory fee reduction on unsupervised assets (Note 4) .....	(382)
Custodian fee credits .....	(32)
<b>Total Reductions and Credits</b> .....	<u>(6,155)</u>
<b>Net Expenses</b> .....	<u>17,806,625</u>
<b>Net Investment Income</b> .....	<u>34,009,983</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:</b>	
Net realized loss on investments – unaffiliated .....	(116,213,429)
Net realized loss on investment – affiliated .....	(489,047)
Net realized loss on swap contracts .....	(2,612,992)
Net realized gain on foreign currency transactions .....	55,617
Net realized loss on investments, swap contracts, and foreign currency translations .....	<u>(119,259,851)</u>
Net change in unrealized appreciation/depreciation:	
on investments .....	421,414,476
on swap contracts .....	1,357,295
on foreign currency translations .....	(1,739)
Net change in unrealized appreciation/depreciation on investments, swap contracts, and foreign currency translations .....	<u>422,770,032</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency</b> .....	
	<u>303,510,181</u>
<b>Net Increase in Net Assets Resulting from Operations</b> .....	<u>337,520,164</u>
Total Distributions to Preferred Shareholders .....	(13,549,022)
<b>Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations</b> .....	<u>\$ 323,971,142</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</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
<b>Operations:</b>		
Net investment income .....	\$ 34,009,983	\$ 46,358,715
Net realized loss on investments, swap contracts, and foreign currency transactions .....	(119,259,851)	(43,160,884)
Net change in unrealized appreciation/depreciation on investments, swap contracts, and foreign currency translations .....	422,770,032	(786,969,865)
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations .....</b>	<u>337,520,164</u>	<u>(783,772,034)</u>
<b>Distributions to Preferred Shareholders:</b>		
Net investment income .....	(13,549,022)	(22,608,188)
Net realized long-term gain .....	—	(45,049)
<b>Total Distributions to Preferred Shareholders .....</b>	<u>(13,549,022)</u>	<u>(22,653,237)</u>
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations .....</b>	<u>323,971,142</u>	<u>(806,425,271)</u>
<b>Distributions to Common Shareholders:</b>		
Net investment income .....	(17,201,564)	(23,970,465)
Net realized long-term gain .....	—	(214,542)
Return of capital .....	(65,457,086)	(83,014,490)
<b>Total Distributions to Common Shareholders .....</b>	<u>(82,658,650)</u>	<u>(107,199,497)</u>
<b>Fund Share Transactions:</b>		
Net decrease from repurchase of common shares .....	(635,911)	(3,449,357)
Net increase in net assets from repurchase of preferred shares .....	315,833	519,154
<b>Net Decrease in Net Assets from Fund Share Transactions .....</b>	<u>(320,078)</u>	<u>(2,930,203)</u>
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders .....</b>	240,992,414	(916,554,971)
<b>Net Assets Attributable to Common Shareholders:</b>		
Beginning of period .....	<u>1,059,275,857</u>	<u>1,975,830,828</u>
End of period (including undistributed net investment income of \$2,005,214 and \$1,356,853, respectively) .....	<u>\$ 1,300,268,271</u>	<u>\$ 1,059,275,857</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,				
	2009	2008	2007	2006	2005
<b>Operating Performance:</b>					
Net asset value, beginning of period	\$ 12.68	\$ 23.57	\$ 23.65	\$ 20.62	\$ 20.12
Net investment income	0.41	0.55	0.53	0.87	0.55
Net realized and unrealized gain/(loss) on investments, swap contracts, and foreign currency transactions	3.64	(9.92)	1.37	4.00	1.33
Total from investment operations	4.05	(9.37)	1.90	4.87	1.88
<b>Distributions to Preferred Shareholders: (a)</b>					
Net investment income	(0.16)	(0.27)	(0.10)	(0.12)	(0.06)
Net realized gain	—	(0.00)(f)	(0.23)	(0.19)	(0.10)
Total distributions to preferred shareholders	(0.16)	(0.27)	(0.33)	(0.31)	(0.16)
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations</b>					
	3.89	(9.64)	1.57	4.56	1.72
<b>Distributions to Common Shareholders:</b>					
Net investment income	(0.21)	(0.29)	(0.51)	(0.61)	(0.48)
Net realized gain on investments	—	(0.00)(f)	(1.15)	(0.93)	(0.72)
Return of capital	(0.78)	(0.99)	—	—	—
Total distributions to common shareholders	(0.99)	(1.28)	(1.66)	(1.54)	(1.20)
<b>Fund Share Transactions:</b>					
Increase in net assets value from repurchase of common shares	0.00(f)	0.01	0.01	0.01	0.02
Increase in net assets value from repurchase of preferred shares	0.00(f)	0.02	—	—	—
Offering costs for common shares charged to paid-in capital	—	—	—	—	—
Offering costs for preferred shares charged to paid-in capital	—	—	—	(0.00)(f)	(0.04)
Total from fund share transactions	0.00(f)	0.03	0.01	0.01	(0.02)
<b>Net Asset Value Attributable to Common Shareholders, End of Period</b>					
	\$ 15.58	\$ 12.68	\$ 23.57	\$ 23.65	\$ 20.62
NAV total return †	35.49%	(41.27)%	7.75%	24.09%	9.47%
Market value, end of period	\$ 13.11	\$ 10.30	\$ 20.68	\$ 21.47	\$ 17.62
Investment total return ††	40.35%	(45.63)%	4.14%	31.82%	4.85%

