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GABELLI DIVIDEND & INCOME TRUST

Form N-2/A

October 07, 2004

As filed with the Securities and Exchange Commission on October 7, 2004  
Securities Act File No. 333-113708  
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. 3  
 Post-Effective Amendment No. \_\_\_\_\_  
and/or

Registration Statement under the Investment  
Company Act of 1940  
 Amendment No. 8

(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

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

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)

[X] 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

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Title of Securities	Amount Being Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
___% Series A Preferred	6,000,000 Shares	\$25	\$150,000,000	19,000
Auction Market Preferred Shares	8,000 Shares	\$25,000	\$200,000,000	25,000

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

(2) \$38,010.70 previously paid

\_\_\_\_\_

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.

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CROSS-REFERENCE SHEET

N-2 Item Number	Location in Part A (Caption)
PART A	
1. Outside Front Cover.....	Outside Front Cover Page
2. Inside Front and Outside Back Cover Page.....	Outside Front Cover Page; Inside Fr
3. Fee Table and Synopsis.....	Summary; Summary of Fund Expenses
4. Financial Highlights.....	Not Applicable
5. Plan of Distribution.....	Outside Front Cover Page; Summary;
6. Selling Shareholders.....	Not Applicable
7. Use of Proceeds.....	Use of Proceeds; Investment Objecti
8. General Description of the Registrant.....	Outside Front Cover Page; Summary; Investment Objective and Policies; Special Considerations; How the Fun Description of the Series A Preferr Anti-takeover Provisions of the Fun Documents
9. Management.....	Outside Front Cover Page; Summary; Fund; Custodian, Transfer Agent, Di Agent
10. Capital Shares, Long-Term Debt, and Other Securities.....	Outside Front Cover Page; Summary; Objective and Policies; Description Preferred and the AMPS; Description and 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

Location in Statement of Additional Information



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(Liquidation Preference \$25,000 per Share)

The Gabelli Dividend & Income Trust, or the Fund, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940. The Fund's investment objective is to seek a high level of total return with an emphasis on dividends and income. The Fund attempts to achieve its objective by investing at least 80% of its assets in dividend paying or other income producing securities under normal market conditions. In addition, under normal market conditions, at least 50% of the Fund's assets will consist of dividend paying equity securities. In making 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 A Preferred or AMPS involves risks that are described in the "Risk Factors and Special Considerations" section beginning on page 35 of this prospectus.

	Public Offering Price(1) -----	Underwriting Discount -----	Proceeds to the Fund (before expenses) (2) -----
Per Series A Cumulative Preferred Share.....	\$	\$	\$
Total.....	\$	\$	\$
Per Series B AMPS.....	\$	\$	\$
Total.....	\$	\$	\$
Per Series C AMPS.....	\$	\$	\$
Total.....	\$	\$	\$

- (1) Plus accumulated dividends, if any, from , 2004  
 (2) Offering expenses payable by the Fund are estimated at \$

The underwriters may also purchase up to an additional Series A Preferred at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

This prospectus describes the Fund's % Series A Cumulative Preferred Shares (the "Series A Preferred"), liquidation preference \$25 per share. Dividends on the Series A 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 , , and in each year, commencing on , 2004.

This prospectus also describes the Fund's Series B Auction Market Preferred Shares (the "Series B AMPS"), liquidation preference \$25,000 per share and the Fund's Series C Auction Market Preferred Shares (the "Series C AMPS") (Series B AMPS together with the Series C AMPS, the "AMPS"). The

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dividend rate for the AMPS will vary from dividend period to dividend period. The annual dividend rate for the initial dividend period will be % for the Series B AMPS, and % for the Series C AMPS, of the liquidation preference of \$25,000 per share. The initial dividend period for the Series B AMPS commences on the date of issuance and continues through , 2004. The initial dividend period for the Series C AMPS commences on the date of issuance and continues through , 2004. For subsequent dividend periods, the 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 preferred shares of either Series A Preferred, Series B AMPS or Series C AMPS, or a combination of all series.

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 A Preferred and/or 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 A Preferred or AMPS will be made in book-entry form through the facilities of The Depository Trust Company on or about , 2004.

---

Merrill Lynch & Co.  
A.G. Edwards

Citigroup  
Gabelli & Company, Inc.

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The date of this prospectus is , 2004.

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(continued from previous page)

Application has been made to list the Series A Preferred on the New York Stock Exchange. Subject to notice of issuance, trading of the Series A 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 A 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 27.

The Fund expects that dividends paid on the Series A Preferred and 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

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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 A Preferred or 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."

Neither the Series A Preferred nor the AMPS may be issued unless each is rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"). In addition, the AMPS may not be issued unless they are also rated "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 A Preferred and AMPS under guidelines established by each of Moody's and S&P. See "Description of the Series A Preferred and the 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 A Preferred and/or AMPS, be sold back to it (redeemed). Otherwise, prior to , 2009 the Series A 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 A Preferred beginning on , 2009 and (ii) the 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 A 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 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 AMPS have a dividend period of more than one year, the Fund's Board of Trustees may determine to provide for a redemption premium.

