
Bancroft Fund Ltd.

65 Madison Avenue Suite 550 • Morristown, New Jersey 07960-7308 • www.bancroftfund.com

To Our Shareholders:

Convertible securities set performance records in 2008 and 2009. Although the record rebound in 2009 offset some of the record losses from 2008, convertible securities still have not returned to the price levels that existed prior to the decline. Many of the underlying relationships between different types of securities, such as the yield spread between treasury bonds and convertible securities, were severely damaged in 2008 as the market became dysfunctional. In 2009 these relationships were substantially repaired and have returned to more “normal” levels as they recovered from the record high levels of a year ago. The convertible securities market has become fully functional again. Although this recovery may mean that excess returns that accrued to convertible securities due to the correction of market dysfunction may be harder to come by in the future, it also gives us confidence that standard market measures, such as investment value, will prove useful again in judging the potential returns of investment candidates.

What has also been quite unusual has been the extent to which convertible securities outperformed equities. As of January 31, 2010, the total return from Bancroft Fund’s net asset value (NAV) and the Bank of America Merrill Lynch All Convertibles Index (the BAML Index) outperformed the S&P 500 Index (with all dividends reinvested) for the one-, five- and ten-year periods. The outperformance for the one-year period was substantial, as indicated in the performance chart of this First Quarter Update. Convertible securities have a long history of providing returns that are competitive with those of equity securities but with less volatility; in these periods they were better performers than equity securities although they were almost as volatile as stocks. This similarity in volatility is an unusual occurrence and we do not believe it will continue into the future because many underlying market relationships have returned to “normal.” Market participants appear to have confidence that these relationships will prove more durable in any new downturn than was the case in 2008.

The overall make-up of Bancroft’s portfolio is balanced. The Fund has an average current yield of 4.12%, a median premium to conversion value of 31.15%, an average premium to conversion value of 61.28%, an average delta of 0.59 (a measure of equity sensitivity), and an average rating of BB. This compares to the BAML Index which has an average current yield of 3.78%, a 73.6% average premium to conversion value, a 0.54 average delta, and an average rating of BB. Bancroft’s portfolio has a higher yield, a lower premium, higher equity sensitivity, and a similar rating to the Index. We believe the Fund’s portfolio is well positioned to provide an attractive mix of returns from yield and capital gains.

The new issue convertible market was disappointing in 2009. Although the performance put in by convertible securities issued during the year was very good and the number of issues (over 100) was high, the size of these issues was smaller than expected. Total

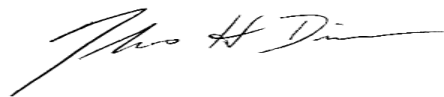
convertible security issuance was under \$38 billion, the lowest amount in over a decade. January and February of 2010 saw a continuation of this trend as only seven new deals worth \$1.7 billion were issued. We believe that the issuance of new convertible securities will play an important part in the process of our economic recovery but we find it surprising that potential issuers have deferred coming to market for now.

Performance for the Fund’s first quarter was enhanced by its exposure to the telecommunications, banking and energy industries. Performance was held back, however, by its exposure to the aerospace and defense industry and the financial services industry. As indicated in the performance chart of this First Quarter Update, the Fund’s NAV outperformed the BAML Index over the five-year period (adjusted for expenses and the fiscal 2008 tender offer) and the ten-year period (adjusted for expenses, the fiscal 2004 rights offering, and the fiscal 2008 tender offer) ended January 31, 2010. The NAV underperformed the Index for the three-month and one-year periods ended January 31, 2010, however. Over the ten-year period, the Fund’s market return outperformed the Index, but underperformed over the three-month, one- and five-year periods. For the ten-year performance, the Fund’s NAV volatility and market volatility, as measured by standard deviation, were lower than that of the Index. Bancroft has sought to provide total returns to shareholders that compare favorably to those provided by the equity markets, but with less volatility.

Now posted on the Fund’s website is a commentary on the convertible securities market for the year 2009. Also on the website is a white paper on convertible securities written by Dinsmore Capital Management Co. We believe that you will find these documents informative and educational.

