

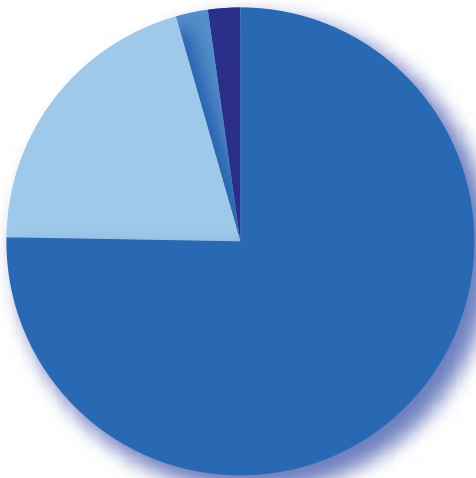
DIVIDEND AND INCOME

ANNUAL REPORT

FUND 2012

DECEMBER 31

Breakdown by Investments
December 31, 2012*



- Common Stocks (92.21%)
- Corporate Bonds & Notes (24.71%)
- Master Limited Partnerships (2.85%)
- Investment Companies (2.56%)

* Based on approximate percentages of net assets and may not add up to 100% due to leverage or other assets, rounding, and other factors. Allocations of less than 1% in aggregate are not shown.

TOP TEN INDUSTRIES OF EQUITIES		December 31, 2012
1	Pharmaceutical Preparations	
2	Electronic & Other Electrical Equipment	
3	Semiconductors & Related Devices	
4	Electric Services	
5	Surgical & Medical Instruments & Apparatus	
6	Telephone Communications	
7	Real Estate Investment Trusts	
8	Natural Gas Transmission	
9	Petroleum Refining	
10	Retail-Women's Clothing Stores	

TOP TEN INDUSTRIES OF CORPORATE BONDS & NOTES		December 31, 2012
1	Water Transportation	
2	Telephone Communications	
3	Natural Gas Transmission	
4	Converted Paper & Paperboard Products	
5	Miscellaneous Fabricated Metal Products	
6	Electric Services	
7	Steel Works, Blast Furnaces & Rolling & Finishing Mills	
8	Services-Miscellaneous Amusement & Recreation	
9	Personal Credit Institutions	
10	Money Market Fund	

Holdings are subject to change. The above portfolio information should not be considered as a recommendation to purchase or sell a particular security and there is no assurance that any securities will remain in or out of the Fund.

Dear Fellow Shareholders:

It is a pleasure to submit this 2012 Annual Report for Dividend and Income Fund and to welcome our new shareholders who find the Fund's investing approach attractive. The Fund seeks to achieve its primary investment objective of high current income and secondary objective of capital appreciation 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, exchange traded funds organized as investment companies or otherwise, real estate investment trusts, depositary receipts, and other equity related securities. Of course, there can be no assurance that the Fund will achieve its objectives.

Economic Report and Outlook

The Federal Open Market Committee has interpreted 2012 U.S. economic data to suggest that economic activity and employment generally continued to expand at a moderate pace. Positive from the consumer perspective, generally over the course of the year the unemployment rate declined and the housing sector has shown further signs of improvement. Likewise, in 2012 the Dow Jones Industrial Average posted its fourth straight year of gains, up 7.3% for 2012 and up over 100% from its low in 2009. Generally, consumer sentiment appears buoyant, and some surveys are suggesting that confidence is at its highest levels since the recession began. Reflecting this trend, consumer spending growth has exceeded disposable income growth over recent periods, and the saving rate has fallen. Showing more uncertainty, growth in business fixed investment has recently slowed. At the same time over the period, U.S. inflation has been muted.

The global economy disappointed in 2012. The Euro-zone recession has persisted longer and the pace of Chinese growth has remained subdued longer than expected. The World Bank estimates global GDP grew 2.3% in 2012, and currently expects growth to remain broadly unchanged at 2.4% in 2013, before gradually strengthening to 3.1% in 2014 and 3.3% in 2015. In a previous forecast, the World Bank forecasted global growth to remain strong from 2011 through 2013, strengthening from 3.2% in 2011 to a 3.6% pace in each of 2012 and 2013.

Our current outlook is for a gradual improvement in broad global economic data, and rising investor sentiment. Concerns over Euro area financial stress, China's growth slowdown, and the U.S. fiscal cliff seem to have diminished. In this environment, equity valuations and yields appear attractive, although with larger investor

interest in bonds this would be a contrarian view. More particularly, we would favor higher quality, global or international U.S. equities. High yield, or "junk," bonds have rallied strongly over the last year and now offer interest yields only marginally better than the dividend yields of the stocks of many investment grade companies. Nevertheless, we remain somewhat cautious due to a potentially negative market shock from disappointing news arising from the unresolved U.S. fiscal situation, including the debt ceiling controversy, potentially peaking corporate profits, a European sovereign default, or a sharply decelerating Chinese economy.

Investment Strategy and Returns

In view of these diverging economic conditions, the Fund's strategy in 2012 was to emphasize large, quality companies across a broad array of industries. At December 31, 2012, the Fund's portfolio was comprised of 141 securities, with the top ten amounting to approximately 18% of total assets. At that time, the Fund's investments totaled approximately \$115 million, reflecting the use of about \$21 million of leverage on net assets of nearly \$94 million. Income generating equity and other assets comprised almost 80% of the investment portfolio, with the balance represented by fixed income securities. As the Fund pursues its primary investment of seeking high current income, with capital appreciation as a secondary objective, these holdings and allocations are subject to change at any time.

Over 2012, the Fund's net asset value return was 12.67%, including the reinvestment of dividends, and its market return, also including the reinvestment of dividends, was 10.75%. Generally, the Fund's 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. For comparison, in the 2012 year, the S&P 500 Index total return was 16.00% and the BofA Merrill Lynch US High Yield Master II Total Return Index returned 15.59%, according to Morningstar. The indexes are unmanaged and do not reflect fees and expenses, nor are they available for direct investment.

Reverse Share Split and Quarterly Dividends

Effective as of the start of trading on December 10, 2012, the Fund implemented a 1-for-4 reverse split of its issued and outstanding common shares of beneficial interest to enhance shareholder value. As a result of the reverse stock split, one new share was issued for every four then outstanding shares.

In December 2012, the Fund declared its fourth quarterly dividend for the year of \$0.102 per share. The \$0.102 per share represented the pre-split per share amount of the quarterly dividend distribution. Effective with the reverse share split, the amount of the per share dividend distribution restated to reflect post-split shares was \$0.408. This quarterly dividend distribution reflects the current managed distribution policy to provide shareholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its net asset value per share. The amount of the distribution may vary depending on the net asset value per share at the time of declaration, the distribution required for the Fund to continue to qualify as a regulated investment company under the Internal Revenue Code, or a combination of both. The policy may be changed or discontinued without notice.

The distributions are paid primarily from ordinary income and any net capital gains, with the balance representing return of capital. As of December 3, 2012, based on the Fund's results and estimates for the quarter, the fourth quarterly distribution would include approximately 32%, 0%, and 68% from net investment income, capital gains, and return of capital, respectively. Importantly, the Fund's fixed distributions are not tied to its investment income and realized capital gains and do not represent yield or investment return. The amounts and sources of distributions reported are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the entirety of its fiscal year and may be subject to changes based on tax regulations. In early 2013, the Fund anticipates sending a Form 1099-DIV for the calendar year concerning the tax treatment of the dividend distributions that were paid to shareholders of record during the 12 months ended December 31, 2012.

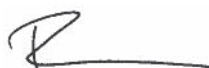
Fund Website and Dividend Reinvestment Plan

The Fund's website, 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 net asset value reporting. You are invited to use this excellent resource to learn more about 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 on the website at <http://www.dividendandincomefund.com/dividends-distributions.html>.

Long Term Strategies

Our view of the markets suggests that the Fund may benefit over the long term from a disciplined portfolio selection strategy, employing leverage and other investment techniques as deemed appropriate, in seeking to provide shareholders with high current income, and secondarily, capital appreciation. We thank you for investing in the Fund and share your enthusiasm for its potential, as evidenced by the fact that affiliates of the Fund's Investment Manager own approximately 7% of the Fund's shares, pursuant to the Fund's governing documents that permit beneficial ownership of more than 4.99% of the Fund's outstanding shares with the prior approval of the Fund's Board of Trustees. We look forward to serving your investment needs over the years ahead.

