

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

GABELLI DIVIDEND & INCOME TRUST

Form N-2

July 08, 2005

As filed with the Securities and Exchange Commission on July 8, 2005
Securities Act File No. 333-
Investment Company Act File No. 811-21423

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

Registration Statement under the Securities Act of 1933
 Pre-Effective Amendment No.
 Post-Effective Amendment No.

and/or

Registration Statement under the Investment
Company Act of 1940
 Amendment No. 10

(Check Appropriate Box or Boxes)

THE GABELLI DIVIDEND & INCOME TRUST
(Exact Name of Registrant as Specified in Charter)

One Corporate Center
Rye, New York 10580-1422
(Address of Principal Executive Offices)

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

Bruce N. Alpert
The Gabelli Dividend & Income Trust
One Corporate Center
Rye, New York 10580-1422
(914) 921-5100
(Name and Address of Agent for
Service)

Copies to:

Richard T. Prins, Esq
Skadden, Arps, Slate,
Meagher & Flom LLP
Four Times Square
New York, New York 10036
(212) 735-3000

James E. McKee, Esq.
The Gabelli Dividend & Income
Trust
One Corporate Center
Rye, New York 10580-1422
(914) 921-5100

[__]

Approximate date of proposed public offering: As soon as practicable
after the effective date of this Registration Statement.

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, as amended, other than securities offered in connection with a dividend reinvestment plan, check the following box. []

It is proposed that this filing will become effective (check appropriate box)
 When declared effective pursuant to section 8(c).

If appropriate, check the following box:

This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

This form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration statement number of the earlier effective registration statement for the same offering is [].

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities -----	Amount Being Registered -----	Proposed Maximum Offering Price -----	Proposed Maximum Aggregate Offering Price(1) -----
___% Series D Preferred	40,000	\$25	\$500,000
Series E Auction Market Preferred	400	\$25,000	\$500,000

(1) Estimated solely for the purpose of calculating the registration fee.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

CROSS-REFERENCE SHEET

N-2 Item Number

Location in Part A (Caption)

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

PART A

1.	Outside Front Cover.....	Outside Front Cover Page
2.	Cover Pages, Other Offering Information.....	Outside Front Cover Page; Inside Fr
3.	Fee Table and Synopsis.....	Prospectus Summary
4.	Financial Highlights.....	Financial Highlights
5.	Plan of Distribution.....	Outside Front Cover Page; Prospectu Underwriting
6.	Selling Shareholders.....	Not Applicable
7.	Use of Proceeds.....	Use of Proceeds; Investment Objecti
8.	General Description of the Registrant.....	Outside Front Cover Page; Prospectu Fund; Investment Objective and Poli & Special Considerations; How the F Description of the Series D Preferr AMPS; Anti-takeover Provisions of t Governing Documents
9.	Management.....	Outside Front Cover Page; Prospectu Management of the Fund; Custodian, Auction Agent and Dividend-Disbursi
10.	Capital Shares, Long-Term Debt, and Other Securities.....	Outside Front Cover Page; Prospectu Investment Objective and Policies; Series D Preferred and Series E AMP Outstanding Shares ; Taxation
11.	Defaults and Arrears on Senior Securities.....	Not Applicable
12.	Legal Proceedings.....	Not Applicable
13.	Table of Contents of the Statement of Additional Information.....	Table of Contents of the Statement Information

PART B

14.	Cover Page.....	Location in Statement of Additional Information
15.	Table of Contents.....	Outside Front Cover Page
16.	General Information and History.....	Not Applicable
17.	Investment Objective and Policies.....	Investment Objective and Policies; Investment Restrictions
18.	Management.....	Management of the Fund
19.	Control Persons and Principal	

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

stock selections, Gabelli Funds, LLC, which serves as investment adviser to the Fund, looks for securities that have a superior yield, as well as capital gains potential. The Fund commenced its investment operations on November 28, 2003. We cannot assure you that the Fund's objective will be achieved.

(continued on following page)

Investing in our Series D Preferred or Series E AMPS involves risks that are described in the "Risk Factors and Special Considerations" section beginning on page 40 of this prospectus.

	Public Offering Price(1)	Underwriting Discount	Proceeds to the Fund (before expenses) (2)
	-----	-----	-----
Per Series D Cumulative Preferred Share.....	\$25	\${ }	\${ }
Total.....	\${ }	\${ }	\${ }
Per Series E AMPS.....	\$25,000	\${ }	\${ }
Total.....	\${ }	\${ }	\${ }

(1) Plus accumulated dividends, if any, from []

(2) Offering expenses payable by the Fund are estimated at \${ }

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

The Series D Preferred and the Series E AMPS being offered by this prospectus are being offered by the underwriters listed in this prospectus, subject to prior sale, when, as and if accepted by them and subject to certain conditions. The Fund expects that delivery of any Series D Preferred and Series E AMPS will be made in book-entry form through the facilities of The Depository Trust Company on or about [], 2005.

[]

The date of this prospectus is [], 2005.

(continued from previous page)

This prospectus describes the Fund's []% Series D Cumulative Preferred Shares (the "Series D Preferred"), liquidation preference \$25 per share. Dividends on the Series D Preferred are cumulative from their original issue date at the annual rate of []% of the liquidation preference of \$25 per share and are payable quarterly on March 26, June 26, September 26 and December 26 in each year, commencing on [], 2005.

This prospectus also describes the Fund's Series E Auction Market

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

Preferred Shares (the "Series E AMPS"), liquidation preference \$25,000 per share. The dividend rate for the AMPS will vary from dividend period to dividend period. The annual dividend rate for the initial dividend period for the Series E AMPS will be []% of the liquidation preference of \$25,000 per share. The initial dividend period for the Series E AMPS commences on the date of issuance and continues through [], 2005. For subsequent dividend periods, the Series E AMPS will pay dividends based on a rate set at auction, usually held weekly.

The Fund offers by this prospectus, in the aggregate, \$[] million of either Series D Preferred, or Series E AMPS, or a combination of both.

Application has been made to list the Series D Preferred on the New York Stock Exchange. Subject to notice of issuance, trading of the Series D Preferred on the New York Stock Exchange is expected to commence within 30 days of the date of this prospectus. Prior to this offering, there has been no public market for the Series D Preferred. See "Underwriting."

The net proceeds of the offering, which are expected to be \$[], will be invested in accordance with the Fund's investment objective and policies. See "Investment Objective and Policies" beginning on page 32.

The Fund expects that dividends paid on the Series D Preferred and Series E AMPS will consist of (i) long-term capital gain (gain from the sale of a capital asset held longer than 12 months), (ii) qualified dividend income (dividend income from certain domestic and foreign corporations) and (iii) investment company taxable income (other than qualified dividend income), including interest income, short-term capital gain and income from certain hedging and interest rate transactions. For individuals, the maximum federal income tax rate on long-term capital gain is currently 15%, on qualified dividend income is currently 15%, and on ordinary income (such as distributions from investment company taxable income that are not eligible for treatment as qualified dividend income) is currently 35%. These tax rates are scheduled to apply through 2008. We cannot assure you, however, as to what percentage of the dividends paid on the Series D Preferred or Series E AMPS will consist of long-term capital gains and qualified dividend income, which are taxed at lower rates for individuals than ordinary income. For a more detailed discussion, see "Taxation."

