

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-CSR

GABELLI DIVIDEND & INCOME TRUST  
Form N-CSR  
March 07, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21423  
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The Gabelli Dividend & Income Trust  
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(Exact name of registrant as specified in charter)

One Corporate Center  
Rye, New York 10580-1422  
-----

(Address of principal executive offices) (Zip code)

Bruce N. Alpert  
Gabelli Funds, LLC  
One Corporate Center  
Rye, New York 10580-1422  
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(Name and address of agent for service)

registrant's telephone number, including area code: 1-800-422-3554  
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Date of fiscal year end: December 31  
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Date of reporting period: December 31, 2006  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

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## THE GABELLI DIVIDEND & INCOME TRUST

Annual Report  
December 31, 2006

TO OUR SHAREHOLDERS,

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

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

Enclosed are the audited financial statements and the investment portfolio as of December 31, 2006.

### COMPARATIVE RESULTS

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AVERAGE ANNUAL RETURNS THROUGH DECEMBER 31, 2006 (A)  
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	QUARTER -----	1 YEAR -----	2 YEAR -----
GABELLI DIVIDEND & INCOME TRUST			
NAV TOTAL RETURN (B) .....	8.72%	22.85%	15.56%
INVESTMENT TOTAL RETURN (C) .....	14.62	31.82	17.57
S&P 500 Index .....	6.69	15.78	10.21
Dow Jones Industrial Average .....	7.31	18.98	10.07
Nasdaq Composite Index .....	6.95	9.52	5.37

- (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 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 NET ASSET VALUE PER SHARE ("NAV") 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.

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(c) TOTAL RETURNS AND AVERAGE ANNUAL RETURNS REFLECT CHANGES IN CLOSING MARKET VALUES ON THE NEW YORK STOCK EXCHANGE AND REINVESTMENT OF DISTRIBUTIONS. SINCE INCEPTION RETURN IS BASED ON AN INITIAL OFFERING PRICE OF \$20.00.

Sincerely yours,

/s/ Bruce N. Alpert

Bruce N. Alpert  
President

January 23, 2007

### 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, 2006:

#### LONG POSITIONS

Financial Services .....	15.2%
Energy and Utilities: Oil .....	12.6%
Energy and Utilities: Integrated .....	11.0%
Repurchase Agreements .....	8.4%
Energy and Utilities: Natural Gas .....	5.7%
Telecommunications .....	5.5%
Energy and Utilities: Electric .....	5.5%
Food and Beverage .....	4.9%
Diversified Industrial .....	3.3%
Health Care .....	3.3%
U.S. Treasury Bills .....	2.9%
Consumer Products .....	2.9%
Specialty Chemicals .....	1.8%
Cable and Satellite .....	1.4%
Metals and Mining .....	1.4%
Equipment and Supplies .....	1.3%
Broadcasting .....	1.2%
Real Estate Investment Trusts .....	1.1%
Retail .....	1.0%
Publishing .....	0.9%
Automotive: Parts and Accessories .....	0.9%
Aerospace .....	0.9%
Electronics .....	0.8%
Entertainment .....	0.8%
Hotels and Gaming .....	0.7%
Transportation .....	0.7%
Communications Equipment .....	0.5%
Business Services .....	0.5%
Energy and Utilities .....	0.4%
Environmental Services .....	0.4%
Wireless Communications .....	0.3%
Agriculture .....	0.3%
Energy and Utilities: Water .....	0.3%
Paper and Forest Products .....	0.3%
Aviation: Parts and Services .....	0.2%
Automotive .....	0.2%
Machinery .....	0.2%
Consumer Services .....	0.1%
Computer Software and Services .....	0.1%

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Energy and Utilities: Services .....	0.1%
Real Estate .....	0.0%
Closed-End Funds .....	0.0%
Building and Construction .....	0.0%
Manufactured Housing and Recreational Vehicles .....	0.0%

-----  
100.0%  
=====

### SHORT POSITIONS

Call Options Written .....	(0.1)%
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The Gabelli Dividend & Income Trust (the "Fund") files a complete schedule of portfolio holdings with the Securities and Exchange Commission (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, 2006. 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 12 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).

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### THE GABELLI DIVIDEND & INCOME TRUST SCHEDULE OF INVESTMENTS DECEMBER 31, 2006

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS -- 84.8%		
	AEROSPACE -- 0.8%		
10,000	Goodrich Corp. ....	\$ 281,823	\$ 455,500
60,000	Kaman Corp. ....	1,070,150	1,343,400
2,000,000	Rolls-Royce Group plc+ ..	14,847,047	17,533,729
73,400,000	Rolls-Royce Group plc, Cl. B .....	139,665	145,871
		-----	-----
		16,338,685	19,478,500
		-----	-----
	AGRICULTURE -- 0.3%		
60,000	Archer-Daniels-Midland Co. ....	1,022,532	1,917,600
150,000	Delta & Pine Land Co. ...	6,089,060	6,067,500
		-----	-----
		7,111,592	7,985,100
		-----	-----

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	AUTOMOTIVE -- 0.2%	
3,000	Copart Inc.+ .....	88,602 90,000
100,000	General Motors Corp. ....	2,825,660 3,072,000
50,000	Navistar International Corp.+ .....	1,174,763 1,671,500
	-----	-----
		4,089,025 4,833,500
	-----	
	AUTOMOTIVE: PARTS AND ACCESSORIES -- 0.9%	
100,000	Dana Corp.+ .....	289,798 139,000
455,000	Genuine Parts Co. ....	15,537,978 21,580,650
	-----	-----
		15,827,776 21,719,650
	-----	
	AVIATION: PARTS AND SERVICES -- 0.2%	
50,000	Sequa Corp., Cl. A+ .....	3,632,221 5,753,000
	-----	-----
	BROADCASTING -- 0.7%	
300,000	Clear Channel Communications Inc. ...	10,589,700 10,662,000
160,000	Univision Communications Inc., Cl. A+ .....	5,464,371 5,667,200
	-----	-----
		16,054,071 16,329,200
	-----	
	BUILDING AND CONSTRUCTION -- 0.0%	
15,000	Layne Christensen Co.+ ..	449,560 492,450
	-----	-----
	BUSINESS SERVICES -- 0.4%	
265,000	Aramark Corp., Cl. B ....	8,638,280 8,864,250
	-----	-----
	CABLE AND SATELLITE -- 1.4%	
280,000	Cablevision Systems Corp., Cl. A+ .....	6,996,028 7,974,400
14,200	Cogeco Inc. ....	276,997 356,294
325,000	EchoStar Communications Corp., Cl. A+ .....	9,804,609 12,359,750
81,734	Liberty Global Inc., Cl. A+	1,686,985 2,382,546
34,318	Liberty Global Inc., Cl. C+	760,276 960,904
155,000	Rogers Communications Inc., Cl. B .....	3,860,632 9,238,000
50,000	The DIRECTV Group Inc.+	827,439 1,247,000
	-----	-----
		24,212,966 34,518,894
	-----	
	UNITS	
	-----	
	CLOSED-END FUNDS -- 0.0%	
47,125	Bell Aliant Regional Communications Income Fund+ (a) .....	1,278,068 1,089,530
	-----	-----
	SHARES	
	-----	
	COMMUNICATIONS EQUIPMENT -- 0.0%	
20,000	Thomas & Betts Corp.+ ...	629,282 945,600
	-----	-----
SHARES	COST	MARKET VALUE

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	COMPUTER SOFTWARE AND SERVICES -- 0.1%		
1,000	Digitas Inc.+ .....	\$ 13,360	\$ 13,410
100,000	Redback Networks Inc.+ ..	2,527,980	2,494,000
		-----	-----
		2,541,340	2,507,410
		-----	-----
	CONSUMER PRODUCTS -- 2.9%		
310,000	Alberto-Culver Co. ....	10,375,247	6,649,500
10,000	Altria Group Inc. ....	491,463	858,200
125,000	Avon Products Inc. ....	3,712,619	4,130,000
40,000	Eastman Kodak Co. ....	912,574	1,032,000
43,900	Fortune Brands Inc. ....	3,612,869	3,748,621
188,100	Gallaher Group plc, ADR	11,465,422	16,919,595
55,000	Hanesbrands Inc.+ .....	1,344,318	1,299,100
350,000	Jacuzzi Brands Inc.+ ....	4,284,975	4,350,500
1,000	Kimberly-Clark Corp. ....	53,184	67,950
180,000	Mattel Inc. ....	3,029,526	4,078,800
150,000	Procter & Gamble Co. ....	8,110,916	9,640,500
1,000,000	Swedish Match AB .....	12,209,126	18,697,186
		-----	-----
		59,602,239	71,471,952
		-----	-----
	CONSUMER SERVICES -- 0.1%		
100,000	Sabre Holdings Corp., Cl. A .....	3,202,170	3,189,000
		-----	-----
	DIVERSIFIED INDUSTRIAL -- 3.0%		
31,000	Banta Corp. ....	1,127,790	1,128,400
180,000	Bouygues SA .....	6,242,882	11,554,881
130,000	Cooper Industries Ltd., Cl. A .....	8,259,278	11,755,900
500,000	General Electric Co. ....	16,320,036	18,605,000
275,000	Honeywell International Inc. ....	9,524,517	12,441,000
100,000	ITT Corp. ....	4,506,935	5,682,000
116,000	Sonoco Products Co. ....	2,882,932	4,414,960
1,000	Textron Inc. ....	51,500	93,770
1,051,000	Tomkins plc .....	5,080,148	5,057,139
100,000	Tyco International Ltd.	2,986,250	3,040,000
120,000	WHX Corp.+ .....	1,191,265	1,014,000
		-----	-----
		58,173,533	74,787,050
		-----	-----
	ELECTRONICS -- 0.8%		
40,000	Intel Corp. ....	819,672	810,000
1,300,000	Symbol Technologies Inc.	19,303,370	19,422,000
		-----	-----
		20,123,042	20,232,000
		-----	-----
	ENERGY AND UTILITIES: ELECTRIC -- 5.5%		
30,000	Allegheny Energy Inc.+ ..	438,040	1,377,300
110,000	ALLETE Inc. ....	3,617,953	5,119,400
310,000	American Electric Power Co. Inc. ....	9,600,039	13,199,800
425,000	DPL Inc. ....	8,553,078	11,806,500
17,500	DTE Energy Co. ....	667,957	847,175
250,000	Duquesne Light Holdings Inc. ....	4,453,647	4,962,500
280,000	Electric Power Development Co. Ltd. ....	6,816,389	12,328,894

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230,000	FPL Group Inc. ....	7,915,075	12,516,600
600,000	Great Plains Energy Inc.	18,388,421	19,080,000
550,000	Pepco Holdings Inc. ....	10,462,409	14,305,500
240,000	Pinnacle West Capital Corp.	9,369,027	12,165,600
450,200	The Southern Co. ....	13,437,094	16,594,372
330,000	Unisource Energy Corp. ..	8,560,078	12,054,900
		-----	-----
		102,279,207	136,358,541
		-----	-----
	ENERGY AND UTILITIES: INTEGRATED -- 11.0%		
12,000	Alliant Energy Corp. ....	305,115	453,240
385,000	Ameren Corp. ....	17,516,430	20,686,050
50,000	Avista Corp. ....	926,534	1,265,500
11,000	Black Hills Corp. ....	335,198	406,340
33,000	CH Energy Group Inc. ....	1,524,587	1,742,400

See accompanying notes to financial statements.

