

DIVIDEND & INCOME FUND  
Form N-CSR  
March 08, 2018  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment  
Company  
Act file  
number:  
811-08747

Dividend and Income Fund  
(Exact name of registrant as specified in charter)

11 Hanover Square, New York, NY 10005  
(Address of principal executive offices) (Zipcode)

Russell Kamerman, Esq.  
11 Hanover Square  
New York, NY 10005  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-212-785-0900

Date of fiscal year end: 12/31

Date of reporting period: 1/1/17 – 12/31/17

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policy making roles.

A registrant is required to disclose the information specified by Form N-CSR and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The

OMB has reviewed this collection of information under clearance requirements of 44 U.S.C. sec. 3507.

---

Item 1. Reports to Stockholders.

DIVIDEND

AND **INCOME**

FUND

SEEKING PRIMARILY HIGH CURRENT INCOME  
AND SECONDARILY CAPITAL APPRECIATION

**DECEMBER 31, 2017**

**ANNUAL REPORT**

[WWW.DIVIDENDANDINCOMEFUND.COM](http://WWW.DIVIDENDANDINCOMEFUND.COM)

PORTFOLIO ANALYSIS

December 31, 2017

December 31, 2017

TOP TEN  
HOLDINGS

- 1 Credit Acceptance Corporation
- 2 Wyndham Worldwide Corporation
- 3 Apple Inc.
- 4 Copart, Inc.
- 5 T. Rowe Price Group, Inc.
- 6 The Home Depot, Inc.
- 7 Tractor Supply Company
- 8 First American Financial Corporation
- 9 Cohen & Steers, Inc.
- 10 Accenture plc Class A

Top ten holdings comprise approximately 15% of total assets.

December 31, 2017

TOP TEN  
INDUSTRIES

- 1 Security and Commodity  
Brokers, Dealers, Exchanges and  
Services
- 2 Business Services
- 3 Transportation Equipment
- 4 Electronic and Other Electrical  
Equipment and Components, except  
Computer Equipment
- 5 Chemical and Allied Products
- 6 Non-Depository Credit  
Institutions
- 7 Industrial and Commercial  
Machinery and Computer  
Equipment
- 8 Transportation by Air
- 9 Food and Kindred Products
- 10 Communications

Top ten holdings and industries are shown for informational purposes only and are subject to change. The above portfolio information should not be considered as a recommendation to purchase or sell a particular security and is not indicative of future portfolio characteristics. There is no assurance that any securities will remain in or out of the Fund.





TO OUR SHAREHOLDERS

December 31, 2017

Dear Fellow Shareholders:

It gives us great pleasure to welcome each of our new shareholders to Dividend and Income Fund and to submit this 2017 Annual Report. 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 may 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

At the December 2017 meeting of the Federal Open Market Committee (FOMC) of the Federal Reserve Bank (the “Fed”), the Fed staff’s review of the economic situation suggested that real gross domestic product (GDP) was “rising at a solid pace in the second half of 2017.” The staff viewed labor market conditions as reflecting in part a rebound from the negative effects of the hurricanes in September, as the national unemployment rate declined to 4.1% through November 2017. Regarding inflation, the staff noted that “total consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), remained below 2 percent in October and was lower than early in the year.” In fact, over the 12 months through October 2017, total U.S. consumer prices, as measured by the PCE price index, increased slightly more than 1.5%.

Addressing the financial situation, the Fed staff noted that asset price movements appeared to be “reflecting slightly stronger-than-expected economic data releases, announcements related to Treasury debt issuance, and an increase in the perceived probability that the Congress would enact tax legislation. On net, the Treasury yield curve flattened, U.S. equity prices moved up, and the foreign exchange value of the dollar was little changed. Financing conditions for businesses and households remained broadly supportive of continued growth in household spending and business investment.”

In conjunction with the FOMC meeting, the Fed’s board members and bank presidents submitted their projections for future real GDP growth, unemployment, and similar measures. They projected real growth in GDP in a range of 2.2 - 2.6% for 2018, and 1.9 - 2.3% for 2019, and an unemployment rate in a range of 3.7 - 4.0% for 2018 and 3.6 - 4.0% for 2019.

In summary, the U.S. economy appears to be growing sluggishly during a period of strengthening employment and mild inflation, which suggests to us that investors might anticipate favorable markets ahead, although certain signs of speculative excess, such as cryptocurrencies and growing systemic leverage, indicate a cautious approach might be in order for 2018.

#### Investment Strategy and Returns

In view of these economic developments, the Fund's strategy in 2017 was to emphasize profitable, conservatively valued companies across a broad array of industries. Generally, the Fund purchased and held income generating equity securities in seeking to achieve its primary investment objective of high current income and secondary objective of capital appreciation and sold investments that appeared to have appreciated to levels reflecting full or over-valuation. In 2017, the Fund's net investment income, net realized gain on investments, and unrealized appreciation on investments were, respectively, \$1,680,452, \$5,222,643, and \$27,388,457, which contributed significantly to the Fund's net asset value return of 24.09%, including the reinvestment of dividends, as did dilution occurring under the Fund's dividend reinvestment plan. Profitable sales in the period were made of, among others, shares of ILG, Inc. in the real estate sector and Norfolk Southern Corp. in the railroads, line-haul operating sector and losses were taken on, among others, Potash Corporation of Saskatchewan Inc. in the agricultural chemicals sector and Rio Tinto plc ADRs in the metal mining sector. Although no particular investment was responsible for the majority of the unrealized appreciation or depreciation on investments over the period, retailers Dick's Sporting Goods, Inc. and Signet Jewelers Limited were significant contributors to unrealized depreciation during the period. At the same time, the Fund benefited from unrealized appreciation from its holdings of Lam Research Corporation in the industrial and commercial machinery and computer equipment sector and HFF, Inc. in the real estate sector.

The Fund's market return for 2017, also including the reinvestment of dividends, was 18.84%. Generally, the Fund's total return on a market value basis will be lower than total return on a net asset value basis in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. For comparison, in the same period, the S&P 500 Index total return was 21.83%. This index is unmanaged and does not reflect fees and expenses, nor is it available for direct investment. At December 31, 2017, the Fund's portfolio included over 100 securities of different issuers, with the top ten amounting to approximately 15% of total assets. At that time,



TO OUR SHAREHOLDERS

December 31, 2017

the Fund's investments totaled approximately \$214 million, reflecting the use of about \$35 million of leverage on net assets of about \$179 million. As the Fund pursues its primary investment objective of seeking high current income, with capital appreciation as a secondary objective, these holdings and allocations are subject to change at any time.

#### Quarterly Distributions

On December 1, 2017, the Fund declared its fourth quarterly distribution for the year of \$0.15, amounting to \$0.60 per share for the full year. The quarterly distribution reflects the Fund's current distribution policy to provide shareholders with a relatively stable cash flow per share. There is no guarantee that the Fund's current distribution policy will reduce or eliminate the Fund's market price discount to its net asset value per share and the Fund's trustees have no fiduciary duty to take action, or to consider taking any action, to narrow any such discount. The distribution policy may be changed or discontinued without notice.

As of December 1, 2017 and based on the Fund's results and estimates for that quarter, the fourth quarter distribution would include approximately 20%, 79%, and 1% from net investment income, capital gains, and return of capital, respectively. If, for any distribution, the sum of previously undistributed net investment income and net realized capital gains is less than the amount of the distribution, the difference is treated as a return of capital (tax-free for a shareholder up to the amount of its tax basis in its shares of the Fund). The amount treated as a tax-free return of capital will reduce a shareholder's adjusted basis in its shares, thereby increasing the shareholder's potential gain or reducing its potential loss on the subsequent sale of those shares. The foregoing is for informational purposes only and does not, nor does anything else herein, constitute tax advice. Shareholders should consult with their own tax advisor or attorney with regard to their personal tax situation.

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 2018, the Fund intends to send a Form 1099-DIV for the calendar year concerning the tax treatment of the distributions that were paid to shareholders of record during the 12 months ended December 31, 2017.

#### Results of Share Offering

On November 2, 2017, the Fund announced that it had filed a post-effective amendment to its shelf registration statement with the U.S. Securities and Exchange Commission. The shelf registration is intended to allow the Fund flexible access to capital and to offer, from time to time, in one or more offerings, including through rights offerings, its shares of beneficial interest if and when the Fund's Board of Trustees believes it to be in the best interests of the Fund and its shareholders. On December 13, 2017, the Fund announced that the Board had approved the terms of a non-transferable rights offering which would allow the Fund's December 26, 2017 record date shareholders to purchase up to 3,600,000 additional shares of beneficial interest. The Fund distributed one right for each share held on

the record date, rounded up to the nearest number of rights evenly divisible by three. For every three rights received, shareholders were entitled to buy one new share of the Fund, plus in certain circumstances, additional new shares pursuant to an over-subscription privilege.

On January 29, 2018, the Fund announced the completion of the non-transferable rights offering, in which approximately 1.66 million shares were issued for total gross proceeds of approximately \$23.5 million. 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 79% of the NAV per share on January 26, 2018, or \$14.20. Offering expenses were estimated to be approximately \$220,000, including expenses of the post-effective amendment to the shelf registration statement. The NAV per share of the Fund was reduced by approximately \$0.52 per share as a result of the issuance of shares below NAV, resulting in dilution of about 2.9%. The Fund may, in the future and in its discretion, choose to make additional rights or other offerings from time to time for a number of shares and on terms which may or may not be similar to this rights offering. Updated information about the Fund will be contained in the Fund's prospectus and any related prospectus supplement, a copy of which may be obtained from the Fund, should the Fund undertake to sell additional shares under the shelf registration statement.

#### 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 materials about the Fund. The website also has links to performance, tax, and daily net asset value reporting. You are invited to use this resource to learn more about the Fund. For those shareholders currently receiving the Fund's quarterly distributions in cash but are interested in adding to

TO OUR SHAREHOLDERS

December 31, 2017

their account through the Fund's Dividend Reinvestment Plan (the "Plan"), we encourage you to review the Plan set forth later in this document and contact the Fund's Transfer Agent, who will be pleased to assist you with no obligation on your part.

Long Term Strategies

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 8.8% of the Fund's outstanding shares pursuant to the Fund's governing documents that permit ownership of more than 4.99% of the Fund's outstanding shares only with the prior approval of the Fund's Board of Trustees. We look forward to serving your investment needs over the years ahead.

Board of Trustees

Bruce B. Huber announced his retirement and resigned from the Board of the Fund effective January 29, 2018. Bruce agreed to join the Fund complex as an independent director on October 30, 1981 and over the years, he has given so much of his time, wisdom, and

perspective we shall remain deeply in his debt. We wish him the very best as he pursues his many, varied interests outside of the investment company world. Effective upon Bruce's retirement, the Board appointed Roger A. Atkinson to fill the vacancy on the Board. With his educational background and expertise, Roger is expected to add greatly to the Board's existing mix of skills and qualifications.

Sincerely,

Thomas B. Winmill

President and Co-Portfolio Manager

William Winmill

Vice President and Co-Portfolio Manager

3 Annual Report 2017 **DIVIDEND AND INCOME FUND**

## SCHEDULE OF PORTFOLIO INVESTMENTS

December 31,  
2017Financial  
Statements

Common Stocks (113.84%)	Shares	Value
Apparel and Accessory Stores (2.27%)		
The GAP, Inc.	40,000	\$ 1,362,400
Hanesbrands Inc. <sup>(a)</sup>	130,000	2,718,300
		4,080,700
Apparel and Other Finished Products Made from Fabrics and Similar Materials (1.59%)		
Carter's, Inc.	24,300	2,855,007
Automotive Dealers and Gasoline Service Stations (3.59%)		
AutoZone, Inc. <sup>(b)</sup>	4,200	2,987,754
Copart, Inc. <sup>(b)</sup>	80,000	3,455,200
		6,442,954
Building Materials, Hardware, Garden Supply, and Mobile Home Dealers (3.57%)		
The Home Depot, Inc.	17,000	3,222,010
Tractor Supply Company	42,500	3,176,875
		6,398,885
Business Services (9.76%)		
Accenture plc Class A	20,000	3,061,800
DST Systems, Inc.	44,000	2,731,080
eBay Inc. <sup>(b)</sup>	70,000	2,641,800
MAXIMUS, Inc.	31,000	2,218,980
Omnicom Group Inc. <sup>(a)(c)</sup>	37,000	2,694,710
Oracle Corporation <sup>(c)</sup>	45,000	2,127,600
Robert Half International Inc.	36,700	2,038,318
		17,514,288
Chemical and Allied Products (6.43%)		
Amgen Inc.	13,500	2,347,650
Gilead Sciences, Inc.	28,000	2,005,920
Hexcel Corporation	23,500	1,453,475
LyondellBasell Industries N.V. Class A	27,500	3,033,800
Monsanto Company	15,000	1,751,700

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

Roche Holding Ltd. ADR	30,000	947,400
		11,539,945
Communications (3.94%)		
AT&T Inc. <sup>(c)</sup>	50,000	1,944,000
The Walt Disney Company	25,500	2,741,505
Verizon Communications Inc. <sup>(c)</sup>	45,000	2,381,850
		7,067,355
Depository Institutions (2.40%)		
Capital One Financial Corporation	20,200	2,011,516
Signature Bank Corp. <sup>(b)</sup>	6,000	823,560
Westpac Banking Corporation <sup>(a)</sup>	60,000	1,462,800
		4,297,876

See notes to financial statements.