In order to be issued, the Series D Preferred must receive a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's"). In addition, in order to be issued the Series E AMPS must receive a rating of "Aaa" by Moody's and a rating of "AAA" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P"). In order to keep these ratings, the Fund will be required to maintain a minimum discounted asset coverage with respect to its outstanding Series D Preferred and Series E AMPS under guidelines established by each of Moody's and S&P. See "Description of the Series D Preferred and Series E AMPS - Rating Agency Guidelines." The Fund is also required to maintain a minimum asset coverage by the Investment Company Act of 1940. If the Fund fails to maintain any of these minimum asset coverage requirements, the Fund may, at its option (and in certain circumstances must) require, in accordance with its governing documents and the requirements of the Investment Company Act of 1940, that some or all of its outstanding preferred shares, including the Series D Preferred and/or the Series E AMPS, be sold back to it (redeemed). Otherwise, prior to [] the Series D Preferred will be redeemable at the option of the Fund only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. Subject to certain notice and other requirements (including those set forth in Section 23(c) of the Investment Company Act of 1940), the Fund at its option may redeem (i) the Series D Preferred beginning on [] and (ii) the Series E AMPS following the initial dividend period (so long as the Fund has not designated a non-call period). In the event the Fund redeems Series D

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

Preferred, such redemption will be for cash at a redemption price equal to \$25 per share plus accumulated but unpaid dividends (whether or not earned or declared). In the event the Fund redeems Series E AMPS, such redemptions will be for cash, generally at a redemption price equal to \$25,000 per share plus accumulated but unpaid dividends (whether or not earned or declared), although if the Series E AMPS have a dividend period of more than one year, the Fund's Board of Trustees may determine to provide for a redemption premium.

This prospectus concisely sets forth important information about the Fund that you should know before deciding whether to invest in Series D Preferred or Series E AMPS. You should read this prospectus and retain it for future reference.

The Fund has also filed with the Securities and Exchange Commission a Statement of Additional Information, dated [], 2005, which contains additional information about the Fund. The Statement of Additional Information is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the Statement of Additional Information on page 79 of this prospectus. You may request a free copy of the Statement of Additional Information by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or calling the Fund toll-free at (800) 422-3554. You can also call this toll-free number to request copies of the Fund's annual and semi-annual reports, to request other information about the Fund, or to make shareholder inquiries. The SAI and the Fund's reports are also available at the web site (<http://www.gabelli.com>). You may also obtain the Statement of Additional Information as well as reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the Securities and Exchange Commission on the Securities and Exchange Commission's web site (<http://www.sec.gov>).

The Fund's Series D Preferred and Series E AMPS do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

The Series E AMPS will not be listed on an exchange. Investors may only buy or sell Series E AMPS through an order placed at an auction with or through a broker-dealer in accordance with the procedures specified in this prospectus or in a secondary market maintained by certain broker-dealers should those broker-dealers decide to maintain a secondary market. Broker-dealers are not required to maintain a secondary market in the Series E AMPS, and a secondary market may not provide you with liquidity.

4

TABLE OF CONTENTS

	Page

Prospectus Summary.....	5
Financial Highlights.....	28
Use of Proceeds.....	30
The Fund 30	
Capitalization.....	31
Investment Objective and Policies.....	32
Risk Factors and Special Considerations.....	33
How the Fund Manages Risk.....	49
Management of the Fund.....	50

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

Portfolio Transactions.....53
 Dividends and Distributions.....53
 Description of The Series D Preferred And Series E AMPS.....54
 The Auction of AMPS.....67
 Authorized and Outstanding Shares.....70
 Taxation 72
 Anti-Takeover Provisions of the Fund's Governing Documents.....74
 Custodian, Transfer Agent, Auction Agent and Dividend-Disbursing Agent.....76
 Underwriting.....77
 Legal Matters.....77
 Experts77
 Additional Information.....77
 Privacy Principles of the Fund.....77
 Special Note Regarding Forward-Looking Statements.....78
 Table of Contents of the Statement of Additional Information.....79

You should rely only on the information contained in or incorporated by reference into this prospectus. Neither the Fund nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the Fund nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUMMARY

This is only a summary. This summary does not contain all of the information that you should consider before investing in the Fund's Series D Preferred and Series E AMPS, especially the information set forth under the heading "Risk Factors and Special Considerations." You should review the more detailed information contained in this prospectus, the Statement of Additional Information dated [], 2005 (the "SAI"), the Fund's Statement of Preferences of []% Series D Cumulative Preferred Shares (the "Series D Statement of Preferences") and the Fund's Statement of Preferences for of the Series E Auction Market Preferred Shares on file with the Securities and Exchange Commission.

The Fund.....

The Fund is a closed-end, non-diversified management organized under the laws of the State of Delaware on Fund's outstanding common shares, par value \$.001 per traded on the New York Stock Exchange ("NYSE") under June 30, 2005, the total net assets of the Fund attri shares were \$[]. As of June 30, 2005, the Fund had o common shares, 3,200,000 5.875% Series A Cumulative P "Series A Preferred"), 4,000 Series B Auction Market 'Series B AMPS") and 4,800 Series C Auction Market Pr "Series C AMPS") (the Series B, Series C and Series E "AMPS"). The Series A Preferred, Series B AMPS and Se same seniority with respect to dividends and liquidat

The Offering.....

The Fund offers by this prospectus, in the aggregate, shares of either Series D Preferred or Series E AMPS, both series. The Series D Preferred and the Series E offered by a group of underwriters led by [] and i and [] as underwriters. Upon issuance, the Series

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

Series E AMPS will have equal seniority with respect to liquidation preference to the Fund's other outstanding shares. See "Description of the Series D Preferred and the Series E AMPS."

Series D Preferred. The Fund is offering [] shares of Series D Preferred, par value \$.001 per share, liquidation preference of \$25 per share, at a purchase price of \$25 per share. Dividends on the Series D Preferred will accumulate from the date on which such shares are issued. Application has been made to list the Series D Preferred on the New York Stock Exchange. It is anticipated that trading of the Series D Preferred will commence within 30 days from the date of this prospectus.

Series E AMPS. The Fund is offering [] shares of Series E AMPS, par value \$.001 per share, liquidation preference of \$25,000 per share, at a purchase price of \$25,000 per share, plus dividends, if any, accumulated from the commencement date of the dividend payment on such Series E AMPS are issued. The Series E AMPS will be listed on the New York Stock Exchange. Instead, investors may buy or sell Series E AMPS by submitting orders to broker-dealers that have entered into an agreement with the auction agent.

