

# **DIVIDEND AND INCOME FUND**

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## **ANNUAL REPORT** **December 31, 2011**

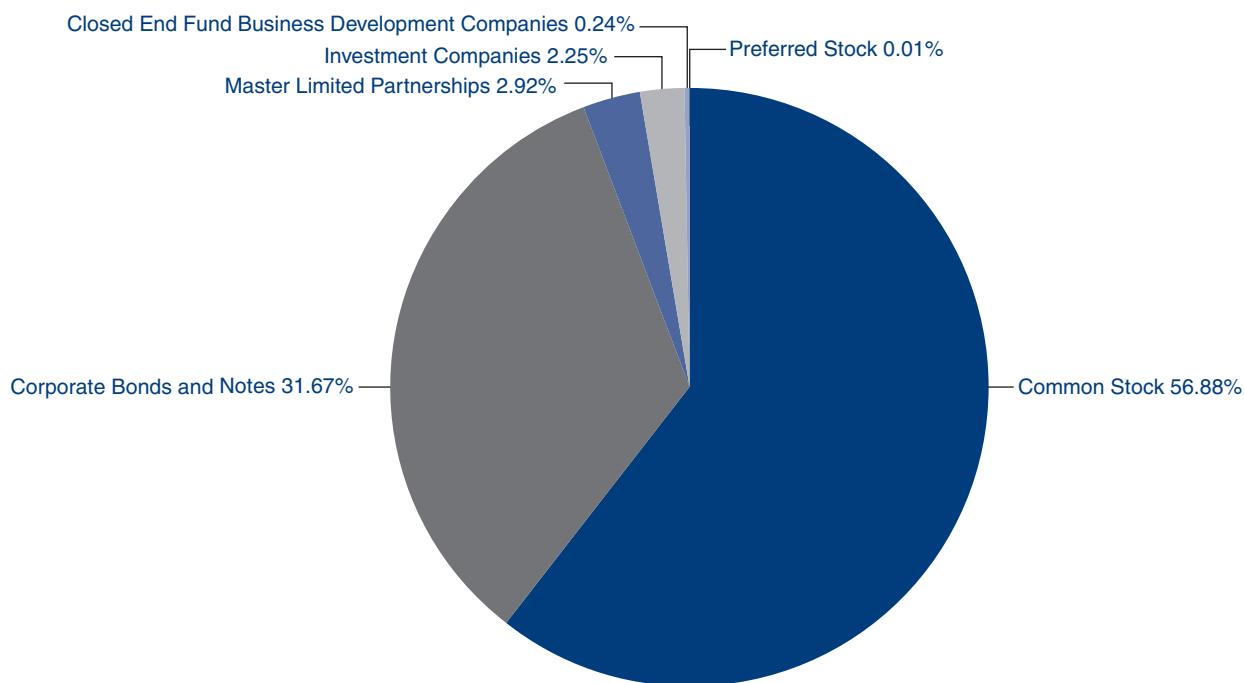
**NYSE Ticker:**

**DNI**

**11 Hanover Square**  
**New York, NY 10005**

**[www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com)**

## BREAKDOWN BY INVESTMENTS - December 31, 2011\*



\* Based on approximate percentages of net assets and may not add up to 100% due to leverage or other assets, rounding, and other factors.

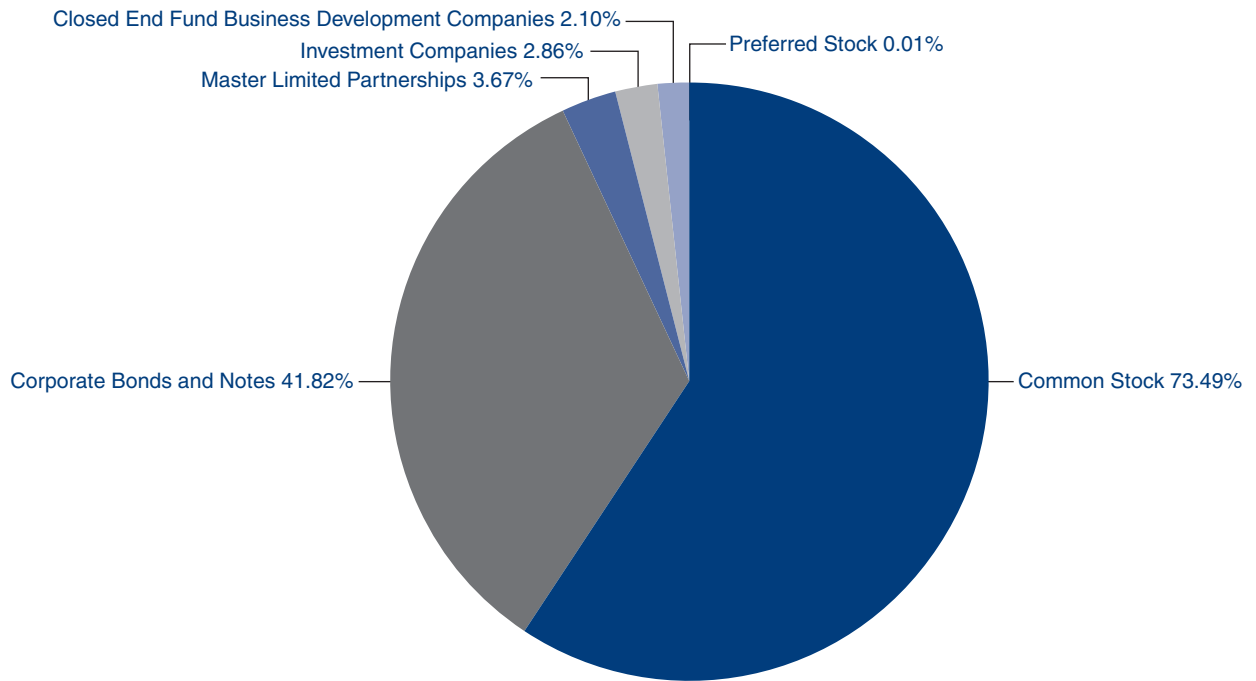
## TOP TEN INDUSTRIES OF EQUITIES - December 31, 2011

1. Pharmaceutical Preparations
2. Electric Services
3. Telephone Communications
4. Semiconductors & Related Devices
5. Natural Gas Transmission
6. Electronic & Other Electrical Equipment
7. Retail-Women's Clothing Stores
8. Investment Companies
9. Real Estate Investment Trust
10. Life Insurance

## TOP TEN INDUSTRIES OF CORPORATE BONDS AND NOTES - December 31, 2011

1. Water Transportation
2. Telephone Communications
3. Natural Gas Transmission
4. Cable & Other Pay Television Services
5. Electric Services
6. Cable/Satellite TV
7. Miscellaneous Fabricated Metal Products
8. Converted Paper & Paperboard Products
9. Steel Works, Blast Furnaces & Rolling & Finishing Mills
10. Oil & Gas Field Services

## BREAKDOWN BY INVESTMENTS - November 30, 2011\*



\* Based on approximate percentages of net assets and may not add up to 100% due to leverage or other assets, rounding, and other factors.

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1. Pharmaceutical Preparations
2. Electric Services
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4. Semiconductors & Related Devices
5. Natural Gas Transmission
6. Miscellaneous Business Credit Institution
7. Retail-Women's Clothing Stores
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# DIVIDEND AND INCOME FUND

NYSE  
Ticker:

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11 Hanover Square, New York, NY 10005  
[www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com)

January 31, 2012

Dear Fellow Shareholders:

It is a pleasure to submit this 2011 Annual Report for Dividend and Income Fund for the periods ended November 30 and December 31 and to welcome our new shareholders who find the Fund's investing approach attractive. The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund seeks to achieve its objectives by investing, under normal circumstances, at least 50% of its total assets in income generating equity securities, including dividend paying common stocks, convertible securities, preferred stocks, securities of registered investment companies (including, but not limited to, closed end and open end management investment companies, and business development companies) (collectively, "investment companies"), exchange traded funds organized as investment companies or otherwise, real estate investment trusts, depository receipts, and other equity related securities (collectively, "Income Generating Equity Securities"). Of course, there can be no assurance that the Fund will achieve its objectives.

## **Completion of Successful Rights Offering**

The Fund is pleased to have announced that it issued 7,099,952 shares of common stock on December 29, 2011 pursuant to its recently completed non-transferable rights offering. Because the rights offering was oversubscribed and sufficient primary subscription shares were not available to honor all over-subscription requests, pursuant to the prospectus and at the discretion of its Board of Directors, the Fund increased the number of shares subject to subscription by an additional 1,419,952 new shares to cover such over-subscription requests. The available shares were allocated pro rata among those who over-subscribed based on the number of shares owned by them on the record date, November 14, 2011.

Proceeds of the rights offering were \$22,577,847, prior to the deduction of offering expenses of approximately \$375,000, based on a share subscription price of \$3.18, which was equal to 95% of the lower of (a) the Fund's net asset value ("NAV") per share or (b) the market price per share. In accordance with the offering prospectus, the NAV per share, determined as of December 23, 2011, the expiration date of the right offering period, was \$4.19, and the market price per share, \$3.35, was the average of the volume weighted average sales price of a share on the New York Stock Exchange on the expiration date and the four preceding trading days. The NAV per share of the Fund was reduced by approximately \$0.32 per share as a result of the issuance of shares below NAV.

## **Economic and Market Report and Investment Outlook**

Stock market performance for the year ended November 30, 2011 was positive, although volatile. In the one year period, the S&P 500 Index returned 7.83% and the Merrill Lynch U.S. High Yield Master II Index returned 3.65%, according to Morningstar. In the same period, the Fund's net asset value return was 5.61%, including the reinvestment of dividends, and its market return, also including the reinvestment of dividends, was (11.15)%. In the one month period ended December 31, 2011, the S&P 500 Index returned 1.02% and the Merrill Lynch U.S. High Yield Master II Index returned 2.48%, according to Morningstar. In the same period, the Fund's net asset value return was (5.52)%, including the reinvestment of dividends, and its market return, also including the reinvestment of dividends, was 2.13%. Neither unmanaged index reflects fees and expenses nor is available for direct investment. Generally, the Fund's total return on a net asset value basis will be lower than total return on a market value basis in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. In the one month period ended December 31, 2011, however, the Fund's net asset value return was lowered also by the approximately 7.16% dilutive effect of the rights offering.

In the calendar year 2011, real gross domestic product (GDP), or the output of goods and services produced by labor and property located in the United States, increased only 1.6%, as compared to an increase of 3.1% in 2010, according to a recent report of the U.S. Bureau of Economic Analysis. In an announcement well received by financial markets, to support the moderately expanding economy, the Federal Open Market Committee (FOMC) has indicated that it will keep the target range for the federal funds interest rate at 0% to 0.25%. Offsetting this potential reason for optimism, the FOMC also indicated that it anticipates subdued economic conditions, including low rates of resource utilization, likely to warrant exceptionally low levels for the federal funds interest rate at least through late 2014. While the FOMC has noted that there appears to be some improvement in overall labor market conditions, it seems to view the unemployment rate as elevated and, while household spending has continued to advance, it observes that growth in business fixed investment has slowed and the housing sector remains depressed. Interestingly, inflation over the 2011 year as measured by the Consumer Price Index increased 3.0% before seasonal adjustment.

Recently, the Congressional Budget Office (CBO) reported that the U.S. government will likely run its fourth straight year of annual deficits over \$1 trillion, and may continue to do so for the next several years assuming Bush-era tax cuts are extended. For 2012, the CBO also suggests modest GDP growth of 2% and unemployment over 8%. The U.S. economic outlook appears to be for a slow economy and a challenging job market, with low interest rates and inflation. Globally, we are concerned by a further slowing of the Chinese economy and with the Eurozone's sovereign debt and banking industry issues. Nevertheless, we are encouraged by the potential for strength in financial markets derived in part by improving corporate profits, an accommodative monetary policy, and a perception that an economic recovery may occur.

The Fund's general strategy in this economic and market environment was to maintain a steady course, while emphasizing quality income generating equity securities. As markets evolve, the Fund anticipates that it will continue to invest in these and other securities in seeking to provide shareholders with high current income, and secondarily, capital appreciation. Our view of the markets suggests that the Fund may benefit during the current period from a disciplined portfolio selection strategy, employing leverage and other investment techniques as deemed appropriate in seeking its objectives. We believe this approach provides a sound high current income strategy for investors over the long term, as well.

### **Fund Website and Dividend Reinvestment Plan**

The Fund's website, [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com), provides investors with investment information, news, and other material regarding the Fund. The website also has links to the most recent S&P Stock Report on the Fund and to performance and daily net asset value reporting. You are invited to use this excellent resource to learn more about the Fund.

Thank you for investing in the Fund. For those shareholders currently receiving the Fund's quarterly dividends in cash but are interested in adding to their account through the Fund's Dividend Reinvestment Plan, we encourage you to review the Plan set forth later in this document and contact the Transfer Agent, who will be pleased to assist you with no obligation on your part. We share your enthusiasm for the Fund, as evidenced by the fact that affiliates of Bexil Advisers LLC, the Fund's investment manager, own approximately 5.2% of the Fund's shares. We look forward to serving your investment needs over the years ahead.

