

DIVIDEND & INCOME FUND, INC.
Form N-Q
October 28, 2011
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act File Number: 811-8747

DIVIDEND AND INCOME FUND, INC.
(Exact name of registrant as specified in charter)

11 Hanover Square, 12th Floor
New York, NY
(Address of principal executive offices)

10005
(Zip Code)

John F. Ramírez, Esq.
Dividend and Income Fund, Inc.
11 Hanover Square
New York, NY 10005
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-212-785-0400

Date of Fiscal Year End: 11/30

Date of Reporting Period: 08/31/2011

Item 1. Schedule of Investments

DIVIDEND AND INCOME FUND, INC.
SCHEDULE OF PORTFOLIO INVESTMENTS
August 31, 2011
(Unaudited)

| Shares | | Cost | Value |
|--------|---|------------|------------|
| | COMMON STOCKS (71.93%) | | |
| | Aircraft Engines & Engine Parts (1.03%) | | |
| 10,000 | United Technologies Corp. | \$ 727,426 | \$ 742,500 |
| | Beverages (2.37%) | | |
| 15,000 | Coca-Cola Company | 835,675 | 1,056,750 |
| 10,000 | PepsiCo, Inc. | 529,400 | 644,300 |
| | | 1,365,075 | 1,701,050 |

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| | | | |
|--------|--|-----------|-----------|
| | Cigarettes (2.10%) | | |
| 30,000 | Altria Group, Inc. | 634,550 | 815,700 |
| 10,000 | Philip Morris International, Inc. | 485,376 | 693,200 |
| | | 1,119,926 | 1,508,900 |
| | Computer & Office Equipment (1.39%) | | |
| 25,000 | Hewlett-Packard Company | 1,088,505 | 650,750 |
| 2,000 | International Business Machines Corporation | 258,964 | 343,820 |
| | | 1,347,469 | 994,570 |
| | Crude Petroleum & Natural Gas (0.99%) | | |
| 8,160 | Occidental Petroleum Corporation | 527,752 | 707,799 |
| | Deep Sea Foreign Transportation of Freight (0.96%) | | |
| 50,000 | Seaspan Corp. | 347,030 | 691,500 |
| | Dolls & Stuffed Toys (0.94%) | | |
| 25,000 | Mattel, Inc. (a) | 610,742 | 671,750 |
| | Electric Services (4.75%) | | |
| 11,000 | Entergy Corp. | 693,431 | 717,310 |
| 65,000 | Southern Company (a) | 2,326,432 | 2,688,400 |
| | | 3,019,863 | 3,405,710 |
| | Electronic & Other Electrical Equipment (2.89%) | | |
| 20,000 | Emerson Electric Company (a) | 747,590 | 931,000 |
| 70,000 | General Electric Company | 1,166,254 | 1,141,700 |
| | | 1,913,844 | 2,072,700 |
| | Electronic & Other Services Combined (1.02%) | | |
| 17,000 | Exelon Corp. | 715,134 | 733,040 |
| | Fire, Marine & Casualty Insurance (1.80%) | | |
| 20,000 | Ace Ltd. | 829,324 | 1,291,600 |
| | Food & Kindred Products (0.49%) | | |
| 10,000 | Kraft Foods, Inc. Class A (a) | 258,704 | 350,200 |
| | Investment Advice (0.51%) | | |
| 20,000 | Invesco Ltd. | 437,950 | 366,000 |
| | Life Insurance (2.74%) | | |
| 30,000 | Lincoln National Corp. | 670,430 | 622,500 |
| 40,000 | MetLife, Inc. | 699,693 | 1,344,000 |
| | | 1,370,123 | 1,966,500 |
| | Malt Beverages (0.98%) | | |