Sincerely,



Thomas B. Winmill
Chairman, Investment Policy Committee

Shares	Common Stocks (92.21%) ^(a)	Cost	Value
10,000	Aircraft Engines & Engine Parts (0.87%) United Technologies Corp.	\$ 727,426	\$ 820,100
30,000	Beverages (1.89%) Coca-Cola Company	835,675	1,087,500
10,000	PepsiCo, Inc.	529,400	684,300
		<u>1,365,075</u>	<u>1,771,800</u>
12,100	Biological Products (1.11%) Amgen Inc.	783,805	1,044,472
21,400	Cable & Other Pay Television Services (1.09%) Time Warner Inc.	781,678	1,023,562
17,100	Canned, Frozen & Preserved Fruit, Vegetable & Food Specialties (1.05%) H.J. Heinz Company	885,684	986,328
30,000	Cigarettes (1.89%) Altria Group, Inc.	634,550	942,600
10,000	Philip Morris International, Inc.	485,376	836,400
		<u>1,119,926</u>	<u>1,779,000</u>
2,000	Computer & Office Equipment (0.41%) International Business Machines Corporation	258,964	383,100
41,300	Computer Communications Equipment (0.86%) Cisco Systems, Inc.	783,771	811,545
13,500	Construction, Mining & Materials Handling Machinery & Equipment (0.94%) Dover Corp.	781,673	887,085
12,500	Converted Paper & Paperboard Products (1.12%) Kimberly-Clark Corp.	890,751	1,055,375
8,160	Crude Petroleum & Natural Gas (0.67%) Occidental Petroleum Corporation	527,752	625,138
50,000	Deep Sea Foreign Transportation of Freight (0.85%) Seaspan Corp.	347,030	801,500
25,000	Dolls & Stuffed Toys (0.97%) Mattel, Inc.	610,742	915,500
11,000	Electric Services (4.53%) Entergy Corp.	693,431	701,250
18,600	First Energy Corp.	785,714	776,736
65,000	Southern Company	2,326,432	2,782,650
		<u>3,805,577</u>	<u>4,260,636</u>
20,200	Electromedical & Electrotherapeutic Apparatus (0.88%) Medtronic, Inc.	788,000	828,604
20,000	Electronic & Other Electrical Equipment (4.80%) Emerson Electric Company	747,590	1,059,200
111,900	General Electric Company	1,949,675	2,348,781
41,400	Koninklijke Philips Electronics N.V.	783,100	1,098,756
		<u>3,480,365</u>	<u>4,506,737</u>

See notes to financial statements.

Shares	Common Stocks (continued)	Cost	Value
	Electronic & Other Services Combined (1.35%)		
17,000	Exelon Corp.	\$ 715,134	\$ 505,580
19,100	PG&E Corp.	784,489	767,438
		<u>1,499,623</u>	<u>1,273,018</u>
	Fire, Marine & Casualty Insurance (1.70%)		
20,000	Ace Ltd.	829,324	1,596,000
	Food & Kindred Products (1.36%)		
25,000	Campbell Soup Co.	783,645	872,250
3,333	Kraft Foods Group, Inc.*	90,351	151,552
10,000	Mondelez International, Inc.	168,344	254,700
		<u>1,042,340</u>	<u>1,278,502</u>
	Gold & Silver Ores (2.09%)		
17,900	Barrick Gold Corp.	889,694	626,679
18,000	Goldcorp Inc.	888,318	660,600
14,500	Newmont Mining Corp.	891,740	673,380
		<u>2,669,752</u>	<u>1,960,659</u>
	Grain Mill Products (0.93%)		
15,600	Kellogg Company	790,809	871,260
	Investment Advice (0.56%)		
20,000	Invesco Ltd.	437,950	521,800
	Life Insurance (1.40%)		
40,000	MetLife, Inc.	699,693	1,317,600
	Malt Beverages (0.73%)		
16,000	Molson Coors Brewing Company	707,427	684,640
	Measuring & Controlling Devices, NEC (0.96%)		
10,700	Rockwell Automation, Inc.	780,522	898,693
	Miscellaneous Business Credit Institution (0.12%)		
46,169	Star Asia Financial Ltd. ^{(b) (c)}	686,145	111,152
	Miscellaneous Fabricated Metal Products (0.91%)		
10,100	Parker-Hannifin Corp.	787,011	859,106
	Mortgage Investment (1.85%)		
200,000	Newcastle Investment Corp. *	1,453,200	1,736,000
	Motor Vehicle Parts & Accessories (1.69%)		
25,000	Honeywell International, Inc.	889,529	1,586,750
	Motor Vehicles & Passenger Car Bodies (0.94%)		
19,600	PACCAR Inc.	788,028	886,116
	National Commercial Banks (1.72%)		
36,800	JPMorgan Chase & Co.	774,303	1,618,096
	Paints, Varnishes, Lacquers, Enamels & Allied Products (1.44%)		
10,000	PPG Industries, Inc.	657,378	1,353,500

See notes to financial statements.

Shares	Common Stocks (continued)	Cost	Value
50,000	Perfumes, Cosmetics & Other Preparations (0.76%) Avon Products, Inc.	\$ 1,596,424	\$ 718,000
	Petroleum Refining (2.74%)		
7,200	Chevron Corp.	782,448	778,608
11,000	ConocoPhillips	557,868	637,890
10,000	Exxon Mobil Corp.	738,274	865,500
5,500	Phillips 66	173,935	292,050
		<u>2,252,525</u>	<u>2,574,048</u>
	Pharmaceutical Preparations (11.69%)		
30,000	Abbott Laboratories	1,522,047	1,965,000
55,000	Bristol-Myers Squibb Company	1,241,872	1,792,450
23,100	Johnson & Johnson	1,492,730	1,619,310
40,300	Merck & Company, Inc.	1,463,305	1,649,882
116,200	Pfizer Inc.	1,997,252	2,914,296
21,900	Sanofi	787,206	1,037,622
		<u>8,504,412</u>	<u>10,978,560</u>
	Plastic Materials, Resins & Nonvulcanelastomers (1.65%)		
20,000	E.I. du Pont de Nemours and Company	751,716	899,400
20,000	Dow Chemical Company	580,754	646,400
		<u>1,332,470</u>	<u>1,545,800</u>
	Pumps & Pumping Equipment (0.96%)		
38,600	ITT Corp.	785,425	905,556
	Radio & TV Broadcasting & Communications Equipment (0.66%)		
10,000	QUALCOMM, Inc.	383,189	620,200
	Radio Telephone Communications (0.54%)		
20,000	Vodafone Group PLC ADR	453,234	503,800
	Railroads, Line-Haul Operating (0.72%)		
34,100	CSX Corp.	785,517	672,793
	Real Estate Investment Trusts (3.09%)		
10,600	AvalonBay Communities, Inc.*	1,418,947	1,437,254
22,650	Mid-America Apartment Communities, Inc.*	1,420,551	1,466,587
		<u>2,839,498</u>	<u>2,903,841</u>
	Refuse Systems (0.54%)		
15,000	Waste Management, Inc.	532,822	506,100
	Retail - Eating Places (0.85%)		
9,000	McDonald's Corp.	888,124	793,890
	Retail - Grocery Stores (0.89%)		
32,300	The Kroger Co.	782,471	840,446
	Retail - Miscellaneous Shopping Goods Stores (0.65%)		
53,200	Staples, Inc.	783,945	606,480
	Retail - Variety Stores (1.01%)		
16,000	Target Corp.	660,150	946,720

See notes to financial statements.