Generally, investors in Series D Preferred or Series E AMPS will receive certificates representing ownership of their shares held in a depository (The Depository Trust Company ("DTC") or a nominee for the account of the investor's broker-dealer. The record ownership of the preferred shares in book-entry form will be maintained by the broker-dealer, in turn, will maintain records of that ownership of preferred shares.

Investment Objective.....

The Fund's investment objective is to provide a high level of income on its assets with an emphasis on dividends and income from securities. It may be given that the Fund will achieve its investment objective by investing in securities that will attempt to achieve its investment objective by investing in securities in the 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 convertible into common stock). In addition, under normal market conditions, at least 50% of the Fund's assets will consist of dividend-paying securities. The Fund may invest up to 35% of its total assets in securities of non-U.S. issuers and up to 25% of its total assets in securities of issuers in a single industry. There is no restriction on the rating for debt securities in which the Fund may invest. The Fund will not invest more than 10% of its total assets in nonconvertible securities rated in the lower rating category by any recognized statistical rating agencies -- typically those securities rated "BB" by S&P or "Ba" by Moody's -- or securities of comparable quality, all of which are commonly referred to as "junk bonds." See "Investment Objective and Policies."

The Investment Adviser's investment philosophy with respect to common and debt securities is to identify assets that are undervalued in the market at a discount to their private market value. The Adviser defines private market value as the value informed by the price to pay to acquire assets with similar characteristics. In making its selections, the Fund's Investment Adviser looks for securities that offer superior yield, as well as capital gains potential.

Dividends and Distributions.....

Series D Preferred. Dividends on the Series D Preferred will be paid at a rate of []% of its \$25 per share liquidation preference from the original issue date and are payable, when, as determined by the Board of Trustees of the Fund, out of funds legally available for that purpose quarterly on March 26, June 26, September 26, and December 26.

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

commencing on [] 26, 2005.

Series E AMPS. The holders of Series E AMPS are entitled to dividends, stated at annual rates of its \$25,000 per share, with a dividend preference, that will vary from dividend period to dividend period. The table below shows the dividend rate, the dividend payment date, and the number of days for the initial dividend period on the

	Initial Dividend Rate ----	Dividend Payment Date for Initial Dividend Period -----
Series E AMPS.....	[]%	[], 2005

For subsequent dividend periods, the Series E AMPS will be paid on a rate set at auctions, normally held weekly. In the event dividends are payable weekly, on the first business day of the dividend period. If the day on which dividends are payable is not a business day, then dividends will be payable on the next business day that falls after the end of the dividend period, subject to certain conditions, designate special dividend periods (or less) than seven days. The dividend payment date for each dividend period will be set out in the notice designating the dividend period. Dividends on shares of the Series E AMPS are cumulative from the date such shares are issued and will be paid from legally available funds.

Any designation of a special dividend period will be made only if, among other things, proper notice has been given, the day preceding the special dividend period was not a failure to pay day, and the issuer has confirmed that it has assets with an aggregate value at least equal to the Basic Maintenance Amount (as described in the "Description of the Series D Preferred and the Series E AMPS" Agency Guidelines"). See "Description of the Series E AMPS -- Dividends on the Series E AMPS" and "Description of the Series E AMPS."

There is no minimum rate with respect to any dividend period. The maximum rate for any dividend period will be the greater of (i) the applicable percentage of the reference rate set forth in the table below or (ii) the applicable LIBOR Rate (for a dividend period or a special dividend period of 365 days or more). The applicable spread will be determined based on the ratings assigned to the Series E AMPS by Moody's and S&P.

The applicable percentages and applicable spreads are

Credit Ratings		Applicable Percentage
Moody's	S&P	
Aaa	AAA	125%
Aa3 to Aa1	AA- to AA+	150%
A3 to A1	A- to A+	200%
Baa3 to Baa1	BBB- to BBB+	250%
Ba1 and lower	BB+ and lower	300%

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

Assuming the fund maintains an "Aaa" and "AAA" rating the practical effect of the different methods used to applicable rate is shown in the table below:

Reference Rate	Maximum Applicable Rate Using the Applicable Percentage	Max Applica Usin Applicab
1%	1.25%	2.
2%	2.50%	3.
3%	3.75%	4.
4%	5.00%	5.
5%	6.25%	6.
6%	7.50%	7.

See "Description of the Series D Preferred and the Series E AMPS -- Maximum Rate." For of December 31, 2004 and June 30, 2005, respectively, the Series E AMPS (assuming a rating of "Aaa" by Moody would have been approximately []% and []%, for dividend days, and approximately []% and []% for dividend period. There is no minimum rate with respect to any dividend

 * Dividend periods presented for illustrative purposes only. Actual dividend periods may be lesser duration.

Preferred Share Dividends. Under current law, all preferred shares of the Fund must have the same seniority as to the payment of dividends. Accordingly, no full dividend will be declared or paid on the preferred shares of the Fund for any dividend period, unless full cumulative dividends due through the most recent payment dates therefor for all series of outstanding preferred shares of the Fund are declared and paid. If full cumulative dividends have been declared and paid on all outstanding preferred shares of the Fund ranking on a parity with the Series D Preferred and the Series E AMPS, the payment of dividends, any dividends being paid on the Fund (including any outstanding Series D Preferred and Series E AMPS) will be paid as nearly pro rata as possible in proportion to the amount of dividends accumulated but unpaid on each such series of preferred shares on the relevant dividend payment date.

In the event that for any calendar year the total dividends payable to the Fund's preferred shares exceed the Fund's ordinary income, the excess gain allocable to those shares, the excess distribution will be treated as a tax-free return of capital (to the extent of the shareholder's tax basis in his or her shares). The amount treated as a return of capital will reduce a shareholder's adjusted basis in the shares, thereby increasing the shareholder's potential gain on the sale of the shares.

Common Share Dividends. In order to allow its holders to realize a predictable, but not assured, level of cash distributions, the Fund has adopted a policy, which may be changed at the discretion of Trustees, of paying distributions on its common shares on a monthly basis, which is equal to an annual rate of 6% of the value of the common share. A portion of the Fund's dividends to date

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

been estimated to include a return of capital. The cost is based on earnings as of the record date for the dividend. The composition of the distribution may change based on trust activity through the end of the year.

Auction Procedures.....

You may buy, sell or hold Series E AMPS in the auction. This is a brief summary of the auction procedures, which are described elsewhere in this prospectus and in the SAI. These procedures are complicated, and there are exceptions to these procedures. The terms in this section have a special meaning as set forth in the prospectus or the SAI.

Provided that the Fund has not defaulted on its payments to the holders of the Series E AMPS, the auctions determine the dividend rate for the Series E AMPS, except that no dividend rate resulting from the auction process will be higher than the then-maximum rate. See "Dividend Rates -- Series D Preferred and the Series E AMPS -- Dividends Determined by Auctions." "AMPS."