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This prospectus concisely sets forth important information about the Fund that you should know before deciding whether to invest in Series A Preferred or 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 , 2004, 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 75 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 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 A Preferred and AMPS do not represent a deposit or

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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 AMPS will not be listed on an exchange. Investors may only buy or sell 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 AMPS, and a secondary market may not provide you with liquidity.

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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.

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Prospectus Summary



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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 A Preferred and/or 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 , 2004 (the "SAI"), the Fund's Statement of Preferences of % Series A Cumulative Preferred Shares (the "Series A Statement of Preferences") and each of the Fund's Statement of Preferences for each of the series of 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 of June 30, 2004, the net assets of the Fund were \$1, Fund had outstanding 84,994,505 common shares. Prior the Series A Preferred and/or the AMPS offered by thi had no preferred shares outstanding.

The Offering.....

The Fund offers by this prospectus, in the aggregate, shares of either Series A Preferred or AMPS, or a com series. The Series A Preferred and/or the AMPS are b of underwriters led by Merrill Lynch, Pierce, Fenner ("Merrill Lynch") and including Citigroup Global Mark & Sons, Inc. and Gabelli & Company, Inc. as underwrit the Series A Preferred and the AMPS will have equal s to dividends and liquidation preference. See "Descri Preferred and the AMPS."

Series A Preferred. The Fund is offering shares of % value \$.001 per share, liquidation preference \$25 per price of \$25 per share. Dividends on the shares of Se accumulate from the date on which such shares are iss been made to list the Series A Preferred on the NYSE that trading of the Series A Preferred on the NYSE wi days from the date of this prospectus.

AMPS. The Fund is offering shares of Series B AMPS an AMPS, each par value \$.001 per share, liquidation pre share at a purchase price of \$25,000 per share, plus have accumulated from the commencement date of the di which such AMPS are issued. The AMPS will not be list Instead, investors may buy or sell AMPS in an auction to broker-dealers that have entered into an agreement agent.

Generally, investors in Series A Preferred or AMPS wi certificates representing ownership of their shares.

depository (The Depository Trust Company ("DTC") or a nominee for the account of the investor's broker-deal ownership of the preferred shares in book-entry form. broker-dealer, in turn, will maintain records of that ownership of preferred shares.

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Investment Objective.....

The Fund's investment objective is to provide a high return on its assets with an emphasis on dividends and income. It will be given that the Fund will achieve its investment objective by it will attempt to achieve its investment objective by it market conditions, at least 80% of its assets in dividend securities (such as common and preferred stock) or other income securities (such as fixed income debt securities and securities convertible into common stock). In addition, under normal market conditions, 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 investment 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 categories by recognized statistical rating agencies -- typically those securities rated "BB" by S&P or "Ba" by Moody's. The Fund may invest in 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 equity and debt securities is to identify assets that are undervalued in the market at a discount to their private market value. The Fund defines private market value as the value informed by the market to pay to acquire assets with similar characteristics. In its security selections, the Fund's Investment Adviser looks for securities that offer superior yield, as well as capital gains potential.

Dividends and Distributions.....

Series A Preferred. Dividends on the Series A Preferred Shares are at a rate of \_\_\_\_\_% of its \$25 per share liquidation preference from the original issue date and are payable, when, as and how determined by the Board of Trustees of the Fund, out of funds legally available for distribution quarterly on \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ in each year beginning on \_\_\_\_\_, 2004.

AMPS. The holders of AMPS are entitled to receive cash dividends at annual rates of its \$25,000 per share liquidation preference from dividend period to dividend period. The table below sets forth the rate, the dividend payment date and the number of days in the dividend period on each series of the AMPS.

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	Initial Dividend Rate	Dividend Payment Date for Initial Dividend Period	Number of Days in Dividend Period
Series B AMPS.....	_____ %	_____, 2004	_____
Series C AMPS.....	_____ %	_____, 2004	_____

For subsequent dividend periods, each series of AMPS will be based on a rate set at auctions, normally held weekly. In some instances, dividends are payable weekly, on the first business day following the end of the dividend period. If the day otherwise would be paid is not a business day, then dividends will be paid on the next business day.

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paid on the first business day that falls after the end of the dividend period. The Fund may, subject to certain conditions, pay dividends during special dividend periods of more (or less) than seven days. The payment date for any such special dividend period will be the date specified in the notice designating the special dividend period. Dividends of each series of AMPS will be cumulative from the date of the first dividend issued and will be paid out of legally available funds.

Any designation of a special dividend period will be subject to the condition that, among other things, proper notice has been given, the special dividend period was not an auction and the Fund has confirmed that it has assets of sufficient liquidated value at least equal to the Basic Maintenance Amount (as described under "Description of the Series A Preferred Shares" and "Rating Agency Guidelines"). See "Description of the Series A Preferred Shares" and the AMPS -- Dividends on the AMPS" and "The Auction Process".