Sincerely,



Thomas B. Winmill  
President

## SCHEDULE OF PORTFOLIO INVESTMENTS – DECEMBER 31, 2011

<u>Shares</u>		<u>Cost</u>	<u>Value</u>
	<b>COMMON STOCK (56.88%)</b>		
	<b>Aircraft Engines &amp; Engine Parts (0.78%)</b>		
10,000	United Technologies Corp.	\$ 727,426	\$ 730,900
	<b>Beverages (1.84%)</b>		
15,000	Coca-Cola Company	835,675	1,049,550
10,000	PepsiCo, Inc.	<u>529,400</u>	<u>663,500</u>
		1,365,075	1,713,050
	<b>Cigarettes (1.80%)</b>		
30,000	Altria Group, Inc.	634,550	889,500
10,000	Philip Morris International, Inc.	<u>485,376</u>	<u>784,800</u>
		1,119,926	1,674,300
	<b>Computers &amp; Office Equipment (1.09%)</b>		
25,000	Hewlett-Packard Company	1,088,505	644,000
2,000	International Business Machines Corporation	<u>258,964</u>	<u>367,760</u>
		1,347,469	1,011,760
	<b>Crude Petroleum &amp; Natural Gas (0.82%)</b>		
8,160	Occidental Petroleum Corporation	527,752	764,592
	<b>Deep Sea Foreign Transportation of Freight (0.73%)</b>		
50,000	Seaspan Corp.	347,030	684,000
	<b>Dolls &amp; Stuffed Toys (0.75%)</b>		
25,000	Mattel, Inc. <sup>(a)</sup>	610,742	694,000
	<b>Electric Services (4.09%)</b>		
11,000	Entergy Corp.	693,431	803,550
65,000	Southern Company <sup>(a)</sup>	<u>2,326,432</u>	<u>3,008,850</u>
		3,019,863	3,812,400
	<b>Electronic &amp; Other Electrical Equipment (2.35%)</b>		
20,000	Emerson Electric Company <sup>(a)</sup>	747,590	931,800
70,000	General Electric Company <sup>(a)</sup>	<u>1,166,254</u>	<u>1,253,700</u>
		1,913,844	2,185,500
	<b>Electronic &amp; Other Services Combined (0.79%)</b>		
17,000	Exelon Corp.	715,134	737,290
	<b>Fire, Marine &amp; Casualty Insurance (1.51%)</b>		
20,000	Ace Ltd.	829,324	1,402,400
	<b>Food &amp; Kindred Products (0.40%)</b>		
10,000	Kraft Foods, Inc. Class A <sup>(a)</sup>	258,704	373,600

## SCHEDULE OF PORTFOLIO INVESTMENTS – DECEMBER 31, 2011

<u>Shares</u>		<u>Cost</u>	<u>Value</u>
	<b>COMMON STOCK (continued)</b>		
	<b>Investment Advice (0.43%)</b>		
20,000	Invesco Ltd.	\$ 437,950	\$ 401,800
	<b>Life Insurance (1.96%)</b>		
30,000	Lincoln National Corp.	670,430	582,600
40,000	MetLife, Inc.	699,693	1,247,200
		<u>1,370,123</u>	<u>1,829,800</u>
	<b>Malt Beverages (0.75%)</b>		
16,000	Molson Coors Brewing Company	707,427	696,640
	<b>Miscellaneous Business Credit Institution (1.03%)</b>		
38,316	Solar Capital Ltd.	731,279	846,400
46,169	Star Asia Financial Ltd. <sup>(a) (b)</sup>	686,145	116,808
		<u>1,417,424</u>	<u>963,208</u>
	<b>Motor Vehicle Parts &amp; Accessories (1.46%)</b>		
25,000	Honeywell International, Inc.	889,529	1,358,750
	<b>National Commercial Banks (1.31%)</b>		
36,800	JPMorgan Chase & Company	774,303	1,223,600
	<b>Paints, Varnishes, Lacquers, Enamels &amp; Allied Products (0.90%)</b>		
10,000	PPG Industries, Inc. <sup>(a)</sup>	657,378	834,900
	<b>Perfumes, Cosmetics &amp; Other Preparations (0.94%)</b>		
50,000	Avon Products, Inc. <sup>(a)</sup>	1,596,424	873,500
	<b>Petroleum Refining (1.77%)</b>		
11,000	ConocoPhillips	731,802	801,570
10,000	Exxon Mobil Corp.	738,274	847,600
		<u>1,470,076</u>	<u>1,649,170</u>
	<b>Pharmaceutical Preparations (7.34%)</b>		
30,000	Abbott Laboratories <sup>(a)</sup>	1,522,047	1,686,900
55,000	Bristol-Myers Squibb Company <sup>(a)</sup>	1,241,872	1,938,200
11,000	Johnson & Johnson	708,922	721,380
20,000	Merck & Company, Inc.	680,994	754,000
80,000	Pfizer Inc. <sup>(a)</sup>	1,211,079	1,731,200
		<u>5,364,914</u>	<u>6,831,680</u>
	<b>Plastics Materials, Resins &amp; Nonvulcanelastomers (1.60%)</b>		
20,000	E.I. du Pont de Nemours and Company <sup>(a)</sup>	751,716	915,600
20,000	Dow Chemical Company <sup>(a)</sup>	580,754	575,200
		<u>1,332,470</u>	<u>1,490,800</u>

## SCHEDULE OF PORTFOLIO INVESTMENTS – DECEMBER 31, 2011

<u>Shares</u>		<u>Cost</u>	<u>Value</u>
	<b>COMMON STOCK (continued)</b>		
	<b>Radio &amp; TV Communications Equipment (1.18%)</b>		
115,000	Nokia Corp.	\$ 715,012	\$ 554,300
10,000	QUALCOMM, Inc.	<u>383,189</u>	<u>547,000</u>
		1,098,201	1,101,300
	<b>Radio Telephone Communications (0.60%)</b>		
20,000	Vodafone Group PLC ADR	453,234	560,600
	<b>Real Estate Investment Trust (2.00%)</b>		
53,400	Annaly Capital Management, Inc. <sup>(a)</sup>	922,335	852,264
150,000	MFA Financial, Inc. <sup>(a)</sup>	<u>1,201,341</u>	<u>1,008,000</u>
		2,123,676	1,860,264
	<b>Refuse Systems (0.53%)</b>		
15,000	Waste Management, Inc.	532,822	490,650
	<b>Retail - Variety Stores (0.88%)</b>		
16,000	Target Corp.	660,150	819,520
	<b>Retail - Women's Clothing Stores (2.34%)</b>		
54,000	Limited Brands, Inc. <sup>(a)</sup>	475,950	2,178,900
	<b>Savings Institution, Federally Chartered (0.83%)</b>		
60,000	People's United Financial, Inc. <sup>(a)</sup>	826,108	771,000
	<b>Security &amp; Commodity Brokers, Dealers, Exchanges &amp; Services (0.42%)</b>		
15,000	NYSE Euronext	372,671	391,500
	<b>Semiconductors &amp; Related Devices (3.30%)</b>		
23,000	Analog Devices, Inc.	726,742	822,940
40,000	Intel Corp.	796,500	970,000
35,000	Microchip Technology, Inc. <sup>(a)</sup>	<u>998,144</u>	<u>1,282,050</u>
		2,521,386	3,074,990
	<b>Services - Business Services (0.65%)</b>		
40,000	Lender Processing Services, Inc. <sup>(a)</sup>	733,684	602,800
	<b>Services - Engineering, Accounting, Research, Management (0.32%)</b>		
10,000	Paychex, Inc.	309,491	301,100
	<b>Services - Prepackaged Software (0.84%)</b>		
30,000	Microsoft Corp.	900,672	778,800
	<b>Soap, Detergent, Cleaning Preparations, Perfumes, Cosmetics (0.86%)</b>		
12,000	The Procter & Gamble Company	739,290	800,520

## SCHEDULE OF PORTFOLIO INVESTMENTS – DECEMBER 31, 2011

<u>Shares</u>		<u>Cost</u>	<u>Value</u>
	<b>COMMON STOCK (continued)</b>		
	<b>Surgical &amp; Medical Instruments &amp; Apparatus (1.76%)</b>		
20,000	3M Company <sup>(a)</sup>	\$ 1,133,436	\$ 1,634,600
	<b>Telephone Communications (3.74%)</b>		
45,000	AT&T, Inc. <sup>(a)</sup>	1,672,513	1,360,800
140,000	Frontier Communications Corp. <sup>(a)</sup>	1,920,849	721,000
35,000	Verizon Communications, Inc. <sup>(a)</sup>	<u>1,206,032</u>	<u>1,404,200</u>
		4,799,394	3,486,000
	<b>Water Transportation (0.19%)</b>		
15,000	Nordic American Tankers Limited <sup>(a)</sup>	<u>448,115</u>	<u>179,850</u>
	Total common stocks	<u>46,928,587</u>	<u>52,970,034</u>
	<b>CORPORATE BONDS AND NOTES (31.67%)</b>		
	<b>Accident &amp; Health Insurance (0.57%)</b>		
\$ 500,000	CNO Financial Group, Inc., 9%, 1/15/18 <sup>(a)</sup>	506,807	530,000
	<b>Auto/Truck Parts &amp; Equipment - Orig (0.50%)</b>		
460,000	Tower Automotive Holdings USA LLC, 10.625%, 9/1/17 <sup>(c)</sup>	466,348	464,600
	<b>Cable &amp; Other Pay Television Services (1.40%)</b>		
500,000	CCO Holdings LLC, 7%, 1/15/19 <sup>(a)</sup>	499,643	523,750
750,000	Mediacom Broadband LLC, 8.50%, 10/15/15	<u>757,122</u>	<u>776,250</u>
		1,256,765	1,300,000
	<b>Cable/Satellite TV (1.14%)</b>		
1,000,000	Cequel Communications Holdings I LLC and Cequel Capital Corp., 8.625%, 11/15/17 <sup>(a)(c)</sup>	1,011,076	1,065,000
	<b>Cogeneration Services &amp; Small Power Producers (0.51%)</b>		
450,000	Covanta Holding Corp., 7.25%, 12/1/20 <sup>(a)</sup>	457,621	475,272
	<b>Converted Paper &amp; Paperboard Products (1.06%)</b>		
1,000,000	Appleton Papers, Inc., 10.50%, 6/15/15 <sup>(a)(c)</sup>	996,904	991,250
	<b>Crude Petroleum &amp; Natural Gas (0.29%)</b>		
250,000	Plains Exploration & Productions Company, 7.625%, 6/1/18 <sup>(a)</sup>	250,658	266,250
	<b>Drawing &amp; Insulating of Nonferrous Wire (0.54%)</b>		
500,000	Belden, Inc., 7%, 3/15/17 <sup>(a)</sup>	483,721	501,875
	<b>Drilling Oil &amp; Gas Wells (0.58%)</b>		
500,000	Offshore Group Investments Ltd., 11.50%, 8/1/15 <sup>(a)(c)</sup>	500,877	543,125
	<b>Electric - Integrated (0.46%)</b>		
400,000	North American Energy Alliance LLC, 10.875%, 6/1/16 <sup>(c)</sup>	408,640	426,000

## SCHEDULE OF PORTFOLIO INVESTMENTS – DECEMBER 31, 2011

Principal Amount		Cost	Value
	<b>CORPORATE BONDS AND NOTES (continued)</b>		
	<b>Electric Services (1.22%)</b>		
\$ 650,000	Edison Mission Energy, 7.00%, 5/15/17	\$ 650,814	\$ 425,750
721,760	Elwood Energy LLC, 8.159%, 7/5/26 <sup>(a)</sup>	<u>763,382</u>	<u>709,129</u>
		1,414,196	1,134,879
	<b>Fats &amp; Oils (0.60%)</b>		
500,000	Darling International Inc., 8.50%, 12/15/18 <sup>(a)</sup>	519,994	557,500
	<b>Hospital &amp; Medical Service Plans (0.28%)</b>		
250,000	Health Net, Inc., 6.375%, 6/1/17 <sup>(a)</sup>	236,084	261,250
	<b>Ice Cream &amp; Frozen Desserts (0.57%)</b>		
500,000	Dean Foods Company, 9.75%, 12/15/18 <sup>(a)</sup>	505,300	535,000
	<b>Machine Tools, Metal Cutting Types (0.47%)</b>		
425,000	Thermadyne Holdings Corp., 9%, 12/15/17 <sup>(a)(c)</sup>	427,739	442,000
	<b>Metal Forgings &amp; Stampings (0.20%)</b>		
170,000	Trimas Corp., 9.75%, 12/15/17 <sup>(c)</sup>	167,184	185,300
	<b>Miscellaneous Business Credit Institution (0.51%)</b>		
500,000	PHH Corp., 9.25%, 3/1/16 <sup>(c)</sup>	505,973	477,500
	<b>Miscellaneous Electrical Machinery, Equipment &amp; Supplies (0.33%)</b>		
55,000	Exide Technologies, 8.625%, 2/1/18	55,000	42,625
240,000	Spectrum Brands Holdings, Inc., 9.50%, 6/15/18 <sup>(a)(c)</sup>	<u>244,929</u>	<u>263,700</u>
		299,929	306,325
	<b>Miscellaneous Fabricated Metal Products (1.08%)</b>		
1,000,000	WireCo WorldGroup, 9.50%, 5/15/17 <sup>(a)(c)</sup>	979,369	1,010,000
	<b>Mortgage Banks (0.50%)</b>		
500,000	Provident Funding Associates, L.P., 10.25%, 4/15/17 <sup>(a)(c)</sup>	500,000	468,750
	<b>Natural Gas Transmission (1.50%)</b>		
500,000	Energy Transfer Equity, L.P., 7.50%, 10/15/20 <sup>(a)</sup>	513,801	548,750
500,000	Niska Gas Storage US, LLC, 8.875%, 3/15/18 <sup>(a)(c)</sup>	510,185	491,250
350,000	Southern Star Central Corp., 6.75%, 3/1/16 <sup>(a)</sup>	<u>326,617</u>	<u>357,875</u>
		1,350,603	1,397,875
	<b>Oil &amp; Gas Field Exploration Services (0.55%)</b>		
500,000	CGG-Veritas, 7.75%, 5/15/17 <sup>(a)</sup>	510,624	508,750
	<b>Oil &amp; Gas Field Services (0.88%)</b>		
780,000	Complete Production Services, Inc., 8%, 12/15/16 <sup>(a)</sup>	790,371	815,100