At the annual meeting of shareholders, Jane D. O’Keeffe and Nicolas W. Platt were re-elected to the Board of Trustees for three-year terms, and the appointment of Tait, Weller & Baker LLP to serve as the Fund’s independent auditors for the 2010 fiscal year was ratified. We thank you for your participation and support.

At its February meeting, the Board of Trustees declared a distribution of \$0.15 per share, consisting of undistributed net investment income. The distribution is payable on March 25, 2010 to shareholders of record March 11, 2010.



Thomas H. Dinsmore
Chairman of the Board
March 9, 2010

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Stock Exchange Listing

NYSE Amex - Symbol: BCV



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First Quarter Update - January 31, 2010 (unaudited)

Financial Highlights

Market price 1/31/10	\$14.69
Net asset value (NAV) 1/31/10	\$17.05
Market discount to NAV	(13.84)%
12-Month income distribution	\$0.726
Yield on market price	4.94%
Ratio of expenses to avg. net assets	1.09%*
Ratio of net income to avg. net assets	3.51%*
Portfolio turnover	11.37%
Shares outstanding	5,280,533

* Annualized

Largest Investment Holdings as of 1/31/10

by underlying common stock	% of Net Assets
Equinix	2.6
Euronet Worldwide	2.3
Kinetic Concepts	2.3
Mylan	2.3
Nuance Communications	2.3
Blackboard	2.2
Vale S.A.	2.2
Intel	2.1
Wells Fargo	2.1
SAVVIS	2.0

Major Industry Exposure as of 1/31/10

	% of Net Assets
Energy	16.1
Telecommunications	15.4
Computer Software	8.6
Healthcare	8.0
Pharmaceuticals	7.9
Financial Services	5.7
Minerals and Mining	4.9
Foods	4.9
Banking/Savings and Loan	4.8
Computer Hardware	3.2

Performance through 1/31/10 with dividends reinvested

	3 Months	1 Year	Annualized		10-Year
			5 Years	10 Years	Volatility
Bancroft market price	5.02%	33.07%	2.57%	3.80%	18.34%
Bancroft net asset value	4.68	42.46	2.40	1.98	19.12
Bank of America Merrill Lynch All Conv. Index	6.10	46.62	2.82	2.11	22.07
S&P 500 Index	4.16	33.14	0.18	(0.80)	23.35
Barclay Aggregate Bond Total Return Index	1.23	8.51	4.97	6.33	2.94

Bank of America Merrill Lynch All Convertibles Index and S&P 500 Index performance data from Bloomberg L.P. pricing service. Barclays Aggregate Bond Total Return Index data from Barclays Capital.

Bancroft's performance has not been adjusted for the fiscal 2004 rights offering, or for the 2008 tender offer; net asset value dilution was 2.38%, and (0.85)%, respectively. Performance data represent past results and do not reflect future performance.

Volatility is a measure of risk based on the standard deviation of the return. The greater the volatility, the greater the chance of a profit or risk of a loss.

Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
4/30/09	\$13.92	\$12.02	\$13.92	\$11.90	\$9.75	\$11.69
7/31/09	15.70	13.97	15.70	13.97	12.04	13.94
10/31/09	17.12	15.71	16.57	14.91	13.52	14.23
1/31/10	18.00	16.56	17.05	15.63	14.14	14.69

Total Fund Investments as of 1/31/10

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$68,102	75.6
Corporate Bonds and Notes	1,149	1.3
Convertible Preferred Stocks	11,086	12.3
Mandatory Convertible Securities	7,977	8.9
Other Assets, Net of Liabilities	1,711	1.9
Net Assets	<u>\$90,025</u>	<u>100.0%</u>

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
3/12/09	3/26/09	\$0.170	—	\$0.170
6/11/09	6/25/09	0.170	—	0.170
9/10/09	9/24/09	0.130	—	0.130
11/27/09	12/28/09	0.256	—	0.256
		<u>\$0.726</u>	<u>—</u>	<u>\$0.726</u>

Investment holdings and industry exposure are as of January 31, 2010 and subject to change without notice. Detailed portfolio information is available on our website (www.bancroftfund.com). Contact us by e-mail at info@bancroftfund.com or call us at (973) 631-1177.