There is no minimum rate with respect to any dividend and there is no maximum rate. The maximum rate for any dividend period during a default period will be the greater of (i) the applicable rate for the default period set forth in the table below or (ii) the applicable rate for the reference rate set forth in the table below plus the applicable spread. The reference rate is the applicable LIBOR Rate (for a dividend period of fewer than 365 days), or the Treasury Index Rate (for a special dividend period of 365 days or more). The applicable percentage and applicable spread will be determined based on the lower of the credit ratings assigned to each series of AMPS by Moody's and S&P.

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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%
A2 to A1	A- to A+	200%
Baa3 to Baa1	BBB- to BBB+	250%
Ba1 and lower	BB+ and Lower	300%

Assuming the Fund maintains an "Aaa" and "AAA" rating on the AMPS, the practical effect of the different methods used to determine the maximum applicable rate is shown in the table below:

Reference Rate		
Reference Rate	Maximum Applicable Rate Using the Applicable Percentage	Maximum Applicable Rate Using the Reference Rate
1%	1.25%	2.25%

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2%	2.50%	3.25%
3%	3.75%	4.25%
4%	5.00%	5.25%
5%	6.25%	6.25%
6%	7.50%	7.25%

See "Description of the Series A Preferred and the AMPS -- Maximum Rate." For example, calculated as of June 30, 2003 and June 30, 2004, respectively, the maximum rate of AMPS (assuming a rating of "Aaa" by Moody's and "Aaa" by S&P) have been approximately 2.40% and 2.86%, for dividend periods of 90 days, and approximately 3.02% and 4.04% for dividend periods of 180 days. (1) There is no minimum rate with respect to any

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 not been declared and paid on all outstanding preferred shares of the Fund ranking on a parity with the Series A Preferred Shares, to the payment of dividends, any dividends being paid on the preferred shares (including any outstanding Series A Preferred Shares) will be paid as nearly pro rata as possible in proportion to the amounts of dividends accumulated but unpaid on each series of preferred shares on the relevant dividend payment date.

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(1) Dividend periods presented for illustrative purposes only. Actual dividend periods may be of greater or lesser duration.

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

Common Share Dividends. In order to allow its holders to realize a predictable, but not assured, level of income and some liquidity periodically on their investment in the Fund, and to allow them to sell shares, the Fund has adopted a policy, which may be changed from time to time by the Board of Trustees, of paying distribution on its common shares of \$.30 per quarter, which is equal to an annual dividend of \$1.20 per share, the offering price per common share. On September 24, 2003, the Fund paid a dividend of \$0.30 per share, a portion of which

return of capital. The composition of this dividend is based on the Fund's earnings as of the record date. The actual composition of the dividend distribution may change based on the Fund's investment performance through December 31, 2004.

Auction Procedures.....

You may buy, sell or hold AMPS in the auction. The following is a summary of the auction procedures, which are described in more detail elsewhere in this prospectus and in the SAI. These procedures can be 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 each series of AMPS, the auction rate for each series of AMPS, except that no dividend will be paid from the auction process will be higher than the then-current dividend rate. "Description of the Series A Preferred and the AMPS - Series B." AMPS."

If you own shares of 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 period's 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 shares of AMPS at \$25,000 per share if the dividend rate for the next dividend period is not less than the rate you bid. A bid order will be deemed an irrevocable offer to purchase if the next dividend period's rate is less than the rate you bid.

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

You may enter different types of orders for different series of AMPS. All orders must be for whole shares. All orders are irrevocable. There is a fixed number of AMPS, and the number of shares likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders seek to buy, the AMPS and general economic conditions including current interest rates. If you own AMPS and submit a bid order specifying a dividend rate 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 ordinarily assume that you want to continue to hold your shares. If you fail to submit an order and the dividend period is over a certain number of days, the broker-dealer will treat your failure to submit an order as a sell order.

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

Broker-dealers will submit orders from existing and pending orders.

of AMPS to the auction agent. Neither the Fund nor the broker-dealer will be responsible for a broker-dealer's failure to submit orders for AMPS to existing or potential holders of AMPS. A broker-dealer may submit orders for AMPS held by it or its customers in the same manner as a holder's failure to submit an order to a broker-dealer. A broker-dealer may submit orders to the auction agent for its own account provided that the broker-dealer is not a holder of the Fund. If a broker-dealer submits an order for AMPS to the auction agent in any auction, it may have knowledge of orders placed by other broker-dealers in that auction and therefore have an advantage over other broker-dealers. A broker-dealer would not have knowledge of orders submitted by other broker-dealers in that auction. As a result of bidding in an auction, the auction rate may be higher than the rate that would have prevailed had the broker-dealer submitted an order. The Fund may not submit an order in any auction.

The auction agent after each auction for the AMPS will pay the broker-dealer, from funds provided by the Fund, a sum equal to, in the case of any auction immediately preceding a dividend period of less than one year, the product of (i) a fraction, the numerator of which is the number of days in such dividend period and the denominator of which is 360, times (ii) 1/4 of 1%, times (iii) \$2 multiplied by the aggregate number of AMPS placed by such broker-dealer in such auction. In the case of any auction immediately

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preceding a dividend period of one year or longer, the rate shall be determined by mutual consent of the Fund and the broker-dealer and shall be based upon a selling concession rate that would be applicable to an underwriting of fixed or variable rate shares with a similar final maturity or variable rate maturity, respectively, at the commencement of the dividend period to such action. A broker-dealer may share a portion of the proceeds with non-participating broker-dealers that submit orders to the auction agent for an auction that are placed by that broker-dealer for such Auction.