## SCHEDULE OF PORTFOLIO INVESTMENTS – DECEMBER 31, 2011

Principal Amount		Cost	Value
	<b>CORPORATE BONDS AND NOTES (continued)</b>		
	<b>Paper Mills (0.61%)</b>		
\$ 517,000	Abitibowater Inc., 10.25%, 10/15/18 <sup>(c)</sup>	\$ 523,344	\$ 572,578
	<b>Paper &amp; Allied Products (0.53%)</b>		
500,000	Cascades Inc., 7.75%, 12/15/17 <sup>(a)</sup>	491,573	497,500
	<b>Paper &amp; Related Products (0.29%)</b>		
250,000	PE Paper Escrow, 12%, 8/1/14 <sup>(a)(c)</sup>	242,626	267,500
	<b>Personal Credit Institutions (0.83%)</b>		
740,000	Credit Acceptance Corp., 9.125%, 2/1/17 <sup>(a)(c)</sup>	757,751	777,000
	<b>Petroleum Refining (0.55%)</b>		
272,000	Coffeyville Resources LLC, 9%, 4/1/15 <sup>(a)(c)</sup>	275,254	289,680
200,000	Coffeyville Resources LLC, 10.875%, 4/1/17 <sup>(a)(c)</sup>	199,283	225,000
		<u>474,537</u>	<u>514,680</u>
	<b>Pharmaceutical Preparations (0.86%)</b>		
1,000,000	Patheon, Inc., 8.625%, 4/15/17 <sup>(a)(c)</sup>	1,022,390	800,000
	<b>Racetracks (0.40%)</b>		
360,000	Yonkers Racing Corp., 11.375%, 7/15/16 <sup>(c)</sup>	358,845	372,600
	<b>Radio &amp; TV Broadcasting &amp; Communications Equipment (0.54%)</b>		
500,000	CommScope, Inc., 8.25%, 1/15/19 <sup>(a)</sup>	510,568	502,500
	<b>Retail - Convenience Stores (0.58%)</b>		
500,000	Susser Holdings, L.L.C., 8.50%, 5/15/16	506,943	541,875
	<b>Retail - Miscellaneous Retail (0.24%)</b>		
250,000	Ferrellgas Partners, L.P., 6.50%, 5/1/21 <sup>(a)</sup>	245,189	221,250
	<b>Security Brokers, Dealer &amp; Flotation Companies (0.49%)</b>		
750,000	Penson Worldwide, Inc., 12.50%, 5/15/17 <sup>(c)</sup>	758,192	453,750
	<b>Semiconductors &amp; Related Devices (0.28%)</b>		
250,000	Advanced Micro Devices, Inc., 7.75%, 8/1/20 <sup>(a)</sup>	258,128	258,125
	<b>Services - Business Services, NEC (0.47%)</b>		
500,000	DynCorp International Inc., 10.375%, 7/1/17 <sup>(c)</sup>	502,052	437,500
	<b>Services - Equipment Rental &amp; Leasing, NEC (0.57%)</b>		
500,000	Aircastle Ltd., 9.75%, 8/1/18 <sup>(a)</sup>	502,999	526,250
	<b>Services - Miscellaneous Amusement &amp; Recreation (0.88%)</b>		
750,000	Cedar Fair, L.P., 9.125%, 8/1/18 <sup>(c)</sup>	753,670	819,375

## SCHEDULE OF PORTFOLIO INVESTMENTS – DECEMBER 31, 2011

Principal Amount		Cost	Value
	<b>CORPORATE BONDS AND NOTES (continued)</b>		
	<b>Services - Miscellaneous Equipment Rental &amp; Leasing (0.74%)</b>		
\$ 675,000	H&E Equipment Services, Inc., 8.375%, 7/15/16 <sup>(a)</sup>	\$ 680,490	\$ 693,563
	<b>Services - Miscellaneous Repair Services (0.23%)</b>		
500,000	Aquilex Holdings LLC, 11.125%, 12/15/16 <sup>(a)</sup>	496,415	210,000
	<b>Services - Motion Picture Theaters (0.11%)</b>		
95,000	Regal Entertainment Group, 9.125%, 8/15/18	96,132	102,362
	<b>Services - Prepackaged Software (0.46%)</b>		
400,000	Scientific Games International, Inc., 9.25%, 6/15/19 <sup>(a)</sup>	429,385	426,000
	<b>Special Industry Machinery (0.57%)</b>		
500,000	Novelis Inc., 8.375%, 12/15/17	505,715	533,750
	<b>Steel Pipes &amp; Tubes (0.31%)</b>		
300,000	Atkore International Inc., 9.875%, 1/1/18	306,337	288,750
	<b>Steel Works, Blast Furnaces &amp; Rolling &amp; Finishing Mills (0.91%)</b>		
840,000	Gibraltar Industries, Inc., 8%, 12/1/15 <sup>(a)</sup>	840,801	844,200
	<b>Telephone Communications (1.59%)</b>		
1,000,000	Cincinnati Bell Inc., 8.75%, 3/15/18 <sup>(a)</sup>	1,008,316	933,750
500,000	Equinix, Inc., 8.125%, 3/1/18 <sup>(a)</sup>	509,095	547,500
		<u>1,517,411</u>	<u>1,481,250</u>
	<b>Textile - Home Furnishings (0.05%)</b>		
50,000	Empire Today LLC, 11.375%, 2/1/17	49,519	46,875
	<b>Transportation-Marine (0.44%)</b>		
400,000	Marquette Transportation Company, 10.875%, 1/15/17 <sup>(c)</sup>	401,574	405,000
	<b>Water Transportation (1.75%)</b>		
679,000	American Petroleum Tankers LLC, 10.25%, 5/1/15 <sup>(c)</sup>	668,956	695,975
900,000	Hornbeck Offshore Services, Inc., 8%, 9/1/17 <sup>(a)</sup>	906,613	930,375
		<u>1,575,569</u>	<u>1,626,350</u>
	<b>Wholesale - Electronic Parts &amp; Equipment, NEC (0.33%)</b>		
300,000	Brightstar Corp., 9.50%, 12/1/16 <sup>(a)(c)</sup>	300,000	307,500
	<b>Wholesale - Petroleum &amp; Petroleum Products (0.32%)</b>		
275,000	Crosstex Energy, L.P., 8.875%, 2/15/18 <sup>(a)</sup>	275,550	301,812
	Total corporate bonds and notes	<u>29,930,488</u>	<u>29,493,496</u>

## SCHEDULE OF PORTFOLIO INVESTMENTS – DECEMBER 31, 2011 (concluded)

Shares		Cost	Value
	<b>CLOSED END FUND BUSINESS</b>		
	<b>DEVELOPMENT COMPANIES (0.24%)</b>		
	<b>Miscellaneous Business Credit Institution (0.24%)</b>		
14,000	Horizon Technology Finance Corp.	\$ 214,378	\$ 227,920
	<b>INVESTMENT COMPANIES (2.25%)</b>		
	<b>Exchange Traded Fund (2.25%)</b>		
15,000	iShares Dow Jones Select Dividend Index	699,712	806,250
65,000	SPDR S&P 500 ETF Trust <sup>(a)</sup>	871,731	1,288,950
	Total investment companies	<u>1,571,443</u>	<u>2,095,200</u>
	<b>MASTER LIMITED PARTNERSHIPS (2.92%)</b>		
	<b>Natural Gas Transmission (2.92%)</b>		
39,000	Energy Transfer Partners LP <sup>(a)</sup>	1,979,798	1,788,150
20,000	Enterprise Products Partners LP	374,214	927,600
	Total master limited partnerships	<u>2,354,012</u>	<u>2,715,750</u>
	<b>PREFERRED STOCK (0.01%)</b>		
80,000	Solar Cayman Ltd. <sup>(b) (c) (d)</sup>	568,802	2,000
	Total investments (93.97%)	<u>\$81,567,710</u>	87,504,400
	Other assets in excess of liabilities (6.03%)		<u>5,618,785</u>
	Net assets (100%)		<u>\$93,123,185</u>

<sup>(a)</sup> Fully or partially pledged as collateral on bank credit facility.

<sup>(b)</sup> Illiquid and/or restricted security that has been fair valued.

<sup>(c)</sup> These securities are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

<sup>(d)</sup> Non-income producing.

ADR American Depositary Receipt  
 LLC Limited Liability Company  
 LP Limited Partnership  
 PLC Public Limited Company  
 SPDR Standard & Poor's Depositary Receipt

## SCHEDULE OF PORTFOLIO INVESTMENTS – NOVEMBER 30, 2011

<u>Shares</u>		<u>Cost</u>	<u>Value</u>
	<b>COMMON STOCK (73.49%)</b>		
	<b>Aircraft Engines &amp; Engine Parts (1.07%)</b>		
10,000	United Technologies Corp.	\$ 727,426	\$ 766,000
	<b>Beverages (2.31%)</b>		
15,000	Coca-Cola Company	835,675	1,008,450
10,000	PepsiCo, Inc.	529,400	640,000
		<u>1,365,075</u>	<u>1,648,450</u>
	<b>Cigarettes (2.28%)</b>		
30,000	Altria Group, Inc.	634,550	860,700
10,000	Philip Morris International, Inc.	485,376	762,400
		<u>1,119,926</u>	<u>1,623,100</u>
	<b>Computers &amp; Office Equipment (1.51%)</b>		
25,000	Hewlett-Packard Company	1,088,505	698,750
2,000	International Business Machines Corporation	258,964	376,000
		<u>1,347,469</u>	<u>1,074,750</u>
	<b>Crude Petroleum &amp; Natural Gas (1.13%)</b>		
8,160	Occidental Petroleum Corporation	527,752	807,024
	<b>Deep Sea Foreign Transportation of Freight (0.73%)</b>		
50,000	Seaspan Corp.	347,030	524,000
	<b>Dolls &amp; Stuffed Toys (1.01%)</b>		
25,000	Mattel, Inc. <sup>(a)</sup>	610,742	720,250
	<b>Electric Services (5.09%)</b>		
11,000	Entergy Corp.	693,431	773,960
65,000	Southern Company <sup>(a)</sup>	2,326,432	2,854,150
		<u>3,019,863</u>	<u>3,628,110</u>
	<b>Electronic &amp; Other Electrical Equipment (3.03%)</b>		
20,000	Emerson Electric Company <sup>(a)</sup>	747,590	1,045,000
70,000	General Electric Company	1,166,254	1,113,700
		<u>1,913,844</u>	<u>2,158,700</u>
	<b>Electronic &amp; Other Services Combined (1.06%)</b>		
17,000	Exelon Corp.	715,134	753,270
	<b>Fire, Marine &amp; Casualty Insurance (1.95%)</b>		
20,000	Ace Ltd.	829,324	1,390,600
	<b>Food &amp; Kindred Products (0.51%)</b>		
10,000	Kraft Foods, Inc. Class A <sup>(a)</sup>	258,704	361,500

## SCHEDULE OF PORTFOLIO INVESTMENTS – NOVEMBER 30, 2011

<u>Shares</u>		<u>Cost</u>	<u>Value</u>
	<b>COMMON STOCK (continued)</b>		
	<b>Investment Advice (0.57%)</b>		
20,000	Invesco Ltd.	\$ 437,950	\$ 405,000
	<b>Life Insurance (2.61%)</b>		
30,000	Lincoln National Corp.	670,430	605,400
40,000	MetLife, Inc.	699,693	1,259,200
		<u>1,370,123</u>	<u>1,864,600</u>
	<b>Malt Beverages (0.91%)</b>		
16,000	Molson Coors Brewing Company	707,427	649,440
	<b>Miscellaneous Business Credit Institution (1.39%)</b>		
38,316	Solar Capital Ltd.	731,279	882,034
46,169	Star Asia Financial Ltd. <sup>(a) (b)</sup>	686,145	109,305
		<u>1,417,424</u>	<u>991,339</u>
	<b>Motor Vehicle Parts &amp; Accessories (1.90%)</b>		
25,000	Honeywell International, Inc.	889,529	1,353,750
	<b>National Commercial Banks (1.60%)</b>		
36,800	JPMorgan Chase & Company	774,303	1,139,696
	<b>Paints, Varnishes, Lacquers, Enamels &amp; Allied Products (1.23%)</b>		
10,000	PPG Industries, Inc. <sup>(a)</sup>	657,378	877,500
	<b>Perfumes, Cosmetics &amp; Other Preparations (1.19%)</b>		
50,000	Avon Products, Inc. <sup>(a)</sup>	1,596,424	850,000
	<b>Petroleum Refining (2.23%)</b>		
11,000	ConocoPhillips	731,802	784,520
10,000	Exxon Mobil Corp.	738,274	804,400
		<u>1,470,076</u>	<u>1,588,920</u>
	<b>Pharmaceutical Preparations (9.07%)</b>		
30,000	Abbott Laboratories <sup>(a)</sup>	1,522,047	1,636,500
55,000	Bristol-Myers Squibb Company <sup>(a)</sup>	1,241,872	1,799,600
11,000	Johnson & Johnson	708,922	711,920
20,000	Merck & Company, Inc.	680,994	715,000
80,000	Pfizer Inc. <sup>(a)</sup>	1,211,079	1,605,600
		<u>5,364,914</u>	<u>6,468,620</u>
	<b>Plastics Materials, Resins &amp; Nonvulcanelastomers (2.11%)</b>		
20,000	E.I. du Pont de Nemours and Company <sup>(a)</sup>	751,716	954,400
20,000	Dow Chemical Company <sup>(a)</sup>	580,754	554,200
		<u>1,332,470</u>	<u>1,508,600</u>