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THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES		COST	MARKET
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	ENERGY AND UTILITIES: INTEGRATED (CONTINUED)		
108,000	Chubu Electric Power Co. Inc. ....	\$ 2,458,019	\$ 3,230,789
278,000	CONSOL Energy Inc. ....	9,529,755	8,932,140
200,000	Consolidated Edison Inc.	8,201,972	9,614,000
20,000	Dominion Resources Inc.	1,455,866	1,676,800
680,000	Duke Energy Corp. ....	16,104,596	22,582,800
430,000	Edison SpA ....	1,002,090	1,180,648
200,000	El Paso Corp. ....	2,048,265	3,056,000
100,000	Endesa SA ....	2,551,597	4,729,721
67,000	Endesa SA, ADR ....	2,205,794	3,116,840
300,000	Enel SpA ....	2,324,318	3,094,845
47,000	Enel SpA, ADR ....	1,839,335	2,425,200
139,500	Energy East Corp. ....	3,166,127	3,459,600
220,000	FirstEnergy Corp. ....	7,886,725	13,266,000
130,000	Hawaiian Electric Industries Inc. ....	3,060,314	3,529,500
250,000	Hera SpA ....	552,073	1,085,737
121,500	Hokkaido Electric Power Co. Inc. ....	2,282,208	3,103,735
121,500	Hokuriku Electric Power Co.	2,131,359	2,761,712
80,500	Korea Electric Power Corp., ADR+ ....	1,181,180	1,828,155
121,500	Kyushu Electric Power Co. Inc. ....	2,374,466	3,205,832
19,000	Maine & Maritimes Corp.+	545,536	288,515
74,000	MGE Energy Inc. ....	2,403,212	2,706,920
35,102	National Grid plc, ADR	1,588,562	2,549,107
255,000	NiSource Inc. ....	5,329,541	6,145,500
605,000	NSTAR ....	14,447,855	20,787,800
490,000	OGE Energy Corp. ....	11,799,195	19,600,000
38,000	Ormat Technologies Inc.	570,000	1,399,160

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330,000	Progress Energy Inc. ....	14,816,426	16,196,400
190,000	Public Service Enterprise Group Inc. ....	11,760,655	12,612,200
174,603	Scottish Power plc, ADR	6,417,653	10,202,053
121,500	Shikoku Electric Power Co. Inc. ....	2,264,565	2,894,437
15,000	TECO Energy Inc. ....	255,758	258,450
121,500	The Chugoku Electric Power Co. Inc. ....	2,194,052	2,695,349
30,000	The Empire District Electric Co. ....	651,955	740,700
121,500	The Kansai Electric Power Co. Inc. ....	2,333,021	3,277,299
108,000	The Tokyo Electric Power Co. Inc. ....	2,545,172	3,493,971
121,500	Tohoku Electric Power Co. Inc. ....	2,112,763	3,037,372
2,000	TXU Corp. ....	28,289	108,420
205,000	Vectren Corp. ....	5,572,873	5,797,400
470,000	Westar Energy Inc. ....	9,309,271	12,201,200
90,000	Wisconsin Energy Corp. ..	2,844,518	4,271,400
150,000	WPS Resources Corp. ....	6,859,066	8,104,500
600,000	Xcel Energy Inc. ....	10,368,749	13,836,000
		-----	-----
		209,982,610	273,637,737
		-----	-----
	ENERGY AND UTILITIES: NATURAL GAS -- 5.7%		
8,500	AGL Resources Inc. ....	231,031	330,735
100,000	Atmos Energy Corp. ....	2,485,739	3,191,000
14,800	Delta Natural Gas Co. Inc.	374,076	371,184
6,000	Energen Corp. ....	124,550	281,640
500,000	KeySpan Corp. ....	18,605,417	20,590,000
20,000	Kinder Morgan Energy Partners LP ....	824,553	958,000
			MARKET
SHARES		COST	VALUE
-----		-----	-----
450,000	Kinder Morgan Inc. ....\$	46,472,554	\$ 47,587,500
300,000	National Fuel Gas Co. ...	7,226,378	11,562,000
215,000	Nicor Inc. ....	7,320,919	10,062,000
220,000	ONEOK Inc. ....	5,480,182	9,486,400
300,000	Peoples Energy Corp. ....	12,410,295	13,371,000
300,000	SEMCO Energy Inc.+ ....	1,686,087	1,830,000
200,000	Sempra Energy ....	5,955,980	11,208,000
30,000	South Jersey Industries Inc.	657,687	1,002,300
70,000	Southern Union Co. ....	1,656,784	1,956,500
160,000	Southwest Gas Corp. ....	3,848,747	6,139,200
60,000	The Laclede Group Inc. ..	1,690,312	2,101,800
		-----	-----
		117,051,291	142,029,259
		-----	-----
	ENERGY AND UTILITIES: OIL -- 12.6%		
20,000	Anadarko Petroleum Corp.	650,810	870,400
40,000	Apache Corp. ....	1,905,219	2,660,400
20,000	Baker Hughes Inc. ....	759,763	1,493,200
46,900	BG Group plc, ADR ....	1,893,244	3,209,836
160,000	BP plc, ADR ....	7,479,063	10,736,000
40,000	Cameron International Corp.+ ....	1,103,787	2,122,000
140,000	Chesapeake Energy Corp.	2,429,835	4,067,000



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319,888	Chevron Corp. ....	18,621,240	23,521,365
1,000	Cimarex Energy Co. ....	28,300	36,500
420,996	ConocoPhillips .....	21,244,394	30,290,662
78,000	Devon Energy Corp. ....	3,448,499	5,232,240
290,000	Diamond Offshore Drilling Inc. ....	16,562,002	23,182,600
187,500	Eni SpA, ADR .....	6,854,713	12,615,000
225,000	Exxon Mobil Corp. ....	10,427,150	17,241,750
75,000	Giant Industries Inc.+ ..	6,027,540	5,621,250
640,000	Halliburton Co. ....	17,703,558	19,872,000
30,000	Hess Corp. ....	830,468	1,487,100
290,000	Marathon Oil Corp. ....	18,953,248	26,825,000
150,000	Murphy Oil Corp. ....	7,616,994	7,627,500
4,000	Nabors Industries Ltd.+	97,350	119,120
1,000	Niko Resources Ltd. ....	57,456	71,474
5,000	Noble Corp. ....	254,820	380,750
375,000	Occidental Petroleum Corp.	13,320,427	18,311,250
14,000	Oceaneering International Inc.+ .....	390,875	555,800
30,000	PetroChina Co. Ltd., ADR	2,256,659	4,223,400
280,000	Repsol YPF SA, ADR .....	5,930,532	9,660,000
200,000	Royal Dutch Shell plc, Cl. A, ADR .....	9,567,840	14,158,000
120,000	Schlumberger Ltd. ....	3,977,835	7,579,200
1,000	Seitel Inc.+ .....	1,285	3,575
940,000	Statoil ASA, ADR .....	13,338,307	24,740,800
200,000	Sunoco Inc. ....	10,648,406	12,472,000
200,000	Total SA, ADR .....	8,718,885	14,384,000
90,000	Transocean Inc.+ .....	5,288,878	7,280,100
		-----	-----
		218,389,382	312,651,272
		-----	-----
	ENERGY AND UTILITIES: SERVICES -- 0.1%		
135,000	ABB Ltd., ADR .....	1,474,605	2,427,300
		-----	-----
	ENERGY AND UTILITIES: WATER -- 0.3%		
11,000	American States Water Co.	273,608	424,820
53,333	Aqua America Inc. ....	873,085	1,214,926
6,000	Artesian Resources Corp., Cl. A .....	113,635	117,960
3,000	California Water Service Group .....	94,710	121,200
11,500	Connecticut Water Service Inc. ....	276,036	261,625
1,000	Consolidated Water Co. Ltd.	26,770	24,930
6,000	Middlesex Water Co. ....	111,082	112,380

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES		COST	MARKET VALUE
-----		----	-----

COMMON STOCKS (CONTINUED)

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	ENERGY AND UTILITIES: WATER (CONTINUED)		
21,466	Pennichuck Corp. ....	\$ 417,620	\$ 434,257
90,000	SJW Corp. ....	1,525,458	3,488,400
16,800	Southwest Water Co. ....	192,169	231,168
5,000	Suez SA .....	156,718	259,917
168,000	Suez SA, Strips+ .....	0	2,217
36,000	United Utilities plc, ADR .....	774,333	1,105,920
9,000	York Water Co. ....	115,031	160,920
		-----	-----
		4,950,255	7,960,640
		-----	-----
	ENTERTAINMENT -- 0.6%		
8,000	Grupo Televisa SA, ADR ..	79,516	216,080
360,000	Time Warner Inc. ....	6,128,835	7,840,800
200,000	Vivendi .....	6,289,470	7,817,306
		-----	-----
		12,497,821	15,874,186
		-----	-----
	ENVIRONMENTAL SERVICES -- 0.4%		
200,000	Allied Waste Industries Inc.+ .....	2,041,626	2,458,000
11,000	Veolia Environnement ....	304,150	847,997
150,000	Waste Management Inc. ...	4,972,367	5,515,500
		-----	-----
		7,318,143	8,821,497
		-----	-----
	EQUIPMENT AND SUPPLIES -- 1.3%		
110,000	CIRCOR International Inc.	2,003,636	4,046,900
30,000	Lufkin Industries Inc. ..	513,283	1,742,400
60,000	Mueller Industries Inc.	2,463,788	1,902,000
420,000	RPC Inc. ....	1,866,263	7,089,600
300,000	Weatherford International Ltd.+ .....	13,213,001	12,537,000
300,000	Xerox Corp.+ .....	4,332,750	5,085,000
		-----	-----
		24,392,721	32,402,900
		-----	-----
	FINANCIAL SERVICES -- 14.5%		
295,000	AllianceBernstein Holding LP .....	14,929,826	23,718,000
380,000	American Express Co. ....	16,989,679	23,054,600
300,000	American International Group Inc. ....	18,347,321	21,498,000
80,000	Ameriprise Financial Inc.	2,638,721	4,360,000
40,000	Astoria Financial Corp.	1,204,737	1,206,400
410,000	Bank of America Corp. ...	19,164,479	21,889,900
5,000	BlackRock Inc. ....	387,461	759,500
20,000	Capital One Financial Corp. ....	1,464,196	1,536,400
600,000	Citigroup Inc. ....	29,153,975	33,420,000
210,000	Commerce Bancorp Inc. ...	7,038,752	7,406,700
30,000	Deutsche Bank AG .....	2,456,595	3,997,200
80,000	Fannie Mae .....	3,906,030	4,751,200
48,909	Fidelity National Financial Inc., Cl. A .....	981,053	1,167,947
21,496	Fidelity National Information Services Inc. ....	749,854	861,775
165,000	Fifth Third Bancorp ....	7,291,050	6,753,450
100,000	First Horizon National Corp.	4,259,774	4,178,000
50,000	Flushing Financial Corp.	930,605	853,500
27,000	Hartford Financial Services		

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	Group Inc. ....	1,748,090	2,519,370
25,000	Hudson City Bancorp Inc.	336,700	347,000
520,000	JPMorgan Chase & Co. ....	18,950,295	25,116,000
50,000	Legg Mason Inc. ....	4,462,207	4,752,500
10,000	Lehman Brothers Holdings Inc. ....	648,864	781,200
10,000	Marshall & Ilsley Corp.	445,000	481,100
112,000	Merrill Lynch & Co. Inc.	7,495,509	10,427,200
135,000	Morgan Stanley .....	6,866,538	10,993,050
190,000	New York Community Bancorp Inc. ....	3,648,850	3,059,000
			MARKET
SHARES		COST	VALUE
-----		----	-----
40,000	NewAlliance Bancshares Inc. ....	\$ 583,393	\$ 656,000
210,000	PNC Financial Services Group Inc. ....	11,239,980	15,548,400
300,000	Popular Inc. ....	6,498,829	5,385,000
227,259	Regions Financial Corp.	7,434,245	8,499,486
333,620	Sovereign Bancorp Inc. ..	7,060,840	8,470,612
25,050	Sterling Bancorp .....	521,827	493,485
100,000	T. Rowe Price Group Inc.	3,368,235	4,377,000
100,000	TD Banknorth Inc. ....	3,224,821	3,228,000
60,000	The Allstate Corp. ....	3,220,720	3,906,600
361,400	The Bank of New York Co. Inc. ....	11,720,504	14,228,318
4,000	The Progressive Corp. ...	89,520	96,880
290,000	The St. Paul Travelers Companies Inc. ....	10,913,064	15,570,100
5,000	Unitrin Inc. ....	187,486	250,550
15,214	Valley National Bancorp	378,568	403,323
260,000	Wachovia Corp. ....	12,485,619	14,807,000
425,000	Waddell & Reed Financial Inc., Cl. A .....	9,455,341	11,628,000
10,000	Washington Mutual Inc. ..	391,600	454,900
3,500	Webster Financial Corp.	155,536	170,520
450,000	Wells Fargo & Co. ....	13,331,455	16,002,000
85,200	Wilmington Trust Corp. ..	3,043,530	3,592,884
167,000	Zions Bancorporation ....	11,735,797	13,767,480
		-----	-----
		293,537,071	361,425,530
		-----	-----
	FOOD AND BEVERAGE -- 4.9%		
170,000	Anheuser-Busch Companies Inc. ....	7,796,934	8,364,000
50,000	Campbell Soup Co. ....	1,495,352	1,944,500
185,000	ConAgra Foods Inc. ....	4,599,660	4,995,000
3,000	Davide Campari-Milano SpA .....	29,681	29,741
300,000	General Mills Inc. ....	14,568,199	17,280,000
200,000	Groupe Danone .....	20,845,823	30,308,230
140,000	H.J. Heinz Co. ....	5,019,306	6,301,400
1,000	Kellogg Co. ....	35,550	50,060
50,000	Kraft Foods Inc., Cl. A	1,563,386	1,785,000
500,000	Parmalat SpA+ .....	1,885,518	2,151,673
339,450	Parmalat SpA, GDR+ (a) ..	981,615	1,459,228
220,000	PepsiAmericas Inc. ....	4,486,668	4,615,600
20,000	PepsiCo Inc. ....	1,220,070	1,251,000
1,150,000	Sara Lee Corp. ....	19,378,592	19,584,500

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290,000	The Coca-Cola Co. ....	12,717,402	13,992,500
100,000	The Hershey Co. ....	5,333,855	4,980,000
62,000	Wm. Wrigley Jr. Co. ....	2,976,799	3,206,640
3,000	Wm. Wrigley Jr. Co., Cl. B	167,630	154,200
5,000	YAKULT HONSHA Co. Ltd. ..	146,317	143,691
		-----	-----
		105,248,357	122,596,963
		-----	-----
	HEALTH CARE -- 3.1%		
120,000	Bristol-Myers Squibb Co.	2,910,742	3,158,400
120,000	Caremark Rx Inc. ....	6,725,028	6,853,200
185,000	Eli Lilly & Co. ....	10,654,198	9,638,500
90,000	IMS Health Inc. ....	2,266,881	2,473,200
220,000	Merck & Co. Inc. ....	8,376,601	9,592,000
60,000	Owens & Minor Inc. ....	1,517,872	1,876,200
900,000	Pfizer Inc. ....	25,071,359	23,310,000
10,500	Serono SA .....	9,477,209	9,427,165
120,000	Wyeth .....	5,532,945	6,110,400
46,000	Zimmer Holdings Inc.+ ...	2,917,502	3,605,480
		-----	-----
		75,450,337	76,044,545
		-----	-----
	HOTELS AND GAMING -- 0.7%		
62,600	Aztar Corp.+ .....	2,782,702	3,406,692
50,000	Harrah's Entertainment Inc.	3,787,443	4,136,000

See accompanying notes to financial statements.