There are sufficient clearing bids for shares of AMPS if the number of AMPS subject to bid orders by broker-dealers and potential holders with a dividend rate equal to or lower than the then-maximum rate is at least equal to the number of AMPS subject to sell orders and the number of shares of AMPS subject to bid orders at rates higher than the then-maximum rate for the AMPS is at least equal to the number of shares of AMPS deemed submitted to the auction agent by broker-dealers and potential holders. If there are sufficient clearing bids for shares of AMPS, the dividend rate for the next dividend period will be the maximum rate submitted which, taking into account that rate and all other rates submitted from existing and potential holders, would result in the highest dividend rate for all existing and potential holders owning all the AMPS available for auction.

If there are not sufficient clearing bids for shares of AMPS, an 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, the dividend rate will not be effective and the dividend period will be the same as during the current rate period. In the event, existing holders that have submitted sell orders to the auction agent (as having submitted sell orders) may not be able to sell

the AMPS for which they submitted sell orders.

The auction agent will not consider a bid above the t  
The purpose of the maximum rate is to place an upper  
with respect to the AMPS and in so doing to help prot  
available to pay dividends on the Fund's common share  
the dividend rate in the event of a failed auction (t  
where there are more shares of AMPS offered for sale  
buyers for those shares).

If broker-dealers submit or are deemed to submit hold  
outstanding AMPS, the auction is considered an "all h  
the dividend rate for the next dividend period will b  
rate," which is 90% of the then-current reference rat  
be less than the rate that would have been determined  
occurred.

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The auction procedures include a pro rata allocation  
AMPS for purchase and sale. This allocation process m  
existing holder selling, or a potential holder buying  
than the number of each series of AMPS in its order.  
broker-dealers that have designated themselves as exi  
potential holders in respect of customer orders will  
make appropriate pro rata allocations among their res

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 AMPS through bro  
same-day funds to DTC against delivery to the broker-  
make payment to the sellers' broker-dealers in accord  
normal procedures, which require broker-dealers to ma  
delivery in same-day funds. As used in this prospectu  
is a day on which the NYSE is open for trading, and w  
Saturday, Sunday or any other day on which banks in N  
authorized or obligated by law to close.

The first auction for each series of AMPS will be hel  
business day preceding the dividend payment date for  
dividend period. Thereafter, except during special di  
auctions for Series B AMPS normally will be held ever  
next preceding business day if Tuesday is a holiday),  
subsequent dividend period for the Series B AMPS norm  
the following Wednesday. Following the first auction o  
during special dividend periods, auctions for Series  
will be held every Thursday (or the next preceding bu  
Thursday is a holiday), and each subsequent dividend  
Series C AMPS normally will begin on the following Fr

Tax Treatment of Preferred  
Share Dividends.....

The Fund expects that dividends paid on the Series A  
will consist of (i) long-term capital gain (gain from  
asset held longer than 12 months), (ii) qualified div  
income from certain domestic and foreign corporations  
company taxable income (other than qualified dividend  
interest income, short-term capital gain and income f  
and interest rate transactions. For individuals, the  
income tax rate on long-term capital gain is currentl  
dividend income is currently 15%, and on ordinary inc  
distributions from investment company taxable income

for treatment as qualified dividend income) is current rates are scheduled to apply through 2008. We cannot as to what percentage of the dividends paid on the Series AMPS will consist of long-term capital gains and qualified which are taxed at lower rates

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for individuals than ordinary income. For a more detailed see "Taxation."

Rating and Asset  
Coverage Requirements.....

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

AMPS. In order to be issued, each series of AMPS must rating of "Aaa" from Moody's and a rating of "AAA" from the Series A Preferred, the Statement of Preferences series of AMPS contains certain tests that the Fund must obtain and maintain a rating of "Aaa" from Moody's and See "Description of the Series A Preferred and the AMPS Agency Guidelines."

Asset Coverage Requirements. Under the asset coverage each of the Series A Preferred and/or each series of the Fund is required to maintain (i) assets having in discounted value greater than or equal to a Basic Maintenance (as described under "Description of the Series A Preferred -- Rating Agency Guidelines") for each such series call to the applicable rating agency guidelines and (ii) a of at least 200% (or such higher or lower percentage at the time under the Investment Company Act of 1940 with respect to all outstanding preferred shares of the Series A Preferred and each series of AMPS. See "Series A Preferred and the AMPS -- Asset Maintenance

The Fund estimates that if the shares offered hereby and sold as of September 15, 2004, the asset coverage Act would have been approximately 633% immediately following issuance and (after giving effect to the deduction of discounts and estimated offering expenses for such shares \$5,750,000). The asset coverage would have been computed

Value of Fund assets less liabilities	
not constituting senior securities	\$1,
-----	-----
Senior securities representing indebtedness =	\$3
plus liquidation value of the AMPS	

The Statement of Preferences for each of the Series A each series of the AMPS, which contain the technical various components of the asset coverage tests, will exhibits to this registration statement and may be obtained web site of the Securities and Exchange Commission (http://www



Mandatory Redemption.....