If you own shares of Series E AMPS, you may instruct your broker to enter one of three kinds of orders in the auction with respect to your shares: sell, bid and hold.

If you enter a sell order, you indicate that you want to sell your shares at \$25,000 per share, no matter what the next dividend rate will be.

If you enter a bid order, which must specify a dividend rate, you indicate that you want to purchase or hold the indicated number of Series E AMPS at \$25,000 per share if the dividend rate for the next dividend period is not less than the rate specified in your bid order. Your bid order will be deemed an irrevocable offer to sell your shares if the next dividend period's rate is less than the rate you specified.

If you enter a hold order you indicate that you want to hold your Series E AMPS, no matter what the next dividend period's rate will be.

You may enter different types of orders for different types of Series E AMPS. All orders must be for whole shares. All orders are irrevocable. There is a fixed number of Series E AMPS available for purchase. The dividend rate likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders seek to buy, the number of Series E AMPS and general economic conditions including interest rates. If you own Series E AMPS and submit a bid order that is higher than the then maximum rate, your bid order will be deemed a sell order.

If you do not enter an order, the broker-dealer will assume that you want to continue to hold your Series E AMPS, but you may enter an order and the dividend period is longer than 91 days, the broker-dealer will treat your failure to submit an order as a sell order.

If you do not then own Series E AMPS, or want to buy Series E AMPS, you may instruct a broker-dealer to enter a bid order to buy Series E AMPS at \$25,000 per share at or above the dividend rate you specify. If you do not already own Series E AMPS at a rate higher than the dividend rate, your bid will not be considered.

Broker-dealers will submit orders from existing and potential holders of Series E AMPS to the auction agent. Neither the Fund nor the auction agent will be responsible for a broker-dealer's failure to submit orders from existing or potential holders of Series E AMPS. A broker-dealer

to submit orders for Series E AMPS held by it or its broker-dealer. A broker-dealer may submit orders to the Fund in the same manner as a holder's failure to submit orders to its broker-dealer. A broker-dealer may submit orders to the Fund on its own account provided that the broker-dealer is not acting on behalf of the Fund. If a broker-dealer submits an order for its own account at an auction, it may have knowledge of orders placed through the auction and therefore have an advantage over other bidders, but the auction agent would not have knowledge of orders submitted by other broker-dealers at that auction. As a result of bidding by the broker-dealer, the auction rate may be higher or lower than the rate that would have prevailed had the broker-dealer not bid. The Fund may not participate in any auction.

The auction agent after each auction for the Series E AMPS shall be a broker-dealer, from funds provided by the Fund, a series of dividends in the case of any dividend immediately preceding a dividend period longer than one year, the product of (i) a fraction, the numerator being the number of days in such dividend period and the denominator being the number of days in the year, times (ii) 1/4 of 1%, times (iii) \$25,000, times (iv) the number of Series E AMPS placed by such broker-dealer at such auction, divided by the number of Series E AMPS outstanding at the end of any auction immediately preceding a dividend period longer than one year, the service charge shall be determined by mutual agreement between the Fund and any such broker-dealer and shall be based upon the same basis as the concession that would be applicable to an underwriting of Series E AMPS. The rate preferred shares with a similar final maturity of Series E AMPS, respectively, at the commencement of a dividend period with respect to such action. A broker-dealer may share such fees with non-participating broker-dealers that submit orders at such auction. A broker-dealer for an auction that are placed by that auction agent.

There are sufficient clearing bids for shares of Series E AMPS subject to bid at an auction if the number of Series E AMPS subject to bid at an auction is at least equal to the number of Series E AMPS subject to sell orders and the number of shares of Series E AMPS subject to sell orders specifying rates higher than the then-maximum rate is at least equal to the number of Series E AMPS submitted or deemed submitted to the auction agent. If there are sufficient clearing bids for Series E AMPS, then the dividend rate for the next dividend period will be the lowest rate submitted which, taking into account the then-maximum rate, is the lowest rate submitted from existing and potential holders. If there are not sufficient clearing bids for Series E AMPS, then the dividend rate for the next dividend period will be the lowest rate submitted which, taking into account the then-maximum rate, is the lowest rate submitted from existing and potential holders owning all the Series E AMPS offered for purchase in the auction.

If there are not sufficient clearing bids for shares of Series E AMPS at an auction, the auction is considered to be a failed auction, and the dividend rate will be the maximum rate. If the Fund has declared a dividend period and there are not sufficient clearing bids, then the dividend rate will not be effective and the dividend period will be the same as during the current rate period. Existing holders that have submitted sell orders (or not submitted sell orders) may not be able to sell any or all of their Series E AMPS for which they submitted sell orders.

The auction agent will not consider a bid above the then-maximum rate. The purpose of the maximum rate is to place an upper limit on the dividend rate in respect to the Series E AMPS and in so doing to help ensure that there is sufficient cash available to pay dividends on the Fund's common shares. The dividend rate in the event of a failed auction (that is, an auction in which there are more shares of Series E AMPS offered for sale than there are buyers for those shares).

If broker-dealers submit or are deemed to submit hold outstanding Series E AMPS, the auction is considered and the dividend rate for the next dividend period wi rate," which is 90% of the then-current reference rat less than the rate that would have been determined if occurred.

The auction procedures include a pro rata allocation Series E AMPS for purchase and sale. This allocation an existing holder selling, or a potential holder buy the number of Series E AMPS in its order. If this hap that have designated themselves as existing holders o respect of customer orders will be required to make a allocations among their respective customers.

Settlement of purchases and sales will be made throug business day after the auction date (which also is a date). Purchasers will pay for their Series E AMPS th in same-day funds to DTC against delivery to the brok make payment to the sellers' broker-dealers in accord procedures, which require broker-dealers to make paym in same-day funds. As used in this prospectus, a busi which the NYSE is open for trading, and which is not any other day on which banks in New York City are aut by law to close.

The first auction for Series E AMPS will be held on [day preceding the dividend payment date for the initi Thereafter, except during special dividend periods, a AMPS normally will be held every [] (or the next pre [] is a holiday), and each subsequent dividend perio normally will begin on the following [].

Tax Treatment of Preferred
Share Dividends.....

The Fund expects that dividends paid on the Series D AMPS will consist of (i) long-term capital gain (gain capital asset held longer than 12 months), (ii) quali (dividend income from certain domestic and foreign co investment company taxable income (other than qualifi including interest income, short-term capital gain an hedging and interest rate transactions. For individu federal income tax rate on long-term capital gain is qualified dividend income is currently 15%, and on or distributions from investment company taxable income for treatment as qualified dividend income) is curren rates are scheduled to apply through 2008. We cannot as to what percentage of the dividends paid on the Se Series E AMPS will consist of long-term capital gains dividend income, which are taxed at lower rates for i ordinary income. For a more detailed discussion, see

Rating and Asset
Coverage Requirements.....