	Principal Amount	Value
CONVERTIBLE BONDS AND NOTES - 75.6%		
Aerospace and Defense - 1.6%		
Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1)	\$1,000,000	\$1,021,250
GenCorp Inc. 4.0625%, due 2039 cv. sub. notes (CCC) (1)	500,000	451,500
		<u>1,472,750</u>
Automotive - 1.1%		
Titan International, Inc. 5.625%, due 2017 cv. sr. sub. notes (NR) (1)	1,000,000	1,011,500
Computer Hardware - 3.2%		
EMC Corp. 1.75%, due 2013 cv. sr. notes (A-)	1,000,000	1,198,750
NETAPP, Inc. 1.75%, due 2023 cv. sr. notes (NR)	1,500,000	1,666,875
		<u>2,865,625</u>
Computer Software - 8.6%		
Blackboard Inc. 3.25%, due 2027 cv. sr. notes (BB-)	2,000,000	1,980,000
GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR)	1,500,000	1,492,500
Nuance Communications Inc. 2.75%, due 2027 cv. sr. notes (B-)	2,000,000	2,092,500
Salesforce.com Inc. 0.75%, due 2015 cv. sr. notes (NR) (1)	500,000	476,250
Sybase, Inc. 3.5%, due 2029 cv. sr. notes (NR) (1)	1,500,000	1,685,625
		<u>7,726,875</u>
Consumer Goods - 2.1%		
Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR)	700,000	961,625
Regis Corp. 5%, due 2014 cv. sr. notes (NR)	750,000	926,250
		<u>1,887,875</u>
Energy - 8.9%		
Covanta Holding Corp. 1%, due 2027 cv. sr. deb. (Ba3) (2)	1,500,000	1,396,875
Goodrich Petroleum Corp. 5% due 2029 cv. sr. notes (NR)	1,000,000	957,500
McMoRan Exploration Co. 5.25%, due 2011 cv. sr. notes (NR)	1,087,000	1,184,830
Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR)	1,075,000	1,428,406
SunPower Corp. 1.25%, due 2027 cv. sr. deb. (NR)	1,500,000	1,305,000
Trina Solar Ltd. 4%, due 2013 cv. sr. notes (NR) (exchangeable for ADS representing common shares)	1,000,000	1,450,000
Verenium Corp. 9%, due 2027 cv. sr. secured notes	337,000	249,380
		<u>7,971,991</u>
Financial Services - 5.7%		
Coinstar, Inc. 4%, due 2014 cv. sr. notes (BB)	1,000,000	962,500
Old Republic International Corp. 8%, due 2012 cv. sr. notes (BBB+)	1,500,000	1,700,625
Euronet Worldwide, Inc. 3.5%, due 2025 cv. deb. (B+) (2)	2,250,000	2,092,500
KKR Financial Holdings LLC due 2017 cv. sr. notes (NR)	375,000	380,625
		<u>5,136,250</u>
Foods - 2.1%		
Central European Distribution Corp. 3%, due 2013 cv. sr. notes (B-)	1,400,000	1,235,500
The Great Atlantic & Pacific Tea Company, Inc. 5.125%, due 2011 cv. sr. notes (Caa2)	682,000	637,670
		<u>1,873,170</u>
Healthcare - 8.0%		
China Medical Technologies, Inc. 4%, due 2013 cv. sr. sub. notes (NR) (exchangeable for ADS representing common stock)	1,750,000	1,082,813
Greatbatch, Inc. 2.25%, due 2013 cv. sub. deb. (NR) (2)	1,500,000	1,290,000
Kinetic Concepts, Inc. 3.25%, due 2015 cv. sr. notes (B+)	2,000,000	2,057,500
Millipore Corp. 3.75%, due 2026 cv. sr. notes (BB-) (2)	1,750,000	1,780,625
SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR)	1,000,000	981,250
		<u>7,192,188</u>