The Series A Preferred and each series of the AMPS may be redeemed at the Fund's option at any time at its option in whole or in part, at any time other than during a dividend call period, by the Fund to the extent the Fund has sufficient assets to satisfy the asset coverage requirements in accordance with the guidelines or the 1940 Act described above and does not exceed the amount available by the applicable cure date. If the Fund redeems pro rata mandatorily, it may, but is not required to, redeem a portion of such shares so that after the redemption the Fund will maintain the asset coverage required by the guidelines of each of the applicable agencies and the 1940 Act by 10%.

With respect to the Series A Preferred, any such redemption made for cash at a redemption price equal to \$25 per share plus an amount equal to accumulated and unpaid dividends (whether or declared) to the redemption date.

With respect to each series of the AMPS, any such redemption made for cash at a redemption price equal to \$25,000 plus an amount equal to accumulated but unpaid dividends (whether or declared) to the redemption date, plus, in the case of the AMPS having a dividend period of more than one year, an applicable redemption premium determined by the Board of Directors. See "Description of the Series A Preferred and the AMPS --

In the event of a mandatory redemption, such redemption will be made from the Series A Preferred, each series of the AMPS and the Fund's 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, redeem the Series A Preferred and/or the

Series A Preferred. Commencing on or after January 1, 2009 and at the Fund's option, the Fund at its option may redeem the Series A Preferred in whole or in part, for cash at a redemption price per share equal to the value of the Series A Preferred plus an amount equal to accumulated and unpaid dividends (whether or declared) to the redemption date. If fewer than all of the Series A Preferred are to be redeemed, such redemption will be made pro rata in accordance with the number of such shares held. If, on or after January 1, 2009, the Series A Preferred will be subject to optional redemption, the Fund at the redemption price only to the extent necessary to continue to qualify for tax treatment as a regulated investment company. See "Description of the Series A Preferred and the AMPS -- Optional Redemption of the Series A Preferred."

AMPS. The Fund at its option generally may redeem each series of the AMPS in whole or in part, at any time other than during a dividend call period, by the Fund to the extent the Fund has sufficient assets to satisfy the asset coverage requirements in accordance with the guidelines or the 1940 Act described above and does not exceed the amount available by the applicable cure date. If the Fund redeems pro rata mandatorily, it may, but is not required to, redeem a portion of such shares so that after the redemption the Fund will maintain the asset coverage required by the guidelines of each of the applicable agencies and the 1940 Act by 10%.

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The redemption price per share of each series of AMPS \$25,000, plus an amount equal to any accumulated but thereon (whether or not earned or declared) to the re the case of each series of the AMPS having a dividend one year, any redemption premium applicable during su "Description of the Series A Preferred and the AMPS - Optional Redemption of the AMPS."

Voting Rights.....

At all times, holders of the Fund's preferred shares the Series A Preferred and/or each series of the AMPS class, will be entitled to elect two members of the F Trustees, and holders of the preferred shares and com a single class, will elect the remaining trustees. H by the Fund to pay dividends on any of its preferred equal to two full years dividends, holders of the pre as a single class, will have the right to elect addit would then constitute a simple majority of the Board cumulative dividends on all preferred shares have bee for.

Holders of outstanding Series A Preferred, each serie any other preferred shares will vote separately as a other matters as required under the applicable Statem Preferences, the 1940 Act and Delaware law. Except as indicated in this prospectus and as otherwise require law, holders of Series A Preferred and/or each series be entitled to one vote per share on each matter subm shareholders and will vote together with holders of c any other preferred shares as a single class. See "De Series A Preferred and the AMPS -- Voting Rights."

Liquidation Preference.....

The liquidation preference of Series A Preferred is \$ preference of each series of the AMPS is \$25,000 per liquidation, preferred shareholders will be entitled liquidation preference with respect to their preferre amount equal to accumulated but unpaid dividends with shares (whether or not earned or declared) to the dat See "Description of the Series A Preferred and the A

Use of Proceeds.....

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

Listing of the Series A Preferred.....

Prior to this offering, there has been no public mark 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 A 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 AMPS will not be listed on an exchange. Broker-d not obliged to, maintain a secondary trading market i AMPS outside of auctions. There can be no assurance market will provide owners with liquidity. You may t the AMPS outside of auctions only to or through a bro entered into an agreement with the auction agent or o

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Special Characteristics  
and Risks.....

Fund permits.

Risk is inherent in all investing. Therefore, before Series A Preferred or the AMPS you should consider the

Series A Preferred. Primary risks specially associated with an investment in the Series A Preferred include:

Fluctuations in Market Price. The market price for the Series A Preferred will be influenced by changes in interest rates and perceived credit quality of the Series A Preferred and the Fund. See "Risk Factors and Special Considerations -- Special Risks of the Series A Preferred -- Fluctuations in Market Price."