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THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	HOTELS AND GAMING (CONTINUED)		
100,000	Hilton Hotels Corp. ....\$	1,701,949	\$ 3,490,000
705,882	Ladbrokes plc .....	9,246,474	5,780,651
		-----	-----
		17,518,568	16,813,343
		-----	-----
	MACHINERY -- 0.2%		
150,000	CNH Global NV .....	2,953,366	4,095,000
		-----	-----
	MANUFACTURED HOUSING AND RECREATIONAL VEHICLES -- 0.0%		
1,100	Skyline Corp. ....	42,889	44,242
		-----	-----
	METALS AND MINING -- 1.4%		
50,000	Alcoa Inc. ....	1,527,886	1,500,500
10,000	Alliance Holdings GP LP	230,523	197,600
20,000	Arch Coal Inc. ....	314,774	600,600
8,000	BHP Billiton Ltd., ADR ..	217,549	318,000
3,000	Fording Canadian Coal Trust	32,950	62,250
100,000	Freeport-McMoRan Copper & Gold Inc., Cl. B ....	3,495,728	5,573,000
10,000	Massey Energy Co. ....	235,475	232,300
25,000	Peabody Energy Corp. ....	353,789	1,010,250

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200,000	Phelps Dodge Corp. ....	22,682,394	23,944,000
1,000	Rio Tinto plc, ADR .....	127,360	212,490
3,000	Westmoreland Coal Co.+ ..	52,605	59,010
		-----	-----
		29,271,033	33,710,000
		-----	-----
	PAPER AND FOREST PRODUCTS -- 0.3%		
200,000	International Paper Co.	6,863,452	6,820,000
		-----	-----
	PUBLISHING -- 0.9%		
135,000	Dow Jones & Co. Inc. ....	5,111,401	5,130,000
38,500	Idearc Inc.+ .....	1,111,123	1,103,025
1,000,000	The Reader's Digest Association Inc. ....	16,148,627	16,700,000
		-----	-----
		22,371,151	22,933,025
		-----	-----
	REAL ESTATE -- 0.0%		
12,000	Brookfield Asset Management Inc., Cl. A .....	186,196	578,160
		-----	-----
	REAL ESTATE INVESTMENT TRUSTS -- 1.1%		
250,000	Columbia Equity Trust Inc.	4,707,290	4,777,500
448,000	Equity Office Properties Trust .....	21,508,090	21,580,160
1,000	Primaris Retail Real Estate Investment Trust .....	16,729	16,190
30,000	Reckson Associates Realty Corp. ....	1,281,510	1,368,000
		-----	-----
		27,513,619	27,741,850
		-----	-----
	RETAIL -- 1.0%		
150,000	Ingles Markets Inc., Cl. A .....	1,703,529	4,468,500
410,000	Safeway Inc. ....	8,674,488	14,169,600
22,000	Saks Inc. ....	395,507	392,040
310,000	Sally Beauty Holdings Inc.+	3,837,420	2,418,000
80,000	SUPERVALU Inc. ....	2,385,810	2,860,000
		-----	-----
		16,996,754	24,308,140
		-----	-----
	SPECIALTY CHEMICALS -- 1.8%		
5,000	Arkema, ADR+ .....	269,656	256,676
292,100	Ashland Inc. ....	18,299,079	20,207,478
140,000	E.I. du Pont de Nemours & Co. ....	5,905,751	6,819,400
230,000	Ferro Corp. ....	4,473,023	4,758,700
100,000	MacDermid Inc. ....	3,416,000	3,410,000
100,000	Olin Corp. ....	1,826,860	1,652,000
			MARKET
SHARES		COST	VALUE
-----		----	-----
170,000	The Dow Chemical Co. ....	\$ 6,827,194	\$ 6,789,800
18,146	Tronox Inc., Cl. B .....	186,196	286,525
		-----	-----
		41,203,759	44,180,579
		-----	-----
	TELECOMMUNICATIONS -- 4.9%		
400,000	AT&T Inc. ....	9,871,847	14,300,000

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550,000	BCE Inc. ....	11,932,643	14,850,000
200,000	BellSouth Corp. ....	5,331,371	9,422,000
74,000	BT Group plc, ADR .....	2,312,412	4,431,860
2,000	CenturyTel Inc. ....	58,989	87,320
50,000	Compania de Telecomunicaciones de Chile SA, ADR .....	607,686	401,500
100,000	Deutsche Telekom AG, ADR	1,796,995	1,820,000
42,000	Embarq Corp. ....	1,625,738	2,207,520
55,000	France Telecom SA, ADR ..	1,338,443	1,523,500
210,000	Hellenic Telecommunications Organization SA, ADR+	1,644,219	3,181,500
200,000	Portugal Telecom SGPS SA	2,318,352	2,597,849
90,000	Qwest Communications International Inc.+ ...	275,142	753,300
840,000	Sprint Nextel Corp. ....	16,438,020	15,867,600
15,000	Telecom Corp. of New Zealand Ltd., ADR .....	383,908	403,800
200,000	Telecom Italia SpA, ADR	5,741,078	6,026,000
26,000	Telefonica SA, ADR .....	1,107,367	1,657,500
250,000	Telefonos de Mexico SAB de CV, Cl. L, ADR .....	4,164,902	7,065,000
130,000	Telstra Corp. Ltd., ADR	2,392,135	2,129,400
68,000	TELUS Corp., ADR .....	1,168,993	3,033,949
770,000	Verizon Communications Inc. ....	26,666,967	28,674,800
100,000	Vodafone Group plc, ADR	2,184,580	2,778,000
		-----	-----
		99,361,787	123,212,398
		-----	-----
	TRANSPORTATION -- 0.4%		
4,000	Frontline Ltd. ....	137,211	127,400
216,000	GATX Corp. ....	5,739,871	9,359,280
24,000	Golden Ocean Group Ltd.+	14,400	42,918
4,250	Ship Finance International Ltd. ....	96,012	100,980
30,000	Teekay Shipping Corp. ...	1,007,822	1,308,600
		-----	-----
		6,995,316	10,939,178
		-----	-----
	WIRELESS COMMUNICATIONS -- 0.3%		
14,000	Crown Castle International Corp.+ .....	226,237	452,200
110,000	United States Cellular Corp.+ .....	5,022,195	7,654,900
3,000	Vimpel-Communications, ADR+ .....	91,155	236,850
		-----	-----
		5,339,587	8,343,950
		-----	-----
	TOTAL		
	COMMON STOCKS .....	1,691,093,127	2,110,147,321
		-----	-----
	CONVERTIBLE PREFERRED STOCKS -- 2.1%		
	AEROSPACE -- 0.1%		
8,315	Northrop Grumman Corp., 7.000% Cv. Pfd., Ser. B	997,555	1,105,895
		-----	-----
	AUTOMOTIVE -- 0.0%		
16,000	General Motors Corp., 4.500% Cv. Pfd., Ser. A	415,435	404,480

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	BROADCASTING -- 0.0%		
20,460	Emmis Communications Corp.,		
	6.250% Cv. Pfd., Ser. A	960,081	864,333

See accompanying notes to financial statements.

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THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES		COST	MARKET VALUE
	CONVERTIBLE PREFERRED STOCKS (CONTINUED)		
	BUILDING AND CONSTRUCTION -- 0.0%		
200	Fleetwood Capital Trust,		
	6.000% Cv. Pfd. ....\$	6,210	\$ 5,900
	DIVERSIFIED INDUSTRIAL -- 0.3%		
179,400	Owens-Illinois Inc.,		
	4.750% Cv. Pfd. ....	5,956,159	6,637,800
80,000	Smurfit-Stone Container Corp.,		
	7.000% Cv. Pfd., Ser. A	1,996,122	1,916,000
		7,952,281	8,553,800
	ENERGY AND UTILITIES -- 0.4%		
5,000	Chesapeake Energy Corp.,		
	5.000% Cv. Pfd. (a) ...	512,500	645,312
20,000	CMS Energy Corp.,		
	4.500% Cv. Pfd., Ser. B	1,069,063	1,770,000
130,000	El Paso Corp. Capital Trust I,		
	4.750% Cv. Pfd., Ser. C	4,680,219	5,044,000
40,000	Hanover Compressor		
	Capital Trust,		
	7.250% Cv. Pfd. ....	1,999,452	2,260,000
		8,261,234	9,719,312
	ENTERTAINMENT -- 0.1%		
113,000	Six Flags Inc.,		
	7.250% Cv. Pfd., Ser. B	2,637,802	2,519,900
	FINANCIAL SERVICES -- 0.7%		
2,000	Doral Financial Corp.,		
	4.750% Cv. Pfd. ....	284,670	193,000
210,000	National Australia Bank Ltd.,		
	7.875% Cv. Pfd. ....	7,994,365	10,815,000
137,000	Newell Financial Trust I,		
	5.250% Cv. Pfd. ....	6,428,812	6,473,250
		14,707,847	17,481,250
	HEALTH CARE -- 0.0%		
10,000	Omnicare Inc.,		
	4.000% Cv. Pfd., Ser. B	605,400	537,400

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	REAL ESTATE INVESTMENT TRUSTS -- 0.0%		
2,100	Equity Office Properties Trust, 5.250% Cv. Pfd., Ser. B	104,120	141,781
	TELECOMMUNICATIONS -- 0.4%		
50,000	Cincinnati Bell Inc., 6.750% Cv. Pfd., Ser. B	2,118,418	2,300,000
121,000	Crown Castle International Corp., 6.250% Cv. Pfd. ....	5,568,000	6,715,500
		7,686,418	9,015,500
	TRANSPORTATION -- 0.1%		
1,500	GATX Corp., \$2.50 Cv. Pfd. ....	199,475	333,750
982	Kansas City Southern, 4.250% Cv. Pfd. ....	551,884	970,297
		751,359	1,304,047
	TOTAL CONVERTIBLE PREFERRED STOCKS .....	45,085,742	51,653,598
	PRINCIPAL AMOUNT	COST	MARKET VALUE
	-----	----	-----
	CONVERTIBLE CORPORATE BONDS -- 1.8%		
	AEROSPACE -- 0.0%		
\$ 1,000,000	GenCorp Inc., Sub. Deb. Cv., 5.750%, 04/15/07 .....	\$ 998,594	\$ 1,038,750
	AUTOMOTIVE: PARTS AND ACCESSORIES -- 0.0%		
500,000	Standard Motor Products Inc., Sub. Deb. Cv., 6.750%, 07/15/09 .....	485,710	475,000
	BROADCASTING -- 0.5%		
100,000	Lin Television Corp., Sub. Deb. Cv., 2.500%, 05/15/33 .....	91,610	94,250
13,000,000	Sinclair Broadcast Group Inc., Sub. Deb. Cv., 6.000%, 09/15/12 .....	10,895,456	11,960,000
		10,987,066	12,054,250
	BUSINESS SERVICES -- 0.1%		
2,103,000	Trans-Lux Corp., Sub. Deb. Cv., 8.250%, 03/01/12 .....	2,034,879	2,050,425
	COMMUNICATIONS EQUIPMENT -- 0.5%		
10,000,000	Agere Systems Inc., Sub. Deb. Cv., 6.500%, 12/15/09 .....	10,056,336	10,225,000
2,000,000	TriQuint Semiconductor Inc., Sub. Deb. Cv.,		



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	4.000%, 03/01/07 .....	1,995,165	1,995,000
		-----	-----
		12,051,501	12,220,000
		-----	-----
	ENTERTAINMENT -- 0.1%		
1,500,000	The Walt Disney Co., Cv., 2.125%, 04/15/23 .....	1,513,108	1,830,000
		-----	-----
	FINANCIAL SERVICES -- 0.0%		
250,000	AON Corp., Deb. Cv., 3.500%, 11/15/12 .....	263,084	414,063
		-----	-----
	HEALTH CARE -- 0.2%		
4,000,000	ICOS Corp., Sub. Deb. Cv., 2.000%, 07/01/23 .....	3,934,736	3,945,000
		-----	-----
	REAL ESTATE -- 0.0%		
	Palm Harbor Homes Inc., Cv.,		
100,000	3.250%, 05/15/24 .....	84,584	85,000
1,000,000	3.250%, 05/15/24 (a) ..	973,644	850,000
		-----	-----
		1,058,228	935,000
		-----	-----
	TELECOMMUNICATIONS -- 0.2%		
6,000,000	Nortel Networks Corp., Cv., 4.250%, 09/01/08 .....	5,827,886	5,835,000
		-----	-----
	TRANSPORTATION -- 0.2%		
3,000,000	GATX Corp., Cv., 7.500%, 02/01/07 .....	3,021,233	3,836,250
		-----	-----
	TOTAL CONVERTIBLE		
	CORPORATE BONDS .....	42,176,025	44,633,738
		-----	-----

See accompanying notes to financial statements.