	Principal Amount	Value
CONVERTIBLE BONDS AND NOTES - continued		
Leisure Products - 0.8%		
JAKKS Pacific, Inc. 4.5%, due 2014 cv. sr. notes (NR) (1)	\$750,000	\$ 741,563
Minerals and Mining - 1.1%		
Jaguar Mining, Inc. 4.5%, due 2014 cv. sr. notes (NR) (1)	1,000,000	1,008,750
Multi-Industry - 1.6%		
LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR)	1,500,000	1,470,000
Pharmaceuticals - 7.9%		
Cephalon, Inc. 2.5%, due 2014 cv. sr. sub. notes (NR)	1,000,000	1,117,500
Endo Pharmaceuticals Holdings, Inc. 1.75%, due 2015 cv. sr. sub. notes (NR) (1)	1,500,000	1,389,375
Mylan Inc. 3.75%, due 2015 cash cv. notes (BB-)	1,000,000	1,528,750
Mylan Laboratories, Inc. 1.25%, due 2012 cv. sr. notes (BB-)	500,000	512,500
Onyx Pharmaceuticals, Inc. 4%, due 2016 cv. sr. notes (NR)	750,000	781,875
Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (A3) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR)	1,500,000	1,807,500
		<u>7,137,500</u>
Real Estate - 1.6%		
Biomed Realty Trust, Inc. 3.75%, due 2015 exch. sr. notes (NR) (1)	500,000	482,500
Lexington Realty Trust 6%, due 2030 cv. guaranteed notes (NR) (1)	1,000,000	975,000
		<u>1,457,500</u>
Semiconductors - 2.1%		
Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) (2)	1,000,000	948,750
Intel Corp. 3.25%, due 2039 jr. sub. cv. deb. (A-) (1)	900,000	970,875
		<u>1,919,625</u>
Telecommunications - 15.4%		
ADC Telecommunications Inc. floating rate, due 2013 cv. sub. notes (NR)	1,000,000	830,000
Anixter International Inc. 1%, due 2013 cv. sr. notes (BB-)	1,250,000	1,150,000
CommScope, Inc. 3.25%, due 2015 cv. sr. sub. notes (B)	1,000,000	1,213,750
Comtech Telecommunications Corp. 3% due 2029 cv. sr. notes (NR)	1,000,000	1,167,500
Equinix, Inc. 2.5%, due 2012 cv. sub. notes (B-)	1,100,000	1,160,500
Equinix, Inc. 4.75%, due 2016 cv. sub. notes (B-)	865,000	1,174,238
Finisar Corp. 5% due 2029 cv. sr. notes (NR)	1,000,000	1,225,000
NII Holdings, Inc. 2.75%, due 2025 cv. notes (B-)	1,750,000	1,760,938
SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR)	2,000,000	1,832,500
SBA Communications Corp. 4%, due 2014 cv. sr. notes (NR) (1)	750,000	960,000
SBA Communications Corp. 1.875%, due 2013 cv. sr. notes (NR)	500,000	505,625
Telecommunications Systems, Inc. 4.5%, due 2014 cv. sr. notes (NR) (1)	750,000	840,000
		<u>13,820,051</u>
Transportation - 3.1%		
DryShips, Inc. 5%, due 2014 cv. sr. notes	1,000,000	1,000,000
ExpressJet Holdings, Inc. 4.25%, due 2023 cv. notes (NR)	800,000	768,000
JetBlue Airways Corp. 3.75%, due 2035 cv. deb. (Caa3)	1,000,000	998,750
		<u>2,766,750</u>
Travel and Leisure - 0.7%		
Morgans Hotel Group 2.375%, due 2014 cv. sr. sub. notes (NR)	1,000,000	642,500
TOTAL CONVERTIBLE BONDS AND NOTES		<u>68,102,463</u>

	Principal Amount	Value
CORPORATE BONDS AND NOTES - 1.3%		
Finance - 0.5%		
Lehman Brothers Holdings Inc. 6%, due 2010 medium-term notes (NR) (3)	\$50,000	\$181,250
Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (NR) (3)	1,500,000	217,500
		<u>398,750</u>
Retail - 0.8%		
Amerivon Holdings LLC 4% units containing cv. promissory note due 2010 and warrants expiring 2012 (NR) (Acquired 06/01/07; Cost \$1,500,000) (1,4,5)	1,500,000	750,000
		<u>750,000</u>
TOTAL CORPORATE BONDS AND NOTES		<u>1,148,750</u>