	Shares	Value
Eating and Drinking Places (1.46%)		
Cracker Barrel Old Country Store, Inc. <sup>(a)</sup>	16,500	\$ 2,621,685
Educational Services (0.87%)		
Grand Canyon Education, Inc. <sup>(b)</sup>	17,500	1,566,775
Electric, Gas, and Sanitary Services (1.27%)		
SCANA Corporation	57,000	2,267,460
Electronic and Other Electrical Equipment and Components, except Computer Equipment (7.61%)		
Cirrus Logic, Inc. <sup>(b)</sup>	44,000	2,281,840
Intel Corporation <sup>(c)</sup>	65,000	3,000,400
Methode Electronics, Inc.	25,000	1,002,500
QUALCOMM, Incorporated <sup>(c)</sup>	20,000	1,280,400
Skyworks Solutions, Inc.	27,000	2,563,650
Taiwan Semiconductor Manufacturing Co. Ltd.	40,000	1,586,000
Texas Instruments Incorporated	18,500	1,932,140
		13,646,930
Fabricated Metal Products, except Machinery and Transportation Equipment (2.89%)		
Snap-on Incorporated <sup>(a)</sup>	16,000	2,788,800
Sturm, Ruger & Company, Inc. <sup>(a)</sup>	43,000	2,401,550
		5,190,350
Food and Kindred Products (4.06%)		
Campbell Soup Company <sup>(a)</sup>	55,000	2,646,050
Hormel Foods Corporation <sup>(a)</sup>	80,000	2,911,200
Molson Coors Brewing Company	21,000	1,723,470
		7,280,720

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

Food Stores (1.22%)		
The Kroger Co.	80,000	2,196,000
General Merchandise Stores (2.56%)		
Dollar General Corporation	20,600	1,916,006
Wal-Mart Stores, Inc. <sup>(c)</sup>	27,150	2,681,063
		4,597,069
Health Services (1.25%)		
Laboratory Corporation of America Holdings	14,000	2,233,140
Holding and Other Investment Offices (1.77%)		
InterDigital, Inc.	22,000	1,675,300
Tanger Factory Outlet Centers, Inc. <sup>(a)</sup>	56,250	1,491,188
		3,166,488

**DIVIDEND AND INCOME FUND**

Annual Report 2017

4

## SCHEDULE OF PORTFOLIO INVESTMENTS

December 31,  
2017Financial  
Statements

<b>Common Stocks</b> (concluded)	Shares	Value
Home Furniture, Furnishings, and Equipment Stores (1.18%)		
Williams-Sonoma, Inc. <sup>(a)</sup>	41,000	\$ 2,119,700
Hotels, Rooming Houses, Camps, and Other Lodging Places (1.94%)		
Wyndham Worldwide Corporation	30,000	3,476,100
Industrial and Commercial Machinery and Computer Equipment (5.23%)		
Apple Inc. <sup>(c)</sup>	20,500	3,469,215
Cisco Systems, Inc. <sup>(c)</sup>	50,000	1,915,000
Eaton Corporation plc	18,000	1,422,180
Lam Research Corporation	14,000	2,576,980
		9,383,375
Insurance Carriers (2.66%)		
Assured Guaranty Ltd.	50,000	1,693,500
First American Financial Corporation	55,000	3,082,200
		4,775,700
Measuring, Analyzing, and Controlling Instruments; Photographic, Medical and Optical Goods; Watches and Clocks (1.46%)		
KLA-Tencor Corporation	25,000	2,626,750
Miscellaneous Repair Services (0%)		
Aquilex Holdings LLC Units <sup>(b) (d)</sup>	756	0
Miscellaneous Retail (3.81%)		
CVS Health Corporation	37,000	2,682,500
Dick's Sporting Goods, Inc.	26,764	769,197
Signet Jewelers Limited <sup>(a) (c)</sup>	12,400	701,220
Walgreens Boots Alliance, Inc.	37,000	2,686,940
		6,839,857
Non-Depository Credit Institutions (5.74%)		
American Express Company	24,000	2,383,440
Credit Acceptance Corporation <sup>(a) (b)</sup>	11,500	3,720,020
Discover Financial Services	22,000	1,692,240



Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

Synchrony Financial	65,000	2,509,650
		10,305,350
Paper and Allied Products (0.80%)		
Schweitzer-Mauduit International, Inc.	31,755	1,440,407
Petroleum Refining and Related Industries (0.89%)		
Andeavor	13,998	1,600,531
Printing, Publishing, and Allied Industries (1.16%)		
Deluxe Corporation	27,000	2,074,680

See notes to financial statements.

	Shares	Value
Real Estate (0.83%)		
HFF, Inc.	30,724	\$ 1,494,415
Security and Commodity Brokers, Dealers, Exchanges, and Services (10.58%)		
Ameriprise Financial Inc.	9,600	1,626,912
Cohen & Steers, Inc. <sup>(a)</sup>	65,000	3,073,850
Diamond Hill Investment Group, Inc.	12,000	2,479,920
Federated Investors, Inc. <sup>(a)</sup>	81,000	2,922,480
GAMCO Investors, Inc.	71,000	2,105,150
Invesco Ltd.	37,000	1,351,980
Lazard Ltd.	41,500	2,178,750
T. Rowe Price Group, Inc.	30,900	3,242,337
		18,981,379
Tobacco Products (3.24%)		
Altria Group, Inc.	40,000	2,856,400
Philip Morris International, Inc.	28,000	2,958,200
		5,814,600
Transportation by Air (4.19%)		
Alaska Air Group, Inc.	35,000	2,572,850
Allegiant Travel Company <sup>(a)</sup>	19,700	3,048,575
Southwest Airlines Co.	29,000	1,898,050
		7,519,475
Transportation Equipment (7.64%)		
Ford Motor Company	160,000	1,998,400
General Motors Company	41,500	1,701,085
Honeywell International Inc.	13,500	2,070,360
Huntington Ingalls Industries, Inc.	4,700	1,107,790
Lear Corporation	7,000	1,236,620
Magna International Inc.	53,000	3,003,510
Polaris Industries Inc.	20,900	2,591,391
		13,709,156

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

Wholesale Trade - Durable Goods (1.70%)		
TE Connectivity Ltd.	32,000	3,041,280
Wholesale Trade - Nondurable Goods (2.27%)		
AmerisourceBergen Corporation	13,500	1,239,570
Cardinal Health, Inc.	31,000	1,899,370
McKesson Corporation	6,000	935,700
		4,074,640
Total common stocks (Cost \$169,579,544)		204,241,022

5 Annual Report 2017  DIVIDEND AND INCOME FUND

## SCHEDULE OF PORTFOLIO INVESTMENTS

December 31,  
2017Financial  
Statements

	Principal		
	Amount	Value	
Corporate Bonds and Notes (0.29%)			
Electric Services (0.29%)			
Elwood Energy LLC, 8.159%, 7/5/26 (Cost \$477,289)	470,886	\$ 527,392	
Reorganization Interests (0%)	Shares	Value	
Penson Technologies LLC Units <sup>(b)</sup> <sup>(d)</sup> (Cost \$0)	813,527	0	
Master Limited Partnerships (2.19%)	Units	Value	
Electric, Gas, and Sanitary Services (1.13%)			
Enterprise Products Partners LP	40,000	1,060,400	
Spectra Energy Partners, LP	24,400	964,776	
		2,025,176	
Mining and Quarrying of Nonmetallic Minerals, Except Fuels (1.06%)			
Ciner Resources LP	75,268	1,898,259	
Total master limited partnerships (Cost \$3,547,416)		3,923,435	
Preferred Stocks (3.01%)	Shares	Value	
Communications (0.11%)			
Frontier Communications Corp., Series A, 11.125%	17,500	189,350	
	Shares	Value	
Holding and other Investment Offices (2.37%)			
	78,865	\$ 2,010,269	

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

Annaly Capital Management, Inc., 7.625% Series C <sup>(a)</sup>		
Annaly Capital Management, Inc., 7.625% Series E <sup>(a)</sup>	30,809	777,927
Armour Residential REIT, Inc., 7.875% Series B	25,000	625,500
Public Storage, 4.95% Series D <sup>(a)</sup>	7,500	187,650
Public Storage, 4.90% Series E	26,168	651,321
		4,252,667
Water Transportation (0.53%) Seaspan Corporation 8.20% Series G	39,152	951,394
Total preferred stocks (Cost \$5,021,302)		5,393,411
Money Market Fund (0.24%)	Shares	Value
State Street Institutional U.S. Government Money Market Fund, Administration Class, 7 day annualized yield 0.95% (Cost \$433,077)	433,077	433,077
Total investments (Cost \$179,058,628) (119.57%)		214,518,337
Liabilities in excess of other assets (-19.57%)		(35,116,980)
Net assets (100.00%)		\$179,401,357

(a) All or a portion of this security was on loan pursuant to the Liquidity Agreement. As of December 31, 2017, the value of securities on loan was \$27,260,633.

(b) Non-income producing.

(c) All or a portion of this security has been pledged as collateral pursuant to the Liquidity Agreement. As of December 31, 2017, the value of securities pledged was \$13,803,062.

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

ADR American Depositary Receipt

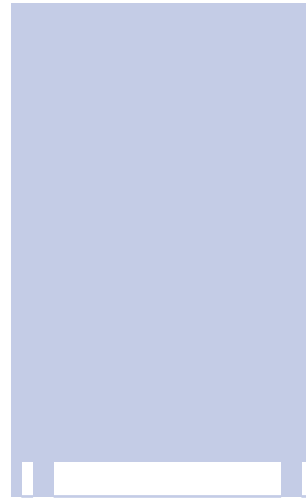
See notes to financial statements.

## STATEMENT OF ASSETS AND LIABILITIES

Financial  
Statements

December 31, 2017

Assets	
Investments, at value (cost: \$179,058,628)	\$ 214,518,337
Receivables:	
Dividends	225,274
Due from transfer agent	25,178
Interest	18,792
Foreign withholding tax reclaims	4,078
Deferred rights offering expenses	42,489
Other assets	36,838
Total assets	214,870,986
Liabilities	
Liquidity agreement borrowing	35,000,000
Payables:	
Accrued expenses	238,754
Investment management	172,232
Administrative services	53,870
Trustees	4,773
Total liabilities	35,469,629
Net Assets	\$179,401,357
Net Asset Value Per Share (applicable to 10,690,122 shares issued and outstanding)	\$ 16.78
Net Assets Consist of	
Paid in capital	\$ 143,112,297
Accumulated net realized gains on investments	829,351
Net unrealized appreciation on investments	35,459,709
	\$ 179,401,357



See notes to financial statements.

7 Annual Report 2017 **DIVIDEND AND INCOME FUND**

## STATEMENT OF OPERATIONS

## Financial Statements

Year Ended  
December 31, 2017

Investment Income	
Dividends (net of \$20,016 foreign tax withholding)	\$ 4,492,111
Interest	55,327
Total investment income	4,547,438
Expenses	
Investment management	1,633,060
Interest and fees on liquidity agreement	535,239
Administrative services	261,690
Bookkeeping and pricing	83,955
Trustees	79,351
Legal	67,545
Shareholder communications	58,256
Insurance	40,301
Auditing	36,395
Exchange listing and registration	34,675
Transfer agent	19,930
Other	9,878
Custodian	6,711
Total expenses	2,866,986
Net investment income	1,680,452
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on	
Investments	5,223,192
Foreign currencies	(549)
Unrealized appreciation on	
Investments	27,387,764
Translation of assets and liabilities in foreign currencies	693
Net realized and unrealized gain	32,611,100
Net increase in net assets resulting from operations	\$ 34,291,552




See notes to financial statements.

**DIVIDEND AND INCOME FUND**

Annual Report 2017 8



STATEMENTS OF CHANGES IN NET ASSETS

Financial Statements

	Year Ended December 31, 2017	Year Ended December 31, 2016
Operations		
Net investment income	\$ 1,680,452	\$ 2,619,191
Net realized gain on investments	5,222,643	14,574,874
Unrealized appreciation on investments	27,388,457	4,954,149
Net increase in net assets resulting from operations	34,291,552	22,148,214
Distributions to Shareholders		
Net investment income	(4,127,125)	(2,423,544)
Capital gains	(942,627)	-
Return of capital	(1,331,440)	(8,168,833)
Total distributions	(6,401,192)	(10,592,377)
Capital Share Transactions		
Reinvestment of distributions to shareholders	506,033	1,031,696
Increase in net assets from capital share transactions	506,033	1,031,696
Total change in net assets	28,396,393	12,587,533
Net Assets		
Beginning of period	151,004,964	138,417,431
End of period	\$ 179,401,357	\$ 151,004,964
End of period net assets include undistributed net investment income	\$ -	\$ -


See notes to financial statements.

## STATEMENT OF CASH FLOWS

## Financial Statements

Year Ended  
December 31, 2017

Cash Flows From Operating Activities	
Net increase in net assets resulting from operations	\$ 34,291,552
Adjustments to reconcile increase in net assets resulting from operations to net cash provided by (used in) operating activities:	
Unrealized appreciation of investments	(27,388,457)
Net realized gain on sales of investments	(5,222,643)
Purchase of long term investments	(71,732,618)
Proceeds from sales of long term investments	68,557,020
Net sales of short term investments	125,598
Accretion of discount net of amortization of premium of investments	(3,906)
Increase in dividends receivable	(9,529)
Increase in due from transfer agent	(25,178)
Decrease in interest receivable	5,256
Decrease in foreign withholding tax reclaims	7,270
Increase in deferred rights offering expenses	(42,489)
Increase in other assets	(8,750)
Increase in accrued expenses	63,878
Increase in investment management fee payable	25,431
Increase in administrative services payable	31,637
Increase in trustee expenses payable	1,087
Net cash used in operating activities	(1,324,841)
Cash Flows from Financing Activities	
Liquidity agreement borrowing, net	7,220,000
Cash distributions paid	(5,895,159)
Net cash provided by financing activities	1,324,841
Net change in cash	-
Cash	
Beginning of period	-
End of period	\$ -
Supplemental disclosure of cash flow information:	

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

Cash paid for interest on liquidity agreement

\$ 205,458

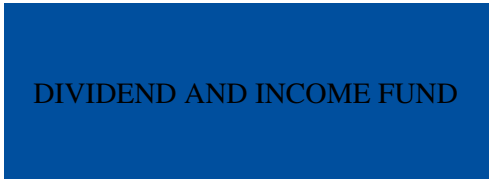
Non-cash financing activities not included herein consisted of:

Reinvestment of dividend distributions

\$ 506,033

\$ 205,458
\$ 506,033

See notes to financial statements.



Annual Report 2017

10

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 diversified, closed end management investment company whose shares are listed on the New York Stock Exchange under the ticker symbol DNI. The Fund’s primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund retains Bexil Advisers LLC as its investment manager (the “Investment Manager”). During the period covered by this report, the Fund’s subclassification changed from “non-diversified” to “diversified,” as such terms are defined in the Act.

As an investment company, the Fund follows the accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standard Codification Topic 946 “Financial Services – Investment Companies.” 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:

**Valuation of Investments** – 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 usually 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 usually 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. In the event of an unexpected closing of the primary market or exchange, a security may continue to trade on one or more other markets, and the price as reflected on those other trading venues may be more reflective of the security’s value than an earlier price from the primary market or exchange. Accordingly, the Fund may seek to use these additional sources of pricing data or information when prices from the primary market or exchange are unavailable, or are earlier and less representative of current market value. Certain debt securities may be 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 or according to

prices quoted by a securities dealer that offers pricing services. Open end investment companies are valued at their net asset value. Foreign securities markets may be open on days when the U.S. markets are closed. For this reason, the value of any foreign securities owned by the Fund could change on a day when shareholders cannot buy or sell shares of the Fund. 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’s Valuation Committee under the direction of or pursuant to procedures approved 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 values that would have been used had a readily available or reliable market quotation 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.

**Foreign Currency Translation** – Securities denominated in foreign currencies are translated into U.S. dollars at prevailing exchange rates. Realized gain or loss on sales of such investments in local currency terms is reported separately from gain or loss attributable to a change in foreign exchange rates for those investments.

**Investments in Other Investment Companies** – The Fund may invest in shares of other investment companies such as closed end funds, exchange traded funds, and mutual funds (each, an “Acquired Fund”) in accordance with the Act and related rules. Shareholders in the Fund bear the pro rata portion of the fees and expenses of an Acquired Fund 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 an Acquired Fund. The fees and expenses of an Acquired Fund are reflected in such Acquired Fund’s total return.

**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

---

NOTES TO FINANCIAL STATEMENTS

Financial Statements

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.

