

# DIVIDEND AND INCOME

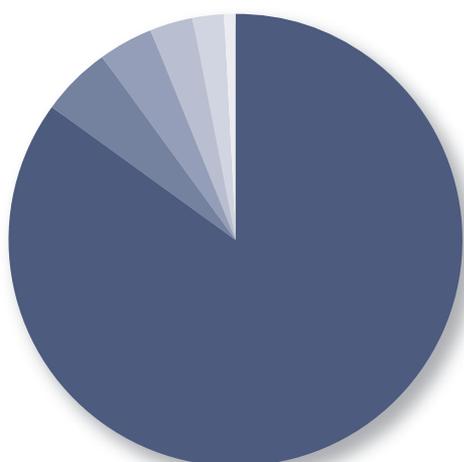
ANNUAL REPORT

# FUND 2013

DECEMBER 31



Holdings by Security Type  
December 31, 2013\*



- Common Stocks (97.13%)
- Corporate Bonds & Notes (5.80%)
- Real Estate Investment Trusts (4.34%)
- Closed End Funds (3.51%)
- Master Limited Partnerships (2.40%)
- Preferred Stocks (1.19%)

\* 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, 2013

- 1 Pharmaceutical Preparations
- 2 Crude Petroleum & Natural Gas
- 3 Semiconductors & Related Devices
- 4 Real Estate Investment
- 5 Petroleum Refining
- 6 National Commercial Banks
- 7 Natural Gas Transmission
- 8 Electronic & Other Electrical Equipment
- 9 Metal Mining
- 10 Fire, Marine & Casualty Insurance

**TOP TEN**  
INDUSTRIES OF CORPORATE BONDS & NOTES

December 31, 2013

- 1 Electric Services
- 2 Natural Gas Transmission
- 3 Services - Miscellaneous Amusement & Recreation
- 4 Personal Credit Institutions
- 5 Fats & Oils
- 6 Services - Equipment Rental & Leasing, NEC
- 7 Cable & Other Pay Television Services
- 8 Special Industry Machinery
- 9 Oil & Gas Field Exploration Services
- 10 Paper & Allied Products

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 2013 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. These securities include 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 and Market Report

Minutes of the December 2013 staff review of the economic situation with the Federal Open Market Committee (FOMC) of the Federal Reserve Bank (the "Fed") suggest that economic activity has been expanding at a moderate pace, with total payroll employment increasing further, and the unemployment rate declining but remaining elevated. According to the minutes of the meeting, manufacturing production accelerated after increasing at a subdued pace in the third quarter, and the gains were broad across industries. Real personal consumption expenditures (PCE), a measure of inflation employed by the FOMC, was reported to have increased modestly in the third quarter but rose at a faster pace early in the fourth quarter. Interestingly, households' net worth was noted to have likely expanded as equity values and home prices increased and real disposable income rose. Not surprisingly given this increased prosperity, consumer sentiment by some measures has improved.

The change in real GDP projected in December 2013 by the Fed's board members and bank presidents has broadened to a 2.2% to 3.3% range for 2014, in contrast to the 3.0% to 3.5% range projected in June 2013, perhaps reflecting greater uncertainty. In contrast, the World Bank recently raised its global growth forecast to 3.2% for 2014, from 3% midway through 2013. Encouragingly, improvement is expected from the Eurozone economy, which is forecasted to grow about 1.1% out of its recession, while Japan's recovery is forecast to moderate at a 1.4% rate. With regard to China, the world's second-largest economy, the World Bank forecasts decelerating 7.7% growth as consumption becomes a larger factor. For 2015, the World Bank forecasts continuing global expansion, increasing to a 3.4% rate.

While we continue to anticipate gradual improvement in broad global economic data, we note that investor and consumer senti-

ment has strengthened over the course of the year to levels that might begin to cause concern. Likewise, equity prices generally rose in 2013, and in some cases to levels that reflect full valuations. Yet, we believe some income generating equity securities – of higher quality companies and closed end funds – appear to offer good value and attractive dividend yields. Given current market complacency, however, we caution investors to expect greater market volatility during the course of the year.

### Investment Strategy and Returns

In view of these economic developments, the Fund's strategy in 2013 was to emphasize large, quality companies across a broad array of industries. At December 31, 2013, the Fund's portfolio included over 125 securities, with the top ten amounting to approximately 14% of total assets. At that time, the Fund's investments totaled approximately \$169 million, reflecting the use of about \$21 million of leverage on net assets of nearly \$148 million. Income generating equity and other assets comprised almost 95% 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.

In 2013, the Fund's net asset value return was 23.35%, including the reinvestment of dividends, and its market return, also including the reinvestment of dividends, was 24.38%. Generally, the Fund's total return on a market value basis will be higher than total return on a net asset 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. For comparison, in the same period, the S&P 500 Index total return was 32.39% and the BofA Merrill Lynch US High Yield Master II Total Return Index returned 7.42%. The indexes are unmanaged and do not reflect fees and expenses, nor are they available for direct investment.

### Completion of Successful Rights Offering

The Fund is pleased to have announced the completion of its successful non-transferable rights offering, in which more than 2.5 million shares were issued on October 4, 2013 for proceeds totaling over \$34 million. The offering was over-subscribed, with total subscriptions (including over-subscription requests) in excess of \$99 million. Because sufficient primary subscription shares were not available to honor all over-subscription requests, pursuant to the offering prospectus and at the discretion of its Board of Trustees, the Fund increased the number of shares subject to subscription by 25% of the primary subscription shares

to cover such over-subscription requests. The available shares were allocated *pro rata* among those who over-subscribed based on the number of shares owned by them on the record date. Affiliates of the Fund's investment manager purchased shares through the rights offering on the same terms as other shareholders.

The subscription price was determined to be \$13.62, based on a formula equal to 95% of the lower of (a) the Fund's NAV per share or (b) the market price per share. For this purpose, the NAV per share was \$17.67, determined as of the expiration date and the market price per share was \$14.34, the average of the volume weighted average sales price of a share on the NYSE on the expiration date and the four preceding trading days. Offering expenses were approximately \$287,000. The NAV per share of the Fund was reduced by approximately \$1.21 per share as a result of the issuance of shares below NAV, resulting in dilution of about 6.9%. Although the Fund has no current intention to do so, the Fund may, in the future and in its discretion, choose to make additional rights offerings from time to time for a number of shares and on terms which may or may not be similar to this rights offering.

#### Quarterly Dividends

On December 2, 2013, the Fund declared its fourth quarterly dividend for the year, amounting to \$0.408 per share. The quarterly dividend distribution reflects the Fund's current 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 policy may be changed or discontinued without notice. The distributions are paid from ordinary income and any net capital gains, with the balance representing return of capital. As of December 2, 2013 and based on the Fund's results and estimates for the quarter, the distribution included approximately 19%, 0%, and 81% from net investment income, capital gains, and return of capital, respectively.

The Fund's 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 above 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 2014, the Fund intends to send 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, 2013.

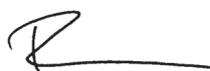
#### Fund Website and Dividend Reinvestment Plan

The Fund's website, [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com), provides investors with investment information, news, and other material regarding the Fund. The website also has links to the most recent S&P Stock Report on the Fund and to performance and daily net asset value reporting. You are invited to use this excellent resource to learn more about the Fund. For those shareholders currently receiving the Fund's quarterly dividends in cash but are interested in adding to their account through the Fund's Dividend Reinvestment Plan, we encourage you to review the Plan set forth later in this document and contact the Transfer Agent, who will be pleased to assist you with no obligation on your part.