Series D Preferred. In order to be issued, the Serie receive a rating of "Aaa" from Moody's. The Series D Preferences contains certain tests that the Fund must maintain a rating of "Aaa" from Moody's on the Series "Description of the Series D Preferred and the Series Agency Guidelines."

Series E AMPS. In order to be issued, the Series E AM rating of "Aaa" from Moody's and a rating of "AAA" fr Series D Preferred, the Statement of Preferences of t

contains certain tests that the Fund must satisfy to maintain a rating of "Aaa" from Moody's and "AAA" from S&P. See "Description of the Series D Preferred and the Series E AMPS -- Rating Agency Guidelines".

Asset Coverage Requirements. Under the asset coverage requirements of the Series D Preferred and the Series E AMPS is required to maintain (i) assets having in the aggregate a value greater than or equal to a Basic Maintenance Amount (as defined in "Description of the Series D Preferred and the Series E AMPS -- Agency Guidelines") for each such series calculated pursuant to applicable rating agency guidelines and (ii) an asset coverage ratio of 200% (or such higher or lower percentage as may be required under the Investment Company Act of 1940 (the "1940 Act") for all outstanding preferred shares of the Fund, including the Series D Preferred and the Series E AMPS. See "Description of the Series D Preferred and the Series E AMPS -- Asset Maintenance Requirements".

The Fund estimates that if the shares offered hereby were sold as of June 30, 2005, the asset coverage under the 1940 Act would have been approximately []% immediately following such sale, giving effect to the deduction of the underwriting discounts and offering expenses for such shares of \$[]. The asset coverage ratio has been computed as follows:

Value of Fund assets less liabilities not constituting senior securities	-	\$1,730,000

Senior securities representing indebtedness plus liquidation value of the AMPS	=	\$1,730,000

The Statement of Preferences for each of the Series D Preferred and the Series E AMPS, which contain the technical provisions and components of the asset coverage tests, will be filed with the registration statement and may be obtained through the Securities and Exchange Commission (<http://www.sec.gov>).

Mandatory Redemption.....

The Series D Preferred and the Series E AMPS may be redeemed by the Fund to the extent the Fund fails to meet the asset coverage requirements in accordance with the rating agency guidelines under the 1940 Act described above and does not cure such failure by the applicable cure date. If the Fund redeems preferred shares, it may, but is not required to, redeem a sufficient number of shares so that after the redemption the Fund exceeds the asset coverage requirements of the guidelines of each of the applicable rating agencies by 10%.

With respect to the Series D Preferred, any such redemption will be for cash at a redemption price equal to \$25 per share plus any dividends accumulated and unpaid dividends (whether or not earned) as of the redemption date.

With respect to the Series E AMPS, any such redemption will be for cash at a redemption price equal to \$25,000 per share plus any dividends accumulated but unpaid dividends (whether or not earned) as of the redemption date, plus, in the case of the Series E AMPS, any dividends payable during the dividend period of more than one year, any applicable interest rate determined by the Board of Trustees. See "Description of the Series D Preferred and the Series E AMPS -- Redemption."

In the event of a mandatory redemption, such redemption will be for cash at a redemption price equal to \$25 per share plus any dividends accumulated and unpaid dividends (whether or not earned) as of the redemption date.

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

the Series D Preferred, the Series E AMPS or other preferred shares of the Fund in such proportions as the Fund may determine, subject to the limitations of the 1940 Act and Delaware law.

Optional Redemption.....

Subject to the limitations of the 1940 Act and Delaware law, the Fund at its option, may redeem the Series D Preferred and the Series E AMPS as follows:

Series D Preferred. Commencing [] and at any time thereafter, the Fund at its option may redeem the Series D Preferred, in whole or in part, at a redemption price per share equal to \$25, plus any accumulated and unpaid dividends (whether or not earned) as of the redemption date. If fewer than all of the shares of the Series D Preferred are to be redeemed, such redemption will be made pro rata with the number of such shares held. Prior to [], the Series D Preferred will be subject to optional redemption by the Fund at its option only to the extent necessary for the Fund to continue to be treated as a regulated investment company. See "Description of the Series D Preferred and the Series E AMPS -- Redemption -- Optional Redemption of the Series D Preferred."

Series E AMPS. The Fund at its option generally may redeem the Series E AMPS, in whole or in part, at any time other than during a non-call period. The Fund may declare a non-call period during a dividend payment period of more than seven days. If fewer than all of the shares of the Series E AMPS are to be redeemed, such redemption will be made pro rata with the number of such shares held. See "Description of the Series D Preferred and the Series E AMPS -- Redemption -- Optional Redemption of the Series E AMPS."

The redemption price per share of each series of Series D Preferred and Series E AMPS shall be \$25,000, plus an amount equal to any accumulated but unpaid dividends thereon (whether or not earned or declared) to the date of redemption. In the case of the Series E AMPS having a dividend payment period of more than one year, any redemption premium applicable during such dividend payment period. See "Description of the Series D Preferred and the Series E AMPS -- Optional Redemption of the Series E AMPS."

Voting Rights.....

At all times, holders of the Fund's preferred shares (including the Series D Preferred and the Series E AMPS), voting as a class, will be entitled to elect two members of the Fund's Board of Trustees. Holders of the preferred shares and common shares, voting as a class, will elect the remaining trustees. However, until the Fund to pay dividends on any of its preferred shares for two full years, holders of the preferred shares, voting as a single class, will have the right to elect additional trustees. Holders of the Series D Preferred and the Series E AMPS, when they constitute a simple majority of the Board of Trustees, will have the right to elect additional trustees. Holders of cumulative dividends on all preferred shares have been elected for.

Holders of outstanding Series D Preferred, Series E AMPS and common shares will vote separately as a class on all matters as required under the applicable Statement of Preferred Shares and Delaware law. Except as otherwise indicated in this prospectus, otherwise required by applicable law, holders of Series D Preferred and Series E AMPS will be entitled to one vote per share. All shares submitted to a vote of shareholders and will vote together with the common shares and any other preferred shares as a single class. See "Description of the Series D Preferred and the Series E AMPS -- Voting Rights."

Liquidation Preference.....

The liquidation preference of Series D Preferred is \$25,000.

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

preference of the Series E AMPS is \$25,000 per share. preferred shareholders will be entitled to receive the preference with respect to their preferred shares plus accumulated but unpaid dividends with respect to such not earned or declared) to the date of distribution. the Series D Preferred and the Series E AMPS -- Liqui

Use of Proceeds.....

The Fund will use the net proceeds from the offering portfolio securities in accordance with its investment policies. See "Use of Proceeds."

Listing of the Series D Preferred.....

Prior to this offering, there has been no public market Preferred. Following its issuance (if issued), the S expected to be listed on the NYSE. However, during a is not expected to exceed 30 days after the date of i the Series D Preferred will not be listed on any secu consequently may be illiquid during that period. The that a secondary market will provide owners with liqu

Limitation on Secondary Market Trading of the AMPS.....