**Short Sales** – The Fund may sell a security short it does not own in anticipation of a decline in the market value of the security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker/dealer through which it made the short sale. The Fund is liable for any dividends or interest paid on securities sold short. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, normally is recognized upon the termination of the short sale. Securities sold short result in off balance sheet risk as the Fund's ultimate obligation to satisfy the terms of a sale of securities sold short may exceed the amount recognized in the Statement of Assets and Liabilities.

**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 or in the case of certain foreign securities, as soon as

practicable after the Fund is notified. 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. Taxes withheld on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

**Expenses** – Expenses deemed by the Investment Manager to have been incurred solely by the Fund are charged to the Fund. Expenses deemed by the Investment Manager to have been incurred jointly by the Fund and one or more of the other investment companies for which the Investment Manager or its affiliates serve as investment manager, or other related 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, credits realized as a result of uninvested cash balances are used to reduce custodian expenses. There were no credits realized from the custodian by the Fund during the years ended December 31, 2017 and 2016.

**Distributions to Shareholders** – Distributions to shareholders are determined in accordance with the Fund’s distribution policies and income tax regulations and are recorded on the ex-dividend date.

**Income Taxes** – No provision has been made for U.S. income taxes because the Fund’s current intention is to continue to qualify as a regulated investment company under the Internal Revenue Code (the “IRC”) and to distribute to its shareholders substantially all of its taxable income and net realized gains. Foreign securities held by the Fund may be subject to foreign taxation. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. The Fund has reviewed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on federal, state, and local income tax returns for open tax years (2014-2016) or expected to be taken in the Fund’s 2017 tax returns.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities, and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and



## NOTES TO FINANCIAL STATEMENTS

## Financial Statements

rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

**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, 2017, the Fund's reimbursements of such costs were \$261,690, of which \$169,770 and \$91,920 was 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, 2017, Bexil Securities LLC ("Bexil Securities"), an affiliate of the Investment Manager, owned approximately 8% of the Fund's outstanding shares, pursuant to the Fund's governing documents that permit ownership of more than 4.99% of the Fund's outstanding shares only with the prior approval of the Fund's Board of Trustees. For the years ended December 31, 2017 and 2016, Bexil Securities acquired 31,860 and 72,557 shares of the Fund, respectively, through participation in the Fund's Dividend Reinvestment Plan.

The Fund compensates each trustee who is not an employee of the Investment Manager or its affiliates. These trustees receive fees for service as a trustee from the Fund and the other investment companies for which the Investment Manager or its affiliates serve as investment manager. In addition, trustee out-of-pocket expenses are allocated to each fund for which the Investment Manager or its affiliates serve as investment manager on the basis of relative net assets, except where a more appropriate allocation can be made fairly in the judgment of the Investment Manager.

**3. DISTRIBUTIONS TO SHAREHOLDERS AND DISTRIBUTABLE EARNINGS** The tax character of distributions paid by the Fund for the years ended December 31, 2017 and 2016 are comprised of the following:

Tax characteristics		
of distributions:	2017	2016
Ordinary income	\$ 4,127,125	\$ 2,423,544

Capital gains	942,627	-
Return of capital	1,331,440	8,168,833
Total distribution	\$ 6,401,192	\$ 10,592,377

As of December 31, 2017, the components of distributable earnings on a tax basis were as follows:

	\$ 36,289,060
Unrealized appreciation	

The difference between book and tax unrealized appreciation is primarily related to 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. The Fund utilized \$1,442,265 of capital loss carryover during the year ended December 31, 2017.

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. As a transition rule, post-enactment net capital losses are required to 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

## NOTES TO FINANCIAL STATEMENTS

## Financial Statements

to differences in partnership income, return of capital dividends, recharacterization of capital gain income, and timing of distributions. As of December 31, 2017, the Fund recorded the following financial reporting reclassifications to the net asset accounts to reflect those differences:

Accumulated Net Investment Income	Accumulated Net Realized Gains on Investments	Paid in Capital
\$879,197	\$386,362	\$(1,265,559)

**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. 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 is normally 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 approved 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 categorized in either level 2 or level 3 of the fair value hierarchy.

## NOTES TO FINANCIAL STATEMENTS

## Financial Statements

The following is a summary of the inputs used as of December 31, 2017 in valuing the Fund's assets. Refer to the Schedule of Portfolio Investments for detailed information on specific investments.

ASSETS	Level 1	Level 2	Level 3	Total
Investments, at value				
Common stocks	\$ 204,241,022	\$ -	\$ 0	\$ 204,241,022
Corporate bonds and notes	-	527,392	-	527,392
Reorganization interests	-	-	0	0
Master limited partnerships	3,923,435	-	-	3,923,435
Preferred stocks	5,393,411	-	-	5,393,411
Money market funds	33,077	-	-	433,077
Total investments, at value	\$ 213,990,945	\$ 527,392	\$ 0	\$ 214,518,337

There were no securities transferred from level 1 on December 31, 2016 to level 2 on December 31, 2017.

The following is a reconciliation of level 3 assets including securities valued at zero:

	Common Stocks	Total
--	------------------	-------

		Reorganization Interests	
Balance at December 31, 2016	\$ 0	\$ 0	\$ 0
Liquidation proceeds	(188,480)	(56,947)	(245,427)
Realized gain	-	56,947	56,947
Transfers into (out of) level 3	-	-	-
Change in unrealized depreciation	188,480	-	188,480
Balance at December 31, 2017	\$ 0	\$ 0	\$ 0
Net change in unrealized appreciation attributable to assets still held as level 3 at December 31, 2017	\$ -	\$ -	\$ -

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

The Investment Manager, under the direction of or pursuant to procedures approved by the Fund's Board of Trustees, considers various valuation techniques and inputs for valuing assets categorized within level 3 of the fair value hierarchy. These include, but are not limited to: the type of the security; the size of the asset; the initial cost of the security; the existence of any contractual restrictions on the security's disposition; prices of 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; an evaluation of the forces that influence the issuer and the market in which the asset is purchased and sold; multiples of earnings, cash flow, enterprise value, and similar measures; and the discount rate for lack of marketability. Significant changes in any of those techniques or inputs in isolation may result in a significantly lower or higher fair value measurement. The pricing of all fair value assets is regularly reported to the Fund's Board of Trustees.

## NOTES TO FINANCIAL STATEMENTS

## Financial Statements

The following table presents additional information about valuation techniques and inputs used for assets that are measured at fair value and categorized as level 3 as of December 31, 2017:

	Fair Value	Valuation Technique	Unobservable Input	Range
Common Stocks				
Services - Miscellaneous Repair Services	\$ 0	Share of taxable income and comparable exchange offer	Discount rate for lack of marketability	100%
Reorganization Interests	\$ 0	Cost; last known market value for predecessor securities; estimated recovery on liquidation	Discount rate for lack of marketability	100%

**5. INVESTMENT TRANSACTIONS** Purchases and proceeds from sales or maturities of investment securities, excluding short term investments, were \$71,732,618 and \$68,557,020, respectively, for the year ended December 31, 2017. As of December 31, 2017, for federal income tax purposes, the aggregate cost of securities was \$178,229,277 and net unrealized appreciation was \$36,289,060, comprised of gross unrealized appreciation of \$40,641,393 and gross unrealized depreciation of \$4,352,333.

**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, fair value pricing values may differ from the values that would have been used had a readily available or reliable market quotation for the securities existed. These differences in valuation could be material. Illiquid and/or restricted securities owned as of December 31, 2017 were as follows:

	Acquisition Date	Cost	Value
Aquilex Holdings LLC	3/08/12	\$ 307,892	\$ 0
Penson Technologies LLC	4/09/14	0	0
Total		\$ 307,892	\$ 0
Percent of net assets		0.17%	0.00%

**7. LIQUIDITY AGREEMENT** The Fund has a Liquidity Agreement (“LA”) with State Street Bank and Trust Company (“SSB”), the Fund’s custodian and securities lending agent. The LA allows the Fund to draw up to \$35 million (maximum liquidity commitment) and includes a securities lending authorization by the Fund to SSB to engage in agency securities lending and reverse repurchase activity.

Interest is charged on the drawn amount at the rate of one-month LIBOR (London Interbank Offered Rate) plus 1.20% per annum,

and is payable monthly. A non-usage fee is charged on the difference between the maximum liquidity commitment and the drawn amount at the rate of one-month LIBOR plus 0.07% per annum, and is payable monthly.

Generally, the Fund pledges its assets as collateral to secure its obligations under the LA and makes these assets available for securities lending and repurchase transactions initiated by SSB, although the Fund retains the risks and rewards of the ownership of assets pledged. Under the terms of the LA, the Fund may enter into securities lending transactions initiated by SSB, acting as the Fund’s authorized securities lending agent. All securities lent through SSB are required to be secured with cash collateral received from the securities lending counterparty in amounts at least equal to 100% of the initial market value of the securities lent. Cash collateral received by SSB, in its role as securities lending agent for the Fund, is credited against the amounts drawn under the LA. Any amounts credited against the LA are considered leverage and would be subject to various limitations in the LA and the Act, or both. Upon return of loaned securities, SSB will return collateral to the securities lending counterparty and may fund the amount of collateral returned through securities lending, repurchase, and/or other lending activities provided under the LA. Amounts paid by securities lending counterparties for loaned securities are retained by SSB.

In the event of a securities lending counterparty default, SSB is obligated to indemnify the Fund for certain losses that may arise in connection with the default and SSB may use the collateral received from the securities lending counterparty to purchase replacement securities of the same issue, type, class, and series of the loaned securities. If the value of the collateral is less than the purchase cost of the replacement securities, SSB is responsible for satisfying the shortfall but only to the extent that the shortfall is not due to any decrease in the value of the collateral. Although the risk of the loss of the securities lent can be mitigated by receiving collateral from





## NOTES TO FINANCIAL STATEMENTS

## Financial Statements

the securities lending counterparty and through SSB indemnification, the Fund could experience a delay in recovering securities or could experience a lower than expected return if the securities lending counterparty fails to return the securities on a timely basis.

The Fund or SSB may terminate the LA with 179 days' prior written notice to the other party absent a default or facility termination event. If certain asset coverage and collateral requirements, minimum net assets, or other covenants are not met, the LA could be deemed in default and be terminated.

The outstanding loan balance and the value of assets pledged as collateral as of December 31, 2017 were \$35,000,000 and \$13,803,062, respectively, and the weighted average interest rate and average daily amount outstanding under the LA for the year ended December 31, 2017 were 2.38% and \$9,994,186, respectively. The maximum amount outstanding during the year ended December 31, 2017 was \$35,000,000.

**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, 2017, there were 10,690,122 shares outstanding. Share transactions for the following periods were:

	Year Ended		Year Ended	
	December 31, 2017		December 31, 2016	
	Shares	Amount	Shares	Amount
<b>Shares issued in:</b>				
<b>Reinvestment of distributions</b>	40,951	\$ 506,033	91,916	\$ 1,031,696

On December 13, 2017, the Board of Trustees approved the terms of a non-transferable rights offering to Fund shareholders of record as of December 26, 2017 (the "Record Date") to purchase up to 3,600,000 additional shares of beneficial interest (the "Primary Subscription"). Record Date Shareholders received one right for each share of the Fund held on the Record Date. For every three rights held, a holder was entitled to buy one new share of the Fund. Shareholders who fully exercised all of their primary subscription rights were eligible for an over-subscription

privilege entitling those shareholders to subscribe, subject to certain limitations and subject to allotment, for additional shares covered by any unexercised rights. In addition, the Fund could increase the number of shares subject to subscription through the exercise of the over-allotment option by up to 25%. (see Note 17).

Offering costs incurred as a result of the rights offering, through December 31, 2017, were approximately \$42,489. Management estimates an additional \$177,511 of costs expected to be incurred, resulting in total offering costs of approximately \$220,000. The Statement of Assets and Liabilities reflects the current offering costs of \$42,489 as deferred rights offering expenses, which are primarily legal costs. These offering costs, as well as offering costs incurred subsequent to December 31, 2017, will be charged to paid in capital upon the exercise of the rights.

**9. MARKET AND CREDIT RISKS** The Fund may invest in below investment grade securities (commonly referred to as “junk” bonds). Below investment grade securities are regarded as being predominantly speculative as to the issuer’s ability to make payments of principal and interest. The risks associated with acquiring the securities of such issuers generally are greater than is the case with higher rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of below investment grade securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During periods of economic downturn, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer’s ability to service its debt obligations also may be adversely affected by specific issuer developments, the issuer’s inability to meet specific projected business forecasts, or the unavailability of additional financing. Therefore, there can be no assurance that in the future there will not exist a higher default rate relative to the rates currently existing in the market for below investment grade securities. The risk of loss due to default by the issuer is significantly greater for the holders of below investment grade securities because such securities may be unsecured and may be subordinate to other creditors of the issuer. 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.

NOTES TO FINANCIAL STATEMENTS

Financial Statements

**10. FOREIGN SECURITIES RISK** Investments in the securities of foreign issuers involve special risks which include changes in foreign exchange rates and the possibility of future adverse political, tax, and economic developments which could adversely affect the value of such securities. Moreover, securities of foreign issuers and securities traded in foreign markets may be less liquid and their prices more volatile than those of U.S. issuers and markets. In addition, in certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political, or social instability, or diplomatic developments that could affect U.S. investments in the securities of issuers domiciled in those countries.

**11. LEVERAGE RISK** The Fund from time to time may borrow under its LA to increase the assets in its investment portfolio over its net assets, a practice called leverage. Leverage borrowing creates an opportunity for increased return but, at the same time, involves special risk considerations. Leverage increases the likelihood of greater volatility of net asset value and market price of the Fund's shares. If the return that the Fund earns on the additional securities purchased fails to cover the interest and fees incurred on the monies borrowed, the net asset value of the Fund (and the return of the Fund) would be lower than if borrowing had not been incurred. In addition, when the Fund borrows at a variable interest rate, there is a risk that fluctuations in the interest rate may adversely affect the return to the Fund's shareholders. Interest payments and fees incurred in connection with such borrowings will reduce the amount of net income available for distribution to shareholders. There is no assurance that a borrowing strategy will be successful during any period in which it is employed. Borrowing on a secured basis results in certain additional risks. Should securities that are pledged as collateral to secure its obligations under the LA decline in value, the Fund may be required to pledge additional assets in the form of cash or securities to the lender to avoid liquidation of the pledged assets. In the event of a steep drop in the value of pledged securities, it might not be possible to liquidate assets quickly enough and this could result in mandatory liquidation of the pledged assets in a declining market at relatively low prices. Furthermore, the Investment Manager's ability to sell the pledged securities is limited by the terms of the LA, which may reduce the Fund's investment flexibility over the pledged securities. Because the fee paid to the Investment Manager is calculated on the basis of the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, which liabilities exclude debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock, the dollar amount of the management fee paid by the Fund to the Investment Manager will be higher (and the Investment Manager will benefit to that extent) when leverage is utilized.

**12. CYBERSECURITY RISK** With the increased use of technologies such as the Internet to conduct business, the Fund is susceptible to operational, information security, and related risks. Cyber incidents affecting the Fund or its service providers may cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to calculate its net asset value, impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional related costs.