Shares	Common Stocks (concluded)	Cost	Value
54,000	Retail - Women's Clothing Stores (2.71%) Limited Brands, Inc.	\$ 475,950	\$ 2,541,240
60,000	Savings Institution, Federally Chartered (0.77%) People's United Financial, Inc.	826,108	725,400
15,000	Security & Commodity Brokers, Dealers, Exchanges & Services (0.50%) NYSE Euronext	372,671	473,100
23,000	Semiconductors & Related Devices (4.79%) Analog Devices, Inc.	726,743	967,380
71,100	Intel Corp.	1,584,801	1,466,793
35,000	Microchip Technology, Inc.	998,143	1,140,650
127,300	STMicroelectronics N.V.	786,574	921,652
		<u>4,096,261</u>	<u>4,496,475</u>
40,000	Services - Business Services (1.67%) Lender Processing Services, Inc.	733,684	984,800
42,900	The Western Union Company	785,465	583,869
		<u>1,519,149</u>	<u>1,568,669</u>
10,000	Services - Engineering, Accounting, Research, Management (0.33%) Paychex, Inc.	309,491	311,400
756	Services - Miscellaneous Repair Services (0.10%) Aquilex Holdings LLC Units ^{(b) (c) *}	496,372	93,000
30,000	Services - Prepackaged Software (0.85%) Microsoft Corp.	900,672	801,900
12,000	Soap, Detergent, Cleaning Preparations, Perfumes, Cosmetics (0.87%) The Procter & Gamble Company	739,290	814,680
11,700	Specialty Cleaning, Polishing and Sanitation Preparations (0.91%) Clorox Co.	788,186	856,674
20,000	Surgical & Medical Instruments & Apparatus (3.98%) 3M Company	1,133,436	1,857,000
15,700	Baxter International Inc.	785,058	1,046,562
10,700	Becton, Dickinson and Company	782,308	836,633
		<u>2,700,802</u>	<u>3,740,195</u>
45,000	Telephone Communications (3.23%) AT&T, Inc.	1,672,513	1,516,950
35,000	Verizon Communications, Inc.	1,206,032	1,514,450
		<u>2,878,545</u>	<u>3,031,400</u>
23,800	Water Transportation (1.07%) Carnival Corp.	785,476	875,126
15,000	Nordic American Tankers Limited	448,114	131,250
		<u>1,233,590</u>	<u>1,006,376</u>
	Total common stocks	<u>73,348,546</u>	<u>86,630,117</u>

See notes to financial statements.

Corporate Bonds and Notes (24.71%) ^(a)			
Principal Amount		Cost	Value
\$ 460,000	Auto/Truck Parts & Equipment - Orig (0.54%) Tower Automotive Holdings USA LLC, 10.625%, 9/1/17 ^(d)	\$ 465,370	\$ 506,000
500,000	Cable & Other Pay Television Services (0.58%) CCO Holdings LLC, 7%, 1/15/19	499,681	541,875
450,000	Cogeneration Services & Small Power Producers (0.53%) Covanta Holding Corp., 7.25%, 12/1/20	456,976	498,059
1,000,000	Converted Paper & Paperboard Products (1.13%) Appleton Papers, Inc., 10.50%, 6/15/15 ^(d)	997,647	1,065,000
250,000	Crude Petroleum & Natural Gas (0.28%) Plains Exploration & Productions Company, 7.625%, 6/1/18	250,572	264,375
226,000	Drilling Oil & Gas Wells (0.26%) Offshore Group Investments Ltd., 11.50%, 8/1/15 *	226,449	246,905
650,000	Electric Services (1.08%) Edison Mission Energy, 7.00%, 5/15/17	650,694	347,750
633,932	Elwood Energy LLC, 8.159%, 7/5/26	669,027	663,251
		<u>1,319,721</u>	<u>1,011,001</u>
500,000	Fats & Oils (0.61%) Darling International Inc., 8.50%, 12/15/18	517,720	576,875
250,000	Hospital & Medical Service Plans (0.28%) Health Net, Inc., 6.375%, 6/1/17	238,243	266,563
500,000	Ice Cream & Frozen Desserts (0.62%) Dean Foods Company, 9.75%, 12/15/18	504,727	577,500
425,000	Machine Tools, Metal Cutting Types (0.48%) Thermadyne Holdings Corp., 9%, 12/15/17	427,368	454,750
500,000	Miscellaneous Business Credit Institution (0.62%) PHH Corp., 9.25%, 3/1/16	504,707	586,250
55,000	Miscellaneous Electrical Machinery, Equipment & Supplies (0.34%) Exide Technologies, 8.625%, 2/1/18	55,000	46,887
240,000	Spectrum Brands Holdings, Inc., 9.50%, 6/15/18	244,329	273,600
		<u>299,329</u>	<u>320,487</u>
1,000,000	Miscellaneous Fabricated Metal Products (1.13%) WireCo WorldGroup, 9.50%, 5/15/17	979,624	1,065,000
500,000	Mortgage Banks (0.59%) Provident Funding Associates, 10.25%, 4/15/17 ^(d)	500,000	553,750
500,000	Natural Gas Transmission (1.55%) Energy Transfer Equity LP, 7.50%, 10/15/20	512,613	580,000
500,000	Niska Gas Storage US LLC, 8.875%, 3/15/18	508,860	516,250
350,000	Southern Star Central Corp., 6.75%, 3/1/16	331,486	357,000
		<u>1,352,959</u>	<u>1,453,250</u>

See notes to financial statements.

Corporate Bonds and Notes (continued)		Cost	Value
Principal Amount			
\$ 500,000	Oil & Gas Field Exploration Services (0.56%) CGG-Veritas, 7.75%, 5/15/17	\$ 508,932	\$ 522,500
500,000	Papers & Allied Products (0.57%) Cascades, Inc., 7.75%, 12/15/17	492,721	531,250
442,000	Paper & Related Products (0.54%) Resolute Forest Products Inc., 10.25%, 10/15/18	448,116	508,300
740,000	Personal Credit Institutions (0.86%) Credit Acceptance Corp., 9.125%, 2/1/17	754,776	812,150
200,000	Petroleum Refining (0.24%) Coffeyville Resources LLC, 10.875%, 4/1/17 ^(d)	199,380	221,000
360,000	Racetracks (0.42%) Yonkers Racing Corp., 11.375%, 7/15/16 ^(d)	359,028	390,600
500,000	Radio & TV Broadcasting & Communications Equipment (0.59%) CommScope, Inc., 8.25%, 1/15/19 ^(d)	509,386	550,000
500,000	Retail - Convenience Stores (0.57%) Susser Holdings L.L.C., 8.50%, 5/15/16	505,545	533,750
250,000	Retail - Miscellaneous Retail (0.26%) Ferrellgas Partners, L.P., 6.50%, 5/1/21	245,571	248,750
750,000	Security Brokers, Dealers & Flotation Companies (0.20%) Penson Worldwide, Inc., 12.50%, 5/15/17 ^(d)	757,006	183,750
250,000	Semiconductors & Related Devices (0.22%) Advanced Micro Devices, 7.75%, 8/1/20	257,413	210,625
500,000	Services - Business Services, NEC (0.49%) DynCorp International, Inc. 10.375%, 7/1/17	501,757	460,000
500,000	Services - Equipment Rental & Leasing, NEC (0.60%) Aircastle Ltd., 9.75%, 8/1/18	502,642	567,500
750,000	Services - Miscellaneous Amusement & Recreation (0.90%) Cedar Fair LP, 9.125%, 8/1/18	753,227	847,500
95,000	Services - Motion Picture Theaters (0.11%) Regal Entertainment Group, 9.125%, 8/15/18	95,998	106,400
400,000	Services - Prepackaged Software (0.48%) Scientific Games International, Inc., 9.25%, 6/15/19	426,353	447,000
500,000	Special Industry Machinery (0.59%) Novelis, Inc., 8.375%, 12/15/17	504,929	553,750
300,000	Steel Pipes & Tubes (0.34%) Atkore International Inc., 9.875%, 1/1/18	305,503	320,250

See notes to financial statements.