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THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES		COST	MARKET
-----		----	-----
	WARRANTS -- 0.0%		
	FOOD AND BEVERAGE -- 0.0%		
650	Parmalat SpA, GDR, expire 12/31/15+		
	(a) (b) .....	\$ 0	\$ 0
		-----	-----
	PRINCIPAL		
	AMOUNT		
	-----		
	SHORT-TERM OBLIGATIONS -- 11.3%		
	REPURCHASE AGREEMENTS -- 8.4%		
\$125,000,000	Barclays Capital Inc.,		

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	4.800%, dated 12/29/06, due 01/03/07, proceeds at maturity, \$125,083,333 (c) .....	125,000,000	125,000,000
85,000,000	Daiwa Securities America Inc., 4.820%, dated 12/29/06, due 01/03/07, proceeds at maturity, \$85,056,903 (d) .....	85,000,000	85,000,000
		-----	-----
		210,000,000	210,000,000
		-----	-----
	U.S. TREASURY BILLS -- 2.9%		
72,785,000	U.S. Treasury Bills, 4.900% to 5.219%+, 01/18/07 to 04/26/07(e)	71,932,185	71,932,911
		-----	-----
	TOTAL SHORT-TERM OBLIGATIONS .....	281,932,185	281,932,911
		-----	-----
TOTAL INVESTMENTS -- 100.0%	.....\$2,060,287,079		2,488,367,568
	=====		
CALL OPTIONS WRITTEN (Premiums received \$1,898,621)	.....		(2,118,928)
OTHER ASSETS AND LIABILITIES (NET)	.....		(167,514)
PREFERRED STOCK (5,814,200 preferred shares outstanding)	.....		(500,000,000)
			-----
NET ASSETS -- COMMON SHARES (83,973,170 common shares outstanding)	.....		\$1,986,081,126
			=====
NET ASSET VALUE PER COMMON SHARE (\$1,986,081,126 / 83,973,170 shares outstanding)			\$23.65
			=====

OPTION CONTRACTS WRITTEN -- (0.1)%			
NUMBER OF CONTRACTS		EXPIRATION DATE/ EXERCISE PRICE	MARKET VALUE
-----		-----	-----
	CALL OPTIONS WRITTEN -- (0.1)%		
500	AllianceBernstein Holding LP .....	Jan. 07/75	\$ 282,500
100	AllianceBernstein Holding LP .....	Jan. 07/80	16,500
2,000	AT&T Inc. ....	Jan. 07/30	1,160,000
220	FirstEnergy Corp. ....	Jan. 07/55	123,200
500	Freeport-McMoRan Copper & Gold Inc., Cl. B .....	Jan. 07/55	105,000
500	JPMorgan Chase & Co. ....	Jan. 07/45	170,000
500	Marathon Oil Corp. ....	Jan. 07/90	195,000
500	Royal Dutch Shell plc, Cl. A, ADR .....	Jan. 07/75	3,750
500	Safeway Inc. ....	Jan. 07/35	32,500
75	Sprint Nextel Corp. ....	Jan. 07/20	975
136	The Southern Co. ....	Jan. 07/35	28,560
13	Xcel Energy Inc. ....	Jan. 07/22.5	943
			-----

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TOTAL CALL OPTIONS WRITTEN  
(Premiums received \$1,898,621) \$2,118,928  
=====

- 
- (a) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2006, the market value of Rule 144A securities amounted to \$4,044,070 or 0.16% of total investments. Except as noted in (b), these securities are liquid.
- (b) At December 31, 2006, the Fund held an investment in a restricted and illiquid security amounting to \$0 or 0.00% of total investments, which was valued under methods approved by the Board, as follows:

ACQUISITION SHARES	ISSUER	ACQUISITION DATE	ACQUISITION COST	12/31/06 CARRYING VALUE PER UNIT
-----	-----	-----	-----	-----
650	Parmalat SpA, GDR warrants expire 12/31/15	11/09/05	\$0.0	\$0.0000

(c) Collateralized by \$90,925,000 U.S. Treasury Bond, 8.875%, due 02/15/19, market value \$127,500,000.

(d) Collateralized by \$87,909,000 U.S. Treasury Bills, 5.987%, due 03/29/07, market value \$86,700,251.

(e) Securities, or a portion thereof, with a value of \$4,933,080 are pledged as collateral for options written.

+ Non-income producing security.

++ Represents annualized yield at date of purchase.

ADR American Depository Receipt

GDR Global Depository Receipt

	% OF MARKET VALUE	MARKET VALUE
-----	-----	-----
GEOGRAPHIC DIVERSIFICATION		
North America .....	84.2%	\$2,094,269,296
Europe .....	11.3	282,227,958
Latin America .....	2.1	50,670,878
Japan .....	1.6	40,173,081
Asia/Pacific .....	0.8	21,026,355
Total Investments .....	100.0%	\$2,488,367,568
	=====	=====

See accompanying notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES  
DECEMBER 31, 2006

ASSETS:

Investments, at value (cost \$1,850,287,079) .....	\$2,278,367,568
Repurchase agreements, at value (cost \$210,000,000) .....	210,000,000
Deposit at broker .....	3,463,102
Cash .....	1,190
Receivable for investments sold .....	9,083,606
Dividends and interest receivable .....	3,415,605
Unrealized appreciation on swap contracts .....	3,155,309
Prepaid expense .....	81,138
	-----
TOTAL ASSETS .....	2,507,567,518
	-----

LIABILITIES:

Options written (premium received \$1,898,621) .....	2,118,928
Distributions payable .....	7,907,229
Payable for investments purchased .....	4,199,798
Payable for investment advisory fees .....	6,695,667
Payable for payroll expenses .....	41,816
Payable for accounting fees .....	7,501
Other accrued expenses .....	515,453
	-----
TOTAL LIABILITIES .....	21,486,392
	-----

PREFERRED STOCK:

Series A Cumulative Preferred Stock (5.875%, \$25 liquidation value, \$0.001 par value, 3,200,000 shares authorized with 3,200,000 shares issued and outstanding) .....	80,000,000
Series B Cumulative Preferred Stock (Auction Market, \$25,000 liquidation value, \$0.001 par value, 4,000 shares authorized with 4,000 shares issued and outstanding) .....	100,000,000
Series C Cumulative Preferred Stock (Auction Market, \$25,000 liquidation value, \$0.001 par value, 4,800 shares authorized with 4,800 shares issued and outstanding) .....	120,000,000
Series D Cumulative Preferred Stock (6.00%, \$25 liquidation value, \$0.001 par value, 2,600,000 shares authorized with 2,600,000 shares issued and outstanding) .....	65,000,000
Series E Cumulative Preferred Stock (Auction Rate, \$25,000 liquidation value, \$0.001 par value, 5,400 shares authorized with 5,400 shares issued and outstanding) .....	135,000,000
	-----
TOTAL PREFERRED STOCK .....	500,000,000
	-----

NET ASSETS ATTRIBUTABLE TO

COMMON SHAREHOLDERS .....	\$1,986,081,126
	=====

NET ASSETS ATTRIBUTABLE TO COMMON

SHAREHOLDERS CONSIST OF:

Paid-in capital, at \$0.001 par value .....	\$1,544,021,347
Accumulated net investment income .....	12,027,863
Accumulated distributions in excess of net realized gain on investments, written options, swap contracts, futures contracts, securities sold short, and foreign currency transactions .....	(982,356)

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Net unrealized appreciation on investments .....	428,080,489
Net unrealized depreciation on written options .....	(220,307)
Net unrealized appreciation on swap contracts .....	3,155,309
Net unrealized depreciation on foreign currency translations .....	(1,219)

NET ASSETS .....	\$1,986,081,126
	=====

NET ASSET VALUE PER COMMON SHARE

(\$1,986,081,126 / 83,973,170 shares outstanding; unlimited number of shares authorized) .....	\$23.65
	=====

### STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2006

INVESTMENT INCOME:

Dividends (net of foreign taxes of \$1,155,606) .....	\$ 76,478,017
Interest .....	22,721,712
	-----
TOTAL INVESTMENT INCOME .....	99,199,729
	-----

EXPENSES:

Investment advisory fees .....	23,657,922
Auction agent fees .....	900,746
Shareholder communications expenses .....	587,593
Custodian fees .....	248,603
Payroll expenses .....	228,531
Trustees' fees .....	173,000
Legal and audit fees .....	90,649
Accounting fees .....	45,000
Shareholder services fees .....	42,266
Interest expenses .....	5,820
Miscellaneous expenses .....	389,836
	-----

TOTAL EXPENSES .....	26,369,966
Less: Custodian fee credits .....	(92,212)
	-----

NET EXPENSES .....	26,277,754
	-----

NET INVESTMENT INCOME .....	72,921,975
	-----

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS,  
WRITTEN OPTIONS, SWAP CONTRACTS, FUTURES CONTRACTS,  
SECURITIES SOLD SHORT, AND FOREIGN CURRENCY:

Net realized gain on investments .....	90,440,691
Net realized loss on written options .....	(5,070)
Net realized gain on swap contracts .....	973,297
Net realized gain on futures contracts .....	1,538,828
Net realized gain on securities sold short .....	1,287,046
Net realized loss on foreign currency transactions ..	(512,590)
	-----

Net realized gain on investments, written options, swap contracts, futures contracts, securities sold short, and foreign currency transactions .....	93,722,202
	-----

Net change in unrealized appreciation/depreciation:

on investments .....	243,491,253
on written options .....	(220,307)
on swap contracts .....	219,598
on securities sold short .....	6,133
on foreign currency translations .....	262

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Net change in unrealized appreciation/depreciation on investments, written options, swap contracts, securities sold short, and foreign currency translations .....	243,496,939
<hr/>	
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, WRITTEN OPTIONS, SWAP CONTRACTS, FUTURES CONTRACTS, SECURITIES SOLD SHORT, AND FOREIGN CURRENCY .....	337,219,141
<hr/>	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	410,141,116
<hr/>	
Total Distributions to Preferred Stock Shareholders	(26,051,913)
<hr/>	
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS .....	\$384,089,203
<hr/>	

See accompanying notes to financial statements.

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THE GABELLI DIVIDEND & INCOME TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS

	YEAR ENDED DECEMBER 31,
	<hr/>
OPERATIONS:	
Net investment income .....	\$ 72,921,939
Net realized gain on investments, written options, swap contracts, futures contracts, securities sold short, and foreign currency transactions ....	93,722,200
Net change in unrealized appreciation/depreciation on investments, written options, swap contracts, securities sold short, and foreign currency translations	243,496,939
<hr/>	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	410,141,116
<hr/>	
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS:	
Net investment income .....	(10,255,500)
Net realized short-term gain on investments, written options, swap contracts, futures contracts, securities sold short, and foreign currency transactions ....	(4,091,800)
Net realized long-term gains on investments, written options, swap contracts, futures contracts, securities sold short, and foreign currency transactions ....	(11,704,400)
<hr/>	
TOTAL DISTRIBUTIONS TO PREFERRED SHAREHOLDERS .....	(26,051,900)
<hr/>	
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS .....	384,089,203
<hr/>	
DISTRIBUTIONS TO COMMON SHAREHOLDERS:	
Net investment income .....	(50,995,100)
Net realized short-term gain on investments, written options, swap contracts, futures contracts, securities sold short, and foreign currency transactions ....	(20,346,600)
Net realized long-term gain on investments, written options, swap contracts, futures contracts, securities sold short, and foreign currency transactions ....	(58,199,500)

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TOTAL DISTRIBUTIONS TO COMMON SHAREHOLDERS .....	(129,541,3
<hr/>	
FUND SHARE TRANSACTIONS:	
Net decrease from repurchase of common shares .....	(6,491,0
Offering costs for preferred shares charged to paid-in capital .....	(130,8
<hr/>	
NET DECREASE IN NET ASSETS FROM FUND SHARE TRANSACTIONS .....	(6,621,9
<hr/>	
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS .....	247,925,9
NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS:	
Beginning of period .....	1,738,155,1
<hr/>	
End of period (including undistributed net investment income of \$12,027,863 and \$132,784, respectively) .....	\$1,986,081,1
<hr style="border-top: 3px double black;"/>	

See accompanying notes to financial statements.

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### 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 preparation of financial statements in accordance with United States ("U.S.") generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. 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

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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 60 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 60 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 to the valuation and changes in valuation of similar securities, including a comparison of foreign securities to the equivalent U.S. dollar value American Depository Receipt ("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.

In September 2006, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, management is in the process of reviewing the requirements of SFAS 157 against its current valuation policies to determine future applicability.

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. The Fund will always receive and maintain securities as collateral whose market value, including accrued interest, will be 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, 2006, the Fund had investments of \$210,000,000 in repurchase agreements.



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OPTIONS. The Fund may purchase or write call or put options on securities or indices. 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.

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 expiration date, but only to the extent of the premium paid.

In the case of call options, these exercise prices are referred to as "in-the-money," "at-the-money," and "out-of-the-money," respectively. The Fund may write (a) in-the-money call options when the Adviser expects that the price of the underlying security will remain stable or decline moderately 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 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.

SWAP AGREEMENTS. The Fund may enter into interest rate swap or cap transactions. The use of swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio transactions. Swap agreements may involve, to varying degrees, elements of market and counterparty risk, and exposure to loss in excess of the related amounts reflected in the Statement of Assets and Liabilities. In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the "counterparty") periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on Series B Preferred Stock. In an interest rate cap, the Fund would pay a premium to the counterparty and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from that counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred stock dividends when due in accordance with the Articles Supplementary even if the counterparty defaulted. If there is a default by the counterparty to a swap contract, the Fund will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that the swap contract counterparties will be able to meet their obligations pursuant to a swap contract or that, in the event of default, the Fund will succeed in pursuing contractual remedies. The Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to a swap contract. The creditworthiness of the swap contract counterparties is closely monitored in order to minimize this risk. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at that point in time, such a default could negatively

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affect the Fund's ability to make dividend payments for Series B Preferred Stock. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments on Series B Preferred Stock.