#### 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 8% of the Fund's shares, pursuant to the Fund's governing documents that permit 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 (97.13%)   | Cost             | Value            |
|--------|--|------------------|------------------|
|        | <b>Agricultural Chemicals (1.00%)</b>  |                  |                  |
| 45,000 | Potash Corporation of Saskatchewan Inc.  | \$ 1,449,013     | \$ 1,483,200     |
|        | <b>Aircraft Engines &amp; Engine Parts (0.77%)</b>                                     |                  |                  |
| 10,000 | United Technologies Corp. <sup>(a)</sup>   | 727,426          | 1,138,000        |
|        | <b>Arrangement of Transportation of Freight &amp; Cargo (0.99%)</b>                    |                  |                  |
| 25,000 | C.H. Robinson Worldwide, Inc.  | 1,491,810        | 1,458,500        |
|        | <b>Beverages (2.26%)</b>   |                  |                  |
| 45,000 | Coca-Cola Company <sup>(a)</sup>   | 1,431,802        | 1,858,950        |
| 18,000 | PepsiCo, Inc. <sup>(a)</sup>   | 1,189,936        | 1,492,920        |
|        |  | <u>2,621,738</u> | <u>3,351,870</u> |
|        | <b>Biological Products (0.93%)</b>   |                  |                  |
| 12,100 | Amgen Inc. <sup>(a)</sup>  | 783,805          | 1,381,336        |
|        | <b>Cable &amp; Other Pay Television Services (2.00%)</b>                               |                  |                  |
| 32,500 | Rogers Communications Inc.   | 1,442,883        | 1,470,625        |
| 21,400 | Time Warner Inc. <sup>(a)</sup>  | 781,678          | 1,492,008        |
|        |  | <u>2,224,561</u> | <u>2,962,633</u> |
|        | <b>Cigarettes (1.62%)</b>  |                  |                  |
| 30,000 | Lorillard, Inc.  | 1,532,064        | 1,520,400        |
| 10,000 | Philip Morris International, Inc. <sup>(a)</sup>                                       | 485,376          | 871,300          |
|        |  | <u>2,017,440</u> | <u>2,391,700</u> |
|        | <b>Commercial Banks (1.18%)</b>  |                  |                  |
| 60,000 | Westpac Banking Corporation  | 1,862,046        | 1,743,000        |
|        | <b>Computer &amp; Office Equipment (1.01%)</b>   |                  |                  |
| 8,000  | International Business Machines Corporation <sup>(a)</sup>                             | 1,333,311        | 1,500,560        |
|        | <b>Computer Communications Equipment (1.29%)</b>                                       |                  |                  |
| 85,000 | Cisco Systems, Inc. <sup>(a)</sup>   | 1,760,853        | 1,908,250        |
|        | <b>Construction, Mining &amp; Materials Handling Machinery &amp; Equipment (0.88%)</b> |                  |                  |
| 13,500 | Dover Corp. <sup>(a)</sup>   | 781,673          | 1,303,290        |
|        | <b>Crude Petroleum &amp; Natural Gas (5.31%)</b>                                       |                  |                  |
| 16,000 | Apache Corporation   | 1,445,757        | 1,375,040        |
| 55,000 | Canadian Natural Resources Limited   | 1,725,927        | 1,861,200        |
| 30,000 | Devon Energy Corporation   | 1,821,048        | 1,856,100        |
| 8,160  | Occidental Petroleum Corporation <sup>(a)</sup>  | 527,752          | 776,016          |
| 28,000 | Royal Dutch Shell PLC ADR  | 1,859,609        | 1,995,560        |
|        |  | <u>7,380,093</u> | <u>7,863,916</u> |
|        | <b>Deep Sea Foreign Transportation of Freight (0.77%)</b>                              |                  |                  |
| 50,000 | Seaspan Corp. <sup>(a)</sup>   | 347,030          | 1,147,500        |
|        | <b>Dolls &amp; Stuffed Toys (0.80%)</b>  |                  |                  |
| 25,000 | Mattel, Inc. <sup>(a)</sup>  | 610,742          | 1,189,500        |
|        | <b>Electric Services (2.20%)</b>   |                  |                  |
| 11,000 | Entergy Corp. <sup>(a)</sup>   | 693,431          | 695,970          |
| 18,600 | FirstEnergy Corp. <sup>(a)</sup>   | 785,714          | 613,428          |
| 47,500 | Southern Company <sup>(a)</sup>  | 1,805,622        | 1,952,725        |
|        |  | <u>3,284,767</u> | <u>3,262,123</u> |
|        | <b>Electromedical &amp; Electrotherapeutic Apparatus (0.78%)</b>                       |                  |                  |
| 20,200 | Medtronic, Inc. <sup>(a)</sup>   | 788,000          | 1,159,278        |

See notes to financial statements.

| Common Stocks (continued)   |   |                  |                  |
|---|---|------------------|------------------|
| Shares  |   | Cost             | Value            |
| <b>Electronic &amp; Other Electrical Equipment (3.15%)</b>            |   |                  |                  |
| 111,900   | General Electric Company <sup>(a) (b)</sup>         | \$ 1,949,675     | \$ 3,136,557     |
| 41,400  | Koninklijke Philips Electronics N.V. <sup>(a)</sup> | 783,100          | 1,530,558        |
|   |   | <u>2,732,775</u> | <u>4,667,115</u> |
| <b>Electronic &amp; Other Services Combined (1.90%)</b>               |   |                  |                  |
| 51,500  | Exelon Corp. <sup>(a)</sup>                         | 1,712,684        | 1,410,585        |
| 35,000  | PG&E Corp. <sup>(a)</sup>                           | 1,444,087        | 1,409,800        |
|   |   | <u>3,156,771</u> | <u>2,820,385</u> |
| <b>Farm Machinery &amp; Equipment (2.08%)</b>                         |   |                  |                  |
| 25,000  | AGCO Corporation                                    | 1,450,051        | 1,479,750        |
| 17,500  | Deere & Company                                     | 1,465,928        | 1,598,275        |
|   |   | <u>2,915,979</u> | <u>3,078,025</u> |
| <b>Fire, Marine &amp; Casualty Insurance (2.57%)</b>                  |   |                  |                  |
| 20,000  | Ace Ltd. <sup>(a)</sup>                             | 829,324          | 2,070,600        |
| 40,000  | W.R. Berkley Corporation                            | 1,746,240        | 1,735,600        |
|   |   | <u>2,575,564</u> | <u>3,806,200</u> |
| <b>Food &amp; Kindred Products (1.53%)</b>                            |   |                  |                  |
| 25,000  | Campbell Soup Co. <sup>(a)</sup>                    | 783,645          | 1,082,000        |
| 22,000  | Kraft Foods Group, Inc.                             | 964,842          | 1,186,240        |
|   |   | <u>1,748,487</u> | <u>2,268,240</u> |
| <b>Gold and Silver Ores (2.05%)</b>                                   |   |                  |                  |
| 65,000  | Silver Wheaton Corp.                                | 1,533,023        | 1,312,350        |
| 200,000   | Yamana Gold Inc.                                    | 1,735,860        | 1,724,000        |
|   |   | <u>3,268,883</u> | <u>3,036,350</u> |
| <b>Investment Advice (0.62%)</b>                                      |   |                  |                  |
| 25,402  | Invesco Ltd. <sup>(a)</sup>                         | 620,581          | 924,633          |
| <b>Leather &amp; Leather Products (1.14%)</b>                         |   |                  |                  |
| 30,000  | Coach, Inc.   | 1,522,710        | 1,683,900        |
| <b>Life Insurance (1.46%)</b>   |   |                  |                  |
| 40,000  | MetLife, Inc. <sup>(a) (b)</sup>                    | 699,693          | 2,156,800        |
| <b>Malt Beverages (0.61%)</b>   |   |                  |                  |
| 16,000  | Molson Coors Brewing Company <sup>(a)</sup>         | 707,427          | 898,400          |
| <b>Metal Mining (2.58%)</b>   |   |                  |                  |
| 165,000   | BuenaVentura Mining Company Inc.                    | 1,871,421        | 1,851,300        |
| 35,000  | Rio Tinto plc                                       | 1,832,376        | 1,975,050        |
|   |   | <u>3,703,797</u> | <u>3,826,350</u> |
| <b>Mining Machinery &amp; Equipment (1.09%)</b>                       |   |                  |                  |
| 27,500  | Joy Global Inc.                                     | 1,534,746        | 1,608,475        |
| <b>Miscellaneous Food Preparations &amp; Kindred Products (0.93%)</b> |   |                  |                  |
| 20,000  | McCormick & Company, Incorporated                   | 1,357,602        | 1,378,400        |
| <b>Motor Vehicle Parts &amp; Accessories (1.54%)</b>                  |   |                  |                  |
| 25,000  | Honeywell International, Inc. <sup>(a) (b)</sup>    | 889,529          | 2,284,250        |
| <b>National Commercial Banks (3.44%)</b>                              |   |                  |                  |
| 36,800  | JPMorgan Chase & Co. <sup>(a) (b)</sup>             | 774,303          | 2,152,064        |
| 39,000  | U.S. Bancorp  | 1,329,909        | 1,575,600        |
| 30,000  | Wells Fargo & Company                               | 1,044,225        | 1,362,000        |
|   |   | <u>3,148,437</u> | <u>5,089,664</u> |