Illiquidity Risk. Prior to the offering, there has been no market for the Series A Preferred. In the event the Series A Preferred is issued, prior application will have been made to list the Series A Preferred on the NYSE. However, during an initial period expected to exceed 30 days after the date of its issuance, the Series A Preferred will not be listed on any securities exchange. During this period, the underwriters intend to make a market in the Series A Preferred, however, they have no obligation to do so. The Series A Preferred may be illiquid during such period and no assurance can be provided that listing on any securities exchange or a market making by the underwriters will result in the Series A Preferred being liquid at any time. See "Risk Factors and Special Considerations -- Special Risks of the Series A Preferred -- Illiquidity Risk."

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Factors and Special Considerations -- Special Risks of the Series A Preferred -- Illiquidity Risk."

AMPS. Primary risks specially associated with an investment in the AMPS include:

Auction Risk. You may not be able to sell your AMPS at the auction if the auction fails, i.e., if there are more shares offered than there are buyers for those shares. Also, if you place a bid at the auction to retain AMPS only at a specified rate that is higher than the rate set at the auction, you will not retain your shares. If you place a hold order without specifying a rate below the market rate, you may not wish to continue to hold your shares and the auction rate is below-market rate, you will receive a lower rate of return on your shares than the market rate. Finally, the dividend payment may be changed, subject to certain conditions and with notice, of the affected series of AMPS, which could also affect the value of your investment. See "Risk Factors and Special Considerations -- Special Risks of the AMPS -- Auction Risk."

Secondary Market Sale Risk. If you try to sell your AMPS in the secondary market, you may not be able to sell them for \$25,000 per share plus accumulated dividends. If the Fund has designated a special dividend period of more than seven days, high interest rates could affect the price you would receive for your shares in the secondary market. Broker-dealers trading in the secondary market for AMPS are not required to provide a market, and the Fund is not required to redeem AMPS in the secondary market if an auction or an attempted secondary market sale fails because there are not enough buyers. In addition, a broker-dealer may, in its discretion, decide to sell AMPS in the secondary market to invest in other securities and at any price, including at prices equivalent to,

par value of the AMPS. The AMPS are not listed on a stock exchange or the NASDAQ stock market. If you sell your AMPS to a buyer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the auction or during a special dividend period. See "Risk Factors - Special Considerations -- Special Risks of the AMPS -- Sale Risk."

Both the Series A Preferred and AMPS. An investment in the Series A Preferred or AMPS also includes the following:

**General Risks of Preferred Shares.** The market value of the Series A Preferred and/or AMPS will be influenced by changes in the perceived credit quality of the Series A Preferred and other factors.

The credit rating on the Series A Preferred and/or AMPS may be reduced or withdrawn while an investor holds shares,

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rating does not eliminate or mitigate the risks of investing in the Series A Preferred and/or B AMPS. A reduction or withdrawal of the credit rating would likely have an adverse effect on the value of the Series A Preferred and AMPS.

The Fund may not meet the asset coverage requirements to provide sufficient income from its investments to pay dividends to the Series A Preferred and/or the AMPS.

The value of the Fund's investment portfolio may decline, reducing the asset coverage for the Series A Preferred and/or the AMPS. This may occur if an issuer of a common stock in which the Fund invests experiences financial difficulties or if an issuer's preferred stock loses its security is downgraded or defaults or if an issuer in which the Fund invests is affected by other adverse market factors, resulting in a negative impact on the income and/or asset value of the Fund's investment portfolio. In such circumstances, the Fund may be required to mandatorily redeem shares of Series A Preferred and/or AMPS.

In general, the Fund may redeem your AMPS at any time. The Fund may also redeem your Series A Preferred at any time after January 1, 2009, and may also redeem shares of either or both series to meet regulatory and agency requirements. Because of historically low interest rates, the current low cost of the AMPS to the Fund may rise dramatically in the future, which in turn may prompt the Fund to redeem the AMPS earlier than otherwise might. The Series A Preferred and/or AMPS are subject to redemption under specified circumstances and investors are not required to reinvest the proceeds of any such redemption in the Fund or providing the same or a better rate than that of the Series A Preferred or each series of the AMPS. Subject to such circumstances, the Series A Preferred and/or each series of the AMPS are perpetual.

The Series A Preferred and the AMPS are not obligations of the Fund. The Series A Preferred and/or AMPS would be junior in priority to dividends and liquidation preference to any indebtedness of the Fund, including any senior securities of the Fund. The Fund's debt. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient

redeem all of the Series A Preferred and/or the AMPS at the redemption price.