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,				
	2009	2008	2007	2006	2005
<b>Ratios and Supplemental Data:</b>					
Net assets including liquidation value of preferred shares, end of period (in 000's) . . . . .	\$1,759,526	\$1,521,400	\$2,475,831	\$2,486,081	\$2,238,155
Net assets attributable to common shares, end of period (in 000's) . .	\$1,300,268	\$1,059,276	\$1,975,831	\$1,986,081	\$1,738,155
Ratio of net investment income to average net assets attributable to common shares before preferred share distributions . . . . .	3.18%	2.94%	2.17%	3.91%	2.75%
Ratio of operating expenses to average net assets attributable to common shares before fees waived . . . . .	1.66%	1.48%	—	—	—
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any (b) . . . . .	1.66%	1.17%	1.38%	1.41%	1.33%
Ratio of operating expenses to average net assets including liquidation value of preferred shares before fees waived . . . . .	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) . .	1.16%	0.89%	1.11%	1.11%	1.12%
Portfolio turnover rate ††† . . . . .	13.3%	32.0%	33.8%	28.8%	25.6%
<b>5.875% Series A Cumulative Preferred Shares</b>					
Liquidation value, end of period (in 000's) . . . . .	\$ 76,201	\$ 78,211	\$ 80,000	\$ 80,000	\$ 80,000
Total shares outstanding (in 000's) . . . . .	3,048	3,128	3,200	3,200	3,200
Liquidation preference per share . . . . .	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (c) . . . . .	\$ 23.34	\$ 22.25	\$ 23.52	\$ 23.86	\$ 24.82
Asset coverage per share . . . . .	\$ 95.78	\$ 82.30	\$ 123.79	\$ 124.30	\$ 111.91
<b>Series B Auction Market Cumulative Preferred Shares</b>					
Liquidation value, end of period (in 000's) . . . . .	\$ 90,000	\$ 90,000	\$ 100,000	\$ 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 . . . . .	\$ 95,781	\$ 82,305	\$ 123,792	\$ 124,304	\$ 111,908
<b>Series C Auction Market Cumulative Preferred Shares</b>					
Liquidation value, end of period (in 000's) . . . . .	\$ 108,000	\$ 108,000	\$ 120,000	\$ 120,000	\$ 120,000
Total shares outstanding (in 000's) . . . . .	4	4	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 . . . . .	\$ 95,781	\$ 82,305	\$ 123,792	\$ 124,304	\$ 111,908
<b>6.000% Series D Cumulative Preferred Shares</b>					
Liquidation value, end of period (in 000's) . . . . .	\$ 63,557	\$ 64,413	\$ 65,000	\$ 65,000	\$ 65,000
Total shares outstanding (in 000's) . . . . .	2,542	2,577	2,600	2,600	2,600
Liquidation preference per share . . . . .	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (c) . . . . .	\$ 24.44	\$ 23.99	\$ 24.41	\$ 24.37	\$ 24.72
Asset coverage per share . . . . .	\$ 95.78	\$ 82.30	\$ 123.79	\$ 124.30	\$ 111.91
<b>Series E Auction Rate Cumulative Preferred Shares</b>					
Liquidation value, end of period (in 000's) . . . . .	\$ 121,500	\$ 121,500	\$ 135,000	\$ 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 . . . . .	\$ 95,781	\$ 82,305	\$ 123,792	\$ 124,304	\$ 111,908
<b>Asset Coverage (e) . . . . .</b>	<b>383%</b>	<b>329%</b>	<b>495%</b>	<b>497%</b>	<b>448%</b>