## SCHEDULE OF PORTFOLIO INVESTMENTS – NOVEMBER 30, 2011

<u>Shares</u>		<u>Cost</u>	<u>Value</u>
	<b>COMMON STOCK (continued)</b>		
	<b>Radio &amp; TV Communications Equipment (1.70%)</b>		
115,000	Nokia Corp.	\$ 715,012	\$ 665,850
10,000	QUALCOMM, Inc.	383,189	548,000
		<u>1,098,201</u>	<u>1,213,850</u>
	<b>Radio Telephone Communications (0.76%)</b>		
20,000	Vodafone Group PLC ADR	453,234	543,000
	<b>Real Estate Investment Trust (2.65%)</b>		
53,400	Annaly Capital Management, Inc. <sup>(a)</sup>	922,335	858,138
150,000	MFA Financial, Inc. <sup>(a)</sup>	1,201,341	1,032,000
		<u>2,123,676</u>	<u>1,890,138</u>
	<b>Refuse Systems (0.66%)</b>		
15,000	Waste Management, Inc.	532,822	469,500
	<b>Retail - Variety Stores (1.18%)</b>		
16,000	Target Corp.	660,150	843,200
	<b>Retail - Women's Clothing Stores (3.20%)</b>		
54,000	Limited Brands, Inc. <sup>(a)</sup>	475,950	2,285,820
	<b>Savings Institution, Federally Chartered (1.05%)</b>		
60,000	People's United Financial, Inc. <sup>(a)</sup>	826,108	747,000
	<b>Security &amp; Commodity Brokers, Dealers, Exchanges &amp; Services (0.60%)</b>		
15,000	NYSE Euronext	372,671	428,400
	<b>Semiconductors &amp; Related Devices (4.23%)</b>		
23,000	Analog Devices, Inc.	726,742	801,780
40,000	Intel Corp.	796,500	996,400
35,000	Microchip Technology, Inc. <sup>(a)</sup>	998,144	1,221,850
		<u>2,521,386</u>	<u>3,020,030</u>
	<b>Services - Business Services (1.06%)</b>		
40,000	Lender Processing Services, Inc.	733,684	758,400
	<b>Services - Engineering, Accounting, Research, Management (0.41%)</b>		
10,000	Paychex, Inc.	309,491	291,100
	<b>Services - Prepackaged Software (1.08%)</b>		
30,000	Microsoft Corp.	900,672	767,400
	<b>Soap, Detergent, Cleaning Preparations, Perfumes, Cosmetics (1.09%)</b>		
12,000	The Procter & Gamble Company	739,290	774,840

## SCHEDULE OF PORTFOLIO INVESTMENTS – NOVEMBER 30, 2011

Shares		Cost	Value
	<b>COMMON STOCK (continued)</b>		
	<b>Surgical &amp; Medical Instruments &amp; Apparatus (2.27%)</b>		
20,000	3M Company <sup>(a)</sup>	\$ 1,133,436	\$ 1,620,800
	<b>Telephone Communications (4.80%)</b>		
45,000	AT&T, Inc. <sup>(a)</sup>	1,672,513	1,304,100
140,000	Frontier Communications Corp. <sup>(a)</sup>	1,920,849	800,800
35,000	Verizon Communications, Inc. <sup>(a)</sup>	<u>1,206,032</u>	<u>1,320,550</u>
		4,799,394	3,425,450
	<b>Water Transportation (0.26%)</b>		
15,000	Nordic American Tankers Limited <sup>(a)</sup>	<u>448,115</u>	<u>187,950</u>
	Total common stocks	<u>46,928,587</u>	<u>52,420,097</u>
	<b>CORPORATE BONDS AND NOTES (41.82%)</b>		
	<b>Accident &amp; Health Insurance (0.74%)</b>		
\$ 500,000	CNO Financial Group, Inc., 9%, 1/15/18 <sup>(a)</sup>	506,825	527,500
	<b>Auto/Truck Parts &amp; Equipment - Orig (0.65%)</b>		
460,000	Tower Automotive Holdings USA LLC, 10.625%, 9/1/17 <sup>(c)</sup>	466,410	464,600
	<b>Cable &amp; Other Pay Television Services (1.79%)</b>		
500,000	CCO Holdings LLC, 7%, 1/15/19 <sup>(a)</sup>	499,606	505,625
750,000	Mediacom Broadband LLC, 8.50%, 10/15/15	<u>757,293</u>	<u>772,500</u>
		1,256,899	1,278,125
	<b>Cable/Satellite TV (1.43%)</b>		
1,000,000	Cequel Communications Holdings I LLC and Cequel Capital Corp., 8.625%, 11/15/17 <sup>(a)(c)</sup>	1,011,300	1,022,500
	<b>Cogeneration Services &amp; Small Power Producers (0.65%)</b>		
450,000	Covanta Holding Corp., 7.25%, 12/1/20 <sup>(a)</sup>	457,711	462,861
	<b>Converted Paper &amp; Paperboard Products (1.38%)</b>		
1,000,000	Appleton Papers, Inc., 10.50%, 6/15/15 <sup>(a)(c)</sup>	996,857	985,000
	<b>Crude Petroleum &amp; Natural Gas (0.37%)</b>		
250,000	Plains Exploration & Productions Company, 7.625%, 6/1/18 <sup>(a)</sup>	250,690	263,750
	<b>Drawing &amp; Insulating of Nonferrous Wire (0.70%)</b>		
500,000	Belden, Inc., 7%, 3/15/17 <sup>(a)</sup>	483,510	500,000
	<b>Drilling Oil &amp; Gas Wells (0.76%)</b>		
500,000	Offshore Group Investments Ltd., 11.50%, 8/1/15 <sup>(a)(c)</sup>	500,829	538,750

## SCHEDULE OF PORTFOLIO INVESTMENTS – NOVEMBER 30, 2011

<u>Principal Amount</u>		<u>Cost</u>	<u>Value</u>
	<b>CORPORATE BONDS AND NOTES (continued)</b>		
	<b>Electric - Integrated (0.60%)</b>		
\$ 400,000	North American Energy Alliance LLC, 10.875%, 6/1/16 <sup>(c)</sup>	\$ 408,845	\$ 426,000
	<b>Electric Services (1.57%)</b>		
650,000	Edison Mission Energy, 7.00%, 5/15/17	650,861	411,125
721,760	Elwood Energy LLC, 8.159%, 7/5/26 <sup>(a)</sup>	763,444	710,031
		<u>1,414,305</u>	<u>1,121,156</u>
	<b>Fats &amp; Oils (0.77%)</b>		
500,000	Darling International Inc., 8.50%, 12/15/18 <sup>(a)</sup>	520,179	552,500
	<b>Hospital &amp; Medical Service Plans (0.36%)</b>		
250,000	Health Net, Inc., 6.375%, 6/1/17 <sup>(a)</sup>	235,932	259,375
	<b>Ice Cream &amp; Frozen Desserts (0.74%)</b>		
500,000	Dean Foods Company, 9.75%, 12/15/18 <sup>(a)</sup>	505,350	527,500
	<b>Machinery (0.80%)</b>		
600,000	Cleaver-Brooks, Inc., 12.25%, 5/1/16 <sup>(a) (c)</sup>	603,226	573,000
	<b>Machine Tools, Metal Cutting Types (0.60%)</b>		
425,000	Thermadyne Holdings Corp., 9%, 12/15/17 <sup>(a) (c)</sup>	427,771	427,125
	<b>Metal Forgings &amp; Stampings (0.26%)</b>		
170,000	Trimas Corp., 9.75%, 12/15/17 <sup>(c)</sup>	167,157	181,900
	<b>Miscellaneous Business Credit Institution (0.73%)</b>		
500,000	PHH Corp., 9.25%, 3/1/16 <sup>(c)</sup>	506,060	517,500
	<b>Miscellaneous Electrical Machinery, Equipment &amp; Supplies (0.43%)</b>		
55,000	Exide Technologies, 8.625%, 2/1/18	55,000	44,275
240,000	Spectrum Brands Holdings, Inc., 9.50%, 6/15/18 <sup>(a) (c)</sup>	244,979	262,200
		<u>299,979</u>	<u>306,475</u>
	<b>Miscellaneous Fabricated Metal Products (1.44%)</b>		
1,000,000	WireCo WorldGroup, 9.50%, 5/15/17 <sup>(a) (c)</sup>	979,255	1,025,000
	<b>Mortgage Banks (0.67%)</b>		
500,000	Provident Funding Associates, L.P., 10.25%, 4/15/17 <sup>(a) (c)</sup>	500,000	477,500
	<b>Natural Gas Transmission (1.91%)</b>		
500,000	Energy Transfer Equity, L.P., 7.50%, 10/15/20 <sup>(a)</sup>	513,913	520,000
500,000	Niska Gas Storage US, LLC, 8.875%, 3/15/18 <sup>(a) (c)</sup>	510,289	490,000
350,000	Southern Star Central Corp., 6.75%, 3/1/16 <sup>(a)</sup>	326,222	355,250
		<u>1,350,424</u>	<u>1,365,250</u>
	<b>Oil &amp; Gas Field Exploration Services (0.70%)</b>		
500,000	CGG-Veritas, 7.75%, 5/15/17 <sup>(a)</sup>	510,798	500,000

## SCHEDULE OF PORTFOLIO INVESTMENTS – NOVEMBER 30, 2011

<u>Principal Amount</u>		<u>Cost</u>	<u>Value</u>
	<b>CORPORATE BONDS AND NOTES (continued)</b>		
	<b>Oil &amp; Gas Field Services (1.14%)</b>		
\$ 780,000	Complete Production Services, Inc., 8%, 12/15/16 <sup>(a)</sup>	\$ 790,520	\$ 815,100
	<b>Paper Mills (0.79%)</b>		
517,000	Abitibowater Inc., 10.25%, 10/15/18 <sup>(c)</sup>	523,430	564,823
	<b>Paper &amp; Allied Products (0.69%)</b>		
500,000	Cascades Inc., 7.75%, 12/15/17 <sup>(a)</sup>	491,485	488,750
	<b>Paper &amp; Related Products (0.38%)</b>		
250,000	PE Paper Escrow, 12%, 8/1/14 <sup>(a)(c)</sup>	242,389	267,500
	<b>Personal Credit Institutions (1.07%)</b>		
740,000	Credit Acceptance Corp., 9.125%, 2/1/17 <sup>(a)(c)</sup>	757,930	760,350
	<b>Petroleum Refining (0.72%)</b>		
272,000	Coffeyville Resources LLC, 9%, 4/1/15 <sup>(a)(c)</sup>	275,335	291,040
200,000	Coffeyville Resources LLC, 10.875%, 4/1/17 <sup>(a)(c)</sup>	199,283	226,000
		<u>474,618</u>	<u>517,040</u>
	<b>Pharmaceutical Preparations (1.15%)</b>		
1,000,000	Patheon, Inc., 8.625%, 4/15/17 <sup>(a)(c)</sup>	1,022,717	820,000
	<b>Racetracks (0.51%)</b>		
360,000	Yonkers Racing Corp., 11.375%, 7/15/16 <sup>(c)</sup>	358,767	366,300
	<b>Radio &amp; TV Broadcasting &amp; Communications Equipment (0.68%)</b>		
500,000	CommScope, Inc., 8.25%, 1/15/19 <sup>(a)</sup>	510,627	485,000
	<b>Retail - Convenience Stores (0.76%)</b>		
500,000	Susser Holdings, L.L.C., 8.50%, 5/15/16	507,101	538,750
	<b>Retail - Miscellaneous Retail (0.30%)</b>		
250,000	Ferrellgas Partners, L.P., 6.50%, 5/1/21 <sup>(a)</sup>	245,170	215,625
	<b>Security Brokers, Dealer &amp; Flotation Companies (0.67%)</b>		
750,000	Penson Worldwide, Inc., 12.50%, 5/15/17 <sup>(c)</sup>	758,385	476,250
	<b>Semiconductors &amp; Related Devices (0.35%)</b>		
250,000	Advanced Micro Devices, Inc., 7.75%, 8/1/20 <sup>(a)</sup>	258,171	252,500
	<b>Services - Business Services, NEC (0.61%)</b>		
500,000	DynCorp International, Inc., 10.375%, 7/1/17 <sup>(c)</sup>	501,997	437,500
	<b>Services - Equipment Rental &amp; Leasing, NEC (0.74%)</b>		
500,000	Aircastle Ltd., 9.75%, 8/1/18 <sup>(a)</sup>	502,980	525,000

## SCHEDULE OF PORTFOLIO INVESTMENTS – NOVEMBER 30, 2011

<u>Principal Amount</u>		<u>Cost</u>	<u>Value</u>
	<b>CORPORATE BONDS AND NOTES (continued)</b>		
	<b>Services - Miscellaneous Amusement &amp; Recreation (1.15%)</b>		
\$ 750,000	Cedar Fair, L.P., 9.125%, 8/1/18 <sup>(c)</sup>	\$ 753,642	\$ 819,375
	<b>Services - Miscellaneous Equipment Rental &amp; Leasing (0.97%)</b>		
675,000	H&E Equipment Services, Inc., 8.375%, 7/15/16 <sup>(a)</sup>	680,522	688,500
	<b>Services - Miscellaneous Repair Services (0.33%)</b>		
500,000	Aquilex Holdings LLC, 11.125%, 12/15/16 <sup>(a)</sup>	496,377	232,500
	<b>Services - Motion Picture Theaters (0.14%)</b>		
95,000	Regal Entertainment Group, 9.125%, 8/15/18	96,139	99,750
	<b>Services - Prepackaged Software (0.59%)</b>		
400,000	Scientific Games International, Inc., 9.25%, 6/15/19 <sup>(a)</sup>	429,631	422,000
	<b>Special Industry Machinery(0.73%)</b>		
500,000	Novelis Inc., 8.375%, 12/15/17	505,780	522,500
	<b>Steel Pipes &amp; Tubes (0.41%)</b>		
300,000	Atkore International Inc., 9.875%, 1/1/18	306,372	293,250
	<b>Steel Works, Blast Furnaces &amp; Rolling &amp; Finishing Mills (1.17%)</b>		
840,000	Gibraltar Industries, Inc., 8%, 12/1/15 <sup>(a)</sup>	840,909	837,900
	<b>Telephone Communications (2.00%)</b>		
1,000,000	Cincinnati Bell Inc., 8.75%, 3/15/18 <sup>(a)</sup>	1,008,401	895,000
500,000	Equinix, Inc., 8.125%, 3/1/18 <sup>(a)</sup>	509,184	535,000
		<u>1,517,585</u>	<u>1,430,000</u>
	<b>Textiles - Home Furnishings (0.07%)</b>		
50,000	Empire Today LLC, 11.375%, 2/1/17	49,507	46,500
	<b>Transportation-Marine (0.55%)</b>		
400,000	Marquette Transportation Company, 10.875%, 1/15/17 <sup>(c)</sup>	401,530	394,000
	<b>Water Transportation (2.27%)</b>		
679,000	American Petroleum Tankers LLC, 10.25%, 5/1/15 <sup>(c)</sup>	668,828	695,975
900,000	Hornbeck Offshore Services, Inc., 8%, 9/1/17 <sup>(a)</sup>	906,679	922,500
		<u>1,575,507</u>	<u>1,618,475</u>
	<b>Wholesale - Electronic Parts &amp; Equipment, NEC (0.42%)</b>		
300,000	Brightstar Corp., 9.50%, 12/1/16 <sup>(a)(c)</sup>	300,000	303,000
	<b>Wholesale - Petroleum &amp; Petroleum Products (0.41%)</b>		
275,000	Crosstex Energy, L.P., 8.875%, 2/15/18 <sup>(a)</sup>	275,541	294,250
	Total corporate bonds and notes	<u>30,535,641</u>	<u>29,835,855</u>