**13. 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.

**14. 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 the years ended December 31, 2017 and 2016.

**15. OTHER INFORMATION** The Fund may at times raise cash for investment by issuing shares through one or more offerings, including rights offerings. Proceeds from any such offerings will be invested in accordance with the investment objectives and policies of the Fund.

**16. ACCOUNTING PRONOUNCEMENTS** In October 2016, the Securities and Exchange Commission (“SEC”) adopted investment company reporting modernization reforms which, among other things, amend Regulation S-X (“Regulation S-X Amendments”) to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. The compliance date for the Regulation S-X Amendments is for reporting period end dates on or after August 1, 2017. The Investment Manager determined that the impact of the Regulation S-X Amendments had no effect on the Fund’s net assets or results of operations including financial statement disclosures for the year ended December 31, 2017.

DIVIDEND AND INCOME FUND

Annual Report 2017

18

NOTES TO FINANCIAL STATEMENTS

Financial Statements

**17. SUBSEQUENT EVENT** On January 29, 2018, the Fund announced the completion and results of its non-transferable rights offering (the “Offer”) to shareholders of record on December 26, 2017.

The Offer commenced on December 27, 2017 and expired on January 26, 2018 (the “Expiration Date”). The subscription price per share was \$14.20, determined based upon a formula equal to 95% of the market price or 79% of the net asset value (“NAV”) per share, whichever is greater, on the Expiration Date. Market price

per share was determined based on the average of the last reported sales prices of a share on the New York Stock Exchange for the five trading days preceding the Expiration Date (not including the Expiration Date). For this purpose, the market price per share, using the formula described above, was \$14.07 and the NAV per share on the Expiration Date was \$17.98. The Offer resulted in total gross proceeds of \$23,497,606 and the issuance of 1,654,761 shares. The new shares were issued on February 2, 2018.

## FINANCIAL HIGHLIGHTS December 31, 2017

## Financial Statements

Year Ended December 31,

Per Share Operating Performance	2017	2016	2015	2014	2013
Net asset value, beginning of period	\$ 14.18	\$ 13.11	\$ 16.66	\$ 17.20	\$ 15.53
Income from investment operations: <sup>(1)</sup>					
Net investment income	0.16	0.25	0.31	0.34	0.40
Net realized and unrealized gain (loss) on investments	3.05	1.84	(1.68)	0.76	4.12
Total income from investment operations	3.21	2.09	(1.37)	1.10	4.52
Less distributions:					
Net investment income	(0.39)	(0.23)	(0.26)	(1.63)	(1.16)
Capital gains	(0.09)	-	-	-	-
Return of capital	(0.12)	(0.77)	(1.37)	-	(0.47)
Total distributions	(0.60)	(1.00)	(1.63)	(1.63)	(1.63)
Fund share transactions					
Effect of reinvestment of distributions	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)
Decrease in net asset value from rights offering	-	-	(0.53)	-	(1.21)
Total Fund share transactions	(0.01)	(0.02)	(0.55)	(0.01)	(1.22)
Net asset value, end of period	\$ 16.78	\$ 14.18	\$ 13.11	\$ 16.66	\$ 17.20
Market value, end of period	\$ 13.43	\$ 11.85	\$ 11.01	\$ 15.12	\$ 15.11
Total Return <sup>(2)</sup>					
Based on net asset value	24.09%	18.13%	(10.65)%	7.28%	23.35%
Based on market price	18.84%	17.55%	(17.32)%	10.83%	24.38%
Ratios/Supplemental Data <sup>(3)</sup>					
Net assets, end of period (000s omitted)	\$ 179,401	\$ 151,005	\$ 138,417	\$ 144,280	\$ 148,081

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

Ratios to average net assets of:					
Total expenses <sup>(4)</sup> <sup>(5)</sup>	1.77%	1.62%	1.65%	1.55%	1.87%
Net expenses <sup>(6)</sup>	1.77%	1.62%	1.65%	1.55%	1.87%
Net investment income	1.04%	1.85%	2.02%	1.94%	2.38%
Portfolio turnover rate	40%	69%	35%	52%	45%
Leverage analysis, end of period:					
Outstanding loan balance (000s omitted)	\$ 35,000	\$ 27,780	\$ 8,066	\$ 17,284	\$ 21,346
Asset coverage per \$1,000 <sup>(7)</sup>	\$ 6,126	\$ 6,436	\$ 18,161	\$ 9,347	\$ 7,937
Average commission rate paid	\$ 0.0174	\$ 0.0143	\$ 0.0185	\$ 0.0131	\$ 0.0139

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

(2) 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.

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

(4) "Total expenses" are the expenses of the Fund as presented in the Statement of Operations before fee waivers and expense reductions.

(5) The ratio of total expenses excluding interest expense and fees incurred from the use of leverage to average net assets was 1.44%, 1.46%, 1.51%, 1.47% and 1.72% for the years ended December 31, 2017, 2016, 2015, 2014, and 2013, respectively.

(6) "Net expenses" are the expenses of the Fund presented in the Statement of Operations after fee waivers and expense reductions.

(7) Represents the value of total assets less liabilities not represented by senior securities representing indebtedness divided by the total number of senior indebtedness units, where one unit equals \$1,000 of senior indebtedness. For purposes of this calculation, the LA is considered a senior security representing indebtedness.



See notes to financial statements.

**DIVIDEND AND INCOME FUND**

Annual Report 2017

20

---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Financial Statements

To the Shareholders and Board of Trustees of

Dividend and Income Fund

New York, New York

#### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of Dividend and Income Fund (the “Fund”), including the schedule of investments, as of December 31, 2017, the related statement of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as the Fund’s auditor since 2011.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

owned as of December 31, 2017 by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania

February 26, 2018

21 Annual Report 2017 **DIVIDEND AND INCOME FUND**

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

POLICIES AND UPDATES (Unaudited)

Additional Information

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 policies and restrictions 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 or 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.

Limitations on Ownership

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.

Shelf Registration Statement

The Fund has filed a shelf registration statement with the SEC allowing it to issue an additional \$150 million shares of beneficial interest. Under the shelf registration statement, which was declared effective on June 30, 2015, and will terminate three years later, the Fund, subject to market conditions, may raise additional equity capital from time to time in varying amounts and utilizing various offering methods. While raising additional equity capital by selling new shares may allow the Fund to pursue additional investment opportunities without the need to sell existing portfolio investments, it also entails risks — including that the issuance of additional shares of beneficial interest may reduce the premium or increase the discount at which the Fund's shares trade to net asset value in the secondary market. On September 28, 2015, pursuant to the first take-down under the shelf registration statement involving a rights offering, 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. On November 2, 2015, the Fund issued 1,821,255 shares of beneficial interest and recorded proceeds of \$21,162,983, prior to the deduction of shelf and rights offering expenses of \$276,827. On December 26, 2017, pursuant to the second takedown under the shelf registration statement involving a rights offering, shareholders of the Fund received one nontransferable right for each share of the Fund held on that date rounded up to the nearest number of rights evenly divisible by three. On February 2, 2018, the Fund issued

1,654,761 shares of beneficial interest and recorded proceeds of \$23,497,606, prior to the deduction of shelf and rights offering expenses estimated to be approximately \$220,000. Future offerings under the shelf registration statement, if any, will be made pursuant to a prospectus supplement, which will contain detailed information regarding the offering and should be reviewed carefully before investing. This report is not an offer to sell Fund shares and is not a solicitation of an offer to buy Fund shares in any jurisdiction where the offers or sales are not permitted.

#### Proxy Voting

The Fund's Proxy Voting Guidelines, which describe the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities, as well as its proxy 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 operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund makes the Forms N-Q available on its website at [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com).

---

POLICIES AND UPDATES

(Unaudited)

Additional Information

Exclusive Forum

In October 2017, the Fund's bylaws ("Bylaws") were amended to provide that, unless the Fund consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, in the event that the Court of Chancery does not have jurisdiction, the Superior Court of the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Fund, (ii) any action asserting a claim of breach of any duty owed by any trustee or officer or other employee of the Fund to the Fund or to the shareholders of the Fund, including record and beneficial owners, (iii) any action asserting a claim against the Fund or any trustee or officer or other employee of the Fund arising pursuant to any provision of the Delaware Statutory Trust Act, the Fund's Amended and Restated Agreement and Declaration of Trust (the "Declaration of Trust"), or the Bylaws, (iv) any action to interpret, apply, enforce or determine the validity of the Declaration of Trust or the Bylaws (collectively, the "Governing Documents"), or (v) any action asserting a claim against the Fund or any trustee or officer or other employee of the Fund that is governed by the internal affairs doctrine. The Governing Documents further provide that, if any such action is filed in a court other than the Court of Chancery of the State of Delaware, the Superior Court of the State of Delaware, or the federal

district court for the District of Delaware (a "Foreign Action") in the name of any shareholder, such shareholder shall be deemed to have consented to (i) the personal jurisdiction of the Court of Chancery of the State of Delaware, the Superior Court of the State of Delaware, and the federal district court for the District of Delaware in connection with any action brought in any such court to enforce this provision, and (ii) having service of process made upon such shareholder in any such action by service upon such shareholder's counsel in the Foreign Action as agent for such shareholder.

The provisions of the 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 or bringing litigation against the Fund and/or any trustee, officer, employee or affiliate thereof. 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 <http://www.DividendandIncomeFund.com>.

## DIVIDENDS (Unaudited)


 Additional Information

## Distributions

The Fund's current distribution policy is to provide shareholders with a relatively stable cash flow per share. There is no guarantee that the Fund's current distribution policy will reduce or eliminate the Fund's market price discount to its net asset value per share and the Fund's trustees have no fiduciary duty to take action, or to consider taking any action, to narrow any such discount. The policy may be changed or discontinued without notice. The distributions are paid from net investment 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

## 2018 Quarterly Distribution Dates

Declaration	Record	Payment
March 1	March 15	March 29
June 1	June 15	June 29
September 4	September 18	September 28
December 3	December 17	December 28

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. 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. After year end, 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.

## HISTORICAL DISTRIBUTION SUMMARY\*

PERIOD	Investment Income	Return of Capital	Capital Gains	Total
2017	\$ 0.39	\$ 0.12	\$ 0.09	\$ 0.60

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

2016	\$ 0.23	\$ 0.77	\$ -	\$ 1.00
2015	\$ 0.26	\$ 1.37	\$ -	\$ 1.63
2014**	\$ 1.63	\$ -	\$ -	\$ 1.63
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.

\*\* Includes net capital gains recognized in the year and distributable as ordinary income in accordance with tax regulations.



DIVIDENDS (Unaudited)

Additional Information

Terms and Conditions of the 2015 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 by notice to 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.

DIVIDENDS (Unaudited)

Additional Information

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 at 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.

**DIVIDEND AND INCOME FUND**

Annual Report 2017

26

TRUSTEES

(Unaudited)

Additional Information

The following table sets forth certain information concerning the trustees currently serving on the Board of Trustees of the Fund. The trustees of each class shall serve for terms of three years and then carryover until their successors are elected and qualify.

INDEPENDENT TRUSTEES <sup>(1)</sup>					
Name, Address <sup>(2)</sup> , and Date of Birth	Position(s) Held with the Fund	Trustee Since	Principal Occupation(s) For the Past Five Years	Number of	Other
				Portfolios in Fund Complex Overseen by Trustee <sup>(3)</sup>	Directorships Held by Trustee <sup>(4)</sup> During the Past Five Years
ROGER ATKINSON <sup>(5)</sup>  January 25,1961	Class I Trustee	2018	Since 2007, Mr. Atkinson has served as a manager with CellMark Inc., a pulp and paper trading company. His responsibilities include directing trading activity, acquisitions, and risk management.	1	None

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

<p>PETER K. WERNER August 16, 1959</p>	<p>Class II Trustee</p>	<p>2011</p>	<p>Since 1996, Mr. Werner has taught, directed, and coached many programs at The Governor’s Academy of Byfield, MA. Currently, he teaches economics and history at the Governor’s Academy. 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.</p>	<p>4</p>	<p>None</p>
<p>JON TÓMASSON September 20,1958</p>	<p>Class III Trustee</p>	<p>2017</p>	<p>Since 2002, Mr. Tómasson has served as the Chief Executive Officer of Vinland Capital Investments, LLC, a real estate investment company that he founded. Prior to starting Vinland, Mr. Tómasson was a principal with Cardinal Capital Partners, a leading investor in single-tenant net-leased property, and served as a Vice President at Citigroup in the Global Real Estate Equity and Structured Finance group, part of the Real Estate Investment Bank, with both transactional and various management responsibilities.</p>	<p>4</p>	<p>Eagle Bulk Shipping Inc.<sup>(8)</sup></p>

## INTERESTED TRUSTEE

<p>THOMAS B. WINMILL<sup>(6)</sup> <sup>(7)</sup>          PO Box 4, Walpole,          NH 03608          June 25, 1959</p>	<p>Class II          Trustee;          Chairman,          President,          Chief          Executive          Officer,          Chief          Legal          Officer</p>	<p>2011</p>	<p>Mr. Winmill is Chairman, President, Chief Executive Officer, Chief and Legal Officer of the Fund, Foxby Corp., and Midas Series Trust. He is a Director or Manager, President, Chief Executive Officer, and Chief Legal Officer 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 (a holding company) (“Bexil”) and Winmill &amp; Co. Incorporated (a holding company) (“Winco”). He is a Director of Global Self Storage, Inc. (a self storage REIT) (“SELF”) and Bexil American Mortgage Inc. He is Chairman of the Investment Policy Committee of each of the Advisers (the “IPCs”), and he is a portfolio manager of the Fund, Foxby Corp., Midas Fund, and Midas Magic. He is a member of the New York State Bar and the SEC Rules Committee of the Investment Company</p>	<p>4</p>	<p>Global Self Storage, Inc.           Eagle Bulk Shipping Inc.<sup>(8)</sup></p>
--	---	-------------	--	----------	---

Institute.

(1) Refers to trustees who are not “interested persons” of the Fund as defined under the Act. Mr. Bruce B. Huber resigned as a trustee from the Board of Trustees of the Fund effective as of January 29, 2018. (2) Unless otherwise noted, the address of record of the trustees is 11 Hanover Square, New York, New York, 10005. (3) The “Fund Complex” is comprised of the Fund, Foxby Corp., and Midas Series Trust (with two series) which are managed by the Investment Manager or its affiliates. (4) Refers to directorships and trusteeships held by a trustee during the past five years 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. (5) Mr. Atkinson was elected by the Board of Trustees to serve as a trustee of the Fund effective as of January 29, 2018. (6) Thomas B. Winmill is an “interested person” (as defined in the Act) of the Fund due to his affiliation with the Investment Manager. (7) Thomas B. Winmill and Mark C. Winmill are brothers; Thomas B. Winmill and William M. Winmill are father and son, respectively; William M. Winmill is the nephew of Mark C. Winmill. (8) Thomas B. Winmill and Jon Tomasson ceased serving as directors of Eagle Bulk Shipping Inc. in 2014.

Messrs. Tómasson, Atkinson, 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.