† Based on net asset value per share, adjusted for reinvestment of distributions at prices determined under the Fund's dividend reinvestment plan.  
†† Based on market value per share, adjusted for reinvestment of distributions at prices determined under the Fund's dividend reinvestment plan.  
††† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the years ended December 31, 2007, 2006, and 2005, would have been 58.0%, 30.8%, and 39.5%, 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. 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, 2009, 2008, 2006, and 2005, the effect of the custodian fee credits was minimal.  
(c) Based on weekly prices.  
(d) Based on weekly auction prices. Since February 2008, the weekly auctions have failed. Holders that have submitted orders have not been able to sell any or all of their 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 Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) has become the exclusive reference of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The ASC has superseded all existing non-SEC accounting and reporting standards. The Fund’s financial statements are prepared in accordance with 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. 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)**

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 and other financial instruments by inputs used to value the Fund's investments as of December 31, 2009 is as follows:

	Valuation Inputs		Total Market Value at 12/31/09
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	
<b>INVESTMENTS IN SECURITIES:</b>			
<b>ASSETS (Market Value):</b>			
Common Stocks:			
Aerospace	\$ 29,151,732	\$ 193,823	\$ 29,345,555
Electronics	25,173,500	381,400	25,554,900
Food and Beverage	185,011,082	951,139	185,962,221
Telecommunications	111,261,942	1,203,176	112,465,118
Other Industries (a)	1,262,170,390	—	1,262,170,390
<b>Total Common Stocks</b>	<b>1,612,768,646</b>	<b>2,729,538</b>	<b>1,615,498,184</b>
Convertible Preferred Stocks (a)	16,743,750	215,625	16,959,375
Warrants (a)	—	659	659
Convertible Corporate Bonds	—	24,910,375	24,910,375
U.S. Government Obligations	—	108,947,652	108,947,652
<b>TOTAL INVESTMENT IN SECURITIES</b>	<b>\$1,629,512,396</b>	<b>\$136,803,849</b>	<b>\$1,766,316,245</b>
<b>OTHER FINANCIAL INSTRUMENTS:</b>			
<b>ASSETS (Unrealized Appreciation): *</b>			
Contract for Difference Swap Agreement	\$ —	\$ 1,575	\$ 1,575
<b>LIABILITIES (Unrealized Depreciation): *</b>			
Interest Rate Swap Agreement	—	(1,866,144)	(1,866,144)
<b>TOTAL OTHER FINANCIAL INSTRUMENTS</b>	<b>\$ —</b>	<b>\$ (1,864,569)</b>	<b>\$ (1,864,569)</b>

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

\* Other financial instruments are derivatives not reflected in the Schedule of Investments, such as futures, forwards, and swaps which are valued at the unrealized appreciation/depreciation of the instrument.

There were no Level 3 investments at December 31, 2009 or December 31, 2008.

*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 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, or protecting the value of its portfolio against uncertainty in the level of future currency exchange rates. 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.

*Options.* The Fund may purchase or write call or put options on securities or indices for the purpose of achieving additional return or of 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

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

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, 2009 the Fund had 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 paid or received on swaps, is reported as unrealized gain or loss in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of swap agreements.

The Fund has entered into an interest rate swap agreement with Citibank N.A. Under the agreement, the Fund receives a floating rate of interest and pays a respective fixed rate of interest on the nominal value of the swap. Details of the swap at December 31, 2009 are as follows:

<u>Notional Amount</u>	<u>Fixed Rate</u>	<u>Floating Rate* (rate reset monthly)</u>	<u>Termination Date</u>	<u>Net Unrealized Depreciation</u>
\$100,000,000	4.01000%	0.23531%	6/02/10	\$(1,866,144)

\* Based on LIBOR (London Interbank Offered Rate).