## SCHEDULE OF PORTFOLIO INVESTMENTS – NOVEMBER 30, 2011 (concluded)

Shares		Cost	Value
	<b>CLOSED END FUND BUSINESS</b>		
	<b>DEVELOPMENT COMPANIES (2.10%)</b>		
	<b>Miscellaneous Business Credit Institution (2.10%)</b>		
117,152	Apollo Investment Corp. <sup>(a)</sup>	\$ 1,336,937	\$ 844,666
41,870	Horizon Technology Finance Corp.	650,988	649,822
	Total closed end fund business development companies	1,987,925	1,494,488
	<b>INVESTMENT COMPANIES (2.86%)</b>		
	<b>Exchange Traded Fund (2.86%)</b>		
15,000	iShares Dow Jones Select Dividend Index	699,712	792,450
65,000	SPDR S&P 500 ETF Trust <sup>(a)</sup>	871,731	1,248,650
	Total investment companies	1,571,443	2,041,100
	<b>MASTER LIMITED PARTNERSHIPS (3.67%)</b>		
	<b>Natural Gas Transmission (3.67%)</b>		
39,000	Energy Transfer Partners LP <sup>(a)</sup>	1,979,798	1,706,640
20,000	Enterprise Products Partners LP	374,214	909,800
	Total master limited partnerships	2,354,012	2,616,440
	<b>PREFERRED STOCK (0.01%)</b>		
80,000	Solar Cayman Ltd. <sup>(a) (b) (c) (d)</sup>	568,802	2,000
	Total investments (123.95%)	\$83,946,410	88,409,980
	Liabilities in excess of other assets (-23.95%)		(17,080,889)
	Net assets (100%)		\$71,329,091

<sup>(a)</sup> Fully or partially pledged as collateral on bank credit facility.

<sup>(b)</sup> Illiquid and/or restricted security that has been fair valued.

<sup>(c)</sup> These securities are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

<sup>(d)</sup> Non-income producing.

ADR American Depositary Receipt  
 LLC Limited Liability Company  
 LP Limited Partnership  
 PLC Public Limited Company  
 SPDR Standard & Poor's Depositary Receipt

## STATEMENT OF ASSETS AND LIABILITIES

December 31, 2011 and November 30, 2011

	<u>December 31, 2011</u>	<u>November 30, 2011</u>
<b>ASSETS</b>		
Investments, at value (cost: \$81,567,710 and \$83,946,410, respectively) .....	\$ 87,504,400	\$ 88,409,980
Receivables		
Proceeds from capital shares issued in rights offering .....	22,577,847	-
Interest .....	637,056	774,401
Securities sold .....	245,528	-
Dividends .....	209,104	302,921
Other assets .....	61,217	19,115
Deferred rights offering costs .....	-	251,553
Total assets .....	<u>111,235,152</u>	<u>89,757,970</u>
<b>LIABILITIES</b>		
Bank line of credit .....	17,815,175	18,209,356
Payables		
Accrued expenses .....	191,658	127,229
Investment management .....	74,025	69,245
Administrative services .....	31,109	23,049
Total liabilities .....	<u>18,111,967</u>	<u>18,428,879</u>
<b>NET ASSETS</b>	<u>\$93,123,185</u>	<u>\$71,329,091</u>
<b>NET ASSET VALUE PER SHARE</b>		
(applicable to 24,034,240 and 16,921,198 shares outstanding, respectively: 100,000,000 shares of \$.01 par value authorized) .....	<u>\$3.87</u>	<u>\$4.22</u>
<b>NET ASSETS CONSIST OF</b>		
Paid in capital .....	\$160,125,620	\$139,203,284
Accumulated net realized loss on investments and options written .....	(72,939,125)	(72,337,763)
Net unrealized appreciation on investments .....	<u>5,936,690</u>	<u>4,463,570</u>
	<u>\$ 93,123,185</u>	<u>\$ 71,329,091</u>

## STATEMENT OF OPERATIONS

For the period December 1, 2011 to December 31, 2011 and  
the year ended November 30, 2011

	<b>One Month Ended December 31, 2011</b>	<b>Year Ended November 30, 2011</b>
<b>INVESTMENT INCOME</b>		
Interest.....	\$ 336,836	\$2,565,034
Dividends .....	<u>200,464</u>	<u>2,965,829</u>
Total investment income .....	<u>537,300</u>	<u>5,530,863</u>
<b>EXPENSES</b>		
Investment management .....	74,025	863,578
Interest and fees on bank credit facility .....	19,925	199,990
Legal .....	13,950	75,750
Administrative services .....	8,060	66,623
Fund accounting and administration .....	4,650	71,927
Auditing .....	3,875	35,558
Shareholder communications .....	2,635	27,585
Exchange listing and registration .....	2,325	69,256
Directors .....	2,325	29,760
Other .....	1,852	23,384
Transfer agent .....	620	<u>37,457</u>
Total expenses.....	<u>134,242</u>	<u>1,500,868</u>
Less investment management fees waived .....	-	<u>(16,005)</u>
Net expenses .....	<u>134,242</u>	<u>1,484,863</u>
Net investment income .....	<u>403,058</u>	<u>4,046,000</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS)</b>		
Net realized gain (loss)		
Investments .....	(603,086)	865,511
Options written.....	-	(465,560)
Net unrealized appreciation (depreciation)		
Investments .....	1,473,120	(649,351)
Options written.....	-	<u>(97,930)</u>
Net realized and unrealized gain (loss) .....	<u>870,034</u>	<u>(347,330)</u>
Net change in net assets resulting from operations .....	<u>\$1,273,092</u>	<u>\$3,698,670</u>

## STATEMENTS OF CHANGES IN NET ASSETS

For the period December 1, 2011 to December 31, 2011 and the years ended November 30, 2011 and 2010

	<b>One Month Ended December 31, 2011</b>	<b>Year Ended November 30, 2011</b>	<b>2010</b>
<b>OPERATIONS</b>			
Net investment income .....	\$ 403,058	\$ 4,046,000	\$ 3,387,923
Net realized gain (loss) on investments and options written .....	(603,086)	399,951	2,802,445
Unrealized appreciation (depreciation) on investments and options written .....	<u>1,473,120</u>	<u>(747,281)</u>	<u>3,177,103</u>
Net increase in net assets resulting from operations ..	1,273,092	3,698,670	9,367,471
<b>DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS</b>			
Net investment income .....	(401,335)	(3,938,453)	(5,931,679)
Tax return of capital .....	<u>(1,324,627)</u>	<u>(1,809,878)</u>	<u>(965,955)</u>
Total distributions .....	(1,725,962)	(5,748,331)	(6,897,634)
<b>CAPITAL SHARE TRANSACTIONS</b>			
Proceeds from common shares issued in rights offering.....	22,577,847	-	-
Offering costs charged to paid in capital .....	(375,000)	-	-
Reinvestment of distributions to shareholders .....	<u>44,117</u>	<u>56,286</u>	<u>-</u>
Increase in net assets from capital share transactions	<u>22,246,964</u>	<u>56,286</u>	<u>-</u>
Total change in net assets.....	21,794,094	(1,993,375)	2,469,837
<b>NET ASSETS</b>			
Beginning of period .....	<u>71,329,091</u>	<u>73,322,466</u>	<u>70,852,629</u>
End of period .....	<u>\$93,123,185</u>	<u>\$71,329,091</u>	<u>\$73,322,466</u>
End of period net assets include undistributed net investment income .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## STATEMENT OF CASH FLOWS

For the period December 1, 2011 to December 31, 2011 and the years ended November 30, 2011

	<b>One Month Ended December 31, 2011</b>	<b>Year Ended November 30, 2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets resulting from operations .....	\$ 1,273,092	\$ 3,698,670
Adjustments to reconcile change in net assets resulting from operations to net cash provided by (used in) operating activities:		
Proceeds from sale of long term investments .....	1,792,500	26,146,501
Purchase of long term investments .....	(18,841)	(22,056,839)
Net sales of short term investments .....	-	241,045
Unrealized appreciation (depreciation) of investments and options written ..	(1,473,120)	747,281
Net realized loss (gain) on sales of investments and options written.....	603,086	(399,951)
Amortization of premium net of accretion of discount of investments .....	1,955	25,871
(Increase) decrease in receivable for investments sold .....	(245,528)	233,377
Decrease in interest receivable.....	137,345	17,584
Decrease (increase) in dividends receivable .....	93,817	(89,623)
Decrease (increase) in deferred rights offering costs .....	251,553	(251,553)
(Increase) decrease in other assets .....	(42,102)	3,460
Decrease in payable for investments purchased .....	-	(733,594)
Increase (decrease) in accrued expenses .....	64,429	(126,105)
Increase in investment management fee payable .....	4,780	3,516
Increase in administrative services payable.....	8,060	23,049
Net cash provided by operating activities .....	<u>2,451,026</u>	<u>7,482,689</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Offering costs of rights offering .....	(375,000)	-
Repayment of bank line of credit .....	(394,181)	(1,790,644)
Cash distributions paid.....	<u>(1,681,845)</u>	<u>(5,692,045)</u>
Net cash used in financing activities .....	<u>(2,451,026)</u>	<u>(7,482,689)</u>
Net change in cash .....	-	-
<b>CASH</b>		
Beginning of period .....	-	-
End of period .....	<u>\$ -</u>	<u>\$ -</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest and fees on bank credit facility .....	\$ 21,009	\$ 196,232
Non-cash financing activities not included herein consisted of:		
Proceeds receivable from rights offering .....	\$22,577,847	\$ -
Reinvestment of dividend distributions.....	\$ 44,117	\$ 56,286

## NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2011

### 1. Organization and Significant Accounting Policies

Dividend and Income Fund, Inc., a Maryland corporation registered under the Investment Company Act of 1940, as amended (the “Act”), is a closed end management investment company whose shares are listed on the New York Stock Exchange under the ticker symbol DNI. The Fund’s primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund retains Bexil Advisers LLC as its Investment Manager.

The Investment Manager assumed the role of investment manager for the Fund effective February 1, 2011 from Chartwell Investment Partners, LP (“CIP”). In this connection, effective February 14, 2011, the Fund changed its name to Dividend and Income Fund, Inc. from Chartwell Dividend and Income Fund, Inc.

In September 2011, the Fund’s Board of Directors approved a change in the fiscal year end of the Fund from November 30 to December 31. Accordingly, the Fund’s financial statement and related notes include information as of the one month period ended December 31, 2011 and the one year periods ended November 30, 2011 and November 30, 2010, as applicable.

The following is a summary of the Fund’s significant accounting policies:

**Security Valuation** – Portfolio securities are valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is in the United States are valued at the official closing price, last sale price or, if no sale has occurred, at the closing bid price. Most equity securities for which the primary market is outside the United States are valued using the official closing price or the last sale price in the principal market in which they are traded. If the last sale price on the local exchange is unavailable, the last evaluated quote or closing bid price normally is used. Debt obligations with remaining maturities of 60 days or less are valued at cost adjusted for amortization of premiums and accretion of discounts. Certain of the securities in which the Fund may invest are priced through pricing services that may utilize a matrix pricing system which takes into consideration factors such as yields, prices, maturities, call features, and ratings on comparable securities. Bonds may be valued according to prices quoted by a bond dealer that offers pricing services. Open end investment companies are valued at their net asset value. Securities for which market quotations are not readily available or reliable and other assets may be valued as determined in good faith by the Investment Manager under the direction of or pursuant to procedures established by the Fund’s Board of Directors, called “fair value pricing.” Due to the inherent uncertainty of valuation, these values may differ from the value that would have been used had a readily available market for the securities existed. These differences in valuation could be material. A security’s valuation may differ depending on the method used for determining value. The use of fair value pricing by the Fund may cause the net asset value of its shares to differ from the net asset value that would be calculated using market prices.

**Investments in Other Investment Companies** – The Fund may invest in shares of other investment companies (the “Acquired Funds”) in accordance with the Act and related rules. Shareholders in the Fund bear the pro rata portion of the fees and expenses of the Acquired Funds in addition to the Fund’s expenses. Expenses incurred by the Fund that are disclosed in the Statement of Operations do not include fees and expenses incurred by the Acquired Funds. The fees and expenses of the Acquired Funds are reflected in the Fund’s total returns.

**Option Transactions** – The Fund may write (i.e. sell) covered call options on securities or on indexes. The Fund writes covered call options to attempt to enhance returns through price changes of the option, increase income, hedge to reduce overall portfolio risk, and hedge to reduce individual security risk. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as the writer of an option, bears the market risk of an unfavorable change in the price of the option.

**Investments in Real Estate Investment Trusts (“REITs”)** – Dividend income is recorded based on the income included in distributions received from the REIT investments using published REIT reclassifications including some management estimates when actual amounts are not available. Distributions received in excess of this estimated amount are recorded as a reduction of the cost of investments or reclassified to capital gains. The actual amounts of income, return of capital, and capital gains are only determined by each REIT after its fiscal year end, and may differ from the estimated amounts.

**Investment Transactions** – Investment transactions are accounted for on the trade date (the date the order to buy or sell is executed). Realized gains or losses are determined by specifically identifying the cost basis of the investment sold.

**Investment Income** – Interest income is recorded on the accrual basis. Amortization of premium and accretion of discount on corporate bonds and notes are included in interest income. Dividend income is recorded on the ex-dividend date.