OFFICERS (Unaudited)

Additional Information

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

EXECUTIVE OFFICERS			
Name, Address <sup>(1)</sup> , and Date of Birth	Position(s) Held with the Fund	Officer Since <sup>(2)</sup>	Principal Occupation(s) for the Past Five Years
Russell Kamerman, Esq.  July 8, 1982	Chief Compliance  Officer, Secretary, and General Counsel	2014	Chief Compliance Officer (since 2014), Secretary (since 2017), and General Counsel (since 2017) of the other investment companies in the Fund Complex, the Advisers, the Broker-Dealers, and Bexil. He is Assistant Chief Compliance Officer, Assistant Secretary, and Assistant General Counsel of SELF, Winco, and Tuxis Corporation (a real estate company) (“Tuxis”). From December 2014 to June 2017, Mr. Kamerman served as Anti-Money Laundering Officer of the other investment companies in the Fund Complex, the Advisers, Bexil, SELF, Winco and Tuxis. He is a member of the New York State Bar and the Chief Compliance Officer Committee and the Advertising Compliance Advisory Committee of the Investment Company Institute. Previously, he was an attorney in private practice focusing on regulatory, compliance, and other general corporate matters relating to the structure, formation, and operation of investment funds and investment advisers.

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

<p>Heidi Keating March 28, 1959</p>	<p>Vice President</p>	<p>Fund: 2012 Predecessor Fund: 2011</p>	<p>Vice President of the other investment companies in the Fund Complex, the Advisers, Bexil, SELF, Tuxis, and Winco. She is a member of the IPCs.</p>
<p>Donald Klimoski II, Esq. September 24, 1980</p>	<p>Assistant Secretary, Assistant General Counsel, and Assistant Chief Compliance Officer</p>	<p>2017</p>	<p>Assistant Secretary, Assistant General Counsel, and Assistant Chief Compliance Officer of the other investment companies in the Fund Complex, the Advisers, and Bexil. He is Chief Compliance Officer, Secretary, and General Counsel of SELF, Winco, and Tuxis. He is a member of the New York, New Jersey and Patent Bars and the Compliance Advisory Committee of the Investment Company Institute. Previously, he served as Associate General Counsel of Commvault Systems, Inc. Prior to that, he was an associate at Sullivan &amp; Cromwell LLP, where his practice focused on mergers and acquisitions, securities law, corporate governance, intellectual property and related matters.</p>
<p>Thomas O'Malley July 22, 1958</p>	<p>Chief Accounting Officer, Chief Financial Officer, Treasurer, and Vice President</p>	<p>Fund: 2012 Predecessor Fund: 2011</p>	<p>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, SELF, Tuxis, and Winco. He is a certified public accountant.</p>
<p>Mark C. Winmill <sup>(3)</sup> November 26, 1957</p>	<p>Vice President</p>	<p>2012</p>	<p>Vice President of the other investment companies in the Fund Complex and Midas Management Corporation. He is a member of the IPCs. He is President, Chief Executive Officer, Chairman, and a Director of SELF and Tuxis. He is Executive Vice President and a Director of Winco, and a principal of the Broker-Dealers.</p>
<p>William M. Winmill <sup>(3)</sup> December 29, 1991</p>	<p>Vice President</p>	<p>2017</p>	<p>Vice President or Assistant Vice President of the other investment companies in the Fund Complex, the Advisers, Bexil, SELF, Tuxis, and Winco. From 2014 to 2016, he served these companies as Compliance Assistant and</p>

Accounting Assistant, after graduating from Bowdoin College in 2014. He is a member of the IPCs, and he is a portfolio manager of Dividend and Income Fund and Foxby Corp.

(1) Unless otherwise noted, the address of record of the officers is 11 Hanover Square, New York, New York, 10005. (2) 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 13, 2017. (3) Thomas B. Winmill and Mark C. Winmill are brothers; Thomas B. Winmill and William M. Winmill are father and son, respectively; William M. Winmill is the nephew of Mark C. Winmill.

Rev. 7/2017

PRIVACY POLICY

**FACTS**

**WHAT DOES DIVIDEND AND INCOME FUND DO WITH YOUR PERSONAL INFORMATION?**

**Why?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

**What?**

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number      Transaction or loss history
- Account balances              Account transactions
- Transaction history            Retirement assets

When you are *no longer* our customer, we continue to share your information as described in this notice.

**How?**

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Dividend and Income Fund chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Dividend and Income Fund share?	Can you limit this sharing?
--	--------------------------------------	-----------------------------

<b>For our everyday business purposes –</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes –</b> to offer our products and services to you	Yes	No
For joint marketing with other nonaffiliated financial companies	No	We don't share
<b>For our affiliates' everyday business purposes –</b> Information about your transactions and experiences	No	We don't share
<b>For our affiliates' everyday business purposes –</b> Information about your creditworthiness	No	We don't share
For our affiliates to market to you	Yes	Yes
For nonaffiliates to market to you	No	We don't share

**To Limit Sharing**

Call Dividend and Income Fund at 212-785-0900 – our menu will prompt you through your choices;

or

Mail the form below

Please note:

If you are a new customer, we can begin sharing your information 30 days from the date we sent this notice. When you are *no longer* our customer, we continue to share your information as described in this notice.

However, you can contact us at any time to limit our sharing.

Questions?

Call Dividend and Income Fund at 1-212-785-0900 or go to [www.dividendandincomefund.com](http://www.dividendandincomefund.com)

Mail-in Form

**Leave Blank or**

[If you have a joint

account, your choice will apply to everyone on

your account unless you

Apply my choice only to me]

Mark if you want to limit:

Do not allow your affiliates to use my personal information to market to me.

Name

Address

City, State, Zip

Account #

**Mail to:**

Dividend and Income Fund  
11 Hanover Square, 12<sup>th</sup>

Floor

New York, NY 10005

Who we are

Who is providing this notice? Dividend and Income Fund

What we do

**How does Dividend and Income Fund protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

**How does Dividend and Income Fund collect my personal information?**

We collect your personal information, for example, when you

Open an account

Buy securities from us

Provide account information

Give us your contact information

Tell us where to send the money

**Why can't I limit all sharing?**

Federal law gives you the right to limit only

Sharing for affiliates' everyday business purposes – information about your creditworthiness

Affiliates from using your information to market to you

Sharing for nonaffiliates to market to you

What happens when I limit sharing for an account I hold jointly with someone else?

State laws and individual companies may give you additional rights to limit sharing.  
Your choices will apply to everyone on your account – unless you tell us otherwise.

## Definitions

**Affiliates** Companies related by common ownership or control. They can be financial and nonfinancial companies.

*Dividend and Income Fund shares with our affiliates.*

**Nonaffiliates** Companies not related by common ownership or control. They can be financial and nonfinancial companies.

*Dividend and Income Fund does not share with nonaffiliates so they can market their financial products or services to you.*

**Joint marketing** A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

*Dividend and Income Fund does not jointly market.*



GENERAL INFORMATION (Unaudited)

Additional Information

STOCK DATA AT DECEMBER 31, 2017

NYSE Market Price per Share	\$16.78
Net Asset Value per Share	\$13.43
Market Price Discount to Net Asset Value	20.0%
NYSE Ticker Symbol	DNI
Net Asset Value Ticker Symbol	XDNIX
CUSIP Number	25538A204

DividendandIncomeFund.com

Visit us on the web at

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

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

Investment Manager

Bexil Advisers LLC

11 Hanover Square

New York, NY 10005

1-212-785-0900

Dividend and Income Fund is a part of a fund complex which includes Midas Fund, Midas Magic, and Foxby Corp.

**Please note** - There is no assurance that the Fund's investment objectives will be attained. Past performance is no guarantee of future results. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The Fund's investment policies, management fees, and other matters of interest to investors may be found in its filings with the SEC, including its annual and semi-annual reports. To obtain a copy of the reports, please call 212-785-0900 or visit [www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com).

Shares of closed end funds frequently trade at a discount from their Net Asset Value ("NAV"). This characteristic is a risk separate and distinct from the risk that the Fund's NAV could decrease as a result of its investment activities. Neither the Fund nor its Investment Manager can predict whether shares of the Fund will trade at, below, or above NAV. The risk of holding shares of the Fund that might trade at a discount is more pronounced for investors expecting to sell their shares in a relatively short period of time after acquiring them because, for those investors, realization of a

gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. The shares of the Fund are designed primarily for long term investors and should not be considered a vehicle for trading purposes. The NAV of the Fund shares typically will fluctuate with price changes of the Fund's portfolio securities, and these fluctuations are likely to be greater in the case of a fund which uses leverage, as the Fund may from time to time. In the event that shares of the Fund trade at a premium to NAV, there is no assurance that any such premium will be sustained for any period of time and will not decrease, or that the shares of the Fund will not trade at a discount to NAV thereafter. The market price for the Fund is based on supply and demand which fluctuates daily based on many factors, such as economic conditions and global events, investor sentiment, and security-specific factors.

This report, including the financial statements herein, is provided for informational purposes only. 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 report 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.

The Fund does not make available copies of its Statement of Additional Information because the Fund's shares are not continuously offered, which means that the Fund's Statement of Additional Information has not been updated since completion of the Fund's most recent offering and the information contained in the Fund's Statement of Additional may have become outdated.

Investment products, including shares of the Fund, are not federally or FDIC insured, are not deposits or obligations of, or guaranteed by, any financial institution and involve investment risk, including possible loss of principal and fluctuation in value. Consult with your tax advisor or attorney regarding specific tax issues.

**Cautionary Note Regarding Forward Looking Statements** - Certain information presented in this report may contain "forward looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Forward looking statements include, but are not limited to, statements concerning the Fund's plans, objectives, goals, strategies, future events, future performance, intentions, and other information that is not historical information. In some cases, forward looking statements can be identified by terminology such as "believes," "expects," "estimates," "may," "will," "should," "anticipates," or "intends," or the negative of such terms or other comparable terminology, or by discussions of strategy. All forward looking statements by the Fund involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Fund, which may cause the Fund's actual results to be materially different from those expressed or implied by such statements. The Fund may also make additional forward looking statements from time to time. All such subsequent forward looking statements, whether written or oral, by the Fund or on its behalf, are also expressly qualified by these cautionary statements. You should carefully consider the risks, uncertainties, and other factors, together with all of the other information included in the Fund's filings with the SEC, and similar information. All forward looking statements apply only as of the date made. The Fund undertakes no obligation to publicly update or revise forward looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

**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.

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

This report is for shareholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares.

NOT FDIC INSURED    MAY LOSE VALUE    NOT BANK GUARANTEED

31    Annual Report 2017     DIVIDEND AND INCOME FUND



Item 2. Code of Ethics.

- The registrant has adopted a code of ethics (the "Code") that applies to its principal executive officer, principal
- (a) financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
  - (b) No information need be disclosed pursuant to this paragraph.
  - (c) Not applicable.
  - (d) Not applicable.
  - (e) Not applicable.
  - (f) The text of the Code can be viewed on the registrant's website, [www.dividendandincomefund.com](http://www.dividendandincomefund.com), or a copy of the Code may be obtained free of charge by calling the registrant collect at 1-212-785-0900.

Item 3. Audit Committee Financial Expert.

The registrant's Board of Trustees has determined that it has three "audit committee financial experts" serving on its audit committee, each of whom are "independent" Trustees: Jon Tómasson, Richard A. Atkinson, and Peter K. Werner. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification. The designation or identification of a person as an audit committee financial expert pursuant to this Item does not affect the duties, obligations, or liability of any other member of the audit committee or Board of Trustees.

Item 4. Principal Accountant Fees and Services.

- The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal
- (a) accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are as follows:

AUDIT FEES

2017 - \$32,000

2016 - \$31,500

- The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal
- (b) accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item are as follows:

AUDIT-RELATED FEES

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

2017 - \$2,000  
2016 - \$1,500

Audit-related fees include amounts reasonably related to the performance of the audit of the registrant's financial statements, including the issuance of a report on internal controls and review of periodic reporting.

- (c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are as follows:

TAX FEES

2017 - \$5,250  
2016 - \$5,250

Tax fees include amounts related to tax compliance, tax planning, and tax advice.

- (d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are as follows:

ALL OTHER FEES

2017 - \$0  
2016 - \$0

All other fees consist of the aggregate fees billed for products and services provided by the principal accountant other than audit, audit-related, and tax services.

- (1) Pursuant to the registrant's Audit Committee Charter, the Audit Committee shall consider for pre-approval any audit and non-audit services proposed to be provided by the auditors to the registrant and any non-audit services proposed to be provided by such auditors to the registrant's Investment Manager, if the engagement relates directly to the registrant's operations or financial reporting. In those situations when it is not convenient to obtain full Audit Committee approval, the Chairman of the Audit Committee is delegated the authority to grant pre-approvals of audit, audit-related, tax, and all other services so long as all such pre-approved decisions are reviewed with the full Audit Committee at its next scheduled meeting. Such pre-approval of non-audit services proposed to be provided by the auditors to the registrant is not necessary, however, under the following circumstances: (1) all such services do not aggregate to more than 5% of total revenues paid by the registrant to the auditor in the fiscal year in which services are provided, (2) such services were not recognized as non-audit services at the time of the engagement, and (3) such services are brought to the attention of the Audit Committee, and approved by the Audit Committee, prior to the completion of the audit.
- (e)

(2) No services included in (b) - (d) above were approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

- (f) Not applicable.

- (g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio

management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant were \$54,250 in 2017 and \$53,750 in 2016.

- (h) The registrant's audit committee has determined that the provision of non-audit services that were rendered by accountant to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

#### Item 5. Audit Committee of Listed Registrants.

The registrant has a standing audit committee. Currently, the members of the audit committee are Jon Tómasson, Richard A. Atkinson, and Peter K. Werner.

#### Item 6. Investments.

Included as part of the report to shareholders filed under Item 1 of this Form.

#### Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The registrant's proxy voting policies and procedures are set forth below.

#### AMENDED PROXY VOTING POLICIES AND PROCEDURES

Each of Midas Series Trust, on behalf of Midas Fund and Midas Magic, Dividend and Income Fund and Foxby Corp. (each, a "Fund," and together, the "Funds") will seek to vote its proxies in its own best interests, and without regard to the best interests of such Fund's investment manager.

##### 1. Delegation to Proxy Service Provider

Each Fund delegates the responsibility for voting proxies of portfolio companies held in such Fund's portfolio to Institutional Shareholder Services (the "Proxy Firm"). A concise summary of the Proxy Voting Guidelines of the Proxy Firm (see attached) is incorporated by reference herein as each Fund's proxy voting policies and procedures, as supplemented by the terms hereof. Each Fund retains the right to override the delegation to the Proxy Firm on a case-by-case basis, in which case the ADDENDUM – NON-DELEGATED PROXY VOTING POLICIES AND PROCEDURES supersede the Proxy Voting Guidelines of the Proxy Firm in their entirety.