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| | | | |
|---------|--|-----------|-----------|
| 16,000 | Molson Coors Brewing Company | 707,427 | 700,000 |
| | Miscellaneous Business Credit Institution (1.35%) | | |
| 37,222 | Solar Capital Ltd. | 708,946 | 860,581 |
| 46,169 | Star Asia Financial Ltd. (a)(b) | 686,145 | 107,343 |
| | | 1,395,091 | 967,924 |
| | Motor Vehicle Parts & Accessories (1.67%) | | |
| 25,000 | Honeywell International, Inc. | 889,529 | 1,195,250 |
| | National Commercial Banks (1.93%) | | |
| 36,800 | JPMorgan Chase & Co. | 774,303 | 1,382,208 |
| | Paints, Varnishes, Lacquers, Enamels & Allied Products (1.07%) | | |
| 10,000 | PPG Industries, Inc. (a) | 657,378 | 765,900 |
| | Perfumes, Cosmetics & Other Preparations (1.57%) | | |
| 50,000 | Avon Products, Inc. (a) | 1,596,424 | 1,128,000 |
| | Petroleum Refining (2.07%) | | |
| 11,000 | ConocoPhillips | 731,802 | 748,770 |
| 10,000 | Exxon Mobil Corp. | 738,274 | 740,400 |
| | | 1,470,076 | 1,489,170 |
| | Pharmaceutical Preparations (8.52%) | | |
| 30,000 | Abbott Laboratories | 1,522,047 | 1,575,300 |
| 55,000 | Bristol-Myers Squibb Company (a) | 1,241,872 | 1,636,250 |
| 11,000 | Johnson & Johnson | 708,922 | 723,800 |
| 20,000 | Merck & Company, Inc. | 680,994 | 662,400 |
| 80,000 | Pfizer, Inc. (a) | 1,211,079 | 1,518,400 |
| | | 5,364,914 | 6,116,150 |
| | Plastic Materials, Resins & Nonvulcanelastomers (2.14%) | | |
| 20,000 | E.I. du Pont de Nemours and Company (a) | 751,716 | 965,400 |
| 20,000 | Dow Chemical Company (a) | 580,754 | 569,000 |
| | | 1,332,470 | 1,534,400 |
| | Radio & TV Communications Equipment (1.75%) | | |
| 115,000 | Nokia Corp. | 715,012 | 740,600 |
| 10,000 | QUALCOMM, Inc. | 383,189 | 514,600 |
| | | 1,098,201 | 1,255,200 |
| | Radio Telephone Communications (0.73%) | | |
| 20,000 | Vodafone Group PLC ADR | 453,234 | 526,800 |
| | Real Estate Investment Trust (2.92%) | | |
| 53,400 | Annaly Capital Management, Inc. (a) | 922,335 | 968,142 |

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| | | | |
|---------|---|------------|------------|
| 150,000 | MFA Financial, Inc. (a) | 1,201,341 | 1,123,500 |
| | | 2,123,676 | 2,091,642 |
| | Refuse Systems (0.69%) | | |
| 15,000 | Waste Management, Inc. | 532,822 | 495,600 |
| | Retail-Variety Stores (1.15%) | | |
| 16,000 | Target Corp. | 660,150 | 826,720 |
| | Retail-Women's Clothing Stores (2.84%) | | |
| 54,000 | Limited Brands, Inc. (a) | 475,950 | 2,037,960 |
| | Savings Institution, Federally Chartered (0.98%) | | |
| 60,000 | People's United Financial, Inc. (a) | 826,108 | 705,000 |
| | Security & Commodity Brokers, Dealers, Exchanges & Services (0.57%) | | |
| 15,000 | NYSE Euronext | 372,671 | 409,200 |
| | Semiconductors & Related Devices (3.78%) | | |
| 23,000 | Analog Devices, Inc. | 726,742 | 759,460 |
| 40,000 | Intel Corp. | 796,500 | 805,200 |
| 35,000 | Microchip Technology, Inc. | 998,144 | 1,148,700 |
| | | 2,521,386 | 2,713,360 |
| | Services-Business Services (0.98%) | | |
| 40,000 | Lender Processing Services, Inc. | 733,684 | 705,600 |
| | Services-Engineering, Accounting, Research, Management (0.38%) | | |
| 10,000 | Paychex, Inc. | 309,491 | 269,800 |
| | Services-Prepackaged Software (1.11%) | | |
| 30,000 | Microsoft Corp. | 900,672 | 798,000 |
| | Soap, Detergent, Cleaning Preparations, Perfumes, Cosmetics (1.07%) | | |
| 12,000 | The Procter & Gamble Company | 739,290 | 764,160 |
| | Surgical & Medical Instruments & Apparatus (2.31%) | | |
| 20,000 | 3M Company (a) | 1,133,436 | 1,659,600 |
| | Telephone Communications (5.01%) | | |
| 45,000 | AT&T, Inc. (a) | 1,672,513 | 1,281,600 |
| 140,000 | Frontier Communications Corp. (a) | 1,920,849 | 1,048,600 |
| 35,000 | Verizon Communications, Inc. (a) | 1,206,032 | 1,265,950 |
| | | 4,799,394 | 3,596,150 |
| | Water Transportation (0.38%) | | |
| 15,000 | Nordic American Tankers Limited (a) | 448,115 | 269,250 |
| | Total common stocks | 46,906,254 | 51,606,863 |