The Series E AMPS will not be listed on an exchange. but are not obliged to, maintain a secondary trading AMPS outside of auctions. There can be no assurance market will provide owners with liquidity. You may t outside of auctions only to or through a broker-deale into an agreement with the auction agent or other per permits.

Special Characteristics and Risks.....

Risk is inherent in all investing. Therefore, before Series D Preferred or the Series E AMPS you should co carefully.

Series D Preferred. Primary risks specially associate in the Series D Preferred include:

Fluctuations in Market Price. The market price for th will be influenced by changes in interest rates, the quality of the Series D Preferred and other factors. Special Considerations -- Special Risks of the Series Fluctuations in Market Price."

Illiquidity Risk. Prior to the offering, there has be for the Series D Preferred. In the event the Series D prior application will have been made to list the Ser NYSE. However, during an initial period, which is not days after the date of its issuance, the Series D Pre listed on any securities exchange. During such period intend to make a market in the Series D Preferred, no obligation to do so. Consequently, the Series D Prefe during such period. No assurances can be provided tha securities exchange or market making by the underwrit market for Series D Preferred being liquid at any tim and Special Considerations -- Special Risks of the Se Illiquidity Risk."

Series E AMPS. Primary risks specially associated wit Series E AMPS include:

Auction Risk. You may not be able to sell your Series if the auction fails, i.e., if there are more shares there are buyers for those shares. Also, if you place auction to retain Series E AMPS only at a specified r rate set at the auction, you will not retain your sha

you place a hold order without specifying a rate below which you wish to continue to hold your shares and the auction rate, you will receive a lower rate of return on your shares than the market rate. Finally, the dividend period may be changed under certain conditions and with notice to the holders of Series E AMPS, which could also affect the liquidity of the Fund. See "Risk Factors and Special Considerations -- Special Risks of Series E AMPS -- Auction Risk."

Secondary Market Sale Risk. If you try to sell your Series E AMPS at an auction, you may not be able to sell them for \$25,000 per share plus accumulated dividends. If the Fund has a dividend period of more than seven days, changes in interest rates may affect the price you would receive if you sold your shares in the secondary market. Broker-dealers that may maintain a secondary market for Series E AMPS are not required to maintain this market. The Fund is not required to redeem Series E AMPS if either an auction or a secondary market sale fails because of a lack of buyers. A broker-dealer may, in its own discretion, decide to sell Series E AMPS in the secondary market to investors at any time and at any price, but at prices equivalent to, below or above the par value of the shares. The Series E AMPS are not listed on a stock exchange or other public market. If you sell your Series E AMPS to a broker-dealer, you may receive less than the price you paid for them. Interest rates in the market have risen since the last auction. See "Risk Factors and Special Considerations -- Risks of the Series E AMPS -- Secondary Market Sale Risk."

Both the Series D Preferred and Series E AMPS. An investor who holds Series D Preferred or Series E AMPS also includes the risks:

General Risks of Preferred Shares. The market value of the Series D Preferred and the Series E AMPS will be influenced by changes in interest rates, the perceived credit quality of the Series D Preferred and Series E AMPS and other factors.

The credit rating on the Series D Preferred and the Series E AMPS may be reduced or withdrawn while an investor holds shares, which does not eliminate or mitigate the risks of investing in the Series D Preferred and Series E AMPS. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series D Preferred and Series E AMPS.

The Fund may not meet the asset coverage requirements to pay dividends on the Series E AMPS.

The value of the Fund's investment portfolio may decline if the Fund does not have sufficient asset coverage for the Series D Preferred and the Series E AMPS. If an issuer of a common stock in which the Fund invests experiences financial difficulties or if an issuer's preferred stock is downgraded or defaults or if an issuer in which the Fund invests is affected by other adverse market factors, there may be a reduction in the income and asset value of the Fund's investment portfolio. In certain circumstances, the Fund may be forced to mandatorily redeem Series D Preferred and Series E AMPS.

In general, the Fund may redeem your Series E AMPS at any time and may redeem your Series D Preferred at any time after [], and you may redeem shares of either or both series to meet regular cash requirements. Because of historically low interest rates,

cost of the Series E AMPS to the Fund may rise dramatically and may prompt the Fund to redeem the Series E AMPS earlier than anticipated. The Series D Preferred and the Series E AMPS are subject to redemption under specified circumstances and investors may choose to reinvest the proceeds of any such redemption in an investment with the same or a better rate than that of the Series D Preferred and the Series E AMPS. Subject to such circumstances, the Series D Preferred and the Series E AMPS are perpetual.

The Series D Preferred and the Series E AMPS are not subordinated to the Fund. The Series D Preferred and the Series E AMPS will have a preference with respect to dividends and liquidation preference to any other claims against the Fund incurred by the Fund, including any senior securities representing debt. Although unlikely, precipitous decline in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series D Preferred and the Series E AMPS at their redemption price.

Leverage Risk. The Fund intends to use financial leverage for investment purposes by issuing preferred shares and senior securities representing debt. It is currently anticipated that, taking into account the Series D Preferred and the Series E AMPS being offered in this offering, the amount of leverage will represent approximately []% of the Fund's net assets (as defined below). The Fund expects that dependence on leverage and available investment opportunities it will increase the Fund's leverage through the issuance of additional senior securities representing debt to approximately 33% of the Fund's total assets including the Series D Preferred and the Series E AMPS. The Fund's use of leverage in its structure creates special risks not associated with investments that do not have a similar investment objective and policies. These risks include the possibility of greater loss and the likelihood of higher volatility in the net asset value of the Fund and the asset coverage for the Series D Preferred and the Series E AMPS. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet its obligations to make dividend payments on the preferred shares and interest payments on debt securities, or to redeem debt securities or repay debt, when it may be disadvantageous to do so. The Fund's use of leverage, a decline in net asset value could result in the Fund's inability to pay dividends or make distributions could result in the Fund's not to qualify as a regulated investment company under the C

Because the fee paid to the Investment Adviser will be based on a percentage basis of the Fund's assets, which includes for this purpose the amount attributable to the aggregate net asset value of the Fund's assets attributable to any outstanding senior securities representing debt, for the liquidation preference of any preferred shares, the Fund's use of leverage in the form of preferred shares will provide the Investment Adviser an incentive to utilize such leverage. The Investment Adviser has agreed not to accept an increase in the amount of Series D Preferred or Series E AMPS, as the case may be, if it would reduce the Fund's total return allocable to the common shares for the hurdles described under "Management of the Fund -- General Considerations and Special Considerations -- Risks Associated with the Series D Preferred and the Series E AMPS -- Leverage Risk."