See notes to financial statements.

| Shares | Common Stocks (continued)   | Cost              | Value             |
|--------|---|-------------------|-------------------|
|        | <b>Natural Gas Transmission (1.02%)</b>                                   |                   |                   |
| 42,000 | Kinder Morgan, Inc.   | \$ 1,519,850      | \$ 1,512,000      |
|        | <b>Natural Gas Transmission &amp; Distribution (0.99%)</b>                |                   |                   |
| 41,000 | Spectra Energy Corp.  | 1,211,550         | 1,460,420         |
|        | <b>Petroleum Refining (4.22%)</b>   |                   |                   |
| 15,000 | Chevron Corp. <sup>(a)</sup>  | 1,715,544         | 1,873,650         |
| 11,000 | ConocoPhillips <sup>(a)</sup>   | 557,868           | 777,150           |
| 16,500 | Exxon Mobil Corp. <sup>(a)</sup>  | 1,307,097         | 1,669,800         |
| 5,500  | Phillips 66 <sup>(a)</sup>  | 173,935           | 424,215           |
| 62,500 | Statoil ASA ADR   | 1,442,188         | 1,508,125         |
|        |   | <u>5,196,632</u>  | <u>6,252,940</u>  |
|        | <b>Pharmaceutical Preparations (9.52%)</b>                                |                   |                   |
| 50,000 | Abbott Laboratories <sup>(a)</sup>  | 1,475,179         | 1,916,500         |
| 30,000 | AbbVie Inc.   | 793,789           | 1,584,300         |
| 20,000 | Allergan, Inc.  | 1,817,884         | 2,221,600         |
| 23,100 | Johnson & Johnson <sup>(a) (b)</sup>                                      | 1,492,730         | 2,115,729         |
| 40,300 | Merck & Co., Inc. <sup>(a)</sup>  | 1,463,305         | 2,017,015         |
| 37,924 | Pfizer Inc.   | 750,477           | 1,161,612         |
| 27,900 | Sanofi <sup>(a)</sup>   | 1,104,024         | 1,496,277         |
| 13,500 | Valeant Pharmaceuticals International, Inc. <sup>(c)</sup>                | 1,502,228         | 1,584,900         |
|        |   | <u>10,399,616</u> | <u>14,097,933</u> |
|        | <b>Pipe Lines (1.33%)</b>   |                   |                   |
| 45,000 | Enbridge Inc.   | 1,880,340         | 1,965,600         |
|        | <b>Plastic Materials, Resins &amp; Nonvulcanelastomers (1.48%)</b>        |                   |                   |
| 20,000 | E.I. du Pont de Nemours and Company <sup>(a)</sup>                        | 751,716           | 1,299,400         |
| 20,000 | Dow Chemical Company <sup>(a)</sup>                                       | 580,754           | 888,000           |
|        |   | <u>1,332,470</u>  | <u>2,187,400</u>  |
|        | <b>Radio &amp; TV Broadcasting &amp; Communications Equipment (0.50%)</b> |                   |                   |
| 10,000 | QUALCOMM, Inc. <sup>(a)</sup>   | 383,189           | 742,500           |
|        | <b>Radio Telephone Communications (0.53%)</b>                             |                   |                   |
| 20,000 | Vodafone Group PLC ADR <sup>(a)</sup>                                     | 453,234           | 786,200           |
|        | <b>Railroads, Line-Haul Operating (2.01%)</b>                             |                   |                   |
| 55,100 | CSX Corp. <sup>(a) (b)</sup>  | 1,340,705         | 1,585,227         |
| 15,000 | Norfolk Southern Corp.  | 1,042,125         | 1,392,450         |
|        |   | <u>2,382,830</u>  | <u>2,977,677</u>  |
|        | <b>Retail - Eating Places (1.21%)</b>                                     |                   |                   |
| 18,500 | McDonald's Corp. <sup>(a)</sup>   | 1,800,503         | 1,795,055         |
|        | <b>Retail - Variety Stores (0.68%)</b>                                    |                   |                   |
| 16,000 | Target Corp. <sup>(a)</sup>   | 660,150           | 1,012,320         |
|        | <b>Savings Institution, Federally Chartered (0.61%)</b>                   |                   |                   |
| 60,000 | People's United Financial, Inc. <sup>(a)</sup>                            | 826,108           | 907,200           |

See notes to financial statements.

| Common Stocks (concluded)  |   | Cost               | Value              |
|--|---|--------------------|--------------------|
| Shares   |   |                    |                    |
| <b>Semiconductors &amp; Related Devices (5.25%)</b>                        |   |                    |                    |
| 70,000   | Broadcom Corporation                            | \$ 1,948,555       | \$ 2,075,500       |
| 120,000  | Intel Corp. <sup>(a)</sup>                      | 2,608,156          | 3,115,200          |
| 35,000   | Microchip Technology, Inc. <sup>(a) (b)</sup>   | 998,143            | 1,566,250          |
| 127,300  | STMicroelectronics N.V. <sup>(a)</sup>          | 786,574            | 1,018,400          |
|  |   | <u>6,341,428</u>   | <u>7,775,350</u>   |
| <b>Services - Business Services (1.98%)</b>                                |   |                    |                    |
| 40,000   | Lender Processing Services, Inc. <sup>(a)</sup> | 733,684            | 1,495,200          |
| 83,000   | The Western Union Company <sup>(a)</sup>        | 1,517,775          | 1,431,750          |
|  |   | <u>2,251,459</u>   | <u>2,926,950</u>   |
| <b>Services - Miscellaneous Repair Services (0.09%)</b>                    |   |                    |                    |
| 756  | Aquilex Holdings LLC Units <sup>(d)</sup>       | 496,372            | 130,086            |
| <b>Services - Personal Services (0.96%)</b>                                |   |                    |                    |
| 43,000   | Weight Watchers International, Inc.             | 1,678,484          | 1,415,990          |
| <b>Services - Prepackaged Software (1.92%)</b>                             |   |                    |                    |
| 30,000   | Microsoft Corp. <sup>(a)</sup>                  | 900,672            | 1,122,900          |
| 45,000   | Oracle Corporation                              | 1,480,414          | 1,721,700          |
|  |   | <u>2,381,086</u>   | <u>2,844,600</u>   |
| <b>Soap, Detergent, Cleaning Preparations, Perfumes, Cosmetics (2.03%)</b> |   |                    |                    |
| 18,000   | The Procter & Gamble Company <sup>(a)</sup>     | 1,215,778          | 1,465,380          |
| 37,500   | Unilever PLC ADR                                | 1,489,414          | 1,545,000          |
|  |   | <u>2,705,192</u>   | <u>3,010,380</u>   |
| <b>Specialty Cleaning, Polishing and Sanitation Preparations (1.06%)</b>   |   |                    |                    |
| 17,000   | Clorox Co. <sup>(a)</sup>                       | 1,241,222          | 1,576,920          |
| <b>Surety Insurance (1.17%)</b>  |   |                    |                    |
| 100,000  | Old Republic International Corp.                | 1,167,370          | 1,727,000          |
| <b>Surgical &amp; Medical Instruments &amp; Apparatus (2.07%)</b>          |   |                    |                    |
| 27,000   | Baxter International Inc. <sup>(a)</sup>        | 1,544,081          | 1,877,850          |
| 10,700   | Becton, Dickinson and Company <sup>(a)</sup>    | 782,308            | 1,182,243          |
|  |   | <u>2,326,389</u>   | <u>3,060,093</u>   |
| <b>Telephone Communications (2.18%)</b>                                    |   |                    |                    |
| 43,000   | CenturyLink, Inc.                               | 1,615,497          | 1,369,550          |
| 150,000  | Orange ADR                                      | 1,830,370          | 1,852,500          |
|  |   | <u>3,445,867</u>   | <u>3,222,050</u>   |
| <b>Title Insurance (1.24%)</b>   |   |                    |                    |
| 65,000   | First American Financial Corporation            | 1,631,552          | 1,833,000          |
| <b>Trucking &amp; Courier Services (No Air) (0.85%)</b>                    |   |                    |                    |
| 12,000   | United Parcel Service, Inc.                     | 909,767            | 1,260,960          |
| <b>Water Transportation (0.65%)</b>  |   |                    |                    |
| 23,800   | Carnival Corp. <sup>(a)</sup>                   | 785,476            | 956,046            |
| <b>Wholesale - Groceries &amp; Related Products (1.10%)</b>                |   |                    |                    |
| 45,000   | Sysco Corp.                                     | 1,440,266          | 1,624,500          |
|  | <b>Total common stocks</b>                      | <u>116,895,691</u> | <u>143,833,013</u> |