Unrealized gains related to swaps are reported as an asset and unrealized losses are reported as a liability in the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be paid or received on swaps are reported as unrealized gains or losses 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, 2006 are as follows:

NOTIONAL AMOUNT	FIXED RATE	VARIABLE RATE* (RATE RESET MONTHLY)	TERMINATION DATE	UNREALIZED APPRECIATION
\$100,000,000	4.01%	5.32%	June 2, 2010	\$3,155,309

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

FUTURES CONTRACTS. The Fund may engage in futures contracts for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Upon entering into a futures contract, the Fund is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known

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

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. At December 31, 2006, there were no open futures contracts.

SECURITIES SOLD SHORT. The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination.

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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. At December 31, 2006, there were no open securities sold short.

**FORWARD FOREIGN EXCHANGE CONTRACTS.** The Fund may engage in forward foreign exchange contracts for 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. At December 31, 2006, there were no open forward foreign exchange contracts.

**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 ability 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

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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.

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

**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 shown as "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 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. These reclassifications have no impact on the NAV of the Fund. For the fiscal year ended December 31, 2006, reclassifications were made to increase accumulated net investment income by \$223,800, to increase accumulated distributions in excess of net realized gain on investments, swap contracts, options, and foreign currency transactions by \$221,108, with an offsetting adjustment to paid-in capital.

Distributions to shareholders of the Fund's 5.875% Series A Cumulative Preferred Stock, Series B Auction Market Cumulative Preferred Stock, Series C Auction Market Cumulative Preferred Stock, 6.00% Series D Cumulative Preferred Stock, and Series E Auction Rate Cumulative Preferred Stock ("Cumulative Preferred Stock") are recorded on a daily basis and are determined as described in Note 5.

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The tax character of distributions paid during the fiscal year ended December 31, 2006 and December 31, 2005 was as follows:

	YEAR ENDED		DEC
	DECEMBER 31, 2006		31, 2005
	Common	Preferred	Common
	-----	-----	-----
DISTRIBUTIONS PAID FROM:			
Ordinary income			
(inclusive of short-term capital gains) ..\$	71,341,776	\$14,347,465	\$ 50,900,5
Net long-term capital gains .....	58,199,561	11,704,448	50,796,8
	-----	-----	-----
Total distributions paid .....	\$129,541,337	\$26,051,913	\$101,697,3
	=====	=====	=====

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.

At December 31, 2006, the difference between book basis and tax basis unrealized appreciation was primarily due to deferral of losses from wash sales for tax purposes and basis adjustments on investments in partnerships.

As of December 31, 2006, the components of accumulated earnings/(losses) on a tax basis were as follows:

Net unrealized appreciation on investments, written options, foreign currency, and swap contracts .....	\$431,173,223
Post-October currency loss deferral .....	(449,565)
Undistributed ordinary income .....	11,337,666
Other temporary differences .....	(1,545)
	-----
Total .....	\$442,059,779
	=====

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

The following summarizes the tax cost of investments, written options, swap contracts, and the related unrealized appreciation/ (depreciation) at December 31, 2006:

COST/	GROSS UNREALIZED	GROSS UNREALIZED	NET UNREA APPRECIATION
-------	---------------------	---------------------	---------------------------

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	PROCEEDS	APPRECIATION	DEPRECIATION	(DEPRECIATION)
	-----	-----	-----	-----
Investments .....	\$2,060,027,628	\$449,771,458	\$ (21,431,518)	\$428,339,
Written options .....	1,898,621	52,301	(272,608)	(220,
Swap contracts .....	--	3,054,809	--	3,054,
	-----	-----	-----	-----
	\$2,061,926,249	\$452,878,568	\$ (21,704,126)	\$431,174,
	=====	=====	=====	=====

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" ("the Interpretation"). The Interpretation establishes for all entities, including pass-through entities such as the Fund, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Interpretation is required to be implemented for the Fund no later than June 29, 2007, and is to be applied to all open tax years as of the date of effectiveness. Management has recently begun to evaluate the application of the Interpretation to the Fund, and is not in a position at this time to estimate the significance of its impact, if any, on the Fund's financial statements.

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 the preferred stock. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund's portfolio and oversees the administration of all aspects of the Fund's business and affairs. The Adviser has agreed to reduce the management fee on the incremental assets attributable to the Cumulative Preferred Stock if the total return of the NAV of the common shares of the Fund, including distributions and advisory fee subject to reduction, does not exceed the stated dividend rate or corresponding swap rate of each particular series of the Cumulative Preferred Stock for the fiscal 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 Cumulative Preferred Stock for the period. For the fiscal year ended December 31, 2006, the Fund's total return on the NAV of the common shares exceeded the stated dividend rate or corresponding swap rate of all outstanding Preferred Stock. Thus, management fees were accrued on these assets.

During the fiscal year ended December 31, 2006, the Fund paid brokerage commissions of \$878,825 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 fiscal year ended December 31, 2006, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

The Fund is assuming its portion of the allocated cost of the Gabelli Funds' Chief Compliance Officer in the amount of \$38,033 for the fiscal year ended December 31, 2006, which is included in payroll expenses in the Statement of Operations.

The Fund pays each Trustee that is not considered to be an affiliated person an annual retainer of \$12,000 plus \$1,500 for each Board meeting attended

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and they are reimbursed for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$1,000 per meeting attended. In addition, the Audit Committee Chairman receives an annual fee of \$3,000, the Proxy Voting Committee Chairman receives an annual fee of \$1,500, and the Nominating Committee Chairman receives an annual fee of \$2,000. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

4. PORTFOLIO SECURITIES. Purchases and proceeds from the sales of securities for the fiscal year ended December 31, 2006, other than short-term and U.S Government securities, aggregated \$984,096,704 and \$564,949,256, respectively.

Option contracts written by the Fund during the fiscal year ended December 31, 2006 were as follows:

	NUMBER OF CONTRACTS	PREMIUMS
	-----	-----
Options outstanding at December 31, 2005 ..	--	--
Options written .....	9,331	\$2,145,911
Options exercised .....	(3,487)	(228,211)
Options closed .....	(300)	(19,079)
	-----	-----
Options outstanding at December 31, 2006 ..	5,544	\$1,898,621
	=====	=====

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

5. CAPITAL. The Fund is authorized to issue an unlimited number of common shares of beneficial interest (par value \$0.001). The Board has authorized the repurchase 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 fiscal year ended December 31, 2006, the Fund repurchased 340,235 shares of beneficial interest in the open market at a cost of \$6,491,041 and an average discount of approximately 13.99% from its NAV. All shares of beneficial interest repurchased have been retired.

Transactions in shares of beneficial interest were as follows:

	YEAR ENDED DECEMBER 31, 2006		YEAR DECEMBER
	SHARES	AMOUNT	SHARES
	-----	-----	-----
Net decrease from repurchase of common shares .....	(340,235)	\$(6,491,041)	(504,100)

The Fund's Declaration of Trust, as amended, authorizes the issuance of an unlimited number of shares of \$0.001 par value Cumulative Preferred Stock. The Cumulative Preferred Stock is senior to the common shares and results in the financial leveraging of the common shares. Such leveraging tends to magnify both the risks and opportunities to common shareholders. Dividends on shares of the Cumulative Preferred Stock are cumulative. The Fund is required by the 1940 Act and by the Statements of Preferences to meet certain asset coverage tests with

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respect to the Cumulative Preferred Stock. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the 5.875% Series A, Series B Auction Market, Series C Auction Market, 6.00% Series D, and Series E Auction Rate Cumulative Preferred Stock 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.

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 Stock. Commencing October 12, 2009 and thereafter, the Fund, at its option, may redeem the 5.875% Series A Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the fiscal year ended December 31, 2006, the Fund did not repurchase any shares of 5.875% Series A Cumulative Preferred Stock. At December 31, 2006, 3,200,000 shares of 5.875% Series A Cumulative Preferred Stock were outstanding and accrued dividends amounted to \$78,333.

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 and 4,800 shares of Series C Auction Market Cumulative Preferred Stock, 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. The dividend rates of Series B Auction Market Cumulative Preferred Stock ranged from 4.14% to 5.30% for the fiscal year ended December 31, 2006. The dividend rates of Series C Auction Market Cumulative Preferred Stock ranged from 4.10% to 5.36% during the fiscal year ended December 31, 2006. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Series B and C Auction Market Cumulative Preferred Stock shareholders may also trade shares in the secondary market. The Fund, at its option, may redeem the Series B and C Auction Market Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the fiscal year ended December 31, 2006, the Fund did not redeem any shares of Series B and C Auction Market Cumulative Preferred Stock. At December 31, 2006, 4,000 and 4,800 shares of the Series B and C Auction Market Cumulative Preferred Stock were outstanding with an annualized dividend rate of 5.30% and 5.32% per share and accrued dividends amounted to \$73,611 and \$53,200, respectively.

On November 3, 2005, the Fund received net proceeds of \$62,617,239 (after underwriting discounts of \$2,047,500 and offering expenses of \$335,261) from the public offering of 2,600,000 shares of 6.00% Series D Cumulative Preferred Stock. Commencing November 3, 2010 and thereafter, the Fund, at its option, may redeem the 6.00% Series D Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the fiscal year ended December 31, 2006, the Fund did not repurchase any shares of 6.00% Series D Cumulative Preferred Stock. At December 31, 2006, 2,600,000 shares of 6.00% Series D Cumulative Preferred Stock were outstanding and accrued dividends amounted to \$65,000.



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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 Stock. The dividend rate, as set by the auction process, which is generally held every 7 days, is expected to vary with short-term interest rates. The dividend rates of Series E Auction Rate Cumulative Preferred Stock ranged from 4.22% to 5.30% for the fiscal year ended December 31, 2006. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Series E Auction Rate Preferred Stock shareholders may also trade shares in the secondary market. The Fund, at its option, may redeem the Series E Auction Rate Preferred Stock in whole or in part at the redemption price at any time. During the year ended December 31, 2006, the Fund did not redeem any shares of Series E Auction Rate Preferred Stock. At December 31, 2006, 5,400 shares of Series E Auction Rate Preferred Stock were outstanding with an annualized dividend rate of 5.30% and accrued dividends amounted to \$79,500.

The holders of Cumulative Preferred Stock generally are entitled to one vote per share held on each matter submitted to a vote of shareholders of the Fund and will vote together with holders of common shares as a single class. The holders of Cumulative Preferred Stock 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 stock, voting as a single class, will be required to approve any plan of reorganization adversely affecting the preferred stock, and the approval of two-thirds of each class, voting separately, of the Fund's outstanding voting stock must approve the conversion of the Fund from a closed-end to an open-end investment company. The approval of a majority (as defined in the 1940 Act) of the outstanding preferred stock and a majority (as defined in the 1940 Act) of the Fund's outstanding voting securities are required to approve certain other actions, including changes in the Fund's investment objectives or fundamental investment policies.

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

7. OTHER MATTERS. The Adviser and/or affiliates received subpoenas from the Attorney General of the State of New York and the SEC requesting information on mutual fund share trading practices involving certain funds managed by the Adviser. GAMCO Investors, Inc. ("GAMCO"), the Adviser's parent company, responded to these requests for documents and testimony. In June 2006, GAMCO began discussions with the SEC regarding a possible resolution of their inquiry. In February 2007, the Adviser made an offer of settlement to the staff of the SEC for communication to the Commission for its consideration to resolve this matter. This offer of settlement is subject to agreement regarding the specific language of the SEC's administrative order and other settlement documents. On a separate matter, in September 2005, the Adviser was informed by the staff of the SEC that the staff may recommend to the Commission that an administrative remedy and a monetary penalty be sought from the Adviser in connection with the actions of two of seven closed-end funds managed by the Adviser relating to Section 19(a) and Rule 19a-1 of the 1940 Act. These provisions require registered investment companies to provide written statements to shareholders when a dividend is made from a source other than net investment income. While the two closed-end funds sent annual statements and provided other materials containing this information, the funds did not send written statements to shareholders with each distribution in 2002 and 2003. The Adviser believes that all of the funds are now in compliance. The Adviser believes that these matters would have no effect on the Fund or any material adverse effect on the Adviser or its ability to manage the Fund. The staff's notice to the Adviser did not relate to the Fund.