Corporate Bonds and Notes (continued)			
Principal Amount		Cost	Value
\$ 840,000	Steel Works, Blast Furnaces & Rolling & Finishing Mills (0.91%) Gibraltar Industries, Inc., 8%, 12/1/15	\$ 840,594	\$ 854,259
	Telephone Communications (1.69%)		
1,000,000	Cincinnati Bell, Inc., 8.75%, 3/15/18	1,007,222	1,037,500
500,000	Equinix, Inc., 8.125%, 3/1/18	507,880	553,125
		<u>1,515,102</u>	<u>1,590,625</u>
	Textile - Home Furnishings (0.06%)		
50,000	Empire Today LLC, 11.375%, 2/1/17 ^(d)	49,592	53,375
	Transportation - Marine (0.44%)		
400,000	Marquette Transportation Company, 10.875%, 1/15/17	401,316	418,000
	Water Transportation (1.79%)		
679,000	American Petroleum Tankers LLC, 10.25%, 5/1/15	671,556	712,950
900,000	Hornbeck Offshore Services, Inc., 8%, 9/1/17	905,626	967,500
		<u>1,577,182</u>	<u>1,680,450</u>
	Wholesale - Electronic Parts & Equipment, NEC (0.34%)		
300,000	Brightstar Corp., 9.50%, 12/1/16 ^(d)	300,000	321,000
	Wholesale - Petroleum & Petroleum Products (0.32%)		
275,000	Crosstex Energy LP, 8.875%, 2/15/18	275,471	298,375
	Total corporate bonds and notes	<u>22,628,633</u>	<u>23,218,799</u>

See notes to financial statements.

Shares		Cost	Value
	INVESTMENT COMPANIES (2.56%) ^(a)		
	Exchange Traded Funds (2.56%)		
15,000	iShares Dow Jones Select Dividend Index	\$ 699,712	\$ 858,600
65,000	SPDR S&P 500 ETF Trust	871,731	1,548,950
	Total investment companies	1,571,443	2,407,550
	MASTER LIMITED PARTNERSHIPS (2.85%) ^(a)		
	Natural Gas Transmission (2.85%)		
39,000	Energy Transfer Partners LP	1,979,798	1,674,270
20,000	Enterprise Products Partners LP	374,214	1,001,600
	Total master limited partnerships	2,354,012	2,675,870
	PREFERRED STOCK (0.01%) ^(a)		
	Financial (0.01%)		
80,000	Solar Cayman Ltd. ^{(b) (c)}	568,802	2,000
	MONEY MARKET FUND (0.01%)		
9,910	SSgA Money Market Fund, 7 day annualized yield 0.01%	9,910	9,910
	Total investments (122.35%)	\$ 100,481,346	114,944,246
	Liabilities in excess of other assets (-22.35%)		(20,993,555)
	Net assets (100.00%)		\$ 93,950,691

(a) All or a portion of these securities have been segregated as collateral pursuant to the bank credit facility except for those denoted by a * symbol. As of December 31, 2012, the value of securities pledged as collateral was \$109,259,288.

(b) Illiquid and/or restricted security that has been fair valued. As of December 31, 2012, the value of these securities was \$206,152 or 0.22% of net assets.

(c) Non-income producing.

(d) 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. As of December 31, 2012, the value of these securities was \$3,844,475 or 4.09% of net assets.

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

See notes to financial statements.

December 31, 2012

Assets

Investments, at value (cost: \$100,481,346)	\$ 114,944,246
Receivables	
Interest	490,255
Dividends	171,541
Other assets	<u>23,807</u>
Total assets	<u>115,629,849</u>

Liabilities

Bank credit facility borrowing	21,348,054
Payables	
Accrued expenses	222,196
Investment management	92,756
Administrative services	<u>16,152</u>
Total liabilities	<u>21,679,158</u>

Net Assets\$ 93,950,691**Net Asset Value Per Share**

(applicable to 6,051,407 shares issued and outstanding)

\$ 15.53**Net Assets Consist of**

Paid in capital	\$ 154,299,787
Accumulated net investment loss	(11,894)
Accumulated net realized loss on investments and options written	(74,800,102)
Net unrealized appreciation on investments	<u>14,462,900</u>
	<u>\$ 93,950,691</u>

See notes to financial statements.

Year Ended
December 31, 2012**Investment Income**

Dividends	\$ 3,527,500
Interest	2,338,701
Income from securities loaned	6,246
Foreign tax withholding	<u>(24,022)</u>
Total investment income	<u>5,848,425</u>

Expenses

Investment management	1,107,972
Legal	480,191
Interest and fees on bank credit facility	257,669
Shareholder communications	207,694
Administrative services	127,470
Bookkeeping and pricing	69,850
Trustees	56,260
Exchange listing and registration	47,685
Auditing	36,600
Transfer agent	25,970
Insurance	25,430
Other	<u>14,125</u>
Total expenses	<u>2,456,916</u>

Net investment income	<u>3,391,509</u>
-----------------------	------------------

Realized and Unrealized Gain (Loss)

Net realized loss on investments	(1,833,050)
Net unrealized appreciation on investments	<u>8,526,210</u>
Net realized and unrealized gain	<u>6,693,160</u>
Net increase in net assets resulting from operations	<u><u>\$ 10,084,669</u></u>

See notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

Financial Statements

	Year Ended December 31, 2012	One Month Ended December 31, 2011	Year Ended November 30, 2011
Operations			
Net investment income	\$ 3,391,509	\$ 403,058	\$ 4,046,000
Net realized gain (loss) on investments and options written	(1,833,050)	(603,086)	399,951
Unrealized appreciation (depreciation) on investments and options written	<u>8,526,210</u>	<u>1,473,120</u>	<u>(747,281)</u>
Net increase in net assets resulting from operations	10,084,669	1,273,092	3,698,670
Distributions to Shareholders			
Net investment income	(3,387,691)	(401,335)	(3,938,453)
Tax return of capital	<u>(6,451,785)</u>	<u>(1,324,627)</u>	<u>(1,809,878)</u>
Total distributions	(9,839,476)	(1,725,962)	(5,748,331)
Capital Share Transactions			
Reinvestment of distributions to shareholders	598,542	44,117	56,286
Offering costs of rights offering charged to paid in capital	(16,229)	(375,000)	-
Proceeds from shares issued in rights offering	<u>-</u>	<u>22,577,847</u>	<u>-</u>
Increase in net assets from capital share transactions	<u>582,313</u>	<u>22,246,964</u>	<u>56,286</u>
Total change in net assets	827,506	21,794,094	(1,993,375)
Net Assets			
Beginning of period	<u>93,123,185</u>	<u>71,329,091</u>	<u>73,322,466</u>
End of period	<u>\$ 93,950,691</u>	<u>\$ 93,123,185</u>	<u>\$ 71,329,091</u>
End of period net assets include undistributed net investment loss	<u>\$ (11,894)</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

Year Ended
December 31, 2012**Cash Flows From Operating Activities**

Net increase in net assets resulting from operations	\$ 10,084,669
Adjustments to reconcile increase in net assets resulting from operations to net cash provided by (used in) operating activities:	
Unrealized appreciation of investments	(8,526,210)
Net realized loss on sales of investments	1,839,458
Purchase of long term investments	(36,156,190)
Proceeds from sales of long term investments	15,391,430
Net purchases of short term investments	(9,909)
Amortization of premium net of accretion of discount of investments	21,575
Decrease in receivable for investments sold	245,528
Decrease in interest receivable	146,801
Decrease in dividends receivable	37,563
Decrease in other assets	37,410
Increase in accrued expenses	30,538
Increase in investment management fee payable	18,731
Decrease in administrative services payable	<u>(14,957)</u>
Net cash used in operating activities	<u>(16,853,563)</u>

Cash Flows From Financing Activities

Proceeds from capital shares issued in rights offering	22,577,847
Offering costs of rights offering	(16,358)
Bank credit facility borrowing	3,532,879
Cash distributions paid	<u>(9,240,805)</u>
Net cash provided by financing activities	<u>16,853,563</u>

Net change in cash

-

Cash

Beginning of period	<u>-</u>
End of period	<u><u>\$ -</u></u>

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest and fees on bank credit facility	\$ 233,313
Non-cash financing activities not included herein consisted of:	
Reinvestment of dividend distributions	\$ 598,671

See notes to financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Dividend and Income Fund (the “Fund”), a Delaware statutory trust 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.

Pursuant to approval by shareholders at the Fund’s 2012 Annual Meeting on May 14, 2012, the Fund reorganized from a Maryland corporation called Dividend and Income Fund, Inc. into a Delaware statutory trust called Dividend and Income Fund (the “Reorganization”). As a result of the Reorganization, shareholders of the Maryland corporation acquired shares of the Delaware statutory trust equal in number and in value to the shares of the Maryland corporation they held immediately prior to the Reorganization. The Fund did not issue certificates representing the shares of the Delaware statutory trust issued in the Reorganization. References to the “Fund” in this report refer to the Maryland corporation prior to the Reorganization and the Delaware statutory trust afterwards.