**Expenses** – Expenses deemed by the Investment Manager to have been incurred solely by the Fund are charged to the Fund. Expenses deemed by the Investment Manager to have been incurred jointly by the Fund and one or more of the other investment companies for which the Investment Manager and its affiliates serve as investment manager (the “Fund Complex”) or other entities are allocated on the basis of relative net assets, except where a more appropriate allocation can be made fairly in the judgment of the Investment Manager.

**Expense Reduction Arrangement** – Through arrangements with the Fund’s custodian and cash management bank, credits realized as a result of uninvested cash balances are used to reduce custodian expenses. No credits were realized by the Fund during the periods covered by this report.

**Distributions to Shareholders** – Distributions to shareholders, are determined in accordance with income tax regulations and are recorded on the ex-dividend date.

**Income Taxes** – No provision has been made for U.S. income taxes because the Fund’s current intention is to continue to qualify as a regulated investment company under the Internal Revenue Code (the “IRC”) and to distribute to its shareholders substantially all of its taxable income and net realized gains. Foreign securities held by the Fund may be subject to foreign taxation. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. The Fund has reviewed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on federal, state, and local income tax returns for open tax years (2008-2010) or expected to be taken in the Fund’s 2011 tax returns.

**Use of Estimates** – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”), management makes estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recent Accounting Standards Update** - In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (“International Financial Reporting Standards”)”. ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

and IFRS. ASU 2011-04 will require disclosure of the following information for fair value measurements categorized within level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the Fund, and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require disclosures about amounts and reasons for all transfers in and out of level 1 and level 2 fair value measurements. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011. The Fund has concluded that upon adoption of ASU 2011-04 the Fund's financial statements and accompanying notes will fully comply with the required new and revised disclosures.

In December 2011, FASB issued ASU 2011-11 "Disclosures about Offsetting Assets and Liabilities." The amendments in ASU 2011-11 will require the Fund to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. ASU 2011-11 requires retrospective application for all comparative periods presented. The Fund is evaluating ASU 2011-11 and the impact it may have to its financial statement disclosures.

### 2. Fees and Transactions with Related Parties

The Fund retains the Investment Manager pursuant to an Investment Management Agreement ("IMA") effective February 1, 2011. Under the terms of the IMA, the Investment Manager receives a fee payable monthly for investment advisory services at an annual rate of 0.95% of the Fund's Managed Assets. "Managed Assets" means the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, which liabilities exclude debt relating to leverage, short term debt, and the aggregate liquidation preference of any outstanding preferred stock. The Investment Manager has contractually agreed to waive up to 10 basis points annually of the fees payable to it under the IMA to the extent that the ratio stated as a percentage of the Fund's total operating expenses (excluding commercial paper fees and interest expense, borrowing interest and fees, brokerage commissions, taxes, fees and expense of investing in other investment companies, and extraordinary expenses) to the Fund's Managed Assets exceeds 1.58%. The fee waiver agreement commenced February 1, 2011 and, unless sooner amended or terminated with the approval of the Fund's Board of Directors, shall continue in effect for two years, or if sooner, upon termination of the IMA. For the periods ended December 31, 2011 and November 30, 2011, such ratio was equivalent to an annualized rate of 1.45% and an annual rate of 1.41%, respectively.

Pursuant to the IMA, the Fund reimburses the Investment Manager for providing at cost certain administrative services comprised of compliance and accounting services. For the one month ended December 31, 2011 and the period from February 1, 2011 to November 30, 2011, the costs for administrative services were as follows:

	<u>December 31, 2011</u>	<u>November 30, 2011</u>
Compliance	\$6,200	\$48,318
Accounting	1,860	18,305
	<u>\$8,060</u>	<u>\$66,623</u>

Certain officers and directors of the Fund are officers and managers of the Investment Manager.

Prior to February 1, 2011, CIP voluntarily agreed to limit the investment management fee paid to it by the Fund to 0.85% of the Fund's Managed Assets. The fee waived by CIP for the period December 1, 2010 through January 31, 2011 was \$16,005.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Prior to February 1, 2011, the Fund incurred legal expenses of \$60,054 for services provided by its former legal counsel for the period December 1, 2010 through January 31, 2011. A partner of the firm that had served as legal counsel served as secretary of the Fund.

### 3. Distributions to Shareholders and Distributable Earnings

The tax character of distributions paid to shareholders was as follows:

	<u>One Month Ended December 31, 2011</u>	<u>Year Ended November 30, 2011</u>	<u>Year Ended November 30, 2010</u>
Ordinary income	\$ 401,335	\$3,938,453	\$5,931,679
Return of capital	<u>1,324,627</u>	<u>1,809,878</u>	<u>965,955</u>
	<u>\$1,725,962</u>	<u>\$5,748,331</u>	<u>\$6,897,634</u>

The components of distributable earnings on a tax basis at period end were as follows:

	<u>December 31, 2011</u>	<u>November 30, 2011</u>
Capital loss carryovers	\$(69,886,052)	\$(69,284,949)
Unrealized net appreciation on investments and options written	<u>2,883,617</u>	<u>1,410,756</u>
	<u>\$(67,002,435)</u>	<u>\$(67,874,193)</u>

Federal income tax regulations permit post-October net capital losses, if any, to be deferred and recognized on the tax return of the next succeeding taxable year.

GAAP requires certain components of net assets to be classified differently for financial reporting than for tax reporting purposes. These differences have no effect on net assets or net asset value per share, however, these differences may result in distribution reclassifications. Primarily due to differences in treatment of gain from the sale of interests in master limited partnerships, return of capital, and the expiration of capital loss carryovers, on November 30, 2011, the Fund recorded the following financial reporting adjustments to increase (decrease) the identified accounts to reflect those differences.

<u>Accumulated Net Investment Loss</u>	<u>Accumulated Net Realized Loss on Investments and Options Written</u>	<u>Paid In Capital</u>
\$1,702,331	\$727,340	\$(2,429,671)

Primarily due to differences in treatment of gain from the sale of interests in master limited partnerships and return of capital, on December 31, 2011, the Fund recorded the following financial reporting adjustments to increase (decrease) the identified accounts to reflect those differences.

<u>Accumulated Net Investment Loss</u>	<u>Accumulated Net Realized Loss on Investments and Options Written</u>	<u>Paid In Capital</u>
\$1,322,904	\$1,723	\$(1,324,627)

Capital loss carryover is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryover actually available for the Fund to utilize under the IRC and related regulations based on the results of future transactions.

Under the IRC, capital losses incurred in taxable years beginning after December 22, 2010, are allowed to be carried forward indefinitely and retain the character of the original loss. The Fund has a net capital loss carryover as of December 31, 2011 of \$69,886,052, of which \$601,103 may be carried forward indefinitely, \$103,382,

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

\$16,849,903, \$50,889,399, and \$1,442,265 expires in 2013, 2015, 2016, and 2018, respectively. The Fund has a capital loss carryover as of November 30, 2011 of \$69,284,949 of which \$103,382, \$16,849,903, \$50,889,399, and \$1,442,265 expires in 2014, 2016, 2017, and 2019, respectively.

### 4. Fair Value Measurements

GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities including securities actively traded on a securities exchange.
- Level 2 – observable inputs other than quoted prices included in level 1 that are observable for the asset or liability which may include quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.
- Level 3 – unobservable inputs for the asset or liability including the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for investments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing investments are not an indication of the risk associated with investing in those securities.

The following is a description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis:

*Equity securities (common and preferred stock).* Equity securities traded on a national securities exchange or market are stated normally at the official closing price, last sale price or, if no sale has occurred, at the closing bid price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they may be categorized in level 1 of the fair value hierarchy. Preferred stock and other equities on inactive markets or valued by reference to similar instruments may be categorized in level 2.

*Corporate bonds and notes.* The fair value of corporate bonds and notes are estimated using various techniques which may consider, among other things, recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. Although most corporate bonds and notes may be categorized in level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they may be categorized in level 3.

*Restricted and/or illiquid securities.* Restricted and/or illiquid securities for which quotations are not readily available or reliable may be valued as determined in good faith by the Investment Manager under the direction of or pursuant to procedures established by the Fund's Board of Directors. Restricted securities issued by publicly traded companies are generally valued at a discount to similar publicly traded securities. Restricted or illiquid securities issued by nonpublic entities may be valued by reference to comparable public entities or fundamental data relating to the issuer or both or similar inputs. Depending on the relative significance of valuation inputs, these instruments may be classified in either level 2 or level 3 of the fair value hierarchy.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Derivative instruments.* Exchange traded derivatives, such as equity option contracts, may be valued based on quoted prices from the exchange and may be categorized in level 1 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2011 and November 30, 2011 in valuing the Fund's assets carried at fair value. Refer to the Schedules of Portfolio Investments for detailed information on specific investments.

December 31, 2011	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments, at value				
Common stocks	\$52,853,226	\$ –	\$116,808	\$52,970,034
Corporate bonds and notes	–	29,493,496	–	29,493,496
Closed end fund business				
development companies	227,920	–	–	227,920
Investment companies	2,095,200	–	–	2,095,200
Master limited partnerships	2,715,750	–	–	2,715,750
Preferred stock	–	–	2,000	2,000
Total investments, at value	<u>\$57,892,096</u>	<u>\$29,493,496</u>	<u>\$118,808</u>	<u>\$87,504,400</u>

November 30, 2011	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments, at value				
Common stocks	\$52,310,792	\$ –	\$109,305	\$52,420,097
Corporate bonds and notes	–	29,835,855	–	29,835,855
Closed end fund business				
development companies	1,494,488	–	–	1,494,488
Investment companies	2,041,100	–	–	2,041,100
Master limited partnerships	2,616,440	–	–	2,616,440
Preferred stock	–	–	2,000	2,000
Total investments, at value	<u>\$58,462,820</u>	<u>\$29,835,855</u>	<u>\$111,305</u>	<u>\$88,409,980</u>

There were no transfers between level 1 and level 2 during the periods ended December 31, 2011 and November 30, 2011.

The following is a reconciliation of level 3 investments for which significant unobservable inputs were used to determine fair value during the periods ended December 31, 2011 and November 30, 2011:

	Common Stocks	Corporate Bonds and Notes	Preferred Stocks	Total
Balance at November 30, 2011	\$109,305	\$ –	\$2,000	\$111,305
Purchases or sales	–	–	–	–
Realized gain (loss)	–	–	–	–
Change in unrealized appreciation	7,503	–	–	7,503
Transfers in or out of level 3	–	–	–	–
Balance at December 31, 2011	<u>\$116,808</u>	<u>\$ –</u>	<u>\$2,000</u>	<u>\$118,808</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	Common Stocks	Corporate Bonds and Notes	Preferred Stocks	Total
Balance at November 30, 2010	\$200,256	\$950,000	\$26,400	\$1,176,656
Proceeds from sales	(12,900)	(960,000)	-	(972,900)
Realized loss	(71,904)	(40,000)	-	(111,904)
Change in unrealized appreciation (depreciation)	(6,147)	50,000	(24,400)	19,453
Transfers in or out of level 3	-	-	-	-
Balance at November 30, 2011	<u>\$109,305</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 111,305</u>

### 5. Investment Transactions

Purchases and proceeds or maturities of investment securities, excluding short term investments, during the period ended December 31, 2011 were \$18,841 and \$1,792,500, respectively, and for the period ended November 30, 2011 were \$22,056,839 and \$26,146,501, respectively. As of December 31, 2011 and November 30, 2011, for federal income tax purposes, the aggregate cost of investment securities and the aggregate gross unrealized appreciation and depreciation was as follows:

	<u>December 31, 2011</u>	<u>November 30, 2011</u>
Gross unrealized appreciation	\$ 9,781,272	\$ 8,976,837
Gross unrealized depreciation	(6,897,655)	(7,566,081)
Net unrealized appreciation	<u>\$ 2,883,617</u>	<u>\$ 1,410,756</u>
Cost of investments for tax purposes	<u>\$84,620,783</u>	<u>\$86,999,224</u>

Transactions in call options written for the period ended November 30, 2011 are summarized as follows:

	<u>Number of Contracts</u>	<u>Premiums</u>
Options outstanding at November 30, 2010	2,179	\$ 283,282
Options written	4,584	1,036,073
Options expired	(3,618)	(371,637)
Options exercised	(2,195)	(400,718)
Options closed	<u>(950)</u>	<u>(547,000)</u>
Options outstanding at November 30, 2011	<u>-</u>	<u>\$ -</u>

Transactions in derivative instruments during the period ended November 30, 2011 by the Fund are recorded in the following locations in the Statement of Operations:

Type of Derivative	Location	Realized Gain (Loss)	Location	Change in Unrealized Gain (Loss)
Equity call options written	Net realized gain (loss) - options written	(\$465,560)	Net unrealized appreciation (depreciation) - options written	\$(97,930)

There were no transactions in call options written for the period ended December 31, 2011.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Illiquid and Restricted Securities

The Fund owns securities which have a limited trading market and/or certain restrictions on trading and, therefore, may be illiquid and/or restricted. Such securities have been valued at fair value. Due to the inherent uncertainty of valuation, these values may differ from the values that would have been used had a readily available market for the securities existed. These differences in valuation could be material. Illiquid and/or restricted securities owned at December 31, 2011 and November 30, 2011 were as follows:

December 31, 2011

Security	Acquisition Date	Cost	Value
Star Asia Financial Ltd.	2/22/07	\$ 686,145	\$116,808
Solar Cayman Ltd.	3/07/07	568,802	2,000
Total		<u>\$1,254,947</u>	<u>\$118,808</u>
Percent of net assets		1.35%	0.13%

November 30, 2011

Security	Acquisition Date	Cost	Value
Star Asia Financial Ltd.	2/22/07	\$ 686,145	\$109,305
Solar Cayman Ltd.	3/07/07	568,802	2,000
Total		<u>\$1,254,947</u>	<u>\$111,305</u>
Percent of net assets		1.76%	0.16%

### 7. Bank Credit Facility

Effective April, 1, 2011, the Fund and the other funds in the Fund Complex (the "Borrowers") entered into a committed secured line of credit facility, which is subject to annual renewal, with State Street Bank and Trust Company ("SSB"), the Fund's custodian. The aggregate amount of the credit facility is \$30,000,000. The borrowing of each Borrower is collateralized by the underlying investments of such Borrower. SSB will make revolving loans to a Borrower not to exceed in the aggregate outstanding at any time with respect to any one Borrower the least of 30% of the total net assets (as defined in the line of credit facility) of a Borrower, the maximum amount permitted pursuant to each Borrower's investment policies, or as permitted under the Act. The commitment fee on this facility is 0.15% per annum. All loans under this facility will be available at the Borrower's option of (i) overnight Federal funds or (ii) LIBOR (30, 60, 90 days), each as in effect from time to time, plus 1.10% per annum. Prior to April 1, 2011, the Fund had a \$25,000,000 line of credit with a bank collateralized by all assets held by the Fund with a variable interest rate equal to 1-month LIBOR Market Index Rate plus 0.90% per annum and an annual commitment fee of 0.10% on the unused balance.