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THE GABELLI DIVIDEND & INCOME TRUST  
FINANCIAL HIGHLIGHTS

SELECTED DATA FOR A SHARE OF BENEFICIAL INTEREST  
OUTSTANDING THROUGHOUT EACH PERIOD:

	YEAR ENDED DECEMBER 31,		
	2006	2005	2004
<b>OPERATING PERFORMANCE:</b>			
Net asset value, beginning of period .....	\$ 20.62	\$ 20.12	\$ 19.87
Net investment income .....	0.87	0.55	0.48
Net realized and unrealized gain on investments, written options, swap contracts, futures contracts, securities sold short, and foreign currency transactions .....	4.00	1.33	0.85
Total from investment operations .....	4.87	1.88	1.33
<b>DISTRIBUTIONS TO PREFERRED SHAREHOLDERS: (A)</b>			
Net investment income .....	(0.12)	(0.06)	(0.06)
Net realized gain on investments .....	(0.19)	(0.10)	(0.10)
Total distributions to preferred stock shareholders .....	(0.31)	(0.16)	(0.16)
<b>NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS .....</b>			
	4.56	1.72	1.17
<b>DISTRIBUTIONS TO COMMON SHAREHOLDERS:</b>			
Net investment income .....	(0.61)	(0.48)	(0.48)
Net realized gain on investments .....	(0.93)	(0.72)	(0.72)
Return of capital .....	--	--	--
Total distributions to common shareholders .....	(1.54)	(1.20)	(1.20)
<b>FUND SHARE TRANSACTIONS:</b>			
Decrease in net asset value from common share transactions ...	--	--	--
Increase in net asset value from repurchase of common shares	0.01	0.02	0.02
Offering costs for common shares charged to paid-in capital ..	--	--	--
Offering costs for preferred shares charged to paid-in capital	(0.00) (d)	(0.04)	(0.04)
Total from fund share transactions .....	0.01	(0.02)	(0.02)
<b>NET ASSET VALUE ATTRIBUTABLE TO COMMON SHAREHOLDERS, END OF PERIOD .....</b>			
	\$ 23.65	\$ 20.62	\$ 19.87
NAV total return + .....	24.09%	9.47%	1.33%
Market value, end of period .....	\$ 21.47	\$ 17.62	\$ 16.50
Investment total return ++ .....	31.82%	4.85%	0.00%

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See accompanying notes to financial statements.

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THE GABELLI DIVIDEND & INCOME TRUST  
FINANCIAL HIGHLIGHTS (CONTINUED)

SELECTED DATA FOR A SHARE OF BENEFICIAL INTEREST  
OUTSTANDING THROUGHOUT EACH PERIOD:

	YEAR ENDED DECEMBER 31,		
	2006	2005	2004
<b>RATIOS AND SUPPLEMENTAL DATA:</b>			
Net assets including liquidation value of preferred shares, end of period (in 000's) .....	\$2,486,081	\$2,238,155	\$2,006,000
Net assets attributable to common shares, end of period (in 000's) .....	\$1,986,081	\$1,738,155	\$1,706,000
Ratio of net investment income to average net assets attributable to common shares before preferred share distributions .....	3.91%	2.75%	
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any .....	1.41% (e)	1.33% (e)	
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of advisory fee reduction, if any .....	1.11% (e)	1.12% (e)	
Portfolio turnover rate .....	28.8%	25.6%	
<b>5.875% CUMULATIVE PREFERRED STOCK</b>			
Liquidation value, end of period (in 000's) .....	\$ 80,000	\$ 80,000	\$ 80,000
Total shares outstanding (in 000's) .....	3,200	3,200	3,200
Liquidation preference per share .....	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (b) .....	\$ 23.86	\$ 24.82	\$ 24.82
Asset coverage per share .....	\$ 124.30	\$ 111.91	\$ 167.00
<b>AUCTION MARKET SERIES B CUMULATIVE PREFERRED STOCK</b>			
Liquidation value, end of period (in 000's) .....	\$ 100,000	\$ 100,000	\$ 100,000
Total shares outstanding (in 000's) .....	4	4	4
Liquidation preference per share .....	\$ 25,000	\$ 25,000	\$ 25,000
Average market value (b) .....	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share .....	\$ 124,304	\$ 111,908	\$ 167.00
<b>AUCTION MARKET SERIES C CUMULATIVE PREFERRED STOCK</b>			
Liquidation value, end of period (in 000's) .....	\$ 120,000	\$ 120,000	\$ 120,000
Total shares outstanding (in 000's) .....	5	5	5
Liquidation preference per share .....	\$ 25,000	\$ 25,000	\$ 25,000
Average market value (b) .....	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share .....	\$ 124,304	\$ 111,908	\$ 167.00
<b>6.00% CUMULATIVE PREFERRED STOCK</b>			
Liquidation value, end of period (in 000's) .....	\$ 65,000	\$ 65,000	\$ 65,000
Total shares outstanding (in 000's) .....	2,600	2,600	2,600
Liquidation preference per share .....	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (b) .....	\$ 24.37	\$ 24.72	\$ 24.72
Asset coverage per share .....	\$ 124.30	\$ 111.91	\$ 167.00
<b>AUCTION RATE SERIES E CUMULATIVE PREFERRED STOCK</b>			
Liquidation value, end of period (in 000's) .....	\$ 135,000	\$ 135,000	\$ 135,000
Total shares outstanding (in 000's) .....	5	5	5
Liquidation preference per share .....	\$ 25,000	\$ 25,000	\$ 25,000
Average market value (b) .....	\$ 25,000	\$ 25,000	\$ 25,000

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Asset coverage per share .....	\$ 124,304	\$ 111,908
ASSET COVERAGE (C) .....	497%	448%

- 
- (a) Calculated based upon average common shares outstanding on the record dates throughout the year.
  - (b) Based on weekly prices.
  - (c) Asset coverage is calculated by combining all series of preferred stock.
  - (d) Amount represents less than \$0.005 per share.
  - (e) For the fiscal years ended December 31, 2006 and December 31, 2005, the effect of custodian fee credits was minimal.
  - (f) The Gabelli Dividend & Income Trust commenced investment operations on November 28, 2003.
  - (g) The beginning NAV includes a \$0.04 reduction for costs associated with the initial public offering.
  - (h) Annualized.
  - \* Based on net asset value per share at commencement of operations of \$19.06 per share.
  - \*\* Based on market value per share at initial public offering of \$20.00 per share.
  - + Based on net asset value per share, adjusted for reinvestment of distributions at prices obtained under the Fund's dividend reinvestment plan. Total return for the period of less than one year is not annualized.
  - ++ Based on market value per share, adjusted for reinvestment of distributions at prices obtained under the Fund's dividend reinvestment plan. Total return for the period of less than one year is not annualized.

See accompanying notes to 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 "Fund") at December 31, 2006, 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 periods presented, 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 Fund'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, 2006 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

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PricewaterhouseCoopers LLP  
 New York, New York  
 February 28, 2007

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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 officers and is available, without charge, upon request, by calling 800-GABELLI (800-422-3554) or by writing to The Gabelli Dividend & Income Trust at One Corporate Center, Rye, NY 10580-1422.

NAME, POSITION(S) ADDRESS 1 AND AGE	TERM OF OFFICE AND LENGTH OF TIME SERVED 2	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS	
INTERESTED TRUSTEES 3:				
MARIO J. GABELLI Trustee and Chief Investment Officer Age: 64	Since 2003***	24	Chairman of the Board 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 Funds company) complex; Chairman and Chief Executive Officer of GGCP, Inc.	Dir Hol ser Boa Cor com
SALVATORE M. SALIBELLO Trustee Age: 61	Since 2003**	3	Certified Public Accountant and Managing Partner of the public accounting firm Salibello & Broder, LLP since 1978	
EDWARD T. TOKAR Trustee Age: 59	Since 2003**	3	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)	Tru Dir Fun Top Fun
INDEPENDENT TRUSTEES 5:				
ANTHONY J. COLAVITA Trustee Age: 71	Since 2003*	34	Partner in the law firm of Anthony J. Colavita, P.C.	

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JAMES P. CONN Trustee Age: 68	Since 2003**	15	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)	Dir Ban
MARIO D'URSO Trustee Age: 66	Since 2003***	4	Chairman of Mittel Capital Markets S.p.A., since 2001; Senator in the Italian Parliament, (1996-2001)	
FRANK J. FAHRENKOPF, JR. Trustee Age: 67	Since 2003*	5	President and Chief Executive Officer of the American Gaming Association; Partner in the law firm of Hogan & Hartson LLP; Co-Chairman of the Commission on Presidential Debates; Former Chairman of the Republican National Committee	Dir Ban
MICHAEL J. MELARKEY Trustee Age: 57	Since 2003***	4	Partner in the law firm of Avansino, Melarkey, Knobel & Mulligan	Dir Cor uti
ANTHONIE C. VAN EKRIS Trustee Age: 72	Since 2003*	17	Chairman of BALMAC International, Inc. (commodities and futures trading)	
SALVATORE J. ZIZZA Trustee Age: 61	Since 2003*	25	Chairman of Hallmark Electrical Supplies Corp. (distribution of electrical supplies)	Dir Pha and (au

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THE GABELLI DIVIDEND & INCOME TRUST  
ADDITIONAL FUND INFORMATION (CONTINUED) (UNAUDITED)

NAME, POSITION(S) ADDRESS 1 AND AGE	TERM OF OFFICE AND LENGTH OF TIME SERVED 2	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS
-----	-----	-----
OFFICERS: -----		
BRUCE N. ALPERT President Age: 55	Since 2003	Executive Vice President and Chief Operating Officer of GAMCO since 1988 and an officer of all of the registered investment funds in the Gabelli Funds complex. Director and President of Gabelli Funds since 1998
CARTER W. AUSTIN Vice President Age: 40	Since 2003	Vice President of The Gabelli Equity Trust since 2000, The Gold, Natural Resources & Income Trust since 2005, and The Deal Fund since 2006; Vice President of Gabelli Funds, LLC
JAMES E. MCKEE Secretary	Since 2003	Vice President, General Counsel and Secretary of GAMCO Investment Management Inc. (since 1999) and GAMCO Asset Management Inc. (since 1993);

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Age: 43		of all of the registered investment companies in the Gabel
AGNES MULLADY	Since 2006	Treasurer of all of the registered investment companies in
Treasurer		complex; Senior Vice President of U.S. Trust Company, N.A.
Age: 48		Financial Officer of Excelsior Funds from 2004 through 200
		Officer of AMIC Distribution Partners from 2002 through 20
		Reserve Management Corporation and Reserve Partners, Inc.
		Reserve Funds from 2000 through 2002
PETER D. GOLDSTEIN	Since 2004	Director of Regulatory Affairs at GAMCO Investors, Inc. si
Chief Compliance Officer		Compliance Officer of all of the registered investment com
Age: 53		Gabelli Funds complex; Vice President of Goldman Sachs Ass
		from 2000 through 2004

- 
- 1 Address: One Corporate Center, Rye, NY 10580 1422, unless otherwise noted.
  - 2 The Fund's Board of Trustees is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term. The three year term for each class expires as follows:
    - \* - Term expires at the Fund's 2008 Annual Meeting of Shareholders or until their successors are duly elected and qualified.
    - \*\* - Term expires at the Fund's 2009 Annual Meeting of Shareholders or until their successors are duly elected and qualified.
    - \*\*\* - Term expires at the Fund's 2007 Annual Meeting of Shareholders or until their successors are duly elected and qualified.
 Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.
  - 3 "Interested person" of the Fund, as defined in the 1940 Act. Mr. Gabelli is an "interested person" of the Fund as a result of his employment as an officer of the Investment 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 Investment 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 investment adviser.
  - 4 This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended (i.e. public companies) or other investment companies registered under the 1940 Act.
  - 5 Trustees who are not interested persons are considered "Independent" Trustees.

CERTIFICATIONS

The Fund's Chief Executive Officer has certified to the New York Stock Exchange ("NYSE") that, as of June 12, 2006, 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.

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### CASH DIVIDENDS AND DISTRIBUTIONS

PAYABLE DATE -----	RECORD DATE -----	TOTAL AMOUNT PAID PER SHARE (A) -----	ORDINARY INVESTMENT INCOME (A) (A) -----	LONG-TERM CAPITAL GAINS (a) -----	DIVIDEND REINVESTMENT PRICE -----
<b>COMMON STOCK</b>					
01/25/06	01/17/06	\$0.10000	\$0.05681	\$0.04319	\$18.55500
02/22/06	02/13/06	0.10000	0.05500	0.04500	18.59810
03/27/06	03/17/06	0.10000	0.05500	0.04500	18.58470
04/24/06	04/13/06	0.10000	0.05500	0.04500	18.57050
05/24/06	05/16/06	0.10000	0.05500	0.04500	18.21850
06/26/06	06/16/06	0.10000	0.05500	0.04500	18.17280
07/25/06	07/17/06	0.10000	0.05500	0.04500	18.59760
08/25/06	08/17/06	0.10000	0.05500	0.04500	19.07180
09/25/06	09/15/06	0.10000	0.05500	0.04500	19.18870
10/25/06	10/17/06	0.10000	0.05500	0.04500	20.04590
11/24/06	11/15/06	0.10000	0.05500	0.04500	20.10720
12/18/06	12/13/06	0.35000	0.19249	0.15751	21.28810
01/08/07	12/29/06	0.09000	0.04950	0.04050	21.09060
		\$1.54000	\$0.84880	\$0.69120	
<b>5.875% PREFERRED SHARES</b>					
03/27/06	03/20/06	\$0.36719	\$0.20367	\$0.16352	
06/26/06	06/19/06	0.36719	0.20194	0.16525	
09/26/06	09/19/06	0.36719	0.20194	0.16525	
12/26/06	12/18/06	0.36719	0.20194	0.16525	
		\$1.46875	\$0.80950	\$0.65925	
<b>6.000% PREFERRED SHARES</b>					
03/27/06	03/20/06	\$0.37500	\$0.20800	\$0.16700	
06/26/06	06/19/06	0.37500	0.20624	0.16876	
09/26/06	09/19/06	0.37500	0.20624	0.16876	
12/26/06	12/18/06	0.37500	0.20624	0.16876	
		\$1.50000	\$0.82672	\$0.67328	

### SERIES B AND C AUCTION MARKET AND SERIES E AUCTION RATE PREFERRED SHARES

The Series B Auction Market Preferred Shares, Series C Auction Market Preferred Shares, and Series E Auction Rate Preferred Shares pay dividends weekly based on a rate set at auction, usually held every seven days. The percentage of 2006 distributions derived from long-term capital gains for the Series B Auction Market Preferred Shares, Series C Auction Market Preferred Shares, and Series E Auction Rate Preferred Shares was 47.13%.