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 Trustees, 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. A fair value price is an estimate and there is no assurance that such price will be at or close to the price at which a security is next quoted or next trades.

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 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. 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.

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 in-

vestments 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 or its affiliates serve as investment manager and an internally managed investment company with substantially similar officers and trustees (collectively, 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 (2009-2011) or expected to be taken in the Fund’s 2012 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 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 has retained the Investment Manager pursuant to an investment management agreement effective September 19, 2012. Under the terms of the current and prior investment management agreement, 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 had contractually agreed to waive up to 10 basis points annually of the fees payable to it under the prior investment management agreement 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 exceeded 1.58% (the “Waiver Agreement”). The Waiver Agreement commenced February 1, 2011 and, unless sooner amended or terminated with the approval of the Fund’s Board of Trustees, was scheduled to terminate on February 1, 2013. However, the waiver agreement was terminated effective upon shareholder approval of the current investment management agreement.

Pursuant to the current and prior investment management agreements, the Fund reimburses the Investment Manager for providing at cost certain administrative services comprised of compliance

and accounting services. For the year ended December 31, 2012, the Fund incurred total administrative costs of \$127,470, comprised of \$97,490 and \$29,980 for compliance and accounting services, respectively.

Certain officers and trustees of the Fund are officers and managers of the Investment Manager. As of December 31, 2012, affiliates of the Investment Manager owned approximately 7% of the Fund's outstanding shares.

3. DISTRIBUTIONS TO SHAREHOLDERS AND DISTRIBUTABLE EARNINGS The tax character of distributions paid for the following periods were:

	Year Ended December 31, 2012	One Month Ended December 31, 2011	Year Ended November 30, 2011
Ordinary Income	\$ 3,387,691	\$ 401,335	\$ 3,938,453
Return of Capital	6,451,785	1,324,627	\$ 1,809,878
	\$ 9,839,476	\$ 1,725,962	\$ 5,748,331

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

	December 31, 2012	December 31, 2011	November 30, 2011
Capital loss carryovers	\$ (71,757,341)	\$ (69,886,052)	\$ (69,284,949)
Unrealized net appreciation on investments and options written	11,432,033	2,883,617	1,410,756
	\$ (60,325,308)	\$ (67,002,435)	\$ (67,874,193)

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.

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, 2012 of \$71,757,341, of which \$548,759 of short term and \$1,923,633 of long term losses may be carried forward indefinitely, and \$103,382, \$16,849,903, \$50,889,399, and \$1,442,265 expires in 2013, 2015, 2016, and 2018, respectively.

GAAP requires certain components of net assets to be classified differently for financial reporting than for tax reporting purposes. While these differences have no effect on net assets or net asset value per share, these differences may result in distribution reclassifications. Primarily due to differences in treatment of return of capital dividends, on December 31, 2012 the Fund recorded the following financial reporting adjustments to the identified accounts to reflect those differences:

Accumulated Net Investment Income	Accumulated Net Realized Gains on Investments	Paid in Capital
\$ 6,436,073	\$ (27,927)	\$ (6,408,146)

4. 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 necessarily 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 most recent last sale or 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 with fair value pricing as determined in good faith by the Investment Manager under the direction of or pursuant to procedures established by the Fund's Board of Trustees. 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.

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, 2012 in valuing the Fund's assets. Refer to the Schedules of Portfolio Investments for detailed information on specific investments.

ASSETS	Level 1	Level 2	Level 3	Total
Investments, at value				
Common stocks	\$ 86,425,965	\$ -	\$ 204,152	\$ 86,630,117
Corporate bonds and notes	-	23,218,799	-	23,218,799
Investment companies	2,407,550	-	-	2,407,550
Master limited partnerships	2,675,870	-	-	2,675,870
Preferred stocks	-	-	2,000	2,000
Money market fund	9,910	-	-	9,910
Total investments, at value	\$ 91,519,295	\$ 23,218,799	\$ 206,152	\$ 114,944,246

There were no securities transferred from level 1 on December 31, 2011 to level 2 on December 31, 2012. Transfers from level 1 to level 2, or from level 2 to level 1 are valued utilizing values at the beginning of the period.

The following is a reconciliation of assets for which significant unobservable inputs were used to determine fair value:

	Common Stocks	Preferred Stocks	Total
Balance at December 31, 2011	\$ 116,808	\$ 2,000	\$ 118,808
Transfers into level 3 ^(a) ^(b)	124,000	-	124,000
Transfers (out of) level 3	-	-	-
Change in unrealized depreciation	(36,656)	-	(36,656)
Balance at December 31, 2012	\$ 204,152	\$ 2,000	\$ 206,152
Net change in unrealized depreciation attributable to assets still held as level 3 at December 31, 2012	\$ (36,656)	\$ -	\$ (36,656)

(a) Transferred from level 2 to level 3 because of lack of observable market data due to an exchange of debt securities for illiquid common units.

(b) Transfers in and transfers out are recognized on the actual date of the event or change that caused the transfer.

Unrealized gains (losses) are included in the related amounts on investments in the Statement of Operations.

The Investment Manager under the direction of the Fund's Board of Trustees considers various valuation approaches for valuing securities categorized within level 3 of the fair value hierarchy. The factors used in determining the value of the Fund's private investments may include, but are not limited to: the discounts applied to the selection of comparable investments due to the private nature of the investment; the type of the security; the size of the holding; the initial cost of the security; the existence of any contractual restrictions on the security's disposition; the price and extent of public trading in similar securities of the issuer or of comparable companies; quotations or evaluated prices from broker-dealers and/or pricing services; information obtained from the issuer or analysts; an analysis of the company's or issuer's financial statements; or an evaluation of the forces that influence the issuer and the market in which the security is purchased and sold. Significant changes in any of those inputs in isolation may result in a significantly lower or higher fair value measurement. The pricing of all fair value holdings is subsequently reported to the Fund's Board of Trustees.

The following table presents additional information about valuation methodologies and inputs used for investments that are measured at fair value and categorized as level 3 as of December 31, 2012:

	Fair Value Dec. 31, 2012	Valuation Technique	Unobservable Input	Amount
COMMON STOCKS				
Miscellaneous Business Credit Institution	\$ 111,152	Assessment of net asset value	Discount rate for lack of marketability	75%
Services-Miscellaneous Repair Services	\$ 93,000	Share of taxable income and comparable exchange offer	Discount rate for lack of marketability	75%
PREFERRED STOCKS				
Financial	\$ 2,000	Analysis of operating results and net asset value	Discount rate for lack of marketability	75%

5. INVESTMENT TRANSACTIONS Purchases and proceeds or maturities of investment securities, excluding short term investments, were \$36,156,190 and \$15,391,430, respectively, for the year ended December 31, 2012. As of December 31, 2012, for federal income tax purposes, the aggregate cost of investment securities was \$103,512,213 and net unrealized appreciation was \$11,432,033, comprised of gross unrealized appreciation of \$17,681,542 and gross unrealized depreciation of \$6,249,509

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 using fair value pricing. 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 as of December 31, 2012 were as follows:

SECURITY	Aquisition Date	Cost	Value
Aquilex Holdings LLC	12/23/09	\$ 496,372	\$ 93,000
Star Asia Financial Ltd.	2/22/07	686,145	111,152
Solar Cayman Ltd.	3/07/07	568,802	2,000
Total		\$ 1,751,319	\$ 206,152
Percent of net assets		1.86%	0.22%

7. BORROWING AND SECURITIES LENDING Effective March 29, 2012, the Fund entered into a Committed Facility Agreement (the "CFA") with BNP Paribas Prime Brokerage, Inc. ("BNP") which allows the Fund to adjust its credit facility amount up to \$25,000,000, and a Lending Agreement, as defined below. Borrowings under the CFA are secured by assets of the Fund that are held with the Fund's custodian in a separate account (the "pledged collateral"). Interest is charged at the 1 month LIBOR (London Inter-bank Offered Rate) plus 0.95% on the amount borrowed and 0.50% on the undrawn balance.