	Shares	Value
CONVERTIBLE PREFERRED STOCKS - 12.3%		
Banking/Savings and Loan - 4.8%		
Bank of America Corp. 7.25% non-cum. perpetual cv. pfd., series L (Ba3)	1,000	905,000
New York Community Bancorp, Inc. 6% BONUSES units (Baa2)	24,000	1,116,000
Sovereign Capital Trust IV 4.375% PIERS (Baa2) (exchangeable for Sovereign Bancorp, Inc. common stock) (2)	14,000	440,125
Wells Fargo Corp. 7.5% perpetual cv. pfd., series L (Ba1)	2,000	1,885,200
		<u>4,346,325</u>
Chemicals - 1.6%		
Celanese Corp. 4.25% perpetual cv. pfd. (NR)	40,000	1,470,000
		<u>1,470,000</u>
Energy - 4.7%		
ATP Oil & Gas Corp. 8% perpetual cv. pfd. (NR) (1)	7,500	672,188
Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+)	21,360	1,778,647
Whiting Petroleum Corp. 6.25% perpetual cv. pfd. (B)	10,000	1,720,000
		<u>4,170,835</u>
Foods - 1.2%		
Bunge Limited 4.875% cum. perpetual cv. pfd. (Ba1)	12,500	1,098,438
		<u>1,098,438</u>
TOTAL CONVERTIBLE PREFERRED STOCKS		<u>11,085,598</u>

MANDATORY CONVERTIBLE SECURITIES - 8.9% (6)		
Energy - 2.6%		
Great Plains Energy, Inc. 12%, due 6/15/12 equity units (NR) (2)	20,000	1,260,000
Merrill Lynch & Co., Inc. 5.4%, due 9/27/10 PRIDES (A+) (linked to the performance of ConocoPhillips common stock)	2,000	1,091,220
		<u>2,351,220</u>
Finance - 0.9%		
Citigroup, Inc. 7.5%, due 12/15/12 T-DECS (NR)	7,500	784,500
		<u>784,500</u>
Foods - 1.6%		
2009 Dole Food ACES Trust 7%, due 11/1/2012 (NR) (exchangeable for Dole Food Company, Inc. common stock) (1)	130,000	1,423,903

	Shares	Value
MANDATORY CONVERTIBLE SECURITIES - continued		
Minerals and Mining - 3.8%		
Freeport-McMoRan Copper & Gold Inc. 6.75%, due 5/1/10 mandatory cv. pfd. (BB)	15,000	\$1,476,750
Vale Capital II 6.75%, due 6/15/12 mandatory cv. notes (BBBH) (exchangeable for ADS representing Vale S.A. common stock)	19,200	1,449,600
Vale Capital II 6.75%, due 6/15/12 mandatory cv. notes (BBBH) (exchangeable for ADS representing Vale S.A. preferred A shares)	6,500	490,815
		<u>3,417,165</u>
TOTAL MANDATORY CONVERTIBLE SECURITIES (6)		<u>7,976,788</u>
Total Convertible Bonds and Notes - 75.6%		\$68,102,463
Total Corporate Bonds and Notes - 1.3%		1,148,750
Total Convertible Preferred Stocks - 12.3%		11,085,598
Total Mandatory Convertible Securities - 8.9%		<u>7,976,788</u>
Total Investments - 98.1%		88,313,599
Other assets and liabilities, net - 1.9%		1,711,114
Total Net Assets - 100.0%		<u><u>\$90,024,713</u></u>

(1) Security not registered under the Securities Act of 1933, as amended (the "Securities Act") (e.g., the security was purchased in a Rule 144A or a Regulation D transaction). The security may be resold only pursuant to an exemption from registration under the Securities Act, typically to qualified institutional buyers. The Fund generally has no rights to demand registration of such securities. The aggregate market value of these unregistered securities at January 31, 2010 was \$13,839,029, which represented 15.4% of the Fund's net assets.

(2) Contingent payment debt instrument.

(3) Security in default.