The outstanding loan balance and the value of eligible collateral investments at December 31, 2011 and November 30, 2011, and the weighted average interest rate and average daily amount outstanding under the credit facilities for the periods ended December 31, 2011 and November 30, 2011 were as follows:

	<u>December 31, 2011</u>	<u>November 30, 2011</u>
Outstanding balance	\$17,815,175	\$18,209,356
Value of eligible collateral	\$46,582,108	\$45,101,642
Average daily amount outstanding	\$17,361,121	\$16,451,349
Weighted average interest rate	1.25%	1.20%

### 8. Capital Stock

The Fund is authorized to issue 100,000,000 shares of \$0.01 par value common stock.

## NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

Transactions in common stock for the periods ended December 31, 2011 and November 30, 2011 were as follows:

	December 31, 2011		November 30, 2011	
	Shares	Amount	Shares	Amount
Shares issued in rights offering	<u>7,099,952</u>	<u>\$22,577,847</u>	–	\$ –
Shares issued in reinvestment of distributions	<u>13,090</u>	<u>44,117</u>	<u>15,231</u>	<u>56,286</u>
	<u><u>7,113,042</u></u>	<u><u>\$22,621,964</u></u>	<u><u>15,231</u></u>	<u><u>\$56,286</u></u>

There were no transactions in common stock for the period ended November 30, 2010.

On November 14, 2011, the stockholders of the Fund received one non-transferrable right for each share of common stock of the Fund held on that date rounded up to the nearest number of rights evenly divisible by three. Three rights were required to purchase one additional share of common stock at the subscription price of \$3.18 per share. On December 29, 2011, the Fund issued 7,099,952 shares of common stock and recorded proceeds of \$22,577,847, prior to the deduction of offering expenses of \$375,000. The Net Asset Value (“NAV”) per share of the Fund was reduced by approximately \$0.32 per share as a result of the issuance of shares below NAV.

### 9. Market and Credit Risks

The Fund may invest in below investment grade fixed income securities, which carry ratings of BB or lower by Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. (“S&P”) and/or Ba1 or lower by Moody’s Investors Service, Inc. (“Moody’s”). Investments in these below investment grade securities may be accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment grade securities. The relative illiquidity of some of these securities may adversely affect the ability of the Fund to dispose of such securities in a timely manner and at a fair price at times when it might be necessary or advantageous for the Fund to liquidate portfolio securities.

### 10. Financial Instruments with Off-Balance Sheet Risks

Writing option contracts results in off-balance sheet risk as the Fund’s ultimate obligation to satisfy terms of the contract may exceed the amount recognized in the Statement of Assets and Liabilities.

### 11. Contingencies

The Fund indemnifies its officers and directors from certain liabilities that might arise from their performance of their duties for the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which may provide general indemnifications. The Fund’s maximum exposure under these arrangements is unknown as it involves future claims that may be made against the Fund under circumstances that have not occurred.

### 12. Share Repurchase Program

In accordance with Section 23(c) of the Act, the Fund may from time to time repurchase its shares in the open market at the discretion of the Board of Directors and upon such terms as the Board shall determine. During the period ended December 31, 2011 and the periods ended November 30, 2011 and 2010, the Fund did not repurchase any of its shares.

### 13. Subsequent Events

The Fund has evaluated subsequent events through the date the financial statements were issued and determined that no subsequent events have occurred that require additional disclosure in the financial statements. However, the following are details relating to subsequent events that occurred since December 31, 2011:

On January 6, 2012, cash proceeds of \$22,577,847 from capital shares issued during the rights offering were deposited with the Fund’s custodian.

## FINANCIAL HIGHLIGHTS

	One Month Ended December 31, 2011	Year Ended November 30,				
	2011	2011	2010	2009	2008	2007
<b>Per Share Operating Performance</b> (for a share outstanding throughout each period)						
Net asset value, beginning of period .....	\$4.22	\$4.34	\$4.19	\$3.67	\$8.16	\$9.55
Income from investment operations: <sup>(1)</sup>						
Net investment income .....	.02	.24	.20	.21	.56	.80
Net realized and unrealized gain (loss) on investments .....	.05	(.02)	.36	.72	(4.19)	(1.30)
Total income from investment operations .....	<u>.07</u>	<u>.22</u>	<u>.56</u>	<u>.93</u>	<u>(3.63)</u>	<u>(.50)</u>
Less distributions:						
Net investment income .....	(.02)	(.23)	(.35)	(.39)	(.59)	(.84)
Tax return of capital .....	(.08)	(.11)	(.06)	(.02)	(.27)	(.05)
Total distributions .....	<u>(.10)</u>	<u>(.34)</u>	<u>(.41)</u>	<u>(.41)</u>	<u>(.86)</u>	<u>(.89)</u>
Fund share transactions						
Decrease in net asset value from rights offering .....	(.32)	-	-	-	-	-
Net asset value, end of period .....	<u>\$3.87</u>	<u>\$4.22</u>	<u>\$4.34</u>	<u>\$4.19</u>	<u>\$3.67</u>	<u>\$8.16</u>
Market value, end of period .....	<u>\$3.43</u>	<u>\$3.46</u>	<u>\$4.23</u>	<u>\$3.65</u>	<u>\$2.60</u>	<u>\$7.35</u>
<b>Total Return <sup>(2)</sup></b>						
Based on net asset value .....	(5.52)%	5.61%	14.55%	29.42%	(47.75)%	(6.05)%
Based on market price .....	2.13%	(11.15)%	28.17%	59.14%	(58.90)%	(17.19)%
<b>Ratios/Supplemental Data <sup>(3)</sup></b>						
Net assets, end of period (000's omitted) .....	\$93,123	\$71,329	\$73,322	\$70,853	\$62,022	\$137,953
Ratios to average net assets of:						
Total expenses <sup>(4)</sup> .....	2.09%*	2.02%	2.63%	3.01%	3.62%	3.75%
Net expenses <sup>(5)</sup> .....	2.09%*	2.00%	2.50%	2.89%	3.47%	3.62%
Net expenses excluding interest expense and fees on bank credit facility .....	1.78%*	1.73%	-	-	-	-
Total expenses excluding commercial paper interest expense and fees <sup>(6)</sup> .....	N/A	N/A	2.20%	2.03%	1.91%	1.70%
Net expenses excluding commercial paper interest expense and fees <sup>(6)</sup> .....	N/A	N/A	2.07%	1.91%	1.76%	1.56%
Commercial paper interest expense and fees <sup>(6)</sup> .....	N/A	N/A	0.43%	0.98%	1.71%	2.06%
Net investment income .....	6.28%*	5.44%	4.73%	5.43%	8.62%	8.52%
Portfolio turnover rate .....	0%	24%	51%	73%	54%	74%
Leverage analysis (000's omitted):						
Outstanding loan balance under the bank credit facility, end of period .....	\$17,815	\$18,209	\$20,000	N/A	N/A	N/A
Aggregate amount of commercial paper outstanding, end of period <sup>(6)</sup> .....	N/A	N/A	N/A	\$10,000	\$10,000	\$55,000
Average daily balance of amortized cost of commercial paper outstanding, end of period <sup>(6)</sup> ..	N/A	N/A	N/A	\$9,960	\$47,921	\$54,790
Asset coverage per \$1,000, end of period <sup>(6)</sup> .....	N/A	N/A	N/A	\$7,425	\$15,880	\$3,903

## FINANCIAL HIGHLIGHTS – (CONCLUDED)

- (1) The per share amounts were calculated using the average number of common shares outstanding during the period.
- (2) Total return on a market value basis is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Generally, total return on a net asset value basis will be higher than total return on a market value basis in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total return on a net asset value basis will be lower than total return on a market value basis in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. Total return calculated for a period of less than one year is not annualized. The calculation does not reflect brokerage commissions, if any.
- (3) Expenses and income ratios do not include expenses incurred by the Acquired Funds in which the Fund invests.
- (4) "Total expenses" are the expenses of the Fund as presented in the Statement of Operations before fee waivers.
- (5) "Net expenses" are the expenses of the Fund presented in the Statement of Operations after fee waivers. Fees waived by the Investment Manager reduced the ratio of net expenses by 0.02%, 0.13%, 0.12%, 0.14%, and 0.13% for the years ended November 30, 2011, 2010, 2009, 2008, and 2007, respectively.
- (6) Effective April 26, 2010, the Fund replaced its commercial paper program with a bank line of credit facility.

\* Annualized.

N/A means not applicable.

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders Dividend and Income Fund, Inc.

We have audited the accompanying statements of assets and liabilities of Dividend and Income Fund, Inc., including the schedules of investments as of December 31, 2011 and as of November 30, 2011, and the related statements of operations, changes in net assets, cash flows and financial highlights for the period ended December 31, 2011 and the year ended November 30, 2011. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The statement of changes in net assets for the year ended November 30, 2010 and the financial highlights for each of the years in the four year period ended November 30, 2010 were audited by other independent auditors, whose report dated January 28, 2011 expressed an unqualified opinion on such statement and financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2011 and as of November 30, 2011, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dividend and Income Fund, Inc. as of December 31, 2011 and as of November 30, 2011, the results of its operations, the changes in its net assets, its cash flows and the financial highlights for the periods then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania  
February 7, 2012

## **INVESTMENT OBJECTIVES AND POLICIES**

The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The investment objectives of the Fund are fundamental policies that may not be changed without a vote of a majority of the Fund's outstanding voting securities. The Fund is also subject to certain investment restrictions, set forth in its Statement of Additional Information, that are fundamental and cannot be changed without such vote. A majority of the outstanding voting securities of the Fund is defined under the Act as the lesser of: (i) 67% or more of the Fund's shares present at a meeting if more than 50% of the outstanding shares of the Fund are present and represented by proxy; or (ii) more than 50% of the outstanding shares of the Fund. All other investment strategies, policies, and restrictions described are not fundamental and may be changed by the Board of Directors without shareholder approval except as required by law.

## **PROXY VOTING**

The Fund's Proxy Voting Guidelines, as well as its voting record for the most recent 12 months ended June 30, are available without charge by calling the Fund collect at 1-212-785-0400, on the SEC's website at [www.sec.gov](http://www.sec.gov), and on the Fund's website at [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com).

## **QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund makes the Forms N-Q available on its website at [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com).

## **DIVIDENDANDINCOME.COM**

Visit us on the web at [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com). The site provides information about the Fund, including market performance, net asset value, distributions, press releases, and shareholder reports. For further information, please email us at [info@DividendandIncomeFund.com](mailto:info@DividendandIncomeFund.com).

## **MANAGED DISTRIBUTIONS**

The Board's current policy is to provide investors with a stable quarterly distribution out of current income, supplemented by realized capital gains, and to the extent necessary, paid in capital. The Fund is subject to U.S. corporate, tax, and securities laws. Under U.S. tax accounting rules, the amount of distributable net income is determined on an annual basis and is dependent during the fiscal year on the aggregate gains and losses realized by the Fund and, to a lesser extent, other factors. Therefore, the exact amount of distributable income can only be determined as of the end of the Fund's fiscal year. Under the Act, however, the Fund is required to indicate the source of each distribution to shareholders. The Fund estimates that distributions for the period commencing January 1, 2012, including the distributions paid quarterly, will be comprised primarily from net investment income and the balance from paid in capital. This estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future realized gains and losses on securities and other factors. In January, the Fund normally sends shareholders a Form 1099-DIV for the prior calendar year stating the amount and composition of distributions and providing information about their appropriate tax treatment.

**DIVIDEND REINVESTMENT PLAN**  
**Terms and Conditions of the**  
**2011 Amended Dividend Reinvestment Plan**

1. Each shareholder (the "Shareholder") holding shares of common stock (the "Shares") of Global Income Fund, Inc. (the "Fund") will automatically be a participant in the Dividend Reinvestment Plan (the "Plan"), unless the Shareholder specifically elects to receive all dividends and capital gains in cash paid by check mailed directly to the Shareholder by Illinois Stock Transfer Company, 209 West Jackson Blvd., Suite 903, Chicago, Illinois 60606, 1-800-757-5755, as agent under the Plan (the "Agent"). The Agent will open an account for each Shareholder under the Plan in the same name in which such Shareholder's Shares are registered.

2. Whenever the Fund declares a capital gain distribution or an income dividend payable in Shares or cash, participating Shareholders will take the distribution or dividend entirely in Shares and the Agent will automatically receive the Shares, including fractions, for the Shareholder's account in accordance with the following:

Whenever the Market Price (as defined in Section 3 below) per Share is equal to or exceeds the net asset value per Share at the time Shares are valued for the purpose of determining the number of Shares equivalent to the cash dividend or capital gain distribution (the "Valuation Date"), participants will be issued additional Shares equal to the amount of such dividend divided by the lower of the Fund's net asset value per Share or the Fund's Market Price per Share. Whenever the Market Price per Share is less than such net asset value on the Valuation Date, participants will be issued additional Shares equal to the amount of such dividend divided by the Market Price. The Valuation Date is the business day before the dividend or distribution payment date. If the Fund should declare a dividend or capital gain distribution payable only in cash, the Agent will, as purchasing agent for the participating Shareholders, buy Shares in the open market, or elsewhere, for such Shareholders' accounts after the payment date, except that the Agent will endeavor to terminate purchases in the open market and cause the Fund to issue the remaining Shares if, following the commencement of the purchases, the Market Price of the Shares exceeds the net asset value. These remaining Shares will be issued by the Fund at a price equal to the lower of the Fund's net asset value per Share or the Market Price.