##### 2. Conflicts of Interest

With respect to a vote upon which a Fund overrides the delegation to the Proxy Firm, to the extent that such vote presents a material conflict of interest between the Fund and its investment manager or any affiliated person of the investment manager, the Fund normally will disclose such conflict to, and obtain consent from, the Independent Trustees or Directors, as applicable, or a committee thereof, prior to voting the proxy. Such material conflicts may arise, for example, from the following relationships: (i) the issuer is an investor in a Fund; (ii) the issuer has a material business relationship with a Fund; (iii) the proponent of a proxy proposal has a business relationship with the

Fund; (iv) a Fund has material business relationships with candidates for director in a proxy contest; or (v) an employee of a Fund or its affiliates has a personal interest in the outcome of a particular matter. This list provides examples of possible conflicts of interest and is not meant to be comprehensive. Each employee must notify the Funds' Chief Compliance Officer of any potential conflicts of interest of which he or she is aware.

In addition, if the Fund becomes aware of a material conflict of interest between the Proxy Firm and a portfolio company, the Fund will determine, on a case-by-case basis, whether to override the delegation to the Proxy Firm.

### 3. Review of and Response to Errors

If a Fund becomes aware of any material errors made by the Proxy Firm, it will take reasonable steps to investigate the error and seek to determine whether the Proxy Firm is taking reasonable steps to seek to reduce similar errors in the future. The Fund will document responsive actions taken in connection with any material errors made by the Proxy Firm.

### 4. Ongoing Due Diligence

On at least an annual basis, the Funds will:

- i. Review the adequacy of these proxy voting policies and procedures;
- ii. Assess whether the Proxy Firm has properly submitted the voting instructions on behalf of the Funds;
- iii. Review the Proxy Voting Guidelines of the Proxy Firm; and
- iv. Request the Proxy Firm to provide information about, among other things, changes to its policies and procedures.

## ADDENDUM

### NON-DELEGATED PROXY VOTING POLICIES AND PROCEDURES

These proxy voting policies and procedures are intended to provide general guidelines regarding the issues they address. As such, they cannot be "violated." In each case the vote generally will be based on maximizing shareholder value over the long term, as consistent with overall investment objectives and policies.

#### Board and Governance Issues

##### Board of Director Composition

Typically, we will not object to slates with at least a majority of independent directors.

We generally will not object to shareholder proposals that request that the board audit, compensation and/or nominating committees include independent directors exclusively.

##### Approval of IRPAF

We will evaluate on a case-by-case basis instances in which the audit firm has a significant audit relationship with the company to determine whether we believe independence has been compromised.



## Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

We will review and evaluate the resolutions seeking ratification of the auditor when fees for financial systems design and implementation substantially exceed audit and all other fees, as this can compromise the independence of the auditor.

We will carefully review and evaluate the election of the audit committee chair if the audit committee recommends an auditor whose fees for financial systems design and implementation substantially exceed audit and all other fees, as this can compromise the independence of the auditor.

### Increase Authorized Common Stock

We will generally support the authorization of additional common stock necessary to facilitate a stock split.

We will generally support the authorization of additional common stock.

### Blank Check Preferred Stock

Blank check preferred is stock with a fixed dividend and a preferential claim on company assets relative to common shares. The terms of the stock (voting, dividend and conversion rights) are determined at the discretion of the Board when the stock is issued. Although such an issue can in theory be used for financing purposes, often it has been used in connection with a takeover defense. Accordingly, we will generally evaluate the creation of blank check preferred stock.

### Classified or "Staggered" Board

On a classified (or staggered) board, directors are divided into separate classes (usually three) with directors in each class elected to overlapping three-year terms. Companies argue that such boards offer continuity in direction which promotes long-term planning. However, in some instances they may serve to deter unwanted takeovers since a potential buyer would have to wait at least two years to gain a majority of board seats.

We will vote on a case-by-case basis on issues involving classified boards.

### Supermajority Vote Requirements

Supermajority vote requirements in a company charter or bylaws require a level of voting approval in excess of simple majority. Generally, supermajority provisions require at least 2/3 affirmative vote for passage of issues.

We will vote on a case-by-case basis regarding issues involving supermajority voting.

### Restrictions on Shareholders to Act by Written Consent

Written consent allows shareholders to initiate and carry out a shareholder action without waiting until the annual meeting or by calling a special meeting. It permits action to be taken by the written consent of the same percentage or outstanding shares that would be required to effect the proposed action at a shareholder meeting.

We will generally not object to proposals seeking to preserve the right of shareholders to act by written consent.

### Restrictions on Shareholders to Call Meetings

We will generally not object to proposals seeking to preserve the right of the shareholders to call meetings.

### Limitations, Director Liability and Indemnification

Because of increased litigation brought against directors of corporations and the increase costs of director liability insurance, many states have passed laws limiting director liability for those acting in good faith. Shareholders, however, often must opt into such statutes. In addition, many companies are seeking to add indemnification of directors to corporate bylaws.

We will generally support director liability and indemnification resolutions because it is important for companies to be able to attract the most qualified individuals to their boards.

#### Reincorporation

Corporations are in general bound by the laws of the state in which they are incorporated. Companies reincorporate for a variety of reasons including shifting incorporation to a state where the company has its most active operations or corporate headquarters, or shifting incorporation to take advantage of state corporate takeovers laws.

We typically will not object to reincorporation proposals.

#### Cumulative Voting

Cumulative voting allows shareholders to cumulate their votes behind one or a few directors running for the board that is, cast more than one vote for a director thereby helping a minority of shareholders to win board representation. Cumulative voting generally gives minority shareholders an opportunity to effect change in corporate affairs.

We typically will not object to proposals to adopt cumulative voting in the election of directors.

#### Dual Classes of Stock

In order to maintain corporate control in the hands of a certain group of shareholders, companies may seek to create multiple classes of stock with differing rights pertaining to voting and dividends.

We will vote on a case-by-case basis dual classes of stock. However, we will typically not object to dual classes of stock.

#### Limit Directors Tenure

In general, corporate directors may stand for re-election indefinitely. Opponents of this practice suggest that limited tenure would inject new perspectives into the boardroom as well as possibly creating room for directors from diverse backgrounds; however, continuity is important to corporate leadership and in some instances alternative means may be explored for injecting new ideas or members from diverse backgrounds into corporate boardrooms.

Accordingly, we will vote on a case-by-case basis regarding attempts to limit director tenure.

#### Minimum Director Stock Ownership

The director share ownership proposal requires that all corporate directors own a minimum number of shares in the corporation. The purpose of this resolution is to encourage directors to have the same interest as other shareholders.

We normally will not object to resolutions that require corporate directors to own shares in the company.

#### Executive Compensation

## Disclosure of CEO, Executive, Board and Management Compensation

On a case-by-case basis, we will support shareholder resolutions requesting companies to disclose the salaries of top management and the Board of Directors.

## Compensation for CEO, Executive, Board and Management

We typically will not object to proposals regarding executive compensation if we believe the compensation clearly does not reflect the current and future circumstances of the company.

## Formation and Independence of Compensation Review Committee

We normally will not object to shareholder resolutions requesting the formation of a committee of independent directors to review and examine executive compensation.

## Stock Options for Board and Executives

We will generally review the overall impact of stock option plans that in total offer greater than 25% of shares outstanding because of voting and earnings dilution.

We will vote on a case-by-case basis option programs that allow the repricing of underwater options.

In most cases, we will oppose stock option plans that have option exercise prices below the marketplace on the day of the grant.

Generally, we will support options programs for outside directors subject to the same constraints previously described.

## Employee Stock Ownership Plan (ESOPs)

We will generally not object to ESOPs created to promote active employee ownership. However, we will generally oppose any ESOP whose purpose is to prevent a corporate takeover.

## Changes to Charter or By-Laws

We will conduct a case-by-case review of the proposed changes with the voting decision resting on whether the proposed changes are in shareholder best interests.

## Confidential Voting

Typically, proxy voting differs from voting in political elections in that the company is made aware of shareholder votes as they are cast. This enables management to contact dissenting shareholders in an attempt to get them to change their votes.

We generally will not object to confidential voting.

## Equal Access to Proxy

Equal access proposals ask companies to give shareholders access to proxy materials to state their views on contested issues, including director nominations. In some cases they would actually allow shareholders to nominate directors. Companies suggest that such proposals would make an increasingly complex process even more burdensome.

In general, we will not oppose resolutions for equal access proposals.

#### Golden Parachutes

Golden parachutes are severance payments to top executives who are terminated or demoted pursuant to a takeover. Companies argue that such provisions are necessary to keep executives from "jumping ship" during potential takeover attempts.

We will not object to the right of shareholders to vote on golden parachutes because they go above and beyond ordinary compensation practices. In evaluating a particular golden parachute, we will examine if considered material total management compensation, the employees covered by the plan, and the quality of management and all other factors deemed pertinent.

#### Mergers and Acquisitions

##### Mergers, Restructuring and Spin-offs

A merger, restructuring, or spin-off in some way affects a change in control of the company assets. In evaluating the merit of each issue, we will consider the terms of each proposal. This will include an analysis of the potential long-term value of the investment.

On a case by case basis, we will review management proposals for merger or restructuring to determine the extent to which the transaction appears to offer fair value and other proxy voting policies stated are not violated.

#### Poison Pills

Poison pills (or shareholder rights plans) are triggered by an unwanted takeover attempt and cause a variety of events to occur which may make the company financially less attractive to the suitor. Typically, directors have enacted these plans without shareholder approval. Most poison pill resolutions deal with putting poison pills up for a vote or repealing them altogether.

We typically will not object to most proposals to put rights plans up for a shareholder vote. In general, poison pills will be reviewed for the additional value provided to shareholders, if any.

#### Anti-Greenmail Proposals

Greenmail is the payment a corporate raider receives in exchange for his/her shares. This payment is usually at a premium to the market price, so while greenmail can ensure the continued independence of the company, it discriminates against other shareholders.

We generally will support anti-greenmail provisions.

#### Opt-Out of State Anti-takeover Law

A strategy for dealing with anti-takeover issues has been a shareholder resolution asking a company to opt-out of a particular state anti-takeover laws.

We generally will not object to bylaws changes requiring a company to opt out of state anti-takeover laws. Resolutions requiring companies to opt into state anti-takeover statutes generally will be subject to further review for appropriateness.

Other Situations

In the event an issue is not addressed in the above guidelines, we will determine on a case-by-case basis any proposals that may arise from management or shareholders. To the extent that a proposal from management does not infringe on shareholder rights, we will generally support management position. We may also elect to abstain or not vote on any given matter.

January 1, 2018

---

United States  
Concise Proxy Voting Guidelines  
Benchmark Policy Recommendations

Effective for Meetings on or after February 1, 2018

Published January 9, 2018

---

The policies contained herein are a sampling only of selected key ISS U.S. proxy voting guidelines, and are not intended to be exhaustive. The complete guidelines can be found at:

<https://www.issgovernance.com/policy-gateway/voting-policies/>

## BOARD OF DIRECTORS

### Voting on Director Nominees in Uncontested Elections

General Recommendation: Generally vote for director nominees, except under the following circumstances:

#### Independence

Vote against<sup>1</sup> or withhold from non-independent directors (Executive Directors and Non-Independent Non-Executive Directors per ISS' Categorization of Directors) when:

Independent directors comprise 50 percent or less of the board;

The non-independent director serves on the audit, compensation, or nominating committee;

The company lacks an audit, compensation, or nominating committee so that the full board functions as that committee; or

The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such a committee.

#### Composition

Attendance at Board and Committee Meetings: Generally vote against or withhold from directors (except new nominees, who should be considered case-by-case<sup>2</sup>) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following:

Medical issues/illness;

Family emergencies; and

Missing only one meeting (when the total of all meetings is three or fewer).

If the proxy disclosure is unclear and insufficient to determine whether a director attended at least 75 percent of the aggregate of his/her board and committee meetings during his/her period of service, vote against or withhold from the director(s) in question.

Overboarded Directors: Generally vote against or withhold from individual directors who:

Sit on more than five public company boards; or

Are CEOs of public companies who sit on the boards of more than two public companies besides their own—withhold only at their outside boards<sup>3</sup>.

Diversity: Highlight boards with no gender diversity. However, no adverse vote recommendations will be made due to any lack of gender diversity.

#### Responsiveness

Vote case-by-case on individual directors, committee members, or the entire board of directors as appropriate if:

The board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year. Factors that will be considered are:

Disclosed outreach efforts by the board to shareholders in the wake of the vote;

Rationale provided in the proxy statement for the level of implementation;

The subject matter of the proposal;

The level of support for and opposition to the resolution in past meetings;

Actions taken by the board in response to the majority vote and its engagement with shareholders;

The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and

Other factors as appropriate.

The board failed to act on takeover offers where the majority of shares are tendered;

At the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote.

Vote case-by-case on Compensation Committee members (or, in exceptional cases, the full board) and the Say on Pay proposal if:

The company's previous say-on-pay received the support of less than 70 percent of votes cast. Factors that will be considered are:

The company's response, including:

Disclosure of engagement efforts with major institutional investors, including the frequency and timing of engagements and the company participants (including whether independent directors participated);

Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition;

Disclosure of specific and meaningful actions taken to address shareholders' concerns;

Other recent compensation actions taken by the company;

Whether the issues raised are recurring or isolated;

The company's ownership structure; and

Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.

The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.

Accountability

Vote against or withhold from the entire board of directors (except new nominees<sup>4</sup>, who should be considered case-by-case) for the following:

Problematic Takeover Defenses/Governance Structure

Poison Pills: Vote against or withhold from all nominees (except new nominees, who should be considered case-by-case) if:

The company has a poison pill that was not approved by shareholders<sup>5</sup>. However, vote case-by-case on nominees if the board adopts an initial pill with a term of one year or less, depending on the disclosed rationale for the adoption, and other factors as relevant (such as a commitment to put any renewal to a shareholder vote).

The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval.

Classified Board Structure: The board is classified, and a continuing director responsible for a problematic governance issue at the board/committee level that would warrant a withhold/against vote recommendation is not up for election. All appropriate nominees (except new) may be held accountable.

Removal of Shareholder Discretion on Classified Boards: The company has opted into, or failed to opt out of, state laws requiring a classified board structure.

Director Performance Evaluation: The board lacks mechanisms to promote accountability and oversight, coupled with sustained poor performance relative to peers. Sustained poor performance is measured by one- and three-year total shareholder returns in the bottom half of a company's four-digit GICS industry group (Russell 3000 companies only).

Take into consideration the company's five-year total shareholder return and operational metrics. Problematic provisions include but are not limited to:

A classified board structure;

A supermajority vote requirement;

Either a plurality vote standard in uncontested director elections, or a majority vote standard in contested elections;

The inability of shareholders to call special meetings;

The inability of shareholders to act by written consent;

A multi-class capital structure; and/or

A non-shareholder-approved poison pill.

Unilateral Bylaw/Charter Amendments and Problematic Capital Structures: Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if the board amends the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors:

The board's rationale for adopting the bylaw/charter amendment without shareholder ratification;

Disclosure by the company of any significant engagement with shareholders regarding the amendment;



## Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

The level of impairment of shareholders' rights caused by the board's unilateral amendment to the bylaws/charter;  
The board's track record with regard to unilateral board action on bylaw/charter amendments or other entrenchment provisions;

The company's ownership structure;

The company's existing governance provisions;

The timing of the board's amendment to the bylaws/charter in connection with a significant business development; and

Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders.