The Lending Agreement provides that BNP may borrow a portion of the pledged collateral (the "Lent Securities") in an amount not to exceed the outstanding borrowings owed by the Fund to BNP under the CFA. BNP may re-register the Lent Securities in its own name or in another name other than the Fund and may pledge, re-pledge, sell, lend, or otherwise transfer or use the Lent Securities with all attendant rights of ownership. The Fund may designate any security within the pledged collateral as ineligible to be a Lent Security, provided there are eligible securities within the pledged collateral in an amount equal to the outstanding borrowing owed by the Fund. BNP must remit payment to the Fund equal to the amount of all dividends, interest, or other distributions earned or made by the Lent Securities.

Under the Lending Agreement, Lent Securities are marked to market daily and, if the value of the Lent Securities exceeds the value of the then-outstanding borrowings owed by the Fund to BNP under the CFA (the "Current Borrowings"), BNP must, on that day, either (1) return Lent Securities to the Fund's custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with the Fund's custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, the Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. The Fund can recall any of the Lent Securities

and BNP shall, to the extent commercially possible, return such security or equivalent security to the Fund's custodian no later than three business days after such request. If the Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the ultimate delivery of such Lent Securities, or equivalent securities, and for any buy-in costs that the executing broker for the sales transaction may impose with respect to the failure to deliver. The Fund shall also have the right to apply and set-off an amount equal to one hundred percent (100%) of the then-current fair value of such Lent Securities against the Current Borrowings. As of December 31, 2012, there were no Lent Securities.

Prior to March 29, 2012, the Fund and the other Funds in the Fund Complex (the "Borrowers") had a committed secured line of credit facility with a bank in aggregate of \$30,000,000. The borrowing of each Borrower was collateralized by the underlying investments of such Borrower, the bank made 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 was 0.15% per annum and all loans under this facility were 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.

The outstanding loan balance and the value of eligible collateral investments as of December 31, 2012 were \$21,348,054 and \$109,259,288, respectively, and the weighted average interest rate and average daily amount outstanding under the CFA and the credit facility combined for the year ended December 31, 2012 were 1.22% and \$21,092,512, respectively. The maximum outstanding during the year ended December 31, 2012 was \$24,748,182.

8. SHARE TRANSACTIONS Prior to the opening of trading on the New York Stock Exchange (“NYSE”) on December 10, 2012, the Fund implemented a 1-for-4 reverse stock split. The net effect of the reverse stock split was to decrease the number of the Fund’s outstanding common shares of beneficial interest and increase the net asset value per common share of beneficial interest by a proportionate amount. While the number of the Fund’s outstanding common shares of beneficial interest declined, neither the Fund’s holdings nor the total value of shareholders’ investments were affected. Immediately after the reverse stock split, each shareholder held the same percentage of the Fund’s outstanding common shares of beneficial interest that he or she held immediately prior to the reverse stock split, subject to adjustments for fractional shares resulting from the split. Capital share activity referenced on the Statement of Changes in Net Assets, and per share data, including the proportionate impact to market price, in the Financial Highlights table have been restated to reflect the reverse stock split.

The Fund is authorized to issue an unlimited amount of \$0.01 par value shares of beneficial interest. At December 31, 2012, there were 6,051,407 shares outstanding. Share transactions restated to reflect the effect of the 1-for-4 reverse stock split for the following periods were:

	Year Ended December 31, 2012		One Month Ended December 31, 2011		Year Ended November 30, 2011	
	Shares	Amount	Shares	Amount	Shares	Amount
Shares issued in reinvestment of distributions	42,808	\$ 598,542	3,272	\$ 44,117	3,808	\$ 56,286
Shares issued in rights offering	-	-	1,774,988	22,577,847	-	-
	42,808	\$ 598,542	1,778,260	\$ 22,621,964	3,808	\$ 56,286

In a non-transferable rights offering ended December 23, 2011, shareholders exercised rights to purchase 1,774,988 shares of the Fund at the subscription price of \$12.72 per share for proceeds, net of expenses, of \$22,186,618. Shares and per share amounts have been restated to reflect the effects of the 1-for-4 reverse stock split.

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. CONTINGENCIES The Fund indemnifies its officers and trustees 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.

11. 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 Trustees and upon such terms as the Board shall determine. The Fund did not repurchase any of its shares during the year ended December 31, 2012, the one month ended December 31, 2011, or year ended November 30, 2011, respectively.

12. 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.

Per share data, including the proportionate impact to market price, has been restated to reflect the effects of a 1-for-4 reverse stock split effective as of the start of trading on the NYSE on December 10, 2012.

Per Share Operating Performance	Year Ended	One Month Ended	Year Ended November 30,			
	Dec 31, 2012	Dec 31, 2011 ⁽¹⁾	2011	2010	2009	2008
Net asset value, beginning of period	\$15.48	\$16.88	\$17.36	\$16.76	\$14.68	\$32.64
Income from investment operations: ⁽²⁾						
Net investment income	0.56	0.08	0.96	0.80	0.84	2.24
Net realized and unrealized gain (loss) on investments	1.12	0.20	(0.08)	1.44	2.88	(16.76)
Total income from investment operations	1.68	0.28	0.88	2.24	3.72	(14.52)
Less distributions:						
Net investment income	(0.56)	(0.08)	(0.92)	(1.40)	(1.56)	(2.36)
Tax return of capital	(1.07)	(0.32)	(0.44)	(0.24)	(0.08)	(1.08)
Total distributions	(1.63)	(0.40)	(1.36)	(1.64)	(1.64)	(3.44)
Fund share transactions						
Decrease in net asset value from rights offering	-	(1.28)	-	-	-	-
Net asset value, end of period ⁽³⁾	\$15.53	\$15.48	\$16.88	\$17.36	\$16.76	\$14.68
Market value, end of period ⁽³⁾	\$13.53	\$13.72	\$13.84	\$16.92	\$14.60	\$10.40
Total Return ⁽⁴⁾						
Based on net asset value	12.67%	(5.52)%	5.61%	14.55%	29.42%	(47.75)%
Based on market price	10.75%	2.13%	(11.15)%	28.17%	59.14%	(58.90)%
Ratios/Supplemental Data ⁽⁵⁾						
Net assets, end of period (000 s omitted)	\$93,951	\$93,123	\$71,329	\$73,322	\$70,853	\$62,022
Ratios to average net assets of:						
Total expenses ⁽⁶⁾	2.57%	2.09%*	2.02%	2.63%	3.01%	3.62%
Net expenses ⁽⁷⁾	2.57%	2.09%*	2.00%	2.50%	2.89%	3.47%
Net expenses excluding interest expense and fees on bank credit facility	2.30%	1.78%*	1.73%	-	-	-
Total expenses excluding commercial paper interest expense and fees ⁽⁶⁾	N/A	N/A	N/A	2.20%	2.03%	1.91%
Net expenses excluding commercial paper interest expense and fees ⁽⁶⁾	N/A	N/A	N/A	2.07%	1.91%	1.76%
Commercial paper interest expense and fees ⁽⁶⁾	N/A	N/A	N/A	0.43%	0.98%	1.71%
Net investment income	3.56%	6.28%*	5.44%	4.73%	5.43%	8.62%
Portfolio turnover rate	13%	0%	24%	51%	73%	54%
Leverage analysis (000 s omitted):						
Outstanding loan balance under the bank credit facility, end of period	\$21,348	\$17,815	\$18,209	\$20,000	N/A	N/A
Aggregate amount of commercial paper outstanding, end of period ⁽⁸⁾	N/A	N/A	N/A	N/A	\$10,000	\$10,000
Average daily balance of amortized cost of commercial paper outstanding, end of period ⁽⁸⁾	N/A	N/A	N/A	N/A	\$9,960	\$47,921
Asset coverage per \$1,000, end of period	\$5,401	\$6,227	\$4,917	\$4,666	\$7,425	\$15,880

(1) The Fund changed its fiscal year from November 30 to December 31, effective December 31, 2011.

(2) The per share amounts were calculated using the average number of shares outstanding during the period.

(3) The Fund implemented a 1-for-4 reverse stock split with an ex-dividend date of December 10, 2012. Prior period net asset values and per share amounts have been restated to reflect the impact of the reverse stock split. The net asset value and market price reported at the original dates prior to the reverse stock split were as follows:

	One Month Ended	Year Ended November 30,			
	Dec 31, 2011	2011	2010	2009	2008
Net asset value	\$3.87	\$4.22	\$4.34	\$4.19	\$3.67
Market value	\$3.43	\$3.46	\$4.23	\$3.65	\$2.60

(4) Total return on a market value basis is calculated assuming a purchase of shares 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.