Current notional amounts are an indicator of the average volume of the Fund’s derivative activities during the period.

The Fund has entered into an equity contract for difference swap agreement with The Goldman Sachs Group, Inc. Details of the swap at December 31, 2009 are as follows:

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/ Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Appreciation</u>
\$2,635,085 (204,800 Shares)	Market Value Appreciation on: Cadbury plc	One Month LIBOR plus 90 bps plus Market Value Depreciation on: Cadbury plc	6/25/10	\$1,575

The Fund increased the volume of activity in equity contract for difference swap agreements during the year ended December 31, 2009 with an average notional amount of approximately \$1,981,349.

*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, which are included in unrealized appreciation/depreciation on investments and 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, 2009, the Fund had no investments in futures contracts.

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

*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 investments and foreign currency translations. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. During the year ended December 31, 2009, the Fund had no investments in forward foreign exchange contracts.

**Fair Values of Derivative Instruments as of December 31, 2009:**

The following table presents the value of derivatives held as of December 31, 2009, by their primary underlying risk exposure and respective location on the Statement of Assets and Liabilities:

Derivative Contracts	Statement of Assets and Liabilities Location	Fair Value
Assets:		
Equity Contracts	Assets, Unrealized appreciation on swap contracts	\$ 1,575
Liabilities:		
Interest Rate Contracts	Liabilities, Unrealized depreciation on swap contracts	\$(1,866,144)

**Effect of Derivative Instruments on the Statement of Operations during the Year Ended December 31, 2009:**

The following table presents the effect of derivatives on the Statement of Operations during the year ended December 31, 2009, 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	\$ 957,775	\$ (68,942)
Interest Rate Contracts	<u>(3,570,767)</u>	<u>1,426,237</u>
Total	<u><u>\$(2,612,992)</u></u>	<u><u>\$1,357,295</u></u>

The Fund's derivative contracts held at December 31, 2009 are not accounted for as hedging instruments under accounting principles generally accepted in the United States of America.

*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 always receive and maintain securities as collateral whose market value, including accrued interest, is at least equal to 102% of the dollar amount invested by the Fund in each agreement. 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, 2009, there were no open repurchase agreements.

*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

## THE GABELLI DIVIDEND & INCOME TRUST

### NOTES TO FINANCIAL STATEMENTS (Continued)

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 Fund did not hold any short positions as of December 31, 2009.

*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 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.

*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 which are recorded as soon as the Fund is informed of the dividend.

*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 of 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 U.S. generally accepted accounting principles. 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 recharacterization of distributions and reclassifications of swaps and gains on swaps. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2009, reclassifications were made to decrease accumulated net investment income by \$2,611,036 and to decrease accumulated net realized loss on investments, swap contracts, and foreign currency transactions by \$2,391,099, 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

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

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%. 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.

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, 2009 and December 31, 2008 was as follows:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Common	Preferred	Common	Preferred
<b>Distributions paid from:</b>				
Ordinary income				
(inclusive of short-term capital gains) . . . . .	\$17,201,564	\$13,549,022	\$ 23,970,465	\$22,608,188
Net long-term capital gains . . . . .	—	—	214,542	45,049
Return of capital . . . . .	65,457,086	—	83,014,490	—
Total distributions paid . . . . .	<u>\$82,658,650</u>	<u>\$13,549,022</u>	<u>\$107,199,497</u>	<u>\$22,653,237</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, 2009, the components of accumulated earnings/losses on a tax basis were as follows:

Accumulated capital loss carryforwards . . . . .	\$(129,734,874)
Net unrealized depreciation on investments, swap contracts, and foreign currency translations . . . . .	61,445,915
Post-October capital loss deferral . . . . .	(20,845,593)
Other temporary differences* . . . . .	28,095
Total . . . . .	<u>\$ (89,106,457)</u>

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

At December 31, 2009, the Fund had net capital loss carryforwards for federal income tax purposes of \$129,734,874, 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; and \$107,289,591 is available through 2017.

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, 2009, the Fund had deferred capital losses of \$20,845,593.

At December 31, 2009, the difference between book basis and tax basis unrealized appreciation/depreciation was primarily due to deferral of losses from wash sales for tax purposes and basis adjustments for investments in partnerships.