Unless the adverse amendment is reversed or submitted to a binding shareholder vote, in subsequent years vote case-by-case on director nominees. Generally vote against (except new nominees, who should be considered case-by-case) if the directors:

Classified the board;

Adopted supermajority vote requirements to amend the bylaws or charter; or

Eliminated shareholders' ability to amend bylaws.

**Problematic Governance Structure - Newly public companies:** For newly public companies, generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopted bylaw or charter provisions materially adverse to shareholder rights, or implemented a multi-class capital structure in which the classes have unequal voting rights considering the following factors:

The level of impairment of shareholders' rights;

The disclosed rationale;

The ability to change the governance structure (e.g., limitations on shareholders' right to amend the bylaws or charter, or supermajority vote requirements to amend the bylaws or charter);

The ability of shareholders to hold directors accountable through annual director elections, or whether the company has a classified board structure;

Any reasonable sunset provision; and

Other relevant factors.

Unless the adverse provision and/or problematic capital structure is reversed or removed, vote case-by-case on director nominees in subsequent years.

**Restrictions on Shareholders' Rights**

**Restricting Binding Shareholder Proposals:** Generally vote against or withhold from the members of the governance committee if:

The company's governing documents impose undue restrictions on shareholders' ability to amend the bylaws. Such restrictions include, but are not limited to: outright prohibition on the submission of binding shareholder proposals, or share ownership requirements or time holding requirements in excess of SEC Rule 14a-8. Vote against on an ongoing basis.

**Problematic Audit-Related Practices**

Generally vote against or withhold from the members of the Audit Committee if:

The non-audit fees paid to the auditor are excessive;

The company receives an adverse opinion on the company's financial statements from its auditor; or

There is persuasive evidence that the Audit Committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Vote case-by-case on members of the Audit Committee and potentially the full board if:

Poor accounting practices are identified that rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures. Examine the severity, breadth, chronological sequence, and duration, as well as the company's efforts at remediation or corrective actions, in determining whether withhold/against votes are warranted.

**Problematic Compensation Practices**

In the absence of an Advisory Vote on Executive Compensation (Say on Pay) ballot item or in egregious situations, vote against or withhold from the members of the Compensation Committee and potentially the full board if:

There is a significant misalignment between CEO pay and company performance (pay for performance);

The company maintains significant problematic pay practices; or

The board exhibits a significant level of poor communication and responsiveness to shareholders.

Generally vote against or withhold from the Compensation Committee chair, other committee members, or potentially the full board if:

The company fails to include a Say on Pay ballot item when required under SEC provisions, or under the company's declared frequency of say on pay; or

The company fails to include a Frequency of Say on Pay ballot item when required under SEC provisions.

Generally vote against members of the board committee responsible for approving/setting non-employee director compensation if there is a pattern (i.e. two or more years) of awarding excessive non-employee director compensation without disclosing a compelling rationale or other mitigating factors.

**Problematic Pledging of Company Stock:**

Vote against the members of the committee that oversees risks related to pledging, or the full board, where a significant level of pledged company stock by executives or directors raises concerns. The following factors will be considered:

The presence of an anti-pledging policy, disclosed in the proxy statement, that prohibits future pledging activity;

The magnitude of aggregate pledged shares in terms of total common shares outstanding, market value, and trading volume;

Disclosure of progress or lack thereof in reducing the magnitude of aggregate pledged shares over time;

Disclosure in the proxy statement that shares subject to stock ownership and holding requirements do not include pledged company stock; and

Any other relevant factors.

**Governance Failures**

Under extraordinary circumstances, vote against or withhold from directors individually, committee members, or the entire board, due to:

Material failures of governance, stewardship, risk oversight<sup>6</sup>, or fiduciary responsibilities at the company;

Failure to replace management as appropriate; or

Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

**Voting on Director Nominees in Contested Elections**

**Vote-No Campaigns**

General Recommendation: In cases where companies are targeted in connection with public "vote-no" campaigns, evaluate director nominees under the existing governance policies for voting on director nominees in uncontested elections. Take into consideration the arguments submitted by shareholders and other publicly available information.

**Proxy Contests/Proxy Access — Voting for Director Nominees in Contested Elections**

General Recommendation: Vote case-by-case on the election of directors in contested elections, considering the following factors:

Long-term financial performance of the company relative to its industry;

Management's track record;

Background to the contested election;

Nominee qualifications and any compensatory arrangements;

Strategic plan of dissident slate and quality of the critique against management;

Likelihood that the proposed goals and objectives can be achieved (both slates); and

Stock ownership positions.

In the case of candidates nominated pursuant to proxy access, vote case-by-case considering any applicable factors listed above or additional factors which may be relevant, including those that are specific to the company, to the nominee(s) and/or to the nature of the election (such as whether or not there are more candidates than board seats).

**Independent Chair (Separate Chair/CEO)**

## Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

General Recommendation: Generally vote for shareholder proposals requiring that the chairman's position be filled by an independent director, taking into consideration the following:

- The scope of the proposal;
- The company's current board leadership structure;
- The company's governance structure and practices;
- Company performance; and
- Any other relevant factors that may be applicable.

Regarding the scope of the proposal, consider whether the proposal is precatory or binding and whether the proposal is seeking an immediate change in the chairman role or the policy can be implemented at the next CEO transition.

Under the review of the company's board leadership structure, ISS may support the proposal under the following scenarios absent a compelling rationale: the presence of an executive or non-independent chair in addition to the CEO; a recent recombination of the role of CEO and chair; and/or departure from a structure with an independent chair. ISS will also consider any recent transitions in board leadership and the effect such transitions may have on independent board leadership as well as the designation of a lead director role.

When considering the governance structure, ISS will consider the overall independence of the board, the independence of key committees, the establishment of governance guidelines, board tenure and its relationship to CEO tenure, and any other factors that may be relevant. Any concerns about a company's governance structure will weigh in favor of support for the proposal.

The review of the company's governance practices may include, but is not limited to, poor compensation practices, material failures of governance and risk oversight, related-party transactions or other issues putting director independence at risk, corporate or management scandals, and actions by management or the board with potential or realized negative impact on shareholders. Any such practices may suggest a need for more independent oversight at the company thus warranting support of the proposal.

ISS' performance assessment will generally consider one-, three-, and five-year TSR compared to the company's peers and the market as a whole. While poor performance will weigh in favor of the adoption of an independent chair policy, strong performance over the long term will be considered a mitigating factor when determining whether the proposed leadership change warrants support.

### Proxy Access

General Recommendation: Generally vote for management and shareholder proposals for proxy access with the following provisions:

- Ownership threshold: maximum requirement not more than three percent (3%) of the voting power;
- Ownership duration: maximum requirement not longer than three (3) years of continuous ownership for each member of the nominating group;
- Aggregation: minimal or no limits on the number of shareholders permitted to form a nominating group;
- Cap: cap on nominees of generally twenty-five percent (25%) of the board.

Review for reasonableness any other restrictions on the right of proxy access.

Generally vote against proposals that are more restrictive than these guidelines.

### CAPITAL/RESTRUCTURING

#### Common Stock Authorization

General Recommendation: Vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote against proposals at companies with more than one class of common stock to increase the number of authorized shares of the class of common stock that has superior voting rights.

Vote against proposals to increase the number of authorized common shares if a vote for a reverse stock split on the same ballot is warranted despite the fact that the authorized shares would not be reduced proportionally.

Vote case-by-case on all other proposals to increase the number of shares of common stock authorized for issuance.

Take into account company-specific factors that include, at a minimum, the following:

Past Board Performance:

The company's use of authorized shares during the last three years;

The Current Request:

Disclosure in the proxy statement of the specific purposes of the proposed increase;

Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request; and

The dilutive impact of the request as determined relative to an allowable increase calculated by ISS (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns.

ISS will apply the relevant allowable increase below to requests to increase common stock that are for general corporate purposes (or to the general corporate purposes portion of a request that also includes a specific need):

A. Most companies: 100 percent of existing authorized shares.

B. Companies with less than 50 percent of existing authorized shares either outstanding or reserved for issuance: 50 percent of existing authorized shares.

C. Companies with one- and three-year total shareholder returns (TSRs) in the bottom 10 percent of the U.S. market as of the end of the calendar quarter that is closest to their most recent fiscal year end: 50 percent of existing authorized shares.

D. Companies at which both conditions (B and C) above are both present: 25 percent of existing authorized shares.

If there is an acquisition, private placement, or similar transaction on the ballot (not including equity incentive plans) that ISS is recommending FOR, the allowable increase will be the greater of (i) twice the amount needed to support the transactions on the ballot, and (ii) the allowable increase as calculated above.

Mergers and Acquisitions

General Recommendation: Vote case-by-case on mergers and acquisitions. Review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

Valuation - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction, and strategic rationale.

Market reaction - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.

Strategic rationale - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.

Negotiations and process - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.

Conflicts of interest - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger. The CIC figure presented in the "ISS Transaction Summary" section of this report is an aggregate figure that can in certain cases be a misleading indicator of the true value transfer from shareholders to insiders. Where such figure appears to be excessive, analyze the underlying assumptions to determine whether a potential conflict exists.

Governance - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

COMPENSATION

Executive Pay Evaluation

Underlying all evaluations are five global principles that most investors expect corporations to adhere to in designing and administering executive and director compensation programs:

1. Maintain appropriate pay-for-performance alignment, with emphasis on long-term shareholder value: This principle encompasses overall executive pay practices, which must be designed to attract, retain, and appropriately motivate the key employees who drive shareholder value creation over the long term. It will take into consideration, among other factors, the link between pay and performance; the mix between fixed and variable pay; performance goals; and equity-based plan costs;
2. Avoid arrangements that risk "pay for failure": This principle addresses the appropriateness of long or indefinite contracts, excessive severance packages, and guaranteed compensation;
3. Maintain an independent and effective compensation committee: This principle promotes oversight of executive pay programs by directors with appropriate skills, knowledge, experience, and a sound process for compensation decision-making (e.g., including access to independent expertise and advice when needed);
4. Provide shareholders with clear, comprehensive compensation disclosures: This principle underscores the importance of informative and timely disclosures that enable shareholders to evaluate executive pay practices fully and fairly;
5. Avoid inappropriate pay to non-executive directors: This principle recognizes the interests of shareholders in ensuring that compensation to outside directors is reasonable and does not compromise their independence and ability to make appropriate judgments in overseeing managers' pay and performance. At the market level, it may incorporate a variety of generally accepted best practices.

#### Advisory Votes on Executive Compensation—Management Proposals (Management Say-on-Pay)

General Recommendation: Vote case-by-case on ballot items related to executive pay and practices, as well as certain aspects of outside director compensation.

Vote against Advisory Votes on Executive Compensation (Say-on-Pay or "SOP") if:

- ☒ There is a significant misalignment between CEO pay and company performance (pay for performance);
- ☒ The company maintains significant problematic pay practices;
  - > The board exhibits a significant level of poor communication and responsiveness to shareholders.

Vote against or withhold from the members of the Compensation Committee and potentially the full board if:

- > There is no SOP on the ballot, and an against vote on an SOP would otherwise be warranted due to pay-for-performance misalignment, problematic pay practices, or the lack of adequate responsiveness on compensation issues raised previously, or a combination thereof;
- > The board fails to respond adequately to a previous SOP proposal that received less than 70 percent support of votes cast;
- > The company has recently practiced or approved problematic pay practices, including option repricing or option backdating; or
- ☒ The situation is egregious.

#### Primary Evaluation Factors for Executive Pay

##### Pay-for-Performance Evaluation

ISS annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. With respect to companies in the Russell 3000 or Russell 3000E Indices<sup>7</sup>, this analysis considers the following:

##### 1. Peer Group<sup>8</sup> Alignment:

- > The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period.
- > The rankings of CEO total pay and company financial performance within a peer group, each measured over a three-year period.
- ☒ The multiple of the CEO's total pay relative to the peer group median in the most recent fiscal year.

##### 2. Absolute Alignment<sup>9</sup> – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the

period.

If the above analysis demonstrates significant unsatisfactory long-term pay-for-performance alignment or, in the case of companies outside the Russell indices, misaligned pay and performance are otherwise suggested, our analysis may include any of the following qualitative factors, as relevant to evaluating how various pay elements may work to encourage or to undermine long-term value creation and alignment with shareholder interests:

• The ratio of performance- to time-based equity awards;

• The overall ratio of performance-based compensation;

• The completeness of disclosure and rigor of performance goals;

• The company's peer group benchmarking practices;

• Actual results of financial/operational metrics, such as growth in revenue, profit, cash flow, etc., both absolute and relative to peers;

• Special circumstances related to, for example, a new CEO in the prior FY or anomalous equity grant practices (e.g., bi-annual awards);

• Realizable pay<sup>10</sup> compared to grant pay; and

• Any other factors deemed relevant.

#### Problematic Pay Practices

The focus is on executive compensation practices that contravene the global pay principles, including:

• Problematic practices related to non-performance-based compensation elements;

• Incentives that may motivate excessive risk-taking; and

• Options backdating.

#### Problematic Pay Practices related to Non-Performance-Based Compensation Elements

Pay elements that are not directly based on performance are generally evaluated case-by-case considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. Please refer to ISS'

Compensation FAQ document for detail on specific pay practices that have been identified as potentially problematic and may lead to negative recommendations if they are deemed to be inappropriate or unjustified relative to executive pay best practices. The list below highlights the problematic practices that carry significant weight in this overall consideration and may result in adverse vote recommendations:

• Repricing or replacing of underwater stock options/SARS without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options);

• Extraordinary perquisites or tax gross-ups, including any gross-up related to a secular trust or restricted stock vesting, or lifetime perquisites;

• New or extended agreements that provide for:

• Excessive CIC payments (generally exceeding 3 times base salary and average/target/most recent bonus);

• CIC severance payments without involuntary job loss or substantial diminution of duties ("single" or "modified single" triggers);

• CIC payments with excise tax gross-ups (including "modified" gross-ups);

• Multi-year guaranteed awards that are not at risk due to rigorous performance conditions;

• Liberal CIC definition combined with any single-trigger CIC benefits;

• Insufficient executive compensation disclosure by externally-managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI's executives is not possible;

• Any other provision or practice deemed to be egregious and present a significant risk to investors.

#### Incentives that may Motivate Excessive Risk-Taking

• Multi-year guaranteed awards;

• A single or common performance metric used for short- and long-term incentives;

• Lucrative severance packages;

• High pay opportunities relative to industry peers;

• Disproportionate supplemental pensions; or

• Mega equity grants that provide overly large upside opportunity.

Factors that potentially mitigate the impact of risky incentives include rigorous claw-back provisions, robust stock ownership/holding guidelines, and limitations on accelerated vesting triggers.

#### Options Backdating

The following factors should be examined case-by-case to allow for distinctions to be made between "sloppy" plan administration versus deliberate action or fraud:

Reason and motive for the options backdating issue, such as inadvertent vs. deliberate grant date changes;

Duration of options backdating;

Size of restatement due to options backdating;

Corrective actions taken by the board or compensation committee, such as canceling or re-pricing backdated options, the recouping of option gains on backdated grants; and

Adoption of a grant policy that prohibits backdating, and creates a fixed grant schedule or window period for equity grants in the future.