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| Principal Amount | | | |
|------------------|---|-----------|-----------|
| | CORPORATE BONDS AND NOTES (42.53%) | | |
| | Accident & Health Insurance (0.73%) | | |
| 500,000 | CNO Financial Group, Inc. 9%, 1/15/18 (a) | 507,036 | 522,500 |
| | Basic Industry (1.44%) | | |
| 1,000,000 | WireCo WorldGroup, 9.50%, 5/15/17 (a) (c) | 978,360 | 1,032,500 |
| | Cable & Other Pay Television Services (1.76%) | | |
| 500,000 | CCO Holdings LLC, 7%, 1/15/19 (a) | 499,596 | 505,000 |
| 750,000 | Mediacom Broadband LLC, 8.50%, 10/15/15 | 757,702 | 761,250 |
| | | 1,257,298 | 1,266,250 |
| | Cable Television (1.46%) | | |
| 1,000,000 | Cequel Communications Holdings I LLC and Cequel Capital Corp., 8.625%, 11/15/17 (a) (c) | 1,011,532 | 1,045,000 |
| | Cogeneration Services & Small Power Producers (0.64%) | | |
| 450,000 | Covanta Holding Corp., 7.25%, 12/1/20 (a) | 457,795 | 460,524 |
| | Converted Paper & Paperboard Products (1.40%) | | |
| 1,000,000 | Appleton Papers, Inc., 10.50%, 6/15/15 (a) (c) | 996,453 | 1,007,500 |
| | Crude Petroleum & Natural Gas (0.36%) | | |
| 250,000 | Plains Exploration & Productions Company, 7.625%, 6/1/18 (a) | 250,666 | 258,125 |
| | Drawing & Insulating of Nonferrous Wire (0.70%) | | |
| 500,000 | Belden, Inc., 7%, 3/15/17 (a) | 482,943 | 502,500 |
| | Drilling Oil & Gas Wells (0.75%) | | |
| 500,000 | Offshore Group Investments Ltd., 11.50%, 8/1/15 (a) (c) | 500,953 | 535,000 |
| | Electric Services (1.64%) | | |
| 650,000 | Edison Mission Energy, 7.00%, 5/15/17 | 650,840 | 458,250 |
| 721,760 | Elwood Energy LLC, 8.159%, 7/5/26 (a) | 763,806 | 715,445 |
| | | 1,414,646 | 1,173,695 |
| | Fats & Oils (0.76%) | | |
| 500,000 | Darling International Inc., 8.50%, 12/15/18 (a) | 520,652 | 543,750 |
| | Gaming (0.53%) | | |
| 360,000 | Yonkers Racing Corp., 11.375%, 7/15/16 (c) | 358,723 | 378,000 |