The following summarizes the tax cost of investments and the related unrealized appreciation/depreciation at December 31, 2009:

	Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
Investments . . . . .	\$1,703,007,142	\$229,072,761	\$(165,763,658)	\$63,309,103

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 to not meet the more-likely-than-not threshold. For the year ended December 31, 2009, the Fund did not incur any interest or penalties. As of December 31, 2009, 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, 2009, remain subject to examination by the Internal Revenue Service and state taxing authorities. On an ongoing basis, the Adviser will monitor its tax positions to determine if adjustments to this conclusion are necessary.

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

**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, 2009, 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.

During the year ended December 31, 2009, the Fund paid brokerage commissions on security trades of \$452,328 to Gabelli & Company, Inc. (“Gabelli & Company”), 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, 2009, 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, 2009 the Fund paid or accrued \$229,096 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. Advisory Fee Reduction on Unsupervised Assets.** This reduction in the advisory fee paid to the Adviser relates to certain portfolio holdings, i.e., unsupervised assets, of the Fund with respect to which the Adviser has transferred dispositive and voting control to the Fund’s Proxy Voting Committee. During 2009, 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 \$382.

**5. Portfolio Securities.** Purchases and sales of securities for the year ended December 31, 2009, other than short-term securities and U.S Government obligations, aggregated \$192,598,795 and \$291,106,302, respectively.

Purchases of U.S. Government obligations for the year ended December 31, 2009, other than short-term obligations, aggregated \$609,410.

**6. 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, 2009, the Fund repurchased and retired 60,000 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.

During the year ended December 31, 2008, the Fund repurchased and retired 300,433 common shares of beneficial interest in the open market at a cost of \$3,449,357 and an average discount of approximately 19.07% from its NAV.

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Shares	Amount	Shares	Amount
Net decrease from repurchase of common shares . . . . .	(60,000)	\$(635,911)	(300,433)	\$(3,449,357)

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

## **THE GABELLI DIVIDEND & INCOME TRUST**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

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 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, 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. At the time the Fund repurchased its Series A Cumulative Preferred Shares, the total return on the NAV of the Common Shares did not exceed the dividend rate of the Series A Cumulative Preferred Shares; therefore advisory fees were not paid on these shares, reducing the advisory fee by \$4,195. At December 31, 2009, 3,048,019 shares of 5.875% Series A Cumulative Preferred Shares were outstanding and accrued dividends amounted to \$49,742.

During the year ended December 31, 2008, the Fund repurchased and retired 71,584 Series A Cumulative Preferred Shares in the open market at a cost of \$1,386,077 and an average discount of approximately 30.39% 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 1.461% to 1.696% during the year ended December 31, 2009. The dividend rates of Series C Shares ranged from 1.464% to 1.709% during the year ended December 31, 2009. 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 year ended December 31, 2009. At December 31, 2009, 3,600 and 4,320 shares of the Series B and C Shares were outstanding with an annualized dividend rate of 1.467% and 1.464% per share and accrued dividends amounted to \$7,335 and \$17,568, respectively.

During the year ended December 31, 2008, the Fund redeemed and retired 400 Series B Shares and 480 Series C Shares. Shareholders received the redemption price of \$25,000 per share, which was equal to the liquidation preference, together with any accumulated and unpaid dividends, for each share redeemed.

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, 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. At the time the Fund repurchased its Series D Cumulative Preferred Shares, the total return on the NAV of the Common Shares did not exceed the dividend rate of the Series D Cumulative Preferred Shares; therefore advisory fees were not paid on these shares, reducing the advisory fee by \$1,546. At December 31, 2009, 2,542,296 shares of 6.000% Series D Cumulative Preferred Shares were outstanding and accrued dividends amounted to \$42,372.

During the year ended December 31, 2008, the Fund repurchased and retired 23,466 Series D Cumulative Preferred Shares in the open market at a cost of \$471,019 and an average discount of approximately 19.76% 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 1.714% to 1.951% during the year ended December 31, 2009. 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 year ended December 31, 2009. At December 31, 2009, 4,860 Series E Shares were outstanding with an annualized dividend rate of 1.716% and accrued dividends amounted to \$5,791.

During the year ended December 31, 2008, the Fund redeemed and retired 540 Series E Shares. Shareholders received the redemption price of \$25,000 per share, which was equal to the liquidation preference together, with any accumulated and unpaid dividends, for each share redeemed.