#### Compensation Committee Communications and Responsiveness

Consider the following factors case-by-case when evaluating ballot items related to executive pay on the board's responsiveness to investor input and engagement on compensation issues:

Failure to respond to majority-supported shareholder proposals on executive pay topics; or

Failure to adequately respond to the company's previous say-on-pay proposal that received the support of less than 70 percent of votes cast, taking into account:

The company's response, including:

Disclosure of engagement efforts with major institutional investors, including the frequency and timing of engagements and the company participants (including whether independent directors participated);

Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition;

Disclosure of specific and meaningful actions taken to address shareholders' concerns;

Other recent compensation actions taken by the company;

Whether the issues raised are recurring or isolated;

The company's ownership structure; and

Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.

#### Equity-Based and Other Incentive Plans

General Recommendation: Vote case-by-case on certain equity-based compensation plans<sup>11</sup> depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "equity plan scorecard" (EPSC) approach with three pillars:

Plan Cost: The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:

SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and

SVT based only on new shares requested plus shares remaining for future grants.

#### Plan Features:

Discretionary or automatic single-triggered award vesting upon a change in control (CIC);

Discretionary vesting authority;

Liberal share recycling on various award types;

Lack of minimum vesting period for grants made under the plan;

Dividends payable prior to award vesting.

#### Grant Practices:

The company's three-year burn rate relative to its industry/market cap peers;

Vesting requirements in most recent CEO equity grants (3-year look-back);

The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);

Whether the proportion of the CEO's most recent equity grants/awards subject to performance conditions;

Whether the company maintains a claw-back policy;

Whether the company has established post-exercise/vesting share-holding requirements.

Generally vote against the plan proposal if the combination of above factors indicates that the plan is not, overall, in shareholders' interests, or if any of the following egregious factors apply:

Awards may vest in connection with a liberal change-of-control definition;

The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies – or by not prohibiting it when the company has a history of repricing – for non-listed companies);

The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances; or

Any other plan features are determined to have a significant negative impact on shareholder interests.

## SOCIAL/ENVIRONMENTAL ISSUES

### Global Approach

Issues covered under the policy include a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.

General Recommendation: Generally vote case-by-case, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder value, and in addition the following will also be considered:

If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;

If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;

Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;

The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;

If the proposal requests increased disclosure or greater transparency, whether or not reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and

If the proposal requests increased disclosure or greater transparency, whether or not implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

### Climate Change/Greenhouse Gas (GHG) Emissions

General Recommendation: Generally vote for resolutions requesting that a company disclose information on the financial, physical, or regulatory risks it faces related to climate change on its operations and investments or on how the company identifies, measures, and manages such risks, considering:

Whether the company already provides current, publicly-available information on the impact that climate change may have on the company as well as associated company policies and procedures to address related risks and/or opportunities;

The company's level of disclosure compared to industry peers; and

Whether there are significant controversies, fines, penalties, or litigation associated with the company's climate change-related performance.

Generally vote for proposals requesting a report on greenhouse gas (GHG) emissions from company operations and/or products and operations, unless:

The company already discloses current, publicly-available information on the impacts that GHG emissions may have on the company as well as associated company policies and procedures to address related risks and/or opportunities;

The company's level of disclosure is comparable to that of industry peers; and

There are no significant, controversies, fines, penalties, or litigation associated with the company's GHG emissions.

Vote case-by-case on proposals that call for the adoption of GHG reduction goals from products and operations, taking into account:



Whether the company provides disclosure of year-over-year GHG emissions performance data;  
Whether company disclosure lags behind industry peers;  
The company's actual GHG emissions performance;  
The company's current GHG emission policies, oversight mechanisms, and related initiatives; and  
Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to  
GHG emissions.

#### Board Diversity

General Recommendation: Generally vote for requests for reports on a company's efforts to diversify the board, unless:  
The gender and racial minority representation of the company's board is reasonably inclusive in relation to companies of similar size and business; and  
The board already reports on its nominating procedures and gender and racial minority initiatives on the board and within the company.  
Vote case-by-case on proposals asking a company to increase the gender and racial minority representation on its board, taking into account:  
The degree of existing gender and racial minority diversity on the company's board and among its executive officers;  
The level of gender and racial minority representation that exists at the company's industry peers;  
The company's established process for addressing gender and racial minority board representation;  
Whether the proposal includes an overly prescriptive request to amend nominating committee charter language;  
The independence of the company's nominating committee;  
Whether the company uses an outside search firm to identify potential director nominees; and  
Whether the company has had recent controversies, fines, or litigation regarding equal employment practices.

#### Gender Pay Gap

General Recommendation: Generally vote case-by-case on requests for reports on a company's pay data by gender, or a report on a company's policies and goals to reduce any gender pay gap, taking into account:  
The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy and fair and equitable compensation practices;  
Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to gender pay gap issues; and  
Whether the company's reporting regarding gender pay gap policies or initiatives is lagging its peers.

#### Data Security, Privacy, and Internet Issues

General Recommendation: Vote case-by-case on proposals requesting the disclosure or implementation of data security, privacy, or information access and management policies and procedures, considering:  
The level of disclosure of company policies and procedures relating to data security, privacy, freedom of speech, information access and management, and Internet censorship;  
Engagement in dialogue with governments or relevant groups with respect to data security, privacy, or the free flow of information on the Internet;  
The scope of business involvement and of investment in countries whose governments censor or monitor the Internet and other telecommunications;  
Applicable market-specific laws or regulations that may be imposed on the company; and  
Controversies, fines, or litigation related to data security, privacy, freedom of speech, or Internet censorship.

#### Lobbying

General Recommendation: Vote case-by-case on proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures, considering:  
The company's current disclosure of relevant lobbying policies, and management and board oversight;  
The company's disclosure regarding trade associations or other groups that it supports, or is a member of, that engage in lobbying activities; and  
Recent significant controversies, fines, or litigation regarding the company's lobbying-related activities.

## Political Contributions

General Recommendation: Generally vote for proposals requesting greater disclosure of a company's political contributions and trade association spending policies and activities, considering:

> The company's policies, and management and board oversight related to its direct political contributions and payments to trade associations or other groups that may be used for political purposes;

> The company's disclosure regarding its support of, and participation in, trade associations or other groups that may make political contributions; and

> Recent significant controversies, fines, or litigation related to the company's political contributions or political activities.

Vote against proposals barring a company from making political contributions. Businesses are affected by legislation at the federal, state, and local level; barring political contributions can put the company at a competitive disadvantage. Vote against proposals to publish in newspapers and other media a company's political contributions. Such publications could present significant cost to the company without providing commensurate value to shareholders.

This document and all of the information contained in it, including without limitation all text, data, graphs, and charts (collectively, the "Information") is the property of Institutional Shareholder Services Inc. (ISS), its subsidiaries, or, in some cases third party suppliers.

The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and ISS does not endorse, approve, or otherwise express any opinion regarding any issuer, securities, financial products or instruments or trading strategies.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall ISS have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits), or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

The Global Leader In Corporate Governance  
[www.issgovernance.com](http://www.issgovernance.com)

---

<sup>1</sup> In general, companies with a plurality vote standard use "Withhold" as the contrary vote option in director elections; companies with a majority vote standard use "Against". However, it will vary by company and the proxy must be checked to determine the valid contrary vote option for the particular company.

<sup>2</sup> New nominees who served for only part of the fiscal year are generally exempted from the attendance policy.

<sup>3</sup> Although all of a CEO's subsidiary boards will be counted as separate boards, ISS will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

<sup>4</sup> A "new nominee" is any current nominee who has not already been elected by shareholders and who joined the board after the problematic action in question transpired. If ISS cannot determine whether the nominee joined the board before or after the problematic action transpired, the nominee will be considered a "new nominee" if he or she joined the board within the 12 months prior to the upcoming shareholder meeting.

<sup>5</sup> Public shareholders only, approval prior to a company's becoming public is insufficient.

<sup>6</sup> Examples of failure of risk oversight include, but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; significant adverse legal judgments or settlement; or hedging of company stock.

<sup>7</sup> The Russell 3000E Index includes approximately 4,000 of the largest U.S. equity securities.

<sup>8</sup> The revised peer group is generally comprised of 14-24 companies that are selected using market cap, revenue (or assets for certain financial firms), GICS industry group, and company's selected peers' GICS industry group, with size constraints, via a process designed to select peers that are comparable to the subject company in terms of revenue/assets and industry, and also within a market-cap bucket that is reflective of the company's. For Oil, Gas & Consumable Fuels companies, market cap is the only size determinant.

<sup>9</sup> Only Russell 3000 Index companies are subject to the Absolute Alignment analysis.

<sup>10</sup> ISS research reports include realizable pay for S&P1500 companies.

<sup>11</sup> Proposals evaluated under the EPSC policy generally include those to approve or amend (1) stock option plans for employees and/or employees and directors, (2) restricted stock plans for employees and/or employees and directors, and (3) omnibus stock incentive plans for employees and/or employees and directors; amended plans will be further evaluated case-by-case.

---

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

Thomas B. Winmill and William M. Winmill are co-portfolio managers of the registrant.

Mr. Thomas B. Winmill is President, Chief Executive Officer, Chairman, Chief Legal Officer, and a Trustee or Director of the registrant, Foxby Corp., and Midas Series Trust. He is President, Chairman, Chief Executive Officer, and Chief Legal Officer 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 (a holding company) ("Bexil") and Winmill & Co. Incorporated (a holding company) ("Winco"). He is a Director of Global Self Storage, Inc. (a self storage REIT) ("SELF"). He is a Director of Bexil American Mortgage Inc. He is Chairman of the Investment Policy Committee of each of the Advisers (the "IPCs"), and he is a portfolio manager of the registrant, Foxby Corp., Midas Fund, and Midas Magic. He is a member of the New York State Bar and the SEC Rules Committee of the Investment Company Institute. Mr. Thomas Winmill has been associated with the management of the registrant, either directly or through the IPC, since 2011.

Mr. William M. Winmill is Vice President or Assistant Vice President of the registrant, Foxby Corp., Midas Series Trust, the Advisers, Bexil, SELF, Tuxis Corporation, and Winco. From 2014 to 2016, he served these companies as Compliance Assistant and Accounting Assistant, after graduating from Bowdoin College in 2014. He is a member of the IPCs, and he is a portfolio manager of the registrant and Foxby Corp.

Thomas B. Winmill and William M. Winmill are father and son, respectively.

The foregoing information has been provided as of March 7, 2018.

The Portfolio Managers receive compensation for their services. As of December 31, 2017, each of the Portfolio Manager's compensation plan generally consists of base salary, employee benefits plan participation, qualified retirement plan participation, annual and asset level bonuses, certain prerequisites, and participation in equity based compensation plans. A portion of their compensation may be deferred based on criteria established by the investment manager, or at the election of the Portfolio Manager.

Each Portfolio Manager's base salary is determined annually by level of responsibility and tenure at the investment manager or its affiliates. The primary components of each Portfolio Manager's annual bonus are based on (i) number of weeks' salary paid as annual bonuses to employees generally of the investment manager and its affiliates, and (ii) the financial performance of the investment manager and its affiliates. A subjective component of each Portfolio Manager's annual bonus is based on the Portfolio Manager's overall contribution to management of the investment manager and its affiliates. Each Portfolio Manager may receive an asset level bonus upon assets under management reaching certain levels. Each Portfolio Manager also may be compensated under equity based compensation plans linked to increases or decreases in the market value of the stock of the parent of the investment manager and its affiliates.

Each Portfolio Manager's compensation plan may give rise to potential conflicts of interest. Each Portfolio Manager's base pay tends to increase with additional and more complex responsibilities often reflecting increased assets under management and marketing efforts, which together indirectly link compensation to sales of Fund shares. The asset level bonus, although intended to encourage above average investment performance and account servicing, as well as lower expense ratios, may give rise to potential conflicts of interest by linking compensation to sales. The management of multiple funds and accounts (including proprietary accounts) may give rise to potential conflicts of interest if the funds and accounts have different objectives, benchmarks, time horizons, and fees as the Portfolio Manager must allocate his time and investment ideas across multiple funds and accounts. Each Portfolio Manager may execute transactions for one fund or account that may adversely impact the value of securities held by another fund or account. Securities selected for one fund or account rather than another fund or account may outperform the securities selected for the registrant. The management of personal accounts may give rise to potential conflicts of interest; there is no assurance that the registrant's codes of ethics will adequately address such conflicts.

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

The following table provides information relating to other (non-registrant) accounts where the Portfolio Manager is jointly or primarily responsible for day to day management as of December 31, 2017. No Portfolio Manager manages such accounts or assets with performance based advisory fees, or other pooled investment vehicles.

Portfolio Managers		Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Thomas B. Winmill	Number:	3	N/A	7
	Total Assets (millions):	\$48	N/A	\$26
William M. Winmill	Number:	1	N/A	7
	Total Assets (millions):	\$10	N/A	\$26

As of December 31, 2017, the dollar range of shares in the registrant beneficially owned by Thomas B. Winmill was \$100,001 - \$500,000. Mr. Thomas B. Winmill is a trustee of the Winmill Family Trust and may be deemed to have indirect beneficial ownership of over \$1,000,000 of the registrant's shares indirectly owned by Bexil Corporation as a result of his status as a controlling person of the Winmill Family Trust, Winco, and Midas Securities Group, Inc. Mr. Thomas B. Winmill disclaims beneficial ownership of these shares. As of December 31, 2017, the dollar range of shares in the registrant beneficially owned by William M. Winmill was \$1 - \$10,000.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

Not applicable.

Item 10. Submission of Matters to a Vote of Security Holders.

There were no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors made or implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407), or this Item.

Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")), are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's second fiscal quarter of the period covered by the report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.

No income was received by the registrant from securities lending activities in the period covered by this report. (a) Amounts paid by securities lending counterparties for loaned securities are retained by State Street Bank and Trust Company ("SSB"), the registrant's securities lending agent.

(b)

Edgar Filing: DIVIDEND & INCOME FUND - Form N-CSR

The registrant has entered into a Liquidity Agreement with SSB that allows the registrant to draw up to the maximum liquidity commitment as specified therein. The Liquidity Agreement includes a securities lending authorization by the Fund to SSB to engage in agency securities lending and reverse repurchase activity. SSB also serves as the registrant's custodian.

Item 13. Exhibits.

(a)(1) Not applicable.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2) attached hereto as Exhibit 99.CERT.

(b) Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 attached hereto as Exhibit 99.906 CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dividend and Income Fund

March 8, 2018 By: /s/ Thomas B. Winmill  
Thomas B. Winmill, President

Dividend and Income Fund

March 8, 2018 By: /s/ Thomas O'Malley  
Thomas O'Malley, Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dividend and Income Fund

March 8, 2018 By: /s/ Thomas B. Winmill  
Thomas B. Winmill, President

Dividend and Income Fund

March 8, 2018 By: /s/ Thomas O'Malley  
Thomas O'Malley, Chief Financial Officer