Special Risks Related to Preferred Shares of Senior Securities Representing Debt. As provided in the 1940 Act, and subject to the Fund's investment limitations, the Fund may issue senior securities representing debt. In the event the Fund were to issue such securities, the Fund's obligations to pay dividends and, upon liquidation,

liquidation payments in respect of its preferred shares subordinate to the Fund's obligations to make any prior payments due and owing with respect to its outstanding securities. Accordingly, the Fund's issuance of senior securities would have the effect of creating special risks for the shareholders (including the holders of Series D Preferred AMPS) that would not be present in a capital structure with such securities. See "Risk Factors and Special Considerations Associated with both Series D Preferred and Series E Preferred to Preferred Shares of Senior Securities Representing

Restrictions on Dividends and Other Distributions. Re the declaration and payment of dividends or other distributions to holders of the Fund's common shares and preferred shares, the Act and by requirements imposed by rating agencies, market conditions and the Fund's ability to maintain its qualification as a regulated investment company for federal income tax purposes. While the Fund intends to take such actions with respect to shares (including the Series D Preferred and the Series E Preferred) to the extent necessary to enable the Fund to distribute its dividends and to maintain its qualification as a regulated investment company under the Code, there can be no assurance that such actions can be taken or will meet the Code requirements. See "Taxation" in the

Securities and Exchange Commission Inquiries. [] and the Fund that they and certain broker-dealers and other participants in the auction rate securities markets, including both taxable and tax-exempt markets, have received letters from the Securities and Exchange Commission requesting that each of them voluntarily conduct an independent review of their respective practices and procedures in those markets. While those other broker-dealers are cooperating and expect to continue to cooperate with the Securities and Exchange Commission in providing the requested information. No assurance can be given as to the extent to which this process will affect the market for the AMPS of the Fund.

Risks of Investing in the Fund

Common Stock Dividend Policy Risk. The Fund has adopted a dividend policy that may be changed at any time by the Board of Trustees, of payments of dividends on its common shares of \$0.10 per month, which is equal to 1% of the original issue price of the common shares. In the event that the Fund's returns do not provide sufficient amounts to fund such payments, the Fund may be required to return capital as part of such payments. This may have the effect of decreasing the asset coverage of the Fund's Series D Preferred and Series E AMPS. A dividend payment to date has included or has been estimated to be based on the Fund's capital. The composition of dividends is based on the Fund's investment activity through the date for the dividend. The actual composition of the dividends will be based on the Fund's investment activity through the end of the month.

Value Investing Risk. The Fund focuses its investment strategy on common and preferred stocks that the Investment Adviser believes are undervalued or inexpensive relative to other investment opportunities. Such securities may present risks in addition to the general risks associated with investing in common and preferred stocks. The Fund's investments on dividend-paying common and preferred stocks may be undervalued or inexpensive relative to other investments. These types of securities may present risks in addition to the general risks associated with investing in common and preferred stocks including the risk of misestimation of certain values. In addition, during certain time periods market dynamics may affect the price of "growth" stocks of issuers that do not display strong price momentum and may result in a decline in market price based upon positive price momentum and

"Risk Factors and Special Considerations -- Risks of -- Value Investing Risk."

Non-Diversified Status. As a non-diversified investment company under the Investment Company Act of 1940, the Fund may invest a greater portion of its assets in a limited number of issuers than may a diversified fund. This concentration of investment in the Fund may, under certain circumstances, result in a greater risk to an investor than an investment in a diversified fund. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Non-Diversified Status."

Industry Concentration Risk. The Fund may invest up to 35% of its assets in the securities of companies principally engaged in a single industry. In the event the Fund makes substantial investments in a single industry, the Fund would become more susceptible to adverse economic conditions or occurrences affecting that industry. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Industry Concentration Risk."

Special Risks Related to the Fund's Preferred Securities. The Fund invests in preferred securities that may have a deferral of distributions or dividend payments, in some cases for an indefinite period, or an issuer never to pay missed dividends, subordination of the Fund's limited voting rights and redemption by the issuer. Because of the Fund's limit on its investment in non-cumulative preferred securities, the amount of dividends the Fund pays may be adversely affected if the issuer of non-cumulative preferred stock held by the Fund determines not to pay dividends on such stock. There is no assurance that distributions on preferred stock in which the Fund invests will be made or otherwise made payable. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Special Risks Related to Preferred Securities."

Illiquid Securities. The Fund has no limit on the amount of its assets it may invest in unregistered and otherwise illiquid securities. Unregistered securities are securities that cannot be sold in the United States without registration under the Securities Act of 1933. Unregistered securities generally can be resold only in private negotiated transactions with a limited number of purchasers. Because an offering registered under the Securities Act of 1933 is not required, consideration encountered in either event and, unless otherwise provided, the Fund's proceeds upon sale may be reduced by the lack of registration or underwriting discounts. The difficulty of selling securities associated with such transactions could result in the Fund's not realizing a favorable price upon disposition of unregistered securities. At times might make disposition of such securities impractical. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Illiquid Securities."

Foreign Securities Risk. The Fund may invest up to 35% of its assets in foreign securities. Investing in securities of foreign companies (including foreign governments), which are generally denominated in foreign currencies, may involve certain risks and opportunities. Investing in foreign currencies associated with investing in domestic companies and currencies may be affected favorably or unfavorably by changes in currency exchange rates and revaluation of currencies. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Foreign Securities Risk."

Smaller Companies. While the Fund intends to focus on investing in established suppliers of accepted products and services,

invest in smaller companies which may benefit from their products and services. These smaller companies may present opportunities for capital appreciation, and may also present investment risk than larger, more established companies. Smaller companies may have more limited product lines, fewer resources, and their securities may trade less frequently than the securities of larger, more established companies. As a result, the prices of the securities of such smaller companies may fluctuate to a greater degree than the prices of securities of larger issuers. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Smaller Companies."

Investment Companies. The Fund may invest in the securities of investment companies to the extent permitted by law. The Fund invests in the common equity of investment companies, and its ratable share of any such investment company's expenses, including management fees. The Fund will also remain obligated to the Investment Adviser with respect to the assets and liabilities of the securities of other investment companies. In these circumstances, the Fund's common shares will be subject to duplicate expenses. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Investment Companies."

Lower Grade Securities. The Fund may invest up to 10% of its assets in fixed-income securities rated below investment grade by statistical rating agencies or unrated securities of similar quality. The prices of these lower grade securities are more susceptible to developments, such as a decline in the issuer's revenues or an economic downturn, than are the prices of higher grade securities. Securities of below investment grade quality are predicted to be more susceptible with respect to the issuer's capacity to pay interest when due and therefore involve a greater risk of default. These securities are referred to as "junk bonds." See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Lower Grade Securities."

Special Risks of Derivative Transactions. The Fund may engage in certain derivative transactions. Such transactions entail risks of execution, market, liquidity, hedging and tax risks. The Fund may invest in options or futures markets and in currency exchange transactions. The Fund's investment risks and transaction costs to which the Fund is subject absent the use of these strategies. If the Fund's prediction of movements in the direction of the securities in the currency or interest rate markets is inaccurate, the Fund may leave the Fund in a worse position than if it had not used these strategies. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Special Risks of Derivative Transactions."