Leverage Risk. The Fund intends to use financial leverage for investment purposes by issuing preferred shares and/or securities representing debt. It is currently anticipating into account the Series A Preferred and/or the AMPS in this prospectus, the amount of leverage will represent a percentage of the Fund's managed assets (as defined below). The amount of leverage depending on interest rates and available investment opportunities will increase its financial leverage through the issuance of senior securities up to approximately 33% of

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the Fund's total assets including the proceeds of the Series A Preferred and/or the AMPS. The Fund's leveraged capital structure creates special risks not associated with unleveraged capital and similar investment objective and policies. These include the possibility of greater loss and the likelihood of higher volatility in the net asset value of the Fund and the asset coverage of the Series A Preferred and/or the AMPS. Such volatility may increase the risk of the Fund having to sell investments in order to meet its obligations to make dividend payments on the preferred shares or interest payments on debt securities, or to redeem preferred shares or repay debt, when it may be disadvantageous to do so. If the Fund is utilizing leverage, a decline in net asset value could reduce the ability of the Fund to make common share dividend payments. A failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company.

See "Taxation." Because the fee paid to the Investment Advisor is calculated on the basis of the Fund's assets, which include investment purpose assets attributable to the aggregate net assets of the Fund, common shares plus assets attributable to any outstanding debt securities, with no deduction for the liquidation preference of the Series A preferred shares, the fee may be higher when leverage is utilized. The Series A preferred shares is utilized, giving the Investment Advisor an incentive to utilize such leverage. However, the Investment Advisor has agreed not to accept an incremental fee on any Series A Preferred or AMPS, as the case may be, to the extent the Fund's total assets allocable to the common shares fails to meet certain requirements set forth under "Management of the Fund -- General." See "Risk Factors and Special Considerations -- Risks Associated with both the Series A Preferred and the AMPS -- Leverage Risk."

Special Risks Related to Preferred Shares of Senior Securities Representing Debt. As provided in the 1940 Act, and to ensure compliance with the Fund's investment limitations, the Fund may issue senior securities representing debt. In the event the Fund issues such securities, the Fund's obligations to pay interest upon liquidation of the Fund, liquidation payments in respect of the Series A preferred shares would be subordinate to the Fund's obligations to pay any principal and/or interest payments due and owing on its outstanding debt securities. Accordingly, the Fund's issuance of senior securities representing debt would have the effect of creating special risks for the Fund's preferred shareholders (including holders of Series A Preferred and/or AMPS) that would not exist if the Fund had a capital structure that did not include such securities. See "Risk Factors and Special Considerations -- Risks Associated with the Series A Preferred and AMPS -- Special Risks to Preferred Shares."

Securities Representing Debt."

Restrictions on Dividends and Other Distributions. Re on the declaration and payment of dividends or other

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distributions to the holders of the Fund's common sha shares, both by the 1940 Act and by requirements impo agencies, might impair the Fund's ability to maintain as a regulated investment company for federal income While the Fund intends to redeem its preferred shares Series A Preferred and/or the AMPS) to the extent nec the Fund to distribute its income as required to main qualification as a regulated investment company under can be no assurance that such actions can be effected the Code requirements. See "Taxation" in the SAI.

Securities and Exchange Commission Inquiries. Merrill Citigroup Global Markets Inc. have advised the Fund t certain broker-dealers and other participants in the securities markets, including both taxable and tax ex received letters from the Securities and Exchange Com that each of them voluntarily conduct an investigatio respective practices and procedures in those markets. Citigroup Global Markets Inc. and those other broker-cooperating and expect to continue to cooperate with Exchange Commission in providing the requested inform assurance can be given as to whether the results of t affect the market for the AMPS or the auctions.

Risks of Investing in the Fund

Limited Operating History. The Fund is a non-diversif management investment company with a limited operatin "Risk Factors and Special Considerations -- Risks of Fund -- Limited Operating History."

Common Stock Dividend Policy Risk. The Fund has adopt may be changed at any time by the Board of Trustees, dividend on its common shares of \$.30 per quarter, wh annual rate of 6% of the original issue price of the the event investment returns do not provide sufficien such distributions, the Fund may be required to retur of such distribution, which may have the effect of de coverage per share with respect to the Fund's Series each series of AMPS. The Fund made its first dividend 25, 2004, a portion of which constituted a return of

Value Investing Risk. The Fund focuses its investment dividend-paying common and preferred stocks that the believes are undervalued or inexpensive relative to o These types of securities may present risks in additi risks associated with investing in common and prefer Fund focuses its investments on dividend-paying commo stocks that the Investment Adviser believes are under inexpensive relative to other investments. These type

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may present risks in addition to the general risks associated with investing in common and preferred stocks including the risk of misestimation of certain fundamental factors. In addition, during certain time periods market dynamics may strongly favor the price of issuers that do not display strong fundamentals relative to price based upon positive price momentum and other factors. See "Risk Factors and Special Considerations -- Risks of Investing in the Fund -- Value Investing Risk."

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

**Industry Concentration Risk.** The Fund may invest up to 25% 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 economic or regulatory 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 has no limit on its investment in non-cumulative preferred securities. The amount of dividends the Fund pays may be adversely affected by the issuer of a non-cumulative preferred stock held by the Fund if the issuer does not pay dividends on such stock. There is no assurance that dividends or distributions on preferred stock in which the Fund has invested will be declared 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 are not registered publicly in the United States without registration under the Securities Act of 1933. Unregistered securities generally can be sold only in privately negotiated transactions with a limited number of investors or in a public offering registered under the Securities Act. Considerable delay could be encountered in either event. If the Fund is otherwise contractually provided for, the Fund's proceeds from the sale of such securities may be reduced by the costs of registration or underwriting.