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.

**7. 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. A summary of the Fund’s transactions in the securities of affiliated issuer during the year ended December 31, 2009 is set forth below:

	<u>Beginning Shares</u>	<u>Shares Sold</u>	<u>Ending Shares</u>	<u>Net Change in Unrealized Depreciation</u>	<u>Realized Loss</u>	<u>Value at December 31, 2009</u>	<u>Percent Owned of Shares Outstanding</u>
Trans-Lux Corp.	270,000	(70,000)	200,000	\$(26,330)	\$(489,047)	\$142,000	9.90%

**8. 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 and expects the risk of loss to be remote.

**9. Other Matters.** On April 24, 2008, the Adviser entered into an administrative settlement with the SEC to resolve the SEC’s 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 settlement, the SEC found that the Adviser had violated Section 206(2) of the Investment Advisers Act, Section 17(d) of the 1940 Act, and Rule 17d-1 thereunder, and had 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, agreed, among other things, to pay the previously reserved total of \$16 million (including a \$5 million penalty), of which at least \$11 million will be distributed 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 the staff of the SEC, and to cease and desist from future violations of the above referenced federal securities laws. The settlement will 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 Global Growth Fund and other funds in the Gabelli/GAMCO fund complex including the Fund. The officer denies the allegations and is continuing in his positions with the Adviser and the funds. 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.

**10. Subsequent Events.** Management has evaluated the impact on the Fund of events occurring subsequent to December 31, 2009 through February 25, 2010, 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, 2009, 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, 2009 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York  
February 25, 2010

## 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 <sup>1</sup> and Age	Term of Office and Length of Time Served <sup>2</sup>	Number of Funds in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee <sup>4</sup>
<b><u>INTERESTED TRUSTEES<sup>3</sup>:</u></b>				
<b>Mario J. Gabelli</b> Trustee and Chief Investment Officer Age: 67	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; Chairman and Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board of LICOT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications)
<b>Salvatore M. Salibello</b> Trustee Age: 64	Since 2003***	3	Certified Public Accountant and Managing Partner of the public accounting firm Salibello & Broder LLP since 1978	—
<b>Edward T. Tokar</b> Trustee Age: 62	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)
<b><u>INDEPENDENT TRUSTEES<sup>5</sup>:</u></b>				
<b>Anthony J. Colavita</b> Trustee Age: 74	Since 2003**	34	President of the law firm of Anthony J. Colavita, P.C.	—
<b>James P. Conn</b> Trustee Age: 71	Since 2003***	18	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)	—
<b>Mario d'Urso</b> Trustee Age: 69	Since 2003*	5	Chairman of Mittel Capital Markets S.p.A. since 2001; Senator in the Italian Parliament (1996-2001)	—
<b>Frank J. Fahrenkopf, Jr.</b> Trustee Age: 70	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)	—
<b>Michael J. Melarkey</b> Trustee Age: 60	Since 2003*	5	Partner in the law firm of Avansino, Melarkey, Knobel & Mulligan	Director of Southwest Gas Corporation (natural gas utility)
<b>Anthonie C. van Ekris</b> Trustee Age: 75	Since 2003**	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	—
<b>Salvatore J. Zizza</b> Trustee Age: 64	Since 2003**	28	Chairman of Zizza & Co., Ltd. (consulting)	Director of Hollis-Eden Pharmaceuticals (biotechnology) Director of Trans-Lux Corporation (business services)

**THE GABELLI DIVIDEND & INCOME TRUST**  
**ADDITIONAL FUND INFORMATION (Continued) (Unaudited)**

<u>Name, Position(s) Address<sup>1</sup> and Age</u>	<u>Term of Office and Length of Time Served<sup>2</sup></u>	<u>Principal Occupation(s) During Past Five Years</u>
<b>OFFICERS:</b>		
<b>Bruce N. Alpert</b> President Age: 58	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 and President of Teton Advisors, Inc. 1998 through 2008; Chairman of Teton Advisors, Inc. since 2008; Senior Vice President of GAMCO Investors, Inc. since 2008
<b>Carter W. Austin</b> Vice President Age: 43	Since 2003	Vice President of The Gabelli Equity Trust since 2000, The Gabelli Global Gold, Natural Resources & Income Trust since 2005, The Gabelli Global Deal Fund since 2006, and The Gabelli Healthcare & Wellness <sup>Rx</sup> Trust since 2007; Vice President of Gabelli Funds, LLC since 1996
<b>Peter D. Goldstein</b> Chief Compliance Officer Age: 56	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
<b>Agnes Mullady</b> Treasurer and Secretary Age: 51	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; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005

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

<sup>2</sup> 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 2010 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

\*\* – 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.