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 your 2006 tax returns. Ordinary income distributions include net investment income and realized net short-term capital gains. The long-term gain distribution for the fiscal year ended December 31, 2006 is \$69,904,009.

### CORPORATE DIVIDENDS RECEIVED DEDUCTION, QUALIFIED DIVIDEND INCOME AND U.S. GOVERNMENT SECURITIES INCOME

The Fund paid to common, 5.875% Series A, and 6.00% Series D preferred shareholders ordinary income dividends of \$0.84880, \$0.80950, and \$0.82672 per share, respectively, in 2006. The Fund paid weekly distributions to Series B, C, and E preferred shareholders at varying rates throughout the year, including ordinary income dividends totaling \$676.98080, \$676.17050, and \$675.64140 per



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share, respectively, in 2006. For the year ended December 31, 2006, 65.79% of the ordinary dividend qualified for the dividend received deduction available to corporations, and 93.67% of the ordinary income distribution was qualified dividend income. The percentage of ordinary income dividends paid by the Fund during 2006 derived from U.S. Treasury Securities was 4.79%. 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 2006. The percentage of U.S. Treasury Securities held as of December 31, 2006 was 2.89%.

### HISTORICAL DISTRIBUTION SUMMARY

	INVESTMENT INCOME (B)	SHORT-TERM CAPITAL GAINS (B)	LONG-TERM CAPITAL GAINS	RETURN OF CAPITAL (C)	TOTAL DISTRIBUTION
	-----	-----	-----	-----	-----
COMMON STOCK					
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
5.875% PREFERRED STOCK					
2006	\$0.57983	\$0.22967	\$0.65925	--	\$1.46875
2005	0.56290	0.10493	0.80092	--	1.46875
2004	0.19150	0.04798	0.06651	--	0.30599
6.000% PREFERRED STOCK					
2006	\$0.59215	\$0.23457	\$0.67328	--	\$1.50000
2005	0.08620	0.01610	0.12270	--	0.22500
AUCTION MARKET/RATE PREFERRED SHARES					
2006 Class B Shares	\$484.90820	\$192.07260	\$551.32920	--	\$1228.31000
2006 Class C Shares	484.32800	191.84250	550.66950	--	1226.84000
2006 Class E Shares	483.94880	191.69260	550.23860	--	1225.88000
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

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- (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.

### THE GABELLI DIVIDEND & INCOME TRUST

#### APPROVAL OF CONTINUANCE OF INVESTMENT ADVISORY AGREEMENT

During the six months ended December 31, 2006, 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

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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 since inception against a peer group of all closed-end equity funds. The Board Members noted the Fund's excellent performance for the one year period, two year period, and since inception.

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

**ECONOMIES OF SCALE.** The Independent Board Members discussed the major elements of the Adviser's cost structure and the relationship of those elements to potential economies of scale and reviewed rudimentary data suggesting that 20% growth in the Fund would not produce meaningful economies of scale that the shareholders would not participate in.

**SHARING OF ECONOMIES OF SCALE.** 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 to similar expense ratios of the peer group of closed-end equity funds and noted that the Adviser's management fee includes substantially all administrative services of the Fund as well as investment advisory services. The Fund's assets are higher than all but six closed-end funds. The Fund's management fee is six basis points higher than the group average and total expense ratio is 36 basis points below the group average. The Independent Board Members also noted that the management fee structure was the same as that in effect for most of the Gabelli funds. The Independent Board Members were presented with, but did not compare, the management fee to the fee for other types of accounts managed by the Adviser.

**CONCLUSIONS.** The Independent Board Members concluded that the Fund enjoyed highly experienced portfolio management services, good ancillary services, and a moderately above average 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 at this time. The Independent Board Members did not view the potential profitability of ancillary services as material to their decision. On the basis of the foregoing and without assigning particular weight to any single conclusion, the Independent Board Members determined to recommend continuation of the Advisory Agreement to the full Board.

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### 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

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"registered" shareholder you automatically become a participant in the Fund's Automatic Dividend Reinvestment Plan (the "Plan"). The Plan authorizes the Fund to issue shares of common stock 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 stock 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 stock 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 stock 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 stock 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 stock. 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 stock at the time of valuation exceeds the market price of the common stock, 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 stock 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 stock 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.

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### 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 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.

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The Annual Meeting of The Gabelli Dividend & Income Trust's shareholders will be held at 12:00 P.M. on Monday, May 14, 2007 at the Greenwich Library in Greenwich, Connecticut.

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TRUSTEES

Mario J. Gabelli, CFA  
 CHAIRMAN & CHIEF EXECUTIVE OFFICER,  
 GAMCO INVESTORS, INC.

Anthony J. Colavita  
 ATTORNEY-AT-LAW,  
 ANTHONY J. COLAVITA, P.C.

James P. Conn  
 FORMER CHIEF INVESTMENT OFFICER,  
 FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

Mario d'Urso  
 CHAIRMAN, MITTEL CAPITAL MARKETS SPA

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, HALLMARK ELECTRICAL SUPPLIES CORP.

OFFICERS

Bruce N. Alpert  
 PRESIDENT

Carter W. Austin  
 VICE PRESIDENT

Peter D. Goldstein  
 CHIEF COMPLIANCE OFFICER

James E. McKee  
 SECRETARY

Agnes Mullady  
 TREASURER

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%
	COMMON	PREFERRED
	-----	-----
NYSE-Symbol:	GDV	GDV PrA
Shares Outstanding:	83,973,170	3,200,000

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.

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 For general information about the Gabelli Funds, call 800-GABELLI (800-422-3554), fax us at 914-921-5118, visit Gabelli Funds' Internet homepage at: WWW.GABELLI.COM or e-mail us at: closedend@gabelli.com  
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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 Series A and Series D Cumulative Preferred Shares in the open market when the shares are trading at a discount to the Liquidation Value of \$25.00.

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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  
EMAIL: CLOSEDEND@GABELLI.COM

GDV Q4/2006

### ITEM 2. CODE OF ETHICS.

- (a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
- (c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.
- (d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

As of the end of the period covered by the report, the registrant's Board of Trustees has determined that Salvatore J. Zizza is qualified to serve as an audit committee financial expert serving on its audit committee and that he is "independent," as defined by Item 3 of Form N-CSR.

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### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

#### AUDIT FEES

- (a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$103,372 for 2005 and \$50,700 for 2006.

#### AUDIT-RELATED FEES

- (b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item are \$13,800 for 2005 and \$13,800 for 2006. Audit-related fees represent services provided in the preparation of Preferred Shares Reports.

#### TAX FEES

- (c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$2,880 for 2005 and \$3,100 for 2006. Tax fees represent tax compliance services provided in connection with the review of the Registrant's tax returns.

#### ALL OTHER FEES

- (d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0 for 2005 and \$0 for 2006.
- (e) (1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c) (7) of Rule 2-01 of Regulation S-X.

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

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the time of the engagement to be non-audit services; and (ii) such services are promptly brought to the attention of the Committee and approved by the Committee or Chairperson prior to the completion of the audit.

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

(b) 100%

(c) 100%

(d) Not applicable

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

- (g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant was \$0 for 2005 and \$0 for 2006.

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

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant has a separately designated audit committee consisting of the following members: Frank J. Fahrenkopf, Jr., Anthonie C. van Ekris and Savadore J. Zizza.

### ITEM 6. SCHEDULE OF INVESTMENTS.

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

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.



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The Proxy Voting Policies are attached herewith.

### THE VOTING OF PROXIES ON BEHALF OF CLIENTS

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

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

#### I. PROXY VOTING COMMITTEE

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

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

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

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

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### A. CONFLICTS OF INTEREST.

THE ADVISERS HAVE IMPLEMENTED THESE PROXY VOTING PROCEDURES IN ORDER TO PREVENT CONFLICTS OF INTEREST FROM INFLUENCING THEIR PROXY VOTING DECISIONS. BY FOLLOWING THE PROXY GUIDELINES, AS WELL AS THE RECOMMENDATIONS OF ISS, OTHER THIRD-PARTY SERVICES AND THE ANALYSTS OF GABELLI & COMPANY, THE ADVISERS ARE ABLE TO AVOID, WHEREVER POSSIBLE, THE INFLUENCE OF POTENTIAL CONFLICTS OF INTEREST. NEVERTHELESS, CIRCUMSTANCES MAY ARISE IN WHICH ONE OR MORE OF THE ADVISERS ARE FACED WITH A CONFLICT OF INTEREST OR THE APPEARANCE OF A CONFLICT OF INTEREST IN CONNECTION WITH ITS VOTE. IN GENERAL, A CONFLICT OF INTEREST MAY ARISE WHEN AN ADVISER KNOWINGLY DOES BUSINESS WITH AN ISSUER, AND MAY APPEAR TO HAVE A MATERIAL CONFLICT BETWEEN ITS OWN INTERESTS AND THE INTERESTS OF THE SHAREHOLDERS OF AN INVESTMENT COMPANY MANAGED BY ONE OF THE ADVISERS REGARDING HOW THE PROXY IS TO BE VOTED. A CONFLICT ALSO MAY EXIST WHEN AN ADVISER HAS ACTUAL KNOWLEDGE OF A MATERIAL BUSINESS ARRANGEMENT BETWEEN AN ISSUER AND AN AFFILIATE OF THE ADVISER.

IN PRACTICAL TERMS, A CONFLICT OF INTEREST MAY ARISE, FOR EXAMPLE, WHEN A PROXY IS VOTED FOR A COMPANY THAT IS A CLIENT OF ONE OF THE ADVISERS, SUCH AS GAMCO ASSET MANAGEMENT INC. A CONFLICT ALSO MAY ARISE WHEN A CLIENT OF ONE OF THE ADVISERS HAS MADE A SHAREHOLDER PROPOSAL IN A PROXY TO BE VOTED UPON BY ONE OR MORE OF THE ADVISERS. THE DIRECTOR OF PROXY VOTING SERVICES, TOGETHER WITH THE LEGAL DEPARTMENT, WILL SCRUTINIZE ALL PROXIES FOR THESE OR OTHER SITUATIONS THAT MAY GIVE RISE TO A CONFLICT OF INTEREST WITH RESPECT TO THE VOTING OF PROXIES.

### A. OPERATION OF PROXY VOTING COMMITTEE.

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

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

Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy

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Guidelines and will review each matter on its own merits. Written minutes of all Proxy Voting Committee meetings will be maintained. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues.

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

### II. SOCIAL ISSUES AND OTHER CLIENT GUIDELINES

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

### III. CLIENT RETENTION OF VOTING RIGHTS

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

- Operations
- Legal Department
- Proxy Department
- Investment professional assigned to the account

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

### IV. VOTING RECORDS

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers' staff may request proxy-voting records for use in presentations to current or prospective clients. Requests for proxy voting records should be made at least ten days prior to client meetings.

If a client wishes to receive a proxy voting record on a quarterly, semi-annual or annual basis, please notify the Proxy Voting Department. The reports will be available for mailing approximately ten days after the quarter end of the period. First quarter reports may be delayed since the end of the quarter falls during the height of the proxy season.

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

[Adviser name]

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Attn: Proxy Voting Department  
One Corporate Center  
Rye, New York 10580-1433

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

### V. VOTING PROCEDURES

1. Custodian banks, outside brokerage firms and Wexford Clearing Services Corporation are responsible for forwarding proxies directly to GAMCO.

Proxies are received in one of two forms:

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

- o Proxy cards which may be voted directly.

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

3. In the case of a discrepancy such as an incorrect number of shares, an improperly signed or dated card, wrong class of security, etc., the issuing custodian is notified by phone. A corrected proxy is requested. Any arrangements are made to insure that a proper proxy is received in time to be voted (overnight delivery, fax, etc.). When securities are out on loan on record date, the custodian is requested to supply written verification.

4. Upon receipt of instructions from the proxy committee (see Administrative), the votes are cast and recorded for each account on an individual basis.

Since January 1, 1992, records have been maintained on the Proxy Edge system. The system is backed up regularly. From 1990 through 1991, records were maintained on the PROXY VOTER system and in hardcopy format. Prior to 1990, records were maintained on diskette and in hardcopy format.