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| | | | |
|---------|--|--------------------|--------------------|
| | Hospital & Medical Service Plans (0.36%) | | |
| 250,000 | Health Net, Inc., 6.375%, 6/1/17 (a) | 235,383 | 256,875 |
| | Ice Cream & Frozen Desserts (0.72%) | | |
| 500,000 | Dean Foods Company, 9.75%, 12/15/18 (a) | 505,391 | 513,750 |
| | Machinery (0.84%) | | |
| 600,000 | Cleaver-Brooks, Inc., 12.25%, 5/1/16 (a) (c) | 603,308 | 601,500 |
| | Machine Tools, Metal Cutting Types (0.60%) | | |
| 425,000 | Thermadyne Holdings Corp., 9%, 12/15/17 (a) (c) | 427,804 | 433,500 |
| | Metals & Mining (0.40%) | | |
| 300,000 | Atkore International Inc., 9.875%, 1/1/18 (a) | 305,988 | 293,250 |
| | Metal Forgings & Stampings (0.25%) | | |
| 170,000 | Trimas Corp., 9.75%, 12/15/17 (c) | 167,037 | 183,600 |
| | Miscellaneous Business Credit Institution (0.73%) | | |
| 500,000 | PHH Corp., 9.25%, 3/1/16 (c) | 506,483 | 521,250 |
| | Miscellaneous Electrical Machinery, Equipment & Supplies (0.44%) | | |
| 55,000 | Exide Technologies, 8.625%, 2/1/18 | 55,000 | 52,525 |
| 240,000 | Spectrum Brands Holdings, Inc., 9.50%, 6/15/18 (a) (c) | 245,077 300,077 | 261,600 314,125 |
| | Mortgage Banks (0.70%) | | |
| 500,000 | Provident Funding Associates, 10.25%, 4/15/17 (a) (c) | 500,000 | 505,000 |
| | Motor Vehicle Parts & Accessories (0.66%) | | |
| 460,000 | Tower Automotive Holdings USA LLC, 10.625%, 9/1/17 (c) | 466,797 | 477,250 |
| | Natural Gas Transmission (1.91%) | | |
| 500,000 | Energy Transfer Equity LP, 7.50%, 10/15/20 (a) | 514,197 | 515,000 |
| 500,000 | Niska Gas Storage US LLC, 8.875%, 3/15/18 (a) (c) | 510,680 | 507,500 |
| 350,000 | Southern Star Central Corp., 6.75%, 3/1/16 (a) | 325,139 | 344,750 |
| | | 1,350,016 | 1,367,250 |
| | Oil & Gas Equipment & Services (1.10%) | | |
| 780,000 | Complete Production Services, Inc., 8%, 12/15/16 (a) | 790,861 | 791,700 |
| | Oil & Gas Field Exploration Services (0.70%) | | |

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| | | | |
|-----------|---|-----------|---------|
| 500,000 | CGG-Veritas, 7.75%, 5/15/17 (a) | 511,144 | 505,000 |
| | Paper Mills (0.87%) | | |
| 592,000 | ABI Escrow Corp., 10.25%, 10/15/18 (a) (c) | 598,597 | 624,560 |
| | Papers & Allied Products (0.68%) | | |
| 500,000 | Cascades, Inc., 7.75%, 12/15/17 (a) | 491,148 | 487,500 |
| | Paper & Forest Products (0.38%) | | |
| 250,000 | PE Paper Escrow, 12%, 8/1/14 (a) (c) | 241,850 | 271,250 |
| | Personal Credit Institutions (1.05%) | | |
| 740,000 | Credit Acceptance Corp., 9.125%, 2/1/17 (a) (c) | 758,693 | 752,950 |
| | Petroleum Refining (0.71%) | | |
| 272,000 | Coffeyville Resources LLC, 9%, 4/1/15 (a) (c) | 275,574 | 289,680 |
| 200,000 | Coffeyville Resources LLC, 10.875%, 4/1/17 (a) (c) | 199,285 | 223,000 |
| | | 474,859 | 512,680 |
| | Pharmaceutical Preparations (1.33%) | | |
| 1,000,000 | Patheon, Inc., 8.625%, 4/15/17 (a) (c) | 1,023,567 | 955,000 |
| | Radio Broadcasting Stations (0.23%) | | |
| 150,000 | Citadel Broadcasting Corp., 7.75%, 12/15/18 (a) | 152,782 | 162,000 |
| | Radio & TV Broadcasting & Communications Equipment (0.69%) | | |
| 500,000 | CommScope, Inc., 8.25%, 1/15/19 (a) | 510,906 | 497,500 |
| | Retail-Convenience Stores (0.73%) | | |
| 500,000 | Susser Holdings LLC, 8.50%, 5/15/16 | 507,363 | 525,000 |
| | Retail-Miscellaneous Retail (0.31%) | | |
| 250,000 | Ferrellgas Partners, L.P., 6.50%, 5/1/21 (a) | 245,067 | 225,625 |
| | Rolling Drawing & Extruding of Nonferrous Metals (0.72%) | | |
| 500,000 | Novelis, Inc., 8.375%, 12/15/17 | 505,911 | 518,750 |
| | Security Brokers, Dealers & Flotation Companies (0.85%) | | |
| 750,000 | Penson Worldwide, Inc., 12.50%, 5/15/17 (c) | 758,509 | 611,250 |
| | Semiconductors & Related Devices (0.36%) | | |
| 250,000 | Advanced Micro Devices, 7.75%, 8/1/20 (a) | 258,355 | 255,000 |
| | Services-Business Services, NEC (0.67%) | | |
| 500,000 | DynCorp International, Inc. 10.375%, 7/1/17 (c) | 502,020 | 480,000 |