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.

<sup>3</sup> "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.

<sup>4</sup> 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.

<sup>5</sup> 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 12, 2009, 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, 2009**

**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>
<b>Common Shares</b>							
	01/23/09	01/15/09	\$0.1100	\$0.0227	—	\$0.0873	\$ 9.8255
	02/20/09	02/12/09	0.1100	0.0227	—	0.0873	7.6069
	03/24/09	03/17/09	0.1100	0.0227	—	0.0873	8.7814
	04/23/09	04/16/09	0.1000	0.0207	—	0.0793	9.3250
	05/21/09	05/14/09	0.1000	0.0207	—	0.0793	10.0703
	06/23/09	06/16/09	0.1000	0.0207	—	0.0793	10.0605
	07/24/09	07/17/09	0.0600	0.0124	—	0.0476	11.0776
	08/24/09	08/17/09	0.0600	0.0124	—	0.0476	11.7928
	09/23/09	09/16/09	0.0600	0.0124	—	0.0476	12.3652
	10/23/09	10/16/09	0.0600	0.0124	—	0.0476	12.7859
	11/20/09	11/13/09	0.0600	0.0124	—	0.0476	12.7775
	12/17/09	12/14/09	0.0600	0.0124	—	0.0476	12.7443
			\$0.9900	\$0.2046	—	\$0.7854	
<b>5.875% Series A Cumulative Preferred Shares</b>							
	03/26/09	03/19/09	\$0.36719	\$0.36719	—		
	06/26/09	06/19/09	0.36719	0.36719	—		
	09/28/09	09/21/09	0.36719	0.36719	—		
	12/28/09	12/18/09	0.36719	0.36719	—		
			\$1.46875	\$1.46875	—		
<b>6.000% Series D Cumulative Preferred Shares</b>							
	03/26/09	03/19/09	\$0.37500	\$0.37500	—		
	06/26/09	06/19/09	0.37500	0.37500	—		
	09/28/09	09/21/09	0.37500	0.37500	—		
	12/28/09	12/18/09	0.37500	0.37500	—		
			\$1.50000	\$1.50000	—		

**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 2009 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 2009 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, 2009**

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

In 2009, the Fund paid to common, 5.875% Series A, and 6.00% Series D Cumulative Preferred shareholders ordinary income dividends of \$0.2046, \$1.46875, and \$1.50 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 \$388.12, \$388.02, and \$451.10 per share, respectively. For the year ended December 31, 2009, 100% of the ordinary dividend qualified for the dividends received deduction available to corporations, and 100% of the ordinary income distribution was qualified dividend income. The percentage of ordinary income dividends paid by the Fund during 2009 derived from U.S. Treasury securities was 0.08%. 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 2009. The percentage of U.S. Treasury securities held as of December 31, 2009 was 6.19%.

**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>
<b>Common Shares</b>						
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
<b>5.875% Series A Cumulative Preferred Shares</b>						
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	—
<b>6.000% Series D Cumulative Preferred Shares</b>						
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	—
<b>Auction Market/Rate Cumulative Preferred Shares</b>						
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, 2009, 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 Board Members noted the Fund’s second quartile relative performance for the one, three, and five year periods. The 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 Board noted that the Fund was larger than average within the peer group and that its expense ratios were slightly below average. The Board Members compared the fee with the fees charged by the Adviser for other funds and noted that neither the Adviser nor any of its affiliates managed any other accounts with a similar mandate.

**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 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 17, 2010 at the Greenwich Library in Greenwich, Connecticut.
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**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*

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>	<u>Preferred</u>
NYSE-Symbol:	GDV	GDV PrA	GDV PrD
Shares Outstanding:	83,468,637	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](http://www.gabelli.com).

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](http://www.gabelli.com), or e-mail us at: [closedend@gabelli.com](mailto: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

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GDV Q4/2009