(5) Expenses and income ratios do not include expenses incurred by the Acquired Funds in which the Fund invests.

(6) "Total expenses" are the expenses of the Fund as presented in the Statement of Operations before fee waivers.

(7) "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%, and 0.14% for the years ended November 30, 2011, 2010, 2009, and 2008, respectively.

(8) Effective April 26, 2010, the Fund replaced its commercial paper program with a bank line of credit facility.

*Annualized. N/A means not applicable.

See notes to financial statements.

To the Board of Trustees and Shareholders of Dividend and Income Fund

We have audited the accompanying statement of assets and liabilities of Dividend and Income Fund, including the schedule of investments as of December 31, 2012 and the related statements of operations and cash flows for the year ended December 31, 2012, and changes in net assets, and financial highlights for the year ended December 31, 2012, the period ended December 31, 2011 and the year ended November 30, 2010. 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 financial highlights for each of the years in the three year period ended November 30, 2010 were audited by other independent auditors, whose report dated January 28, 2011 expressed an unqualified opinion on such 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, 2012, 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 as of December 31, 2012, the results of its operations, the changes in its net assets, its cash flows and the financial highlights for the periods noted above, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP
Philadelphia, Pennsylvania
February 26, 2013

The additional information below and on the following pages is supplemental and not part of the audited financial statements of the Fund.

Additional Information

Board of Trustees' Approval of the Investment Management Agreement

At a meeting held on September 12, 2012 and adjourned to October 1, 2012, shareholders of the Fund approved a new investment management agreement (the "Agreement") with the Investment Manager. The Fund previously operated under an investment management agreement that the Fund and the Investment Manager entered into on May 14, 2012 in connection with the Reorganization, which was substantially identical to the investment management agreement that was approved by the Board at its March 6, 2012 meeting pursuant to Section 15(c) of the Act. The agreement entered into in connection with the Reorganization and the agreement that was approved by the Board at its March 6, 2012 meeting will be referred to as the "Prior Management Agreement" for the purpose of the following discussion.

On May 15, 2012, Bassett S. Winmill, who owned 100% of the voting stock ("voting stock") of Winmill & Co. Incorporated ("Winco"), which indirectly owns approximately 22% of the outstanding common stock of Bexil Corporation, the sole member of the Investment Manager, passed away. In addition, Mr. Winmill owned shares of the outstanding common stock of Bexil Corporation directly. In connection with his death, Mr. Winmill's ownership interest in the voting stock, among other assets, was transferred (the "Transfer") to the Winmill Family Trust. The Winmill Family Trust owns all of the voting stock of Winco. Pursuant to the trust agreement governing the Winmill Family Trust, Thomas B. Winmill and Mark C. Winmill, Bassett Winmill's sons, were designated individual trustees of the Trust with sole authority to vote the voting stock on behalf of the Winmill Family Trust.

The Transfer was treated as constituting a "change in control" of the Investment Manager under the Act and thus resulted in the assignment and termination of the Prior Management Agreement by operation of law. To avoid interruption of management services to the Fund, at a meeting held on May 25, 2012, the Board, including a majority of the Independent Trustees, approved an interim investment management agreement with the Investment Manager (the "Interim Management Agreement"). The Investment Manager managed the Fund pursuant to the Interim Management Agreement which, pursuant to the rules under the Act, allowed the Investment Manager to continue performing investment management services for the Fund for a maximum of 150 days following termination of the Prior Management Agreement. The Interim Management Agreement was identical to the Prior Management Agreement except with respect to certain provisions required by law regarding effectiveness, duration, and termination. The Fund paid the same fees under the Interim Management Agreement as it paid under the Prior Management Agreement.

The Act requires that advisory agreements, other than certain interim agreements, be approved by a vote of a majority of the outstanding shares of a fund. At in-person meetings held on June 13, 2012 and August 2, 2012, the Board, including all of the Independent Trustees, unanimously approved the Agreement and unanimously determined to recommend that shareholders approve the Agreement. Considera-

tion of the Agreement occurred soon after the Board's annual consideration of whether to renew the Prior Management Agreement on March 6, 2012. In that process the Board, following careful review of materials submitted by management of the Investment Manager and a report from an independent data service, unanimously determined that the Prior Management Agreement was fair and reasonable and that its renewal would be in the best interests of the Fund. Accordingly, in considering the Agreement, the Board took into account the fact that the terms of the Agreement would be materially identical to those of the Prior Management Agreement, except for the effective dates, clarifying the responsibility of the Fund for the cost of certain reports and statistical data requested or approved by the Board, and the procedure for the payment of certain Fund expenses.

In evaluating the proposed Agreement, the Board noted that it had generally been satisfied with the nature, extent and quality of the services provided to the Fund by the Investment Manager. The Board considered the nature, extent, and quality of the services expected to be provided by the Investment Manager in light of the passing of Bassett Winmill and the Transfer. In so doing, the Board considered the Investment Manager's management capabilities, including information relating to the experience and qualifications of the personnel at the Investment Manager who are responsible for providing services to the Fund. The Board considered that Bassett S. Winmill had served as the Chief Investment Strategist on the Investment Policy Committee (the "IPC") of the Investment Manager, which managed the Fund's investments. The Board noted in this regard that the IPC, which has assumed portfolio management of the Fund, is currently comprised of Thomas B. Winmill as Chairman, Mark C. Winmill as Chief Investment Strategist, John F. Ramirez as Director of Fixed Income, and Heidi Keating as Vice President-Trading, and is well qualified to manage the Fund's portfolio and provide day-to-day management of the Fund's investments. The Board took into account assurances from the Investment Manager that the members of the IPC had no current plans to change the investment philosophy or investment process applied by the Investment Manager in managing the Fund. The Board also considered whether there were any proposed changes to the management structure, capitalization, staffing or operations at the Investment Manager. The Board noted in this regard that Bassett Winmill had not been involved in the day-to-day administrative and financial operations of the Investment Manager. The Board took into account assurances from the Investment Manager that the passing of Bassett Winmill and the Transfer were not expected to result in any changes that would materially adversely impact the Investment Manager's ability to provide the same level and quality of services as was provided in the past.

In addition, in connection with its consideration of the Agreement, the Board re-examined the factors it had taken into account in approving the Prior Management Agreement at its March 6, 2012 meeting including, among others: (1) the nature, extent, and quality of the services provided by the Investment Manager; (2) the performance of the

Fund compared to its market index and a peer group of investment companies; (3) the costs of the services provided and profits or losses realized by the Investment Manager and its affiliates from their relationship with the Fund; (4) the extent to which economies of scale might be realized as the Fund grows; and (5) whether fee levels reflect any such potential economies of scale for the benefit of investors in the Fund. In its deliberations, the Board did not identify any particular information that was determinative or controlling, and each Trustee may have attributed different weights to the various factors.

In unanimously approving and recommending the Agreement, the Board, including all of the Independent Trustees, concluded that the terms of the Agreement are fair and reasonable and that approval of the Agreement is in the best interests of the Fund. In reaching this determination, the Board considered the following factors, among others: (1) except for clarifying that the Fund is responsible for the cost of certain reports and statistical data requested or approved by the Board (which change is not expected to result in a material increase in the Fund's expenses) and a change to the procedure for the payment of certain Fund expenses, the terms of the Agreement are materially identical to those of the Prior Management Agreement; (2) the qualification of the Investment Manager, as well as the qualifications of its personnel and the Investment Manager's financial condition; (3) the

commitment of the Investment Manager to maintaining the investment philosophy and investment process applied by the Investment Manager in managing the Fund and the level and quality of Fund services; (4) the performance of the Fund relative to comparable mutual funds and unmanaged indices; (5) that while the performance of the Fund had lagged its peer group, the Investment Manager had discussed with the Board the factors contributing to Fund performance and the Board considered and accepted management's presentation; (6) the fees and expense ratio of the Fund relative to comparable funds; (7) that the management fee rate is identical to that paid under the Prior Management Agreement; (8) that the expense ratio (excluding extraordinary expenses) of the Fund, although higher relative to the Fund's peer group, is competitive with comparable funds in light of the quality of services received and assets managed; and (9) that the proposed early termination of the Waiver Agreement (which is scheduled by its terms to terminate on February 1, 2013) was not expected to have any impact on the Fund as the Fund had operated below its expense waiver limitation (excluding extraordinary expenses) for the entire period that the Waiver Agreement has been in effect and that the Fund is expected to continue to operate below its expense waiver limitation (excluding extraordinary expenses) through the date of the expiration of the Waiver Agreement.