See notes to financial statements.

| Corporate Bonds and Notes (5.80%) |  |                  |                  |
|-----------------------------------|--|------------------|------------------|
| Principal Amount                  |  | Cost             | Value            |
| \$ 500,000                        | <b>Cable &amp; Other Pay Television Services (0.36%)</b><br>CCO Holdings LLC, 7.00%, 1/15/19 <sup>(a)</sup>              | \$ 499,722       | \$ 528,125       |
| 450,000                           | <b>Cogeneration Services &amp; Small Power Producers (0.33%)</b><br>Covanta Holding Corp., 7.25%, 12/1/20 <sup>(a)</sup> | 456,286          | 493,512          |
| 650,000                           | <b>Electric Services (0.75%)</b><br>Edison Mission Energy, 7.00%, 5/15/17 <sup>(c)</sup>                                 | 650,694          | 495,625          |
| 566,930                           | Elwood Energy LLC, 8.159%, 7/5/26 <sup>(a)</sup>   | 596,908          | 610,867          |
|                                   |  | <u>1,247,602</u> | <u>1,106,492</u> |
| 500,000                           | <b>Fats &amp; Oils (0.37%)</b><br>Darling International Inc., 8.50%, 12/15/18 <sup>(a)</sup>                             | 515,268          | 553,750          |
| 250,000                           | <b>Hospital &amp; Medical Service Plans (0.18%)</b><br>Health Net, Inc., 6.375%, 6/1/17 <sup>(a)</sup>                   | 240,570          | 270,625          |
| 500,000                           | <b>Natural Gas Transmission (0.59%)</b><br>Niska Gas Storage US LLC, 8.875%, 3/15/18 <sup>(a)</sup>                      | 507,422          | 522,500          |
| 350,000                           | Southern Star Central Corp., 6.75%, 3/1/16 <sup>(a)</sup>  | 336,787          | 353,063          |
|                                   |  | <u>844,209</u>   | <u>875,563</u>   |
| 500,000                           | <b>Oil &amp; Gas Field Exploration Services (0.35%)</b><br>CGG-Veritas, 7.75%, 5/15/17 <sup>(a)</sup>                    | 507,114          | 516,250          |
| 500,000                           | <b>Papers &amp; Allied Products (0.35%)</b><br>Cascades, Inc., 7.75%, 12/15/17 <sup>(a)</sup>                            | 493,963          | 522,500          |
| 740,000                           | <b>Personal Credit Institutions (0.53%)</b><br>Credit Acceptance Corp., 9.125%, 2/1/17 <sup>(a)</sup>                    | 751,559          | 778,850          |
| 500,000                           | <b>Services - Equipment Rental &amp; Leasing, NEC (0.37%)</b><br>Aircastle Ltd., 9.75%, 8/1/18 <sup>(a)</sup>            | 502,251          | 547,500          |
| 750,000                           | <b>Services - Miscellaneous Amusement &amp; Recreation (0.55%)</b><br>Cedar Fair LP, 9.125%, 8/1/18 <sup>(a)</sup>       | 752,743          | 817,500          |
| 400,000                           | <b>Services - Prepackaged Software (0.29%)</b><br>Scientific Games International, Inc., 9.25%, 6/15/19 <sup>(a)</sup>    | 423,077          | 431,000          |
| 500,000                           | <b>Special Industry Machinery (0.36%)</b><br>Novelis, Inc., 8.375%, 12/15/17 <sup>(a)</sup>                              | 504,079          | 534,688          |
| 300,000                           | <b>Wholesale - Electronic Parts &amp; Equipment, NEC (0.22%)</b><br>Brightstar Corp., 9.50%, 12/1/16 <sup>(a) (e)</sup>  | 300,000          | 331,500          |
| 275,000                           | <b>Wholesale - Petroleum &amp; Petroleum Products (0.20%)</b><br>Crosstex Energy LP, 8.875%, 2/15/18 <sup>(a)</sup>      | 275,385          | 289,437          |
|                                   | <b>Total corporate bonds and notes</b>   | <u>8,313,828</u> | <u>8,597,292</u> |

See notes to financial statements.

| Shares  |  | Cost                  | Value                 |
|---------|--|-----------------------|-----------------------|
|         | <b>REAL ESTATE INVESTMENT TRUSTS (4.34%)</b>           |                       |                       |
| 10,600  | AvalonBay Communities, Inc.                            | \$ 1,418,947          | \$ 1,253,238          |
| 34,500  | HCP, Inc.  | 1,471,180             | 1,253,040             |
| 22,500  | Health Care REIT, Inc.                                 | 1,469,925             | 1,205,325             |
| 22,650  | Mid-America Apartment Communities, Inc.                | 1,420,551             | 1,375,761             |
| 200,000 | New Residential Investment Corp.                       | 771,976               | 1,336,000             |
|         | <b>Total real estate investment trusts</b>             | <b>6,552,579</b>      | <b>6,423,364</b>      |
|         | <b>CLOSED END FUNDS (3.51%)</b>                        |                       |                       |
| 400,000 | Alpine Total Dynamic Dividend Fund                     | 1,648,651             | 1,676,000             |
| 185,383 | Boulder Growth & Income Fund, Inc.                     | 1,449,975             | 1,490,479             |
| 75,000  | John Hancock Tax-Advantaged Dividend Income Fund       | 1,285,154             | 1,366,500             |
| 90,669  | Wells Fargo Advantage Global Dividend Opportunity Fund | 664,956               | 657,350               |
|         | <b>Total closed end funds</b>                          | <b>5,048,736</b>      | <b>5,190,329</b>      |
|         | <b>MASTER LIMITED PARTNERSHIPS (2.40%)</b>             |                       |                       |
|         | <b>Natural Gas Transmission (2.40%)</b>                |                       |                       |
| 39,000  | Energy Transfer Partners, L.P. <sup>(a)</sup>          | 1,979,798             | 2,232,750             |
| 20,000  | Enterprise Products Partners LP <sup>(a) (b)</sup>     | 374,214               | 1,326,000             |
|         | <b>Total master limited partnerships</b>               | <b>2,354,012</b>      | <b>3,558,750</b>      |
|         | <b>PREFERRED STOCKS (1.19%)</b>                        |                       |                       |
|         | <b>Financial (1.19%)</b>                               |                       |                       |
| 79,469  | Annaly Capital Management, Inc., 7.625% Series C       | 1,771,715             | 1,760,238             |
| 80,000  | Solar Cayman Ltd. <sup>(a) (c) (d)</sup>               | 568,802               | -                     |
|         | <b>Total preferred stocks</b>                          | <b>2,340,517</b>      | <b>1,760,238</b>      |
|         | <b>Total investments (114.37%)</b>                     | <b>\$ 141,505,363</b> | <b>169,362,986</b>    |
|         | <b>Liabilities in excess of other assets (-14.37%)</b> |                       | <b>(21,282,143)</b>   |
|         | <b>Net assets (100.00%)</b>                            |                       | <b>\$ 148,080,843</b> |

(a) All or a portion of these securities have been segregated as collateral pursuant to the bank credit facility. As of December 31, 2013, the value of securities pledged as collateral was \$58,337,811.