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The difficulties and delays associated with such transactions may result in the Fund's inability to realize a favorable disposition of unregistered securities, and at times the disposition of such securities impossible. 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 companies (or foreign governments), which are denominated in foreign currencies, may involve certain risks and opportunities typically associated with investing in domestic companies. These risks and opportunities may cause the Fund to 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 investments in established suppliers of accepted products and services, it may also invest in smaller companies which may benefit from the development of new products and services. These smaller companies may have greater opportunities for capital appreciation, and may have a greater investment risk than larger, more established companies. For example, smaller companies may have more limited production or financial resources, and their securities may trade in lower volume than the securities of larger, more established companies. As a result, the prices of the securities of smaller companies may fluctuate to a greater degree than the prices of the securities of other 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. If the Fund invests in the common equity of investment companies, the Fund will bear its ratable share of any such investment costs, including management fees. The Fund will also remain liable for its share of management fees to the Investment Adviser with respect to the securities invested in the securities of other investment companies. In certain circumstances, holders of the Fund's common shares will not be able to avoid duplicative investment 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 recognized statistical rating agencies or unrated securities of comparable quality. The prices of these lower grade securities are more sensitive to negative developments, such as a decline in revenues or a general economic downturn, than are the prices of investment grade securities. Securities of below investment grade

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quality are predominantly speculative with respect to their ability to have the capacity to pay interest and repay principal when due. These securities involve a greater risk of default and are commonly 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 may involve execution, market, liquidity, hedging and tax risks. The Fund's use of the options or futures markets and in currency exchange involves investment risks and transaction costs to which the Fund may not be subject absent the use of these strategies. If the Investment Adviser's prediction of movements in the direction of movements in foreign currency or interest rate markets is inaccurate, the consequences to the Fund may leave the Fund in a worse





purposes as a regulated investment company. Qualification among other things, compliance by the Fund with certain requirements. Statutory limitations on distributions of shares if the Fund fails to satisfy the 1940 Act's asset requirements could jeopardize the Fund's ability to meet distribution requirements. The Fund presently intends to purchase or redeem preferred shares to the extent necessary to maintain compliance with such asset coverage requirements. "Taxation" for a more complete discussion of these and other 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 (not attributable to outstanding preferred shares, with no liquidation preference of any preferred shares). Notwithstanding the foregoing, the Investment Adviser has voluntarily agreed to a portion of its investment advisory fee attributable to the Fund equal to the aggregate stated value of the Fund's Series A Preferred or AMPS, as the case may be, for a period in which the net asset value total return of the Fund attributable to such shares, including distributions and the advisory fee payable thereon, is less than (i) in the case of the Series A Preferred, the annual dividend rate of such series and (ii) in the case of the AMPS, the net cost of capital to the Fund.

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with respect to each series of the AMPS for such year as a percentage (including, without duplication, dividends and distributions on each series of the AMPS and the net cost to the Fund of any associated swap or cap transaction if the Fund hedges its interest rate obligations). This waiver will apply to the portion of the Fund's net assets attributable to the Series A Preferred and AMPS for so long as any shares of such series remain outstanding. The Investment Adviser is responsible for administration of the Fund and currently utilizes and pays the fees of a third party sub-administrator. See "Management of the Fund."

The Securities and Exchange Commission, the New York State Department of Banking and Insurance, 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 and Insurance, the Securities and Exchange Commission in connection with its investigations. The Investment Adviser and its affiliates have been cooperating with these requests and have been independently reviewing their activities in a variety of areas. For further details regarding the Investment Adviser's ongoing 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 applicable law. Since the Fund commenced operations, it has repurchased 220,000 common shares in the open market.

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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 majority of three classes of trustees is elected each year, and the approval of a two-thirds vote of the holders of 75% of the outstanding shares of the Fund is necessary to authorize the conversion of the Fund from a closed-end investment company to an open-end investment company. The overall effect of these provisions is to render more difficult the accomplishment of a change of control by assumption of control by, a principal shareholder. These provisions may have the effect of depriving Fund common shareholders of the right to sell their shares at a premium to the prevailing market price. See the "Anti-Takeover Provisions of the Fund's Governing Documents" section of this prospectus for more information.

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

State Street Bank and Trust Company (the "Custodian")  
Royall Street, Canton, Massachusetts 02021, serves as

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custodian of the Fund's assets pursuant to a custody agreement. Pursuant to the custody agreement, the Custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the Custodian receives a monthly fee based upon, among other things, the value of the total assets of the Fund, plus certain charges for certain transactions.

EquiServe Trust Company, N.A., located at P.O. Box 430, Providence, Rhode Island 02940-3025, serves as the Fund's dividend disbursing agent, as agent under the Fund's automatic dividend reinvestment plan.