Interest Rate Transactions. The Fund has entered into a swap transaction with respect to its outstanding Series B AMPS, and may enter into an interest rate swap or cap transaction with respect to its outstanding Series C AMPS, and may enter into an interest rate swap transaction with respect to all or a portion of the Series D AMPS. The use of interest rate swaps and caps is a highly specialized investment strategy that involves certain risks to the Fund including, among others, the risk of early termination risk. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Interest Rate Transactions."

Loans of Portfolio Securities. The Fund may seek to loan portfolio securities to broker-dealers or other institutions. In addition to other extensions of credit, there are risks of default and even loss of rights in the securities loaned if the borrower

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-2

securities violates the terms of the loan or fails to pay interest on the loan. See "Risk Factors and Special Considerations -- Risks of Investing in Loans of Portfolio Securities."

Management Risk. The Fund is subject to management risk in its actively managed portfolio. The Investment Adviser will employ various investment techniques and risk analyses in making investment decisions, but there can be no guarantee that these will produce the desired results. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Management Risk."

Dependence on Key Personnel. The Investment Adviser relies on the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund's investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, retirement or inability to act on behalf of the Investment Adviser. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Dependence on Key Personnel."

Current Developments. As a result of the terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, the Securities Markets were closed for a four-day period. The terrorist attacks, the war in Iraq and its aftermath and other events have led to, and may in the future lead to, increased market volatility and may have long-term effects on U.S. and foreign securities markets. Similar events in the future or other disruptions of securities markets could affect interest rates, securities exchange rates, secondary trading, ratings, credit risk, inflation and other factors relating to the Series D Preferred and the Series E A Preferred. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Current Developments."

Anti-takeover Provisions. The Fund's governing documents contain provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. See "Anti-Takeover Provisions of the Fund's Governing Documents."

Status as a Regulated Investment Company. The Fund has elected to be qualified for, and intends to remain qualified for, federal income tax purposes as a regulated investment company. Qualification as a regulated investment company, however, is subject to various other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions may apply if the Fund fails to satisfy the 1940 Act's asset coverage requirements, which could jeopardize the Fund's ability to meet such distribution requirements. The Fund presently intends, however, to purchase or redeem shares to the extent necessary in order to maintain compliance with the asset coverage requirements. See "Taxation" for a more complete discussion of these and other federal income tax considerations.

Management and Fees.....

Gabelli Funds, LLC serves as the Fund's Investment Adviser and is compensated for its services and its related expenses at a rate of 1.00% of the Fund's average weekly net assets. As used herein, net assets means the aggregate net asset value of the Fund. For purposes of the Investment Adviser's compensation, net assets is attributable to outstanding preferred shares, with no liquidation preference of any preferred shares). Notwithstanding the foregoing, the Investment Adviser has voluntarily agreed to waive its right to receive a fee for the Fund's

portion of its investment advisory fee attributable to the Fund equal to the aggregate stated value of the Series D Preferred or Series E AMPS, as the case may be, for each year in which the net asset value total return of the Fund's common shares, including distributions and the advisory fee, is less than (i) in the case of the Series D Preferred, the stated annual dividend rate of such series and (ii) in the case of Series E AMPS, the net cost of capital to the Fund with respect to such series of the Series E AMPS for such year expressed as a percentage (including, without duplication, dividends paid by the Fund's Series D Preferred and Series E AMPS and the net cost to the Fund of any associated hedging) if the Fund hedges its Series E AMPS dividend obligation. This provision will apply to the portion of the Fund's assets attributable to the Series D Preferred and Series E AMPS, respectively, for so long as such series remain outstanding. The Investment Adviser's administration of the Fund and currently utilizes and currently utilizes a third party sub-administrator. See "Management of the Fund."

The Securities and Exchange Commission, the New York State Department of Banking, and other officials of other states have been conducting inquiries, enforcement and other proceedings regarding, trading and other activities of open-end investment companies. The Investment Adviser has received information requests and subpoenas from the New York State Department of Banking, the Securities and Exchange Commission in connection with its investigations. The Investment Adviser and its affiliates have been cooperating with such requests for documents and testimony and have implemented compliance policies and procedures in response to regulatory inquiries, initiatives and their internal reviews of their mutual fund operations in a variety of areas. For further details regarding the Fund's review in connection with these requests, see "Management of the Fund - Regulatory Matters."

Repurchase of Common Shares and
Anti-takeover Provisions.....

The Fund's Board of Trustees has authorized the Fund to repurchase common shares in the open market when the common shares are trading at a discount of 7.5% or more from net asset value. Such repurchases are subject to certain notice and other requirements under the 1933 Act. Since it commenced operations, it has repurchased 285,700 of its common shares in the open market.

Certain provisions of the Fund's Agreement and Declaration of Trust and By-Laws (collectively, the "Governing Documents") may contain "anti-takeover" provisions. Pursuant to these provisions, a new class of trustees is elected each year, and the affirmative vote of holders of 75% of the outstanding shares of the Fund is required to authorize the conversion of the Fund from a closed-end fund to an open-end investment company. The overall effect of these provisions is to make it more difficult the accomplishment of a merger with, or the acquisition of control by, a principal shareholder. These provisions may have the effect of depriving Fund common shareholders of an opportunity to sell their shares at a premium to the prevailing market price. See "Management of the Fund - Provisions of the Fund's Governing Documents."

Custodian, Transfer Agent,
Auction Agent and Dividend
Disbursing Agent.....

State Street Bank and Trust Company (the "Custodian") is the Custodian of the Fund's assets pursuant to a custody agreement. Pursuant to the custody agreement, the Custodian holds the Fund's assets in accordance with the Uniform Gifts to Minors Act of 1940 Act. For its services, the Custodian will receive a fee based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions.

EquiServe Trust Company, N.A., located at 250 Royall
Massachusetts 02021, serves as the Fund's dividend di
agent under the Fund's automatic dividend reinvestmen
purchase plan, and as transfer agent and registrar wi
common shares of the Fund.

Series D Preferred. EquiServe will also serve as the
registrar, dividend paying agent and redemption agent
Series D Preferred.

Series E AMPS. [] will serve as the auction agent, t
registrar, dividend paying agent and redemption agent
Series E AMPS.

Interest Rate Transactions.....

The Fund has entered into an interest rate swap trans
its outstanding Series B AMPS, and may enter into an
cap transaction with respect to all or a portion of i
C AMPS. The Fund may enter into interest rate swap o
relation to all or a portion of the Series E AMPS in
impact on its portfolio of changes on the dividend ra
the AMPS. Through these transactions the Fund may, f
equivalent of a fixed rate for a series of the AMPS t
Fund would have to pay if it issued fixed rate prefer
of interest rate swaps and caps is a highly specializ
involves investment techniques and risks different fr
with ordinary portfolio security transactions.

In an interest rate swap, the Fund would agree to pay
the interest rate swap (which is known as the "counte
a fixed rate payment in exchange for the counterparty
the Fund periodically a variable rate payment that is