PROXY EDGE records include:

- Security Name and Cusip Number
- Date and Type of Meeting (Annual, Special, Contest)
- Client Name
- Adviser or Fund Account Number
- Directors' Recommendation
- How GAMCO voted for the client on each issue
- The rationale for the vote when it appropriate

Records prior to the institution of the PROXY EDGE system include:

- Security name
- Type of Meeting (Annual, Special, Contest)
- Date of Meeting
- Name of Custodian
- Name of Client
- Custodian Account Number
- Adviser or Fund Account Number
- Directors' recommendation
- How the Adviser voted for the client on each issue
- Date the proxy statement was received and by whom
- Name of person posting the vote
- Date and method by which the vote was cast

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- o From these records individual client proxy voting records are compiled. It is our policy to provide institutional clients with a proxy voting record during client reviews. In addition, we will supply a proxy voting record at the request of the client on a quarterly, semi-annual or annual basis.
  - 5. VAFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.
  - 6. Shareholder Vote Authorization Forms issued by ADP are always sent directly to a specific individual at ADP.
  - 7. If a proxy card or VAF is received too late to be voted in the conventional matter, every attempt is made to vote on one of the following manners:
    - o VAFs can be faxed to ADP up until the time of the meeting. This is followed up by mailing the original form.
    - o When a solicitor has been retained, the solicitor is called. At the solicitor's direction, the proxy is faxed.
  - 8. In the case of a proxy contest, records are maintained for each opposing entity.
  - 9. Voting in Person
    - a) At times it may be necessary to vote the shares in person. In this case, a "legal proxy" is obtained in the following manner:
      - o Banks and brokerage firms using the services at ADP:

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

The bank is called and/or faxed and a legal proxy is requested.
- All legal proxies should appoint:
- "REPRESENTATIVE OF [ADVISER NAME] WITH FULL POWER OF SUBSTITUTION."
- b) The legal proxies are given to the person attending the meeting along with the following supplemental material:
    - o A limited Power of Attorney appointing the attendee an Adviser representative.
    - o A list of all shares being voted by custodian only. Client names and account numbers are not included. This list must be presented, along with the proxies, to the Inspectors of Elections and/or tabulator at least one-half hour prior to the scheduled start of the meeting. The tabulator must "qualify" the votes (i.e. determine if the vote have previously been cast, if the votes have been rescinded, etc. vote have previously been cast, etc.).
    - o A sample ERISA and Individual contract.

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- o A sample of the annual authorization to vote proxies form.
- o A copy of our most recent Schedule 13D filing (if applicable).

### APPENDIX A PROXY GUIDELINES

#### PROXY VOTING GUIDELINES

#### GENERAL POLICY STATEMENT

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

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

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

#### BOARD OF DIRECTORS

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

Factors taken into consideration include:

- o Historical responsiveness to shareholders
  - This may include such areas as:
    - Paying greenmail
    - Failure to adopt shareholder resolutions receiving a majority of shareholder votes
- o Qualifications
- o Nominating committee in place
- o Number of outside directors on the board
- o Attendance at meetings
- o Overall performance

#### SELECTION OF AUDITORS

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

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### BLANK CHECK PREFERRED STOCK

We oppose the issuance of blank check preferred stock.

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

### CLASSIFIED BOARD

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

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

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

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

### INCREASE AUTHORIZED COMMON STOCK

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

Factors taken into consideration include:

- o Future use of additional shares
  - Stock split
  - Stock option or other executive compensation plan
  - Finance growth of company/strengthen balance sheet
  - Aid in restructuring
  - Improve credit rating
  - Implement a poison pill or other takeover defense
- o Amount of stock currently authorized but not yet issued or reserved for stock option plans
- o Amount of additional stock to be authorized and its dilutive effect

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

### CONFIDENTIAL BALLOT

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

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

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

### CUMULATIVE VOTING

In general, we support cumulative voting.

Cumulative voting is a process by which a shareholder may multiply the number of

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directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or more candidates.

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

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

### DIRECTOR LIABILITY AND INDEMNIFICATION

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

### EQUAL ACCESS TO THE PROXY

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

### FAIR PRICE PROVISIONS

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

We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits.

Reviewed on a case-by-case basis.

### GOLDEN PARACHUTES

Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover.

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

NOTE: CONGRESS HAS IMPOSED A TAX ON ANY PARACHUTE THAT IS MORE THAN THREE TIMES THE EXECUTIVE'S AVERAGE ANNUAL COMPENSATION.

### ANTI-GREENMAIL PROPOSALS

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

### LIMIT SHAREHOLDERS' RIGHTS TO CALL SPECIAL MEETINGS

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



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### CONSIDERATION OF NONFINANCIAL EFFECTS OF A MERGER

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

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

Reviewed on a case-by-case basis.

### MERGERS, BUYOUTS, SPIN-OFFS, RESTRUCTURINGS

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

### MILITARY ISSUES

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

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

### NORTHERN IRELAND

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

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

### OPT OUT OF STATE ANTI-TAKEOVER LAW

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

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

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

### POISON PILL

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In general, we do not endorse poison pills.

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

### REINCORPORATION

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

### STOCK OPTION PLANS

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

- o Dilution of voting power or earnings per share by more than 10%
- o Kind of stock to be awarded, to whom, when and how much
- o Method of payment
- o Amount of stock already authorized but not yet issued under existing stock option plans

### SUPERMAJORITY VOTE REQUIREMENTS

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

### LIMIT SHAREHOLDERS RIGHT TO ACT BY WRITTEN CONSENT

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

Reviewed on a case-by-case basis.

## ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

### PORTFOLIO MANAGERS

Mr. Mario J. Gabelli, CFA, is primarily responsible for the day-to-day management of The Gabelli Dividend & Income Trust, (the Trust). Mr. Gabelli has served as Chairman, Chief Executive Officer, and Chief Investment Officer -Value Portfolios of GAMCO Investors, Inc. and its affiliates since their organization.

Additionally, Barbara G. Marcin serves as Senior Portfolio Manager for the Trust. Ms. Marcin joined GAMCO Investors, Inc. in 1999 to manage larger capitalization value style portfolios.

### MANAGEMENT OF OTHER ACCOUNTS

The table below shows the number of other accounts managed by the Portfolio Managers and the total assets in each of the following categories: registered investment companies, other paid investment vehicles and other accounts. For each category, the table also shows the number of accounts and the total assets

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in the accounts with respect to which the advisory fee is based on account performance.

Name of Portfolio Manager	Type of Accounts	Total No. of Accounts Managed	Total Assets	No. of Account where Advisor Fee is Based Performance
1. Mario J. Gabelli	Registered Investment Companies:	22	\$11.5B	5
	Other Pooled Investment Vehicles:	17	\$714.9M	16
	Other Accounts:	1818	\$11.0B	6
2. Barbara G. Marcin	Registered Investment Companies:	2	\$474.9M	0
	Other Pooled Investment Vehicles:	0	0	0
	Other Accounts:	21	\$138.0M	0

### POTENTIAL CONFLICTS OF INTEREST

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

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

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

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the market price of the security, accounts that purchased or sold the security first may receive a more favorable price than accounts that made subsequent transactions.

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

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

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

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

### COMPENSATION STRUCTURE FOR MARIO J. GABELLI

Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by the Adviser for managing the Trust. Net revenues are determined by deducting from gross investment management fees the firm's expenses (other than Mr. Gabelli's compensation) allocable to this Trust. Five closed-end registered investment companies (including this Trust) managed by Mr. Gabelli have arrangements whereby the Adviser will only receive its investment advisory fee attributable to the liquidation value of outstanding preferred stock (and Mr. Gabelli would only receive his percentage of such advisory fee) if certain performance levels are met. Additionally, he receives similar incentive based variable compensation for managing other accounts within the firm and its affiliates. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. The level of compensation is not determined with specific reference to the performance of any account against any specific benchmark. One of the other registered investment companies managed by Mr. Gabelli has a performance (fulcrum) fee arrangement for which his compensation

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is adjusted up or down based on the performance of the investment company relative to an index. Mr. Gabelli manages other accounts with performance fees. Compensation for managing these accounts has two components. One component is based on a percentage of net revenues to the investment adviser for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of such performance fee is paid to Mr. Gabelli. As an executive officer of the Adviser's parent company, GBL, Mr. Gabelli also receives ten percent of the net operating profits of the parent company. He receives no base salary, no annual bonus, and no stock options.

**COMPENSATION STRUCTURE FOR BARBARA G. MARCIN**

The compensation of Ms. Marcin for the Trust is structured to enable the Adviser to attract and retain highly qualified professionals in a competitive environment. The Portfolio Manager receives a compensation package that includes a minimum draw or base salary, equity-based incentive compensation via awards of stock options, and incentive based variable compensation based on a percentage of net revenue received by the Adviser for managing the Trust to the extent that the amount exceeds a minimum level of compensation. Net revenues are determined by deducting from gross investment management fees certain of the firm's expenses (other than the Portfolio Managers' compensation) allocable to the Trust (the incentive-based variable compensation for managing other accounts is also based on a percentage of net revenues to the investment adviser for managing the account). This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. The level of equity-based incentive and incentive-based variable compensation is based on an evaluation by the Adviser's parent, GBL, of quantitative and qualitative performance evaluation criteria. This evaluation takes into account, in a broad sense, the performance of the accounts managed by the Portfolio Manager, but the level of compensation is not determined with specific reference to the performance of any account against any specific benchmark. Generally, greater consideration is given to the performance of larger accounts and to longer term performance over smaller accounts and short-term performance.

**OWNERSHIP OF SHARES IN THE FUND**

Mario Gabelli and Barbara Marcin owned over \$1,000,000 and \$0 of shares, respectively, of the Trust as of December 31, 2006.

(B) Not applicable.

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.**

**REGISTRANT PURCHASES OF EQUITY SECURITIES**

PERIOD	(A) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED	(B) AVERAGE PRICE PAID PER SHARE (OR UNIT)	(C) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(D) APPROXIMATE NUMBER OF SHARES (OR UNITS) BEING PURCHASED
Month #1	Common - 20,000	Common - \$18.2371	Common - 20,000	Common - 20,000

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07/01/06 through 07/31/06	Preferred Series A - N/A Preferred Series D - N/A	Preferred Series A - N/A Preferred Series D - N/A	Preferred Series A - N/A Preferred Series D - N/A	Preferred Series A - N/A Preferred Series D - N/A	Preferred Series A - N/A Preferred Series D - N/A
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Month #2 08/01/06 through 08/31/06	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A
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Month #3 09/01/06 through 09/30/06	Common - 5,000 Preferred Series A - N/A Preferred Series D - N/A	Common - \$19.1334 Preferred Series A - N/A Preferred Series D - N/A	Common - 5,000 Preferred Series A - N/A Preferred Series D - N/A	Common - 5,000 Preferred Series A - N/A Preferred Series D - N/A	Common - 5,000 Preferred Series A - N/A Preferred Series D - N/A
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Month #4 10/01/06 through 10/31/06	Common - 10,400 Preferred Series A - N/A Preferred Series D - N/A	Common - \$19.7129 Preferred Series A - N/A Preferred Series D - N/A	Common - 10,400 Preferred Series A - N/A Preferred Series D - N/A	Common - 10,400 Preferred Series A - N/A Preferred Series D - N/A	Common - 10,400 Preferred Series A - N/A Preferred Series D - N/A
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Month #5 11/01/06 through 11/30/06	Common - 100,000 Preferred Series A - N/A Preferred Series D - N/A	Common - \$20.2674 Preferred Series A - N/A Preferred Series D - N/A	Common - 100,000 Preferred Series A - N/A Preferred Series D - N/A	Common - 100,000 Preferred Series A - N/A Preferred Series D - N/A	Common - 100,000 Preferred Series A - N/A Preferred Series D - N/A
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Month #6 12/01/06 through 12/31/06	Common - 19,435 Preferred Series A - N/A Preferred Series D - N/A	Common - \$20.6518 Preferred Series A - N/A Preferred Series D - N/A	Common - 19,435 Preferred Series A - N/A Preferred Series D - N/A	Common - 19,435 Preferred Series A - N/A Preferred Series D - N/A	Common - 19,435 Preferred Series A - N/A Preferred Series D - N/A
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Total	Common - 154,835 Preferred Series A - N/A Preferred Series D - N/A	Common - \$19.9853 Preferred Series A - N/A Preferred Series D - N/A	Common - 154,835 Preferred Series A - N/A Preferred Series D - N/A	Common - 154,835 Preferred Series A - N/A Preferred Series D - N/A	N/A N/A N/A
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Footnote columns (c) and (d) of the table, by disclosing the following information in the aggregate for all plans or programs publicly announced:

- a. The date each plan or program was announced - The notice of the potential repurchase of common and preferred shares occurs quarterly in the Fund's quarterly report in accordance with Section 23(c) of the Investment Company Act of 1940, as amended.
- b. The dollar amount (or share or unit amount) approved - Any or all common shares outstanding may be repurchased when the Fund's common shares are trading at a discount of 7.5% or more from the net asset value of the shares. Any or all preferred shares outstanding may be repurchased when the Fund's preferred shares are trading at a discount to the liquidation value of \$25.00.
- c. The expiration date (if any) of each plan or program - The Fund's repurchase plans are ongoing.
- d. Each plan or program that has expired during the period covered by the table - The Fund's repurchase plans are ongoing.
- e. Each plan or program the registrant has determined to terminate prior to expiration, or under which the registrant does not intend to make further purchases. - The Fund's repurchase plans are ongoing.

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ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's Board of Trustees, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

ITEM 11. CONTROLS AND PROCEDURES.

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

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

ITEM 12. EXHIBITS.

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

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

(a) (3) Not applicable.

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

SIGNATURES

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

(registrant) The Gabelli Dividend & Income Trust

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

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Bruce N. Alpert, Principal Executive Officer

Date 03/01/2007

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

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

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Bruce N. Alpert, Principal Executive Officer

Date 03/01/2007

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

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Agnes Mullady,  
Principal Financial Officer and Treasurer

Date 03/01/2007

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