(4) Investment is valued at fair value as determined in good faith pursuant to procedures adopted by the Board of Trustees. It is possible that the estimated value may differ significantly from the amount that might ultimately be realized in the near term, and the difference could be material. The fair value of these securities amounted to \$750,000 at January 31, 2010, which represented 0.8% of the Fund's net assets.

(5) Restricted securities include securities that have not been registered under the Securities Act, as amended, and securities that are subject to restrictions on resale. The Fund may invest in restricted securities that are consistent with the Fund's investment objective and investment strategies. As of January 31, 2010, the Fund was invested in the following restricted securities:

Amerivon Holdings LLC 4% units containing cv. promissory note due 2010 and warrants expiring 2012, acquired June 1, 2007.

(6) These securities are required to be converted on the dates listed; they generally may be converted prior to these dates at the option of the holder.

Investment Abbreviations

ACES - Automatic Common Exchange Securities.

ADR - American Depositary Receipts.

ADS - American Depositary Shares.

BONUSES - Bifurcated Option Note Unit Securities.

PIERS - Preferred Income Equity Redeemable Securities.

PRIDES - Preferred Redeemable Increased Dividend Equity Securities.

T-DECS - Tangible Dividend Enhanced Common Stock.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's. NR is used whenever a rating is unavailable.

Summary of Portfolio Ratings *

AA	0%
A	7%
BBB	6%
BB	17%
B	19%
CCC & below	2%
Not Rated	49%

* Excludes equity securities and cash.

Bancroft Fund Ltd. - Selected Notes to Financial Statements (unaudited)

Bancroft Fund Ltd. (the "Fund"), is registered under the Investment Company Act of 1940, as amended, (the "Act") as a diversified, closed-end management investment company.

Security Valuation - Investments in securities traded on a national securities exchange are valued at market using the last reported sales price, supplied by an independent pricing service, as of the close of regular trading. Listed securities, for which no sales were reported, are valued at the mean between closing reported bid and asked prices as of the close of regular trading. Unlisted securities traded in the over-the-counter market are valued using an evaluated quote provided by the independent pricing service, or, if an evaluated quote is unavailable, such securities are valued using prices received from dealers, provided that if the dealer supplies both bid and asked prices, the price to be used is the mean of the bid and asked prices. The independent pricing service derives an evaluated quote by obtaining dealer quotes, analyzing the listed markets, reviewing trade execution data and employing sensitivity analysis. Evaluated quotes may also reflect appropriate factors such as individual characteristics of the issue, communications with broker-dealers, and other market data. Securities for which quotations are not readily available, restricted securities and other assets are valued at fair value as determined in good faith pursuant to procedures adopted by the Board of Trustees. Short-term debt securities with original maturities of 60 days or less are valued at amortized cost.

The Fund has adopted authoritative fair valuation accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion in changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

Level 1 - Quoted unadjusted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuation in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers, and those received from an independent pricing service.

Level 3 - Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price an asset or liability based on the best available information.

The following is a summary of the inputs used to value the net assets of the Fund as of January 31, 2010:

	Level 1	Level 2	Level 3
Investments in Securities:			
Convertible Bonds and Notes	\$---	\$68,102,463	\$---
Convertible Preferred Stocks	---	11,085,598	---
Mandatory Convertible Securities	---	7,976,788	---
Corporate Bonds and Notes	---	398,750	750,000
Total Investments	\$---	\$87,563,599	\$750,000

Bancroft Fund Ltd. - Selected Notes to Financial Statements (continued)

The following is a reconciliation of assets for which level 3 inputs were used in determining value:

	Convertible Bonds and Notes	Corporate Bonds and Notes	Convertible Preferred Stocks	Total
Beginning balance	\$ ---	\$750,000	\$ ---	\$750,000
Change in unrealized appreciation (depreciation)	---	---	---	---
Net transfers in/out of level 3	---	---	---	---
Ending balance	<u>\$ ---</u>	<u>\$750,000</u>	<u>\$ ---</u>	<u>\$750,000</u>

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 the 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 instruments categorized in level 3.

Securities Transactions and Related Investment Income - Security transactions are accounted for on the trade date (date the order to buy or sell is executed) with gain or loss on the sale of securities being determined based upon identified cost. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis, including accretion of discounts and