In a case where the Agent has terminated open market purchases and caused the issuance of remaining Shares by the Fund, the number of Shares received by the participant in respect of the cash dividend or distribution will be based on the weighted average of prices paid for Shares purchased in the open market and the price at which the Fund issues remaining Shares. To the extent that the Agent is unable to terminate purchases in the open market before the Agent has completed its purchases, or remaining Shares cannot be issued by the Fund because the Fund declared a dividend or distribution payable only in cash, and the Market Price exceeds the net asset value of the Shares, the average Share purchase price paid by the Agent may exceed the net asset value of the Shares, resulting in the acquisition of fewer Shares than if the dividend or capital gain distribution had been paid in Shares issued by the Fund.

The Agent will apply all cash received as a dividend or capital gain distribution to purchase shares of common stock on the open market as soon as practicable after the payment date of the dividend or capital gain distribution, but in no event later than 45 days after that date, except when necessary to comply with applicable provisions of the federal securities laws.

3. For all purposes of the Plan: (a) the Market Price of the Shares on a particular date shall be the average of the volume weighted average sale prices or, if no sale occurred then the mean between the closing bid and asked quotations, for the Shares on each of the five trading days the Shares traded ex-dividend immediately prior to such date, and (b) net asset value per share on a particular date shall be as determined by or on behalf of the Fund.

4. The open market purchases provided for herein may be made on any securities exchange on which the Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery, and otherwise as the Agent shall determine. Funds held by the Agent uninvested will not bear interest, and it is understood that, in any event, the Agent shall have no liability in connection with any inability to purchase Shares within 45 days after the initial date of such purchase as herein provided, or with the timing of any purchases effected. The Agent shall have no responsibility as to the value of the Shares acquired for the Shareholder's account.

5. The Agent will hold Shares acquired pursuant to the Plan in noncertificated form in the Agent's name or that of its nominee. At no additional cost, a Shareholder participating in the Plan may send to the Agent for deposit into its Plan account those certificate shares of the Fund in its possession. These Shares will be combined with those unissued full and fractional Shares acquired under the Plan and held by the Agent. Shortly thereafter, such Shareholder will receive a statement showing its combined holdings. The Agent will forward to the Shareholder any proxy solicitation material and will vote any Shares so held for the Shareholder only in accordance with the proxy returned by the Shareholder to the Fund.

6. The Agent will confirm to the Shareholder each acquisition for the Shareholder's account as soon as practicable but not later than 60 days after the date thereof. Although the Shareholder may from time to time have an individual fractional interest (computed to three decimal places) in a Share, no certificates for fractional Shares will be issued. However, dividends and distributions on fractional Shares will be credited to Shareholders' accounts. In the event of a termination of a Shareholder's account under the Plan, the Agent will adjust for any such undivided fractional interest in cash at the opening market value of the Shares at the time of termination.

7. Any stock dividends or split Shares distributed by the Fund on Shares held by the Agent for the Shareholder will be credited to the Shareholder's account. In the event that the Fund makes available to the Shareholder the right to purchase additional Shares or other securities, the Shares held for a Shareholder under the Plan will be added to other Shares held by the Shareholder in calculating the number of rights to be issued to such Shareholder. Transaction processing may either be curtailed or suspended until the completion of any stock dividend, stock split, or corporate action.

8. The Agent's service fee for handling capital gain distributions or income dividends will be paid by the Fund. The Shareholder will be charged a pro rata share of brokerage commissions on all open market purchases.

9. The Shareholder may terminate the account under the Plan by notifying the Agent. A termination will be effective immediately if notice is received by the Agent two days prior to any dividend or distribution payment date. If the request is received less than two days prior to the payment date, then that dividend will be invested, and all subsequent dividends will be paid in cash.

10. These terms and conditions may be amended or supplemented by the Fund at any time or times but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to the Shareholder appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by the Shareholder unless, prior to the effective date thereof, the Agent receives written notice of the termination of such Shareholder's account under the Plan. Any such amendment may include an appointment by the Fund of a successor agent in its place and stead under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Agent. Upon any such appointment of an Agent for the purpose of receiving dividends and distributions, the Fund will be authorized to pay to such successor Agent all dividends and distributions payable on Shares held in the Shareholder's name or under the Plan for retention or application by such successor Agent as provided in these terms and conditions.

11. In the case of Shareholders, such as banks, brokers, or nominees, which hold Shares for others who are the beneficial owners, the Agent will administer the Plan on the basis of the number of Shares certified from time to time by the Shareholders as representing the total amount registered in the Shareholder's name and held for the account of beneficial owners who are to participate in the Plan.

12. The Agent shall at all times act in good faith and agree to use its best efforts within reasonable limits to insure the accuracy of all services performed under this agreement and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless the errors are caused by its negligence, bad faith, or willful misconduct or that of its employees.

13. Neither the Fund nor the Agent will be liable for any act performed in good faith or for any good faith omission to act, including without limitation, any claim of liability arising out of (i) failure to terminate a Shareholder's account, sell shares, or purchase shares, (ii) the prices which shares are purchased or sold for the Shareholder's account, and (iii) the time such purchases or sales are made, including price fluctuation in market value after such purchases or sales.

### HISTORICAL DISTRIBUTION SUMMARY

Period	Investment Income	Return of Capital	Total
2011 .....	\$0.25	\$0.19	\$0.44
2010 .....	\$0.35	\$0.06	\$0.41
2009 .....	\$0.39	\$0.02	\$0.41
2008 .....	\$0.59	\$0.27	\$0.86
2007 .....	\$0.84	\$0.05	\$0.89
2006 .....	\$0.93	\$0.00	\$0.93
2005 <sup>(a)</sup> .....	\$0.53	\$0.46	\$1.00
2004 .....	\$0.54	\$0.46	\$1.00
2003 .....	\$0.61	\$0.39	\$1.00
2002 .....	\$0.66	\$0.46	\$1.12
2001 .....	\$0.65	\$0.59	\$1.24
2000 .....	\$0.80	\$0.44	\$1.24
1999 <sup>(b)</sup> .....	\$0.86	\$0.35	\$1.24
From June 29, 1998 to November 30, 1998.....	\$0.41	\$0.00	\$0.41

(a) Includes \$.01 distributions in excess.

(b) Includes \$.03 distribution from realized short-term gains.

## STOCK DATA

Price (12/30/11) . . . . .	\$3.43
Net asset value (12/30/11) . . . .	\$3.87
Discount . . . . .	11.4%
NYSE Ticker . . . . .	DNI
Net Asset Value Ticker . . . . .	XDNIX

## 2012 QUARTERLY DISTRIBUTION DATES

<u>Declaration</u>	<u>Record</u>	<u>Payment</u>
March 1	March 15	March 30
June 1	June 15	June 29
September 4	September 17	September 28
December 3	December 14	December 28

## FUND INFORMATION

### Investment Manager

Bexil Advisers LLC  
11 Hanover Square  
New York, NY 10005  
[www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com)  
1-212-785-0400

### Stock Transfer Agent and Registrar

IST Shareholder Services  
209 West Jackson Blvd., Suite 903  
Chicago, IL 60606  
[www.ilstk.com](http://www.ilstk.com)  
1-800-757-5755

## DIRECTORS AND OFFICERS

The following table sets forth certain information concerning the Directors currently serving on the Board of Directors of the Fund. Unless otherwise noted, the address of record for the directors and officers is 11 Hanover Square, New York, New York 10005.

Name, Position(s) Held with Fund, Term of Office, Principal Occupation for Past Five Years, and Age	Director Since	Number of Portfolios in Fund Complex Overseen by Director <sup>(1)</sup>	Other Directorships Held by Director <sup>(2)</sup>
<b>Class I Director</b>			
BRUCE B. HUBER, CLU, ChFC, MSFS – Retired. He is a former Financial Representative with New England Financial, specializing in financial, estate, and insurance matters. He is a member of the Board, emeritus, of the Millbrook School, and Chairman of the Endowment Board of the Community YMCA of Red Bank, NJ. He was born on February 7, 1930.	2011	6	0
<b>Class II Director</b>			
PETER K. WERNER – Since 1996, he has been teaching, coaching, and directing a number of programs at The Governor's Academy of Byfield, MA. Currently, he serves as chair of the History Department. Previously, he held the position of Vice President in the Fixed Income Departments of Lehman Brothers and First Boston. His responsibilities included trading sovereign debt instruments, currency arbitrage, syndication, medium term note trading, and money market trading. He was born on August 16, 1959.	2011	6	0
THOMAS B. WINMILL, ESQ. <sup>(3)</sup> – He is President, Chief Executive Officer, and Chief Legal Officer of the Fund, the other investment companies in the Fund Complex, the Investment Manager, CEF Advisers, Inc., and Midas Management Corporation (registered investment advisers, collectively the “Advisers”), Bexil Securities LLC and Midas Securities Group, Inc. (registered broker-dealers, collectively the “Broker-Dealers”), Bexil Corporation, and Winmill & Co. Incorporated (“Winco”). He is General Counsel of Tuxis Corporation. He is Chairman of the Investment Policy Committee of each of the Advisers (the “IPCs”), which currently manage the Fund, Global Income Fund, Inc., and Midas Perpetual Portfolio, Inc., and he is the portfolio manager of Midas Fund, Inc. He is a member of the New York State Bar and the SEC Rules Committee of the Investment Company Institute. He is the son of Bassett S. Winmill. He was born on June 25, 1959.	2011	6	Eagle Bulk Shipping Inc.
<b>Class III Director</b>			
JAMES E. HUNT – He is a Limited Partner of Hunt Howe Partners LLC, executive recruiting consultants. He was born on December 14, 1930.	2011	6	0

<sup>(1)</sup> The Fund Complex is comprised of the Fund, Foxby Corp., Global Income Fund, Inc., Midas Fund, Inc., Midas Magic, Inc., and Midas Perpetual Portfolio, Inc. which are managed by the Investment Manager and its affiliates.

<sup>(2)</sup> Refers to directorships held by a director in any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or any company registered as an investment company under the Act, excluding those within the Fund Complex.

<sup>(3)</sup> He is an “interested person” of the Fund as defined in the Act due to his affiliation with the Investment Manager.

Messrs. Huber, Hunt, and Werner also serve on the Audit and Nominating Committees of the Board. Mr. Winmill also serves on the Executive Committee of the Board. Each of the directors serves on the Continuing Directors Committee of the Board.

The executive officers, other than those who serve as Directors, and their relevant biographical information are set forth below.

Name and Age	Position(s) Held with Fund, Term of Office*, Principal Occupation for the Past Five Years
Heidi Keating Born March 28, 1959	Vice President since 2011. She is also Vice President of the other investment companies in the Fund Complex, the Advisers, Bexil Corporation, Winco, and Tuxis Corporation. She is a member of the IPCs.
Thomas O'Malley Born on July 22, 1958	Chief Accounting Officer, Chief Financial Officer, Vice President, and Treasurer since 2011. He is also Chief Accounting Officer, Chief Financial Officer, Vice President, and Treasurer of the other investment companies in the Fund Complex, the Advisers, the Broker-Dealers, Bexil Corporation, Winco, and Tuxis Corporation. He is a certified public accountant.
John F. Ramirez, Esq. Born on April 29, 1977	Chief Compliance Officer, Associate General Counsel, AML Officer, Vice President, and Secretary since 2011. He is also Chief Compliance Officer, Associate General Counsel, AML Officer, Vice President, and Secretary of the other investment companies in the Fund Complex, the Advisers, the Broker-Dealers, Bexil Corporation, Winco, and Tuxis Corporation. He is a member of the IPCs. He also is a member of the New York State Bar and the Chief Compliance Officer Committee and the Compliance Advisory Committee of the Investment Company Institute.
Bassett S. Winmill Born February 10, 1930	Chief Investment Strategist since 2011. He is also Chief Investment Strategist of the Advisers, Chairman of the Board of Bexil Corporation, Winco, Tuxis Corporation, and two of the investment companies in the Fund Complex, and portfolio manager of Foxby Corp. and Midas Magic, Inc. He is a member of the IPCs. He also is a member of the New York Society of Security Analysts, the Association for Investment Management and Research, and the International Society of Financial Analysts. He is the father of Thomas B. Winmill.

\* Officers hold their positions with the Fund until a successor has been duly elected and qualifies. Officers are generally elected annually. The officers were last elected on December 14, 2011.

**Cautionary Note Regarding Forward Looking Statements** - This report contains “forward looking statements” as defined under the U.S. federal securities laws. Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” and similar expressions identify forward looking statements, which generally are not historical in nature. Forward looking statements are subject to certain risks and uncertainties that could cause actual results to materially differ from the Fund’s historical experience and its current expectations or projections indicated in any forward looking statements. These risks include, but are not limited to, equity securities risk, corporate bonds risk, credit risk, interest rate risk, leverage and borrowing risk, additional risks of certain securities in which the Fund invests, market discount from net asset value, distribution policy risk, management risk, and other risks discussed in the Fund’s filings with the SEC. You should not place undue reliance on forward looking statements, which speak only as of the date they are made. The Fund undertakes no obligation to update or revise any forward looking statements made herein. There is no assurance that the Fund’s investment objectives will be attained.

This report, including the financial statements herein, is transmitted to the shareholders of the Fund for their information. The financial information included herein is taken from the records of the Fund. This is not a prospectus, circular, or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report. Pursuant to Section 23 of the Investment Company Act of 1940, as amended, notice is hereby given that the Fund may in the future purchase shares of its own common stock in the open market. These purchases may be made from time to time, at such times, and in such amounts, as may be deemed advantageous to the Fund, although nothing herein shall be considered a commitment to purchase such shares.





# DIVIDEND AND INCOME FUND

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