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| | | | |
|-----------|---|-----------|-----------|
| | Services-Computer Integrated Systems Design (0.58%) | | |
| 400,000 | Scientific Games International, Inc., 9.25%, 6/15/19 (a) | 430,287 | 414,000 |
| | Services-Equipment Rental & Leasing, NEC (0.74%) | | |
| 500,000 | Aircastle Ltd., 9.75%, 8/1/18 (a) | 503,112 | 528,750 |
| | Services-Miscellaneous Amusement & Recreation (1.11%) | | |
| 750,000 | Cedar Fair LP, 9.125%, 8/1/18 (c) | 753,813 | 795,000 |
| | Services-Miscellaneous Equipment Rental & Leasing (0.94%) | | |
| 675,000 | H&E Equipment Services, Inc., 8.375%, 7/15/16 (a) | 680,769 | 673,313 |
| | Services-Miscellaneous Repair Services (0.41%) | | |
| 500,000 | Aquilex Holdings LLC, 11.125%, 12/15/16 (a) | 496,117 | 292,500 |
| | Services-Motion Picture Theaters (0.13%) | | |
| 95,000 | Regal Entertainment Group, 9.125%, 8/15/18 | 96,182 | 96,425 |
| | Steel Works, Blast Furnaces & Rolling & Finishing Mills (1.16%) | | |
| 840,000 | Gibraltar Industries, Inc., 8%, 12/1/15 (a) | 840,794 | 831,600 |
| | Telephone Communications (2.06%) | | |
| 500,000 | Cincinnati Bell, Inc., 8.75%, 3/15/18 (a) | 509,549 | 532,500 |
| 1,000,000 | Equinix, Inc., 8.125%, 3/1/18 (a) | 1,008,817 | 942,500 |
| | | 1,518,366 | 1,475,000 |
| | Textiles, Apparel & Luxury Goods (0.07%) | | |
| 50,000 | Empire Today LLC, 11.375%, 2/1/17 | 49,497 | 47,000 |
| | Transportation (0.55%) | | |
| 400,000 | Marquette Transportation Company, 10.875%, 1/15/17 (c) | 401,590 | 393,000 |
| | Utilities (0.59%) | | |
| 400,000 | North American Energy Alliance LLC, 10.875%, 6/1/16 (c) | 409,093 | 428,000 |
| | Water Transportation (2.20%) | | |
| 679,000 | American Petroleum Tankers LLC, 10.25%, 5/1/15 (c) | 668,138 | 679,849 |
| 900,000 | Hornbeck Offshore Services, Inc., 8%, 9/1/17 (a) | 907,027 | 895,500 |
| | | 1,575,165 | 1,575,349 |

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| | | | |
|---------|--|---------------|---------------|
| | Wholesale-Electronic Parts & Equipment, NEC (0.43%) | | |
| 300,000 | Brightstar Corp., 9.50%, 12/1/16 (a) (c) | 300,000 | 310,500 |
| | Wholesale-Petroleum & Petroleum Products (0.40%) | | |
| 275,000 | Crosstex Energy LP, 8.875%, 2/15/18 (a) | 275,603 | 286,000 |
| | Total corporate bonds and notes | 30,767,361 | 30,514,896 |
| | MASTER LIMITED PARTNERSHIPS (3.62%) | | |
| | Natural Gas Transmission (3.62%) | | |
| 39,000 | Energy Transfer Partners LP | 1,979,798 | 1,757,340 |
| 20,000 | Enterprise Products Partners LP | 374,214 | 843,000 |
| | | 2,354,012 | 2,600,340 |
| | INVESTMENT COMPANIES (2.87%) | | |
| | Exchange Traded Fund (2.87%) | | |
| 15,000 | iShares Dow Jones Select Dividend Index | 699,712 | 764,400 |
| 65,000 | SPDR KBW Bank (a) | 871,731 | 1,293,500 |
| | | 1,571,443 | 2,057,900 |
| | CLOSED END FUND BUSINESS DEVELOPMENT COMPANIES (2.33%) | | |
| | Miscellaneous Business Credit Institution (2.33%) | | |
| 112,958 | Apollo Investment Corp. (a) | 1,305,309 | 1,026,788 |
| 40,837 | Horizon Technology Finance Corp. | 634,653 | 646,858 |
| | | 1,939,962 | 1,673,646 |
| | PREFERRED STOCK (0.01%) | | |
| | Financial (0.01%) | | |
| 80,000 | Solar Cayman Ltd. (a) (b) (c) (d) | 568,802 | 2,000 |
| | Total investments (123.29%) | \$ 84,107,834 | 88,455,645 |
| | Liabilities in excess of other assets (-23.29%) | | (16,711,415) |
| | Net assets (100.00%) | | \$ 71,744,230 |