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 Trustees 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, and on the Fund's website at 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. 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.

Limitations on Ownership

The Fund has substantial capital loss carryovers that could translate into significant future tax savings for the Fund and its shareholders. The Fund's governing documents contain provisions designed to prevent an ownership change from taking place, which could limit the Fund's ability to use capital loss carryovers, by limiting the ability of persons to beneficially own more than 4.99% of the Fund's outstanding shares without the Board of Trustees' prior approval. These provisions may have an anti-takeover effect on the Fund as do certain other provisions the Fund currently takes advantage of under Delaware law.

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, 2013, 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.

2013 Quarterly Distribution Dates

Declaration	Record	Payment
March 1	March 15	March 28
June 3	June 17	June 28
September 3	September 17	September 30
December 2	December 16	December 30

HISTORICAL DISTRIBUTION SUMMARY*

PERIOD	Investment Income	Return of Capital	Capital Gains	Total
2012	\$ 0.56	\$ 1.07	\$ -	\$ 1.63
2011	\$ 1.00	\$ 0.76	\$ -	\$ 1.76
2010	\$ 1.40	\$ 0.24	\$ -	\$ 1.64
2009	\$ 1.56	\$ 0.08	\$ -	\$ 1.64
2008	\$ 2.36	\$ 1.08	\$ -	\$ 3.44
2007	\$ 3.36	\$ 0.20	\$ -	\$ 3.56
2006	\$ 3.72	\$ -	\$ -	\$ 3.72
2005	\$ 2.12	\$ 1.88	\$ -	\$ 4.00
2004	\$ 2.16	\$ 1.84	\$ -	\$ 4.00
2003	\$ 2.44	\$ 1.56	\$ -	\$ 4.00
2002	\$ 2.64	\$ 1.84	\$ -	\$ 4.48
2001	\$ 2.60	\$ 2.36	\$ -	\$ 4.96
2000	\$ 3.20	\$ 1.76	\$ -	\$ 4.96
1999	\$ 3.44	\$ 1.40	\$ 0.12	\$ 4.96
From June 29, 1998 to November 30, 1998	\$ 1.64	\$ -	\$ -	\$ 1.64

* The Fund implemented a 1-for-4 reverse stock split with an ex-date of December 10, 2012. Prior period distribution amounts have been restated to reflect the impact of the reverse stock split.

Terms and Conditions of the 2012 Amended Dividend Reinvestment Plan

1. Each shareholder (the "Shareholder") holding shares (the "Shares") of Dividend and Income Fund (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 American Stock Transfer & Trust Company, LLC, 6201 15th Avenue, Brooklyn, New York 11219, 1-800-278-4353, 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 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 quoted on the NYSE on each of the five business days the Shares traded ex-dividend on the NYSE 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 non-certificated 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 three days prior to any dividend or distribution payment date. If the request is received less than three 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.

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

INTERESTED TRUSTEE					
Name and Date of Birth	Position(s) Held with the Fund	Trustee Since	Principal Occupation(s) for the Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee ⁽¹⁾	Other Directorships Held by Trustee ⁽²⁾
THOMAS B. WINMILL, ESQ. ⁽³⁾ June 25, 1959.	Class II Trustee	2011	He is President, Chief Executive Officer, and a Trustee or Director of the Fund, Foxby Corp., and Midas Series Trust. He is President, Chief Executive Officer, and General Counsel of the Investment Manager 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 a Director and Vice President of Global Income Fund, Inc. He is a Director of Bexil American Mortgage Inc. He is Vice President of Tuxis Corporation. He is Chairman of the Investment Policy Committee of each of the Advisers (the "IPCs"), which currently manage the Fund, Foxby Corp., Midas Magic, and Midas Perpetual Portfolio, and he is the portfolio manager of Midas Fund. He is a member of the New York State Bar and the SEC Rules Committee of the Investment Company Institute. His business address is P.O. Box 4, Walpole, NH 03608.	6	Eagle Bulk Shipping Inc.
INDEPENDENT TRUSTEES					
BRUCE B. HUBER, CLU, ChFC, MSFS February 7, 1930.	Class I Trustee	2011	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.	6	None
JAMES E. HUNT December 14, 1930.	Class III Trustee	2011	He is a Limited Partner of Hunt Howe Partners LLC, executive recruiting consultants.	6	None
PETER K. WERNER August 16, 1959.	Class II Trustee	2011	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.	6	None
<p><i>(1) The Fund Complex is comprised of the Fund, Foxby Corp., Global Income Fund, Inc., and Midas Series Trust which (except Global Income Fund, Inc.) are managed by the Investment Manager and its affiliates. (2) Refers to directorships held by a trustee 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. (3) He is an "interested person" of the Fund as defined in the Act due to his affiliation with the Investment Manager.</i></p> <p><i>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 Trustees serves on the Continuing Trustees Committee of the Board.</i></p>					

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

EXECUTIVE OFFICERS			
Name and Date of Birth	Position(s) Held with the Fund	Officer Since*	Principal Occupation(s) for the Past Five Years
Jacob Bukhsbaum July 3, 1983	Chief Compliance Officer, AML Officer, and Vice President	2012	Chief Compliance Officer, AML Officer, and Vice President of the other investment companies in the Fund Complex, the Advisers, Bexil Corporation, and Winco.
Heidi Keating March 28, 1959	Vice President	2011	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 July 22, 1958	CAO, CFO, Treasurer and Vice President	2011	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 Vice President of Bexil American Mortgage Inc. He is a certified public accountant.
John F. Ramirez, Esq. April 29, 1977	General Counsel, Chief Legal Officer, Vice President, and Secretary	2011	General Counsel, Chief Legal Officer, Vice President, and Secretary of the other investment companies in the Fund Complex and Tuxis Corporation. He is Vice President, Associate General Counsel, and Secretary of the Advisers, the Broker-Dealers, Bexil Corporation, and Winco. 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.
Mark C. Winmill November 26, 1957	Chief Investment Strategist	2012	Chief Investment Strategist of the other investment companies in the Fund Complex and the Advisers. He is a member of the IPCs. He is President, Chief Executive Officer, and a Director of Global Income Fund, Inc. and Tuxis Corporation. He is Executive Vice President and a Director of Winco, Vice President of Bexil Corporation, and a principal of the Broker-Dealers. He is also a Director of the New York Self Storage Association.

*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 12, 2012.

RESULTS OF A SPECIAL MEETING OF SHAREHOLDERS

A Special Meeting of Shareholders of the Fund was held on September 12, 2012 at the offices of the Fund at 11 Hanover Square, 12th Floor, New York, New York 10005, and adjourned to September 19, 2012 for the following purposes:

1. To ratify the appointment of Tait, Weller & Baker LLP as the Fund's independent registered auditors for the fiscal year ending December 31, 2012.

Votes For	Votes Against	Abstained
16,426,650	280,449	207,393

2. To approve a new investment management agreement between the Fund and Bexil Advisers LLC, the Fund's current investment manager.

Votes For	Votes Against	Abstained	Broker Non-Vote
11,645,286	684,498	169,073	4,415,635

STOCK DATA AT DECEMBER 31, 2012

NYSE Market Price	\$13.53
Net Asset Value	\$15.53
Discount	12.9%
NYSE Ticker	DNI
Net Asset Value Ticker	XDNIX

FUND INFORMATION**Investment Manager**

Bexil Advisers LLC
11 Hanover Square
New York, NY 10005
www.DividendandIncomeFund.com
1-212-785-0400

Stock Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
www.amstock.com
1-800-278-4353

DIVIDENDANDINCOME FUND.COM

Visit us on the web at 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.

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.

Fund Information - This report, including the financial statements herein, is transmitted to the shareholders of the Fund for their information. 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. This communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state, or an exemption therefrom.

Section 23 Notice - 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 its own shares 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

NYSE Ticker: **DNI**

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