(b) All or portion of these securities are on loan pursuant to the Fund's Lending Agreement in the aggregate amount of \$15,644,356.

(c) Non-income producing.

(d) Illiquid and/or restricted security that has been fair valued (Note 6).

(e) 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.

ADR American Depositary Receipt  
 LLC Limited Liability Company  
 LP Limited Partnership  
 PLC Public Limited Company

See notes to financial statements.

December 31, 2013

**Assets**

|   |                    |
|---|--------------------|
| Investments, at value (including \$15,644,356 of securities loaned) (cost: \$141,505,363) | \$ 169,362,986     |
| Receivables:  |                    |
| Dividends   | 375,471            |
| Interest  | 169,104            |
| Capital shares issued on reinvestment of dividends  | 179,082            |
| Other assets  | <u>32,859</u>      |
| Total assets  | <u>170,119,502</u> |

**Liabilities**

|                                |                   |
|--------------------------------|-------------------|
| Bank credit facility borrowing | 21,346,300        |
| Payables:                      |                   |
| Securities purchased           | 263,761           |
| Accrued expenses               | 246,813           |
| Investment management          | 134,792           |
| Administrative services        | <u>46,993</u>     |
| Total liabilities              | <u>22,038,659</u> |

**Net Assets**\$ 148,080,843**Net Asset Value Per Share**

(applicable to 8,609,646 shares issued and outstanding)

\$ 17.20**Net Assets Consist of**

|  |                       |
|--|-----------------------|
| Paid in capital                              | \$ 180,060,749        |
| Accumulated net realized loss on investments | (59,837,516)          |
| Net unrealized appreciation on investments   | <u>27,857,610</u>     |
|  | <u>\$ 148,080,843</u> |

See notes to financial statements.

Year Ended  
December 31, 2013**Investment Income**

|   |                  |
|---|------------------|
| Dividends (net of \$22,254 foreign tax withholding) | \$ 3,928,940     |
| Interest  | 956,568          |
| Securities lending income                           | 2,811            |
|   | <u>4,888,319</u> |
| Total investment income                             | 4,888,319        |

**Expenses**

|                                   |                  |
|-----------------------------------|------------------|
| Investment management             | 1,232,941        |
| Administrative services           | 185,055          |
| Interest on bank credit facility  | 167,961          |
| Legal                             | 161,500          |
| Shareholder communications        | 104,844          |
| Bookkeeping and pricing           | 76,670           |
| Trustees                          | 55,390           |
| Exchange listing and registration | 50,010           |
| Auditing                          | 36,500           |
| Insurance                         | 32,435           |
| Custodian                         | 32,067           |
| Other                             | 15,155           |
|                                   | <u>2,150,528</u> |
| Total expenses                    | 2,150,528        |
| Expense reduction                 | (601)            |
|                                   | <u>2,149,927</u> |
| Net expenses                      | 2,149,927        |
|                                   | <u>2,738,392</u> |
| Net investment income             | 2,738,392        |

**Realized and Unrealized Gain (Loss)**

|   |                      |
|---|----------------------|
| Net realized gain (loss) on                                 |                      |
| Investments   | 14,325,160           |
| Foreign currencies  | (1,712)              |
| Unrealized appreciation (depreciation) on                   |                      |
| Investments   | 13,394,724           |
| Translation of assets and liabilities in foreign currencies | (14)                 |
|   | <u>27,718,158</u>    |
| Net realized and unrealized gain                            | 27,718,158           |
|   | <u>\$ 30,456,550</u> |
| Net increase in net assets resulting from operations        | \$ 30,456,550        |

See notes to financial statements.

## STATEMENTS OF CHANGES IN NET ASSETS

Financial Statements

|  | Year Ended<br>December 31, 2013 | Year Ended<br>December 31, 2012 |
|--|---------------------------------|---------------------------------|
| <b>Operations</b>  |                                 |                                 |
| Net investment income  | \$ 2,738,392                    | \$ 3,391,509                    |
| Net realized gain (loss) on investments                            | 14,323,448                      | (1,833,050)                     |
| Unrealized appreciation on investments                             | <u>13,394,710</u>               | <u>8,526,210</u>                |
| Net increase in net assets resulting from operations               | 30,456,550                      | 10,084,669                      |
| <b>Distributions to Shareholders</b>                               |                                 |                                 |
| Net investment income  | (7,788,013)                     | (3,387,691)                     |
| Return of capital  | <u>(3,133,278)</u>              | <u>(6,451,785)</u>              |
| Total distributions  | <u>( 10,921,291)</u>            | <u>(9,839,476)</u>              |
| <b>Capital Share Transactions</b>                                  |                                 |                                 |
| Proceeds from shares issued in rights offering                     | 34,449,298                      | -                               |
| Offering costs of rights offering charged to paid in capital       | (286,277)                       | (16,229)                        |
| Reinvestment of distributions to shareholders                      | <u>431,872</u>                  | <u>598,542</u>                  |
| Increase in net assets from capital share transactions             | <u>34,594,893</u>               | <u>582,313</u>                  |
| Total change in net assets   | 54,130,152                      | 827,506                         |
| <b>Net Assets</b>  |                                 |                                 |
| Beginning of period  | <u>93,950,691</u>               | <u>93,123,185</u>               |
| End of period  | <u>\$ 148,080,843</u>           | <u>\$ 93,950,691</u>            |
| End of period net assets include undistributed net investment loss | <u>\$ -</u>                     | <u>\$ (11,894)</u>              |

See notes to financial statements.

Year Ended  
December 31, 2013**Cash Flows From Operating Activities**

|   |                     |
|---|---------------------|
| Net increase in net assets resulting from operations  | \$ 30,456,550       |
| Adjustments to reconcile increase in net assets resulting from operations to net cash provided by (used in) operating activities: |                     |
| Unrealized appreciation of investments  | (13,394,710)        |
| Net realized gain on sales of investments   | (14,323,448)        |
| Purchase of long term investments   | (85,346,183)        |
| Proceeds from sales of long term investments  | 58,586,694          |
| Net sales of short term investments   | 8,198               |
| Amortization of premium net of accretion of discount of investments   | 8,533               |
| Decrease in interest receivable   | 321,151             |
| Increase in dividends receivable  | (161,754)           |
| Increase in other assets  | (9,052)             |
| Increase in securities purchased  | 263,761             |
| Increase in accrued expenses  | 24,617              |
| Increase in investment management fee payable   | 42,036              |
| Increase in administrative services payable   | 30,841              |
|   | <u>(23,492,766)</u> |
| Net cash used in operating activities   | <u>(23,492,766)</u> |

**Cash Flows from Financing Activities**

|  |                   |
|--|-------------------|
| Proceeds from capital shares issued in rights offering | 34,449,298        |
| Offering costs of rights offering                      | (286,277)         |
| Cash distributions paid                                | (10,668,501)      |
| Bank credit facility repayment                         | (1,754)           |
|  | <u>23,492,766</u> |
| Net cash provided by financing activities              | <u>23,492,766</u> |

Net change in cash

-

**Cash**

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

**Supplemental disclosure of cash flow information:**

|   |            |
|---|------------|
| Cash paid for interest on bank credit facility                  | \$ 156,580 |
| Non-cash financing activities not included herein consisted of: |            |
| Reinvestment of dividend distributions                          | \$ 431,872 |

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 financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. Subsequent events, if any, through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. The following summarizes the significant accounting policies of the Fund:

**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, fair value pricing 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 investments or reclassified to capital gains. The actual amounts of income, return of capital, and capital gains are only determined by each REIT after its fiscal year end, and may differ from the estimated amounts.

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

**Investment Income** – Dividend income is recorded on the ex-dividend date. 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.

**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 investment companies for which the Investment Manager or its affiliates serve as investment manager, an internally managed investment company with substantially similar officers and directors, 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. The Fund is reimbursed by its securities lending provider for certain custody transactions costs associated with securities lending. These reimbursements are included in expense reductions in the Statement of Operations.

**Distributions to Shareholders** – Distributions to shareholders are determined in accordance with income the Fund's distribution policies and 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 (2010-2012) or expected to be taken in the Fund's 2013 tax returns.

**New Accounting Guidance** – On January 1, 2013, the fund adopted new accounting guidance, issued by the Financial Accounting Standards Board, that requires an entity 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. Adoption had no effect on the Fund's net assets or results of operations.

**2. FEES AND TRANSACTIONS WITH RELATED PARTIES** The Fund has retained the Investment Manager pursuant to an investment management agreement. Under the terms of the 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.

Pursuant to the investment management agreement, 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, 2013, the Fund incurred total administrative costs of \$185,055, comprised of \$120,575 and \$64,480 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, 2013, affiliates of the Investment Manager owned approximately 8% of the Fund's outstanding shares.

**3. DISTRIBUTIONS TO SHAREHOLDERS AND DISTRIBUTABLE EARNINGS** The tax character of distributions paid by the Fund are summarized as follows:

| Distributions paid from:   | Year Ended December 31, |                     |
|----------------------------|-------------------------|---------------------|
|                            | 2013                    | 2012                |
| Ordinary income            | \$ 7,788,013            | \$ 3,387,691        |
| Return of capital          | 3,133,278               | 6,451,785           |
| <b>Total distributions</b> | <b>\$ 10,921,291</b>    | <b>\$ 9,839,476</b> |

| As of December 31, 2013, the components of distributable earnings on a tax basis were as follows: |  | December 31, 2013      |
|---|--|------------------------|
| Accumulated net realized loss on investments  |  | \$ (60,295,410)        |
| Unrealized appreciation   |  | 28,315,504             |
|   |  | <b>\$ (31,979,906)</b> |

The difference between book and tax unrealized appreciation is primarily related to wash sales and partnership income.

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, 2013 of \$60,295,410, of which \$7,963,746, \$50,889,399, and \$1,442,265 expires in 2015, 2016, and 2018, respectively. As a transition rule the Act requires that post-enactment net capital losses be utilized before pre-enactment net capital losses.

GAAP requires certain components related to permanent differences of net assets to be classified differently for financial reporting than for tax reporting purposes. These differences have no effect on net assets or net asset value per share. These differences which may result in distribution reclassifications, are primarily due to differences in partnership income, return of capital dividends, recharacterization of capital gain income and timing of distributions. As of December 31, 2013, the Fund recorded the following financial reporting reclassifications to the net asset accounts to reflect those differences:

| Accumulated<br>Net Investment Income | Accumulated Net Realized<br>Gains on Investments | Paid<br>in Capital |
|--------------------------------------|--|--------------------|
| \$ 8,194,793                         | \$ 639,138                                       | \$ (8,833,931)     |

**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)** – Most publicly traded equity securities are valued normally at the most recent official closing price, last sale price, evaluated quote, or closing bid price. 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, 2013 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                      | \$ 143,702,927        | \$ -                | \$ 130,086        | \$ 143,833,013        |
| Corporate bonds and notes          | -                     | 8,597,292           | -                 | 8,597,292             |
| Real estate investment trusts      | 6,423,364             | -                   | -                 | 6,423,364             |
| Closed end funds                   | 5,190,329             | -                   | -                 | 5,190,329             |
| Master limited partnerships        | 3,558,750             | -                   | -                 | 3,558,750             |
| Preferred stocks                   | 1,760,238             | -                   | 0                 | 1,760,238             |
| <b>Total investments, at value</b> | <b>\$ 160,635,608</b> | <b>\$ 8,597,292</b> | <b>\$ 130,086</b> | <b>\$ 169,362,986</b> |

There were no securities transferred from level 1 on December 31, 2012 to level 2 on December 31, 2013. 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<br>Stocks | Preferred<br>Stocks | Total      |
|---|------------------|---------------------|------------|
| Balance at December 31, 2012  | \$ 204,152       | \$ 2,000            | \$ 206,152 |
| Proceeds from sales   | (66,021)         | -                   | (66,021)   |
| Realized loss   | (620,124)        | -                   | (620,124)  |
| Transfers into (out of) level 3   | -                | -                   | -          |
| Change in unrealized depreciation   | 612,079          | (2,000)             | 610,079    |
| Balance at December 31, 2013  | \$ 130,086       | \$ 0                | \$ 130,086 |
| Net change in unrealized depreciation attributable to assets still held as level 3 at December 31, 2013 | \$ 37,086        | \$ (2,000)          | \$ 35,086  |

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, 2013:

|   | Fair Value<br>December 31, 2013 | Valuation Technique                                   | Unobservable Input                         | Range |
|---|---------------------------------|---|--|-------|
| <b>COMMON STOCKS</b>                        |                                 |   |  |       |
| Services - Miscellaneous<br>Repair Services | \$ 130,086                      | Share of taxable income and<br>comparable transaction | Discount rate for lack of<br>marketability | 74%   |
| <b>PREFERRED STOCKS</b>                     |                                 |   |  |       |
| Financial                                   | \$ 0                            | Analysis of operating results<br>and net asset value  | Discount rate for lack of<br>marketability | 100%  |

**5. INVESTMENT TRANSACTIONS** Purchases and proceeds from sales or maturities of investment securities, excluding short term investments, were \$85,346,183 and \$58,586,694, respectively, for the year ended December 31, 2013. As of December 31, 2013, for federal income tax purposes, the aggregate cost of investment securities was \$141,047,482 and net unrealized appreciation was \$28,315,504, comprised of gross unrealized appreciation of \$31,732,450 and gross unrealized depreciation of \$3,416,946.

**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, 2013 were as follows:

|                            | Aquisition Date | Cost         | Value      |
|----------------------------|-----------------|--------------|------------|
| Aquilex Holdings LLC Units | 12/23/09        | \$ 496,372   | \$ 130,086 |
| Solar Cayman Ltd.          | 3/07/07         | 568,802      | 0          |
| Total                      |                 | \$ 1,065,174 | \$ 130,086 |
| Percent of net assets      |                 | 0.72%        | 0.09%      |

**7. BORROWING AND SECURITIES LENDING** The Fund has 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 \$45,000,000, subject to BNP's approval, 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. Because the Fund adjusts the facility amount each day to equal borrowing drawn that day, the annualized rate charge on undrawn facility amounts provided for by the CFA has not been incurred. The outstanding loan balance and the value of eligible collateral investments as of December 31, 2013 were \$21,346,300 and \$58,337,811, respectively, and the weighted average interest rate and average daily amount outstanding under the CFA for the year ended December 31, 2013 were 1.14% and \$14,429,128, respectively. The maximum outstanding during the year ended December 31, 2013 was \$25,295,862.

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 may 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 is obligated to the extent commercially possible to 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 normally remains 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 also has 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. The Fund earns securities lending income consisting of payments received from BNP for lending certain securities, less any rebates paid to borrowers and lending agent fees associated with the loan. As of December 31, 2013, the aggregate amount of Lent Securities was \$15,644,356 and for the year ended December 31, 2013, the Fund earned \$2,811 in securities lending income.

**8. SHARE TRANSACTIONS** The Fund is authorized to issue an unlimited amount of \$0.01 par value shares of beneficial interest. As of December 31, 2013, there were 8,609,646 shares outstanding. Share transactions for the following periods were:

| Shares issued in:             | Year Ended<br>December 31, 2013 |               | Year Ended<br>December 31, 2012 |            |
|-------------------------------|---------------------------------|---------------|---------------------------------|------------|
|                               | Shares                          | Amount        | Shares                          | Amount     |
| Rights offering               | 2,529,317                       | \$ 34,449,298 | -                               | \$ -       |
| Reinvestment of distributions | 28,922                          | 431,872       | 42,808                          | \$ 598,542 |
|                               | 2,558,239                       | \$ 34,881,170 | 42,808                          | \$ 598,542 |

On August 30, 2013, the shareholders of the Fund received one non-transferable right for each share of the Fund held on that date rounded up to the nearest number of rights evenly divisible by three. Three rights were required to purchase one additional share of beneficial interest at the subscription price of \$13.62 per share. On September 27, 2013, the Fund issued 2,529,317 shares of beneficial interest and recorded proceeds of \$34,449,298, prior to the deduction of offering expenses of \$286,277. The net asset value ("NAV") per share of the Fund was reduced by approximately \$1.21 per share as a result of the issuance of shares below NAV.

As of the start 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.

**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 and upon such terms as determined by the Board of Trustees. The Fund did not repurchase any of its shares during 2013 or 2012.

|   | Year Ended   | Year Ended   | One Month                         | Year Ended November 30, |          |          |
|---|--------------|--------------|-----------------------------------|-------------------------|----------|----------|
|   | Dec 31, 2013 | Dec 31, 2012 | Ended Dec 31, 2011 <sup>(1)</sup> | 2011                    | 2010     | 2009     |
| <b>Per Share Operating Performance</b>  |              |              |                                   |                         |          |          |
| Net asset value, beginning of period  | \$15.53      | \$15.48      | \$16.88                           | \$17.36                 | \$16.76  | \$14.68  |
| Income from investment operations: <sup>(2)</sup>   |              |              |                                   |                         |          |          |
| Net investment income   | 0.40         | 0.56         | 0.08                              | 0.96                    | 0.80     | 0.84     |
| Net realized and unrealized gain (loss) on investments  | 4.11         | 1.12         | 0.20                              | (0.08)                  | 1.44     | 2.88     |
| Total income from investment operations   | 4.51         | 1.68         | 0.28                              | 0.88                    | 2.24     | 3.72     |
| Less distributions:   |              |              |                                   |                         |          |          |
| Net investment income   | (1.16)       | (0.56)       | (0.08)                            | (0.92)                  | (1.40)   | (1.56)   |
| Return of capital   | (0.47)       | (1.07)       | (0.32)                            | (0.44)                  | (0.24)   | (0.08)   |
| Total distributions   | (1.63)       | (1.63)       | (0.40)                            | (1.36)                  | (1.64)   | (1.64)   |
| Fund share transactions   |              |              |                                   |                         |          |          |
| Decrease in net asset value from rights offering  | (1.21)       | -            | (1.28)                            | -                       | -        | -        |
| Net asset value, end of period <sup>(3)</sup>   | \$17.20      | \$15.53      | \$15.48                           | \$16.88                 | \$17.36  | \$16.76  |
| Market value, end of period <sup>(3)</sup>  | \$15.11      | \$13.53      | \$13.72                           | \$13.84                 | \$16.92  | \$14.60  |
| <b>Total Return <sup>(4)</sup></b>  |              |              |                                   |                         |          |          |
| Based on net asset value  | 23.35%       | 12.67%       | (5.52)%                           | 5.61%                   | 14.55%   | 29.42%   |
| Based on market price   | 24.38%       | 10.75%       | 2.13%                             | (11.15)%                | 28.17%   | 59.14%   |
| <b>Ratios/Supplemental Data <sup>(5)</sup></b>  |              |              |                                   |                         |          |          |
| Net assets, end of period (000s omitted)  | \$148,081    | \$93,951     | \$93,123                          | \$71,329                | \$73,322 | \$70,853 |
| Ratios to average net assets of:  |              |              |                                   |                         |          |          |
| Total expenses <sup>(6)</sup>   | 1.87%        | 2.57%        | 2.09%*                            | 2.02%                   | 2.63%    | 3.01%    |
| Net expenses <sup>(7)</sup>   | 1.87%        | 2.57%        | 2.09%*                            | 2.00%                   | 2.50%    | 2.89%    |
| Net expenses excluding interest expense and fees on bank credit facility                              | 1.72%        | 2.30%        | 1.78%*                            | 1.73%                   | N/A      | N/A      |
| Total expenses excluding commercial paper interest expense and fees <sup>(8)</sup>                    | N/A          | N/A          | N/A                               | N/A                     | 2.20%    | 2.03%    |
| Net expenses excluding commercial paper interest expense and fees <sup>(8)</sup>                      | N/A          | N/A          | N/A                               | N/A                     | 2.07%    | 1.91%    |
| Commercial paper interest expense and fees <sup>(8)</sup>   | N/A          | N/A          | N/A                               | N/A                     | 0.43%    | 0.98%    |
| Net investment income   | 2.38%        | 3.56%        | 6.28%*                            | 5.44%                   | 4.73%    | 5.43%    |
| Portfolio turnover rate   | 45%          | 13%          | 0%                                | 24%                     | 51%      | 73%      |
| Leverage analysis (000s omitted):   |              |              |                                   |                         |          |          |
| Outstanding loan balance under the bank credit facility, end of period                                | \$21,346     | \$21,348     | \$17,815                          | \$18,209                | \$20,000 | N/A      |
| Aggregate amount of commercial paper outstanding, end of period <sup>(8)</sup>                        | N/A          | N/A          | N/A                               | N/A                     | N/A      | \$10,000 |
| Average daily balance of amortized cost of commercial paper outstanding, end of period <sup>(8)</sup> | N/A          | N/A          | N/A                               | N/A                     | N/A      | \$9,960  |
| Asset coverage per \$1,000, end of period   | \$7,937      | \$5,401      | \$6,227                           | \$4,917                 | \$4,666  | \$7,425  |

(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   |
| Net asset value | \$3.87          | \$4.22                  | \$4.34 | \$4.19 |
| Market value    | \$3.43          | \$3.46                  | \$4.23 | \$3.65 |

(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 and expense reductions.

(7) "Net expenses" are the expenses of the Fund presented in the Statement of Operations after fee waivers and expense reductions. Fees waived by the Investment Manager reduced the ratio of net expenses by 0.02%, 0.13%, and 0.12%, for the years ended November 30, 2011, 2010, 2009, 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, 2013 and the related statements of operations and cash flows for the year ended December 31, 2013, and changes in net asset for each of the two years in the period then ended and the financial highlights for each of the two years in the period then ended, for the one month period ended December 31, 2011 and for the year ended November 30, 2011. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the two years in the two 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, 2013, by correspondence with the custodian and brokers. 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, 2013, 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 28, 2014

### 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.

### Portfolio Management

From February 1, 2011 through February 28, 2014, the daily portfolio management of the Fund was provided by the Investment Policy Committee of the Investment Manager, comprised of: Thomas B. Winmill, Chairman; John F. Ramírez, Director of Fixed Income; Heidi Keating, Vice President-Trading; and, Mark C. Winmill, Chief Investment Strategist. Effective March 1, 2014, Thomas Winmill assumes sole portfolio management responsibility for the Fund. Mr. Winmill currently serves as 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. He is a Director and Vice President of Self Storage Group, Inc., a Director of Bexil American Mortgage Inc. and Castle Mortgage Corporation, and Vice President of Tuxis Corporation. He is Chairman of the Investment Policy Committee of each of the Advisers, which currently manage the Fund, Foxby Corp., Midas Magic, and Midas Perpetual Portfolio, and he is the portfolio manager of Midas Fund.

### 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 1-212-785-0900, on the SEC's website at [www.sec.gov](http://www.sec.gov), and on the Fund's website at [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com).

### Quarterly Schedule of Portfolio Holdings

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

ation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund makes the Forms N-Q available on its website at [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com).

### 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 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.

### Changes to Anti-Takeover Provisions in the Governing Documents

In June 2013, the Board of Trustees adopted several amendments to the Fund's governing documents that would delay or prevent a change of control of the Fund that have not been approved by shareholders. Specifically, the Fund's Amended and Restated Agreement and Declaration of Trust as of June 21, 2013 (the "Trust Instrument") currently provides: (A) that a shareholder does not have the right to bring or maintain any action, proceeding, claim, or suit ("Action") on behalf of the Fund (a)(i) unless such shareholder is a shareholder at the time such Action is commenced and such shareholder continues to be a shareholder throughout the duration of such Action and (a)(ii)(1) unless at the time of the transaction or event underlying such Action, such shareholder was a shareholder or (2) unless such shareholder's status as a shareholder devolved upon the shareholder by operation of law or pursuant to the terms of the Trust Instrument from a person who was a shareholder at the time of the transaction or event underlying such Action and (b)(i) without first making demand on the Trustees requesting the Trustees to bring or maintain such Action and such demand has the support of shareholders owning a majority of the outstanding shares of the Fund and (b)(ii) unless such demand meets certain procedural requirements as set forth in the Trust Instrument. Such demand shall not be excused under any circumstances unless such shareholder makes a specific showing that irreparable non-monetary injury to the Fund would otherwise result. The Independent Trustees may decide to bring, maintain, or settle such Action or to not bring, maintain, or settle such Action, or may submit the matter to a vote of shareholders, as appropriate. Any decision by the Independent Trustees to bring, maintain, or settle such Action, or to submit the matter to a vote of shareholders, shall be binding upon all shareholders who will be prohibited from maintaining separate competing Action relating to the same subject matter. Any decision by the Independent Trustees not to bring or maintain an Action on behalf of the Fund shall be subject to the right of the shareholders to vote on whether or not such Action should or should not be brought or maintained as a matter presented for shareholder consideration pursuant to the provisions of the Bylaws regarding shareholder requested spe-

cial meetings; and the vote of shareholders required to override the Independent Trustees' decision and to permit the shareholder(s) to proceed with the proposed Action shall be 75% of the outstanding shares of the Fund; (B) that any Action, disputes, or controversies brought by or on behalf of a shareholder, either on his, her or its own behalf or, on behalf of the Fund against any Trustee, or officer, investment manager, agent, or employee of the Fund, or their affiliates (collectively the "Trust Parties") or against the Fund, including any Action, disputes, or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of the Trust Instrument or the Bylaws (all of which are referred to as "Disputes") or relating in any way to such a Dispute or Disputes, shall on the demand of any of the Trust Parties or the Fund be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, except as modified in the Trust Instrument. The Trust Instrument sets forth certain procedural requirements for the arbitration, including (i) that the place of arbitration shall be New York, New York unless otherwise agreed by the parties; (ii) in rendering an award or decision, the arbitrators shall be required to follow the laws of the State of Delaware; and (iii) except as otherwise set forth in the Trust Instrument or as otherwise agreed between the parties, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and the arbitrators shall not render an award that would include shifting of any such costs or expenses (including attorneys' fees) or, in a derivative case, award any portion of the Fund's award to the claimant or

the claimant's attorneys; and (C) that each shareholder will be liable to the Fund for, and indemnify and hold harmless the Fund (and any subsidiaries or affiliates thereof) from and against, all costs, expenses, penalties, fines or other amounts, including without limitation, reasonable attorneys' and other professional fees, whether third party or internal, arising from such shareholder's breach of or failure to fully comply with any covenant, condition or provision of the Trust Instrument or Bylaws as determined in the sole discretion of the Trustees or any action against the Fund brought or caused by a shareholder in which such shareholder is not the prevailing party, as determined by a court, arbitrator, or other person determining the outcome of such action, shall pay such amounts on demand, together with interest on such amounts, which interest will accrue at the lesser of the Fund's highest marginal borrowing rate, per annum compounded, and the maximum amount permitted by law, from the date such costs or the like are incurred until the receipt of payment.

The provisions of the Fund's governing documents described above could have the effect of depriving the owners of shares in the Fund of opportunities to sell their shares at a premium over prevailing market prices, by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a principal shareholder. The foregoing summary is subject to the governing documents of the Fund, which are on file with the SEC and available on the Fund's website [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com).

**Managed Distributions**

The Fund’s current distribution policy is 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. The Fund’s distributions are not tied to its net investment income and net realized capital gains and do not represent yield or investment return. 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, 2014, including the distributions paid quarterly, will be comprised primarily from paid in capital and the balance from net investment income. 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.

**2014 Quarterly Distribution Dates**

| Declaration | Record       | Payment      |
|-------------|--------------|--------------|
| March 3     | March 17     | March 31     |
| June 2      | June 16      | June 30      |
| September 2 | September 16 | September 30 |
| December 1  | December 15  | December 30  |

**HISTORICAL DISTRIBUTION SUMMARY\***

| PERIOD                                  | Investment Income | Return of Capital | Capital Gains | Total   |
|---|-------------------|-------------------|---------------|---------|
| 2013                                    | \$ 1.16           | \$ 0.47           | \$ -          | \$ 1.63 |
| 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. The Fund's Statement of Additional Information includes additional information about the Trustees as of the time of the Fund's most recent public offering and is available upon request, without charge, by calling 1-800-937-5449. Unless otherwise noted, the address of record for the Trustees and Officers is 11 Hanover Square, New York, New York 10005.

| INTERESTED TRUSTEE   |  |                  |   |   |   |
|--|--|------------------|---|---|---|
| Name,<br>Address and<br>Date of Birth  | Position(s)<br>Held<br>with the<br>Fund                                    | Trustee<br>Since | Principal<br>Occupation(s)<br>for the Past Five Years   | Number of<br>Portfolios in<br>Fund Complex<br>Overseen by<br>Trustee <sup>(1)</sup> | Other<br>Directorships<br>Held by<br>Trustee <sup>(2)</sup> |
| THOMAS B. WINMILL,<br>ESQ. <sup>(3)</sup><br>P.O. Box 4<br>Walpole, NH 03608<br>June 25, 1959  | Class II<br>Trustee,<br>President,<br>and<br>Chief<br>Executive<br>Officer | 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 Self Storage Group, Inc. He is a Director of Bexil American Mortgage Inc. and Castle Mortgage Corporation. 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. | 6   | Eagle Bulk Shipping Inc.                                    |
| INDEPENDENT TRUSTEES   |  |                  |   |   |   |
| BRUCE B. HUBER,<br>CLU, ChFC, MSFS<br>February 7, 1930   | Class I<br>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<br>December 14, 1930   | Class III<br>Trustee   | 2011             | He is a Limited Partner of Hunt Howe Partners LLC, executive recruiting consultants.  | 6   | None  |
| PETER K. WERNER<br>August 16, 1959   | Class II<br>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>(1) The Fund Complex is comprised of the Fund, Foxby Corp., Self Storage Group, Inc., and Midas Series Trust which are managed by the Investment Manager and its affiliates.</p> <p>(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.</p> <p>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.</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, Esq.<br>July 3, 1983   | Chief Compliance Officer, AML Officer, Associate General Counsel, and Vice President | 2012            | Chief Compliance Officer, AML Officer, Associate General Counsel, and Vice President of the other investment companies in the Fund Complex, the Advisers, the Broker-Dealers, Bexil Corporation, Tuxis Corporation, and Winco. He is a member of the New York State Bar.   |
| Heidi Keating<br>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<br>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.<br>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, Senior Associate General Counsel, and Secretary of the Advisers, the Broker-Dealers, Bexil Corporation, and Winco. He is Vice President and Secretary of Bexil American Mortgage Inc. and Castle Mortgage Corporation. He is a member of the IPCs. He also is a member of the New York State Bar and the Investment Advisers Committee, Small Funds Committee, and Compliance Advisory Committee of the Investment Company Institute. |
| Mark C. Winmill<br>November 26, 1957  | Vice President   | 2012            | Vice President 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 Self Storage Group, 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.   |
| *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 11, 2013. |  |                 |  |

**STOCK DATA AT DECEMBER 31, 2013**

|  |           |
|--|-----------|
| NYSE Market Price per Share              | \$15.11   |
| Net Asset Value per Share                | \$17.20   |
| Market Price Discount to Net Asset Value | 12.2%     |
| NYSE Ticker Symbol                       | DNI       |
| Net Asset Value Ticker Symbol            | XDNIX     |
| CUSIP Number                             | 25538A204 |

**FUND INFORMATION****Investment Manager**

Bexil Advisers LLC  
 11 Hanover Square  
 New York, NY 10005  
[www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com)  
 1-212-785-0900

**Stock Transfer Agent and Registrar**

American Stock Transfer & Trust Company, LLC  
 6201 15th Avenue  
 Brooklyn, NY 11219  
[www.amstock.com](http://www.amstock.com)  
 1-800-278-4353

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

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

**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

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NYSE Ticker: **DNI**

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