(a) Fully or partially pledged as collateral on bank credit facility. As of August 31, 2011, the value of securities pledged as collateral was \$39,699,775.

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

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

(d) Non-income producing.

ADR American Depositary Receipt

| | |
|------|--------------------------------------|
| LLC | Limited Liability Company |
| LP | Limited Partnership |
| PLC | Public Limited Company |
| SPDR | Standard & Poor's Depository Receipt |
| SPV | Special Purpose Vehicle |

Notes to Schedule of Portfolio Investments (Unaudited)

Security Valuation

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

Fair Value Measurements

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

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

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

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

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

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

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Equity securities (common and preferred stock). Securities traded on a national securities exchange or reported on the Nasdaq national market generally are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they may be categorized in level 1 of the fair value hierarchy. Preferred stock and other equities on inactive markets or valued by reference to similar instruments may be categorized in level 2.

Corporate bonds. The fair value of corporate bonds is 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 may be categorized in level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they may be categorized in level 3.

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

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|--|--------------|--------------|-----------|--------------|
| Assets | | | | |
| Investments, at value | | | | |
| Common stock | \$51,499,520 | \$- | \$107,343 | \$51,606,863 |
| Corporate bonds and notes | - | 30,514,896 | - | 30,514,896 |
| Master limited partnerships | 2,600,340 | - | - | 2,600,340 |
| Investment companies | 2,057,900 | - | - | 2,057,900 |
| Closed end fund business development companies | 1,673,646 | - | - | 1,673,646 |
| Preferred stock | - | - | 2,000 | 2,000 |
| Total investments, at value | \$57,831,406 | \$30,514,896 | \$109,343 | \$88,455,645 |

There were no transfers between level 1 and level 2 during the nine months ended August 31, 2011.

The following is a reconciliation of level 3 investments for which significant unobservable inputs were used to determine fair value:

| | Common Stocks | Preferred Stocks | Corporate Bonds and Notes | Total |
|--|------------------|---------------------|---------------------------------|-------------|
| Balance at November 30, 2010 | \$200,256 | \$26,400 | \$950,000 | \$1,176,656 |
| Proceeds from sales | (12,900) | - | (960,000) | (972,900) |
| Realized loss | (71,904) | - | (40,000) | (111,904) |
| Change in unrealized appreciation (depreciation) | (8,109) | (24,400) | 50,000 | 17,491 |
| Transfers in or out of level 3 | - | - | - | - |
| Balance at August 31, 2011 | \$107,343 | \$2,000 | \$- | \$109,343 |

Cost for Federal Income Tax Purposes

At August 31, 2011, for federal income tax purposes the aggregate cost of securities was \$84,107,834 and net unrealized appreciation was \$4,347,811, comprised of gross unrealized appreciation of \$9,807,648 and gross unrealized depreciation of \$5,459,837.

Illiquid and Restricted Securities

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

| Security | Acquisition | | Cost | Value |
|--------------------------|-------------|--|-------------|-----------|
| | Date | | | |
| Star Asia Financial Ltd. | 2/22/07 | | \$686,145 | \$107,343 |
| Solar Cayman Ltd. | 3/7/07 | | 568,802 | 2,000 |
| | | | \$1,254,947 | \$109,343 |
| Percent of net assets | | | 1.75 | % 0.15 % |

Signatures

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

Dividend and Income Fund, Inc.

By: /s/Thomas B. Winmill
Thomas B. Winmill, President

Date: October 28, 2011

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

By: /s/Thomas B. Winmill
Thomas B. Winmill, President

Date: October 28, 2011

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

Date: October 28, 2011

Exhibit Index

(a) Certifications of the registrant's principal executive and principal financial officer as required by Rule 30a-2(a) under the 1940 Act. (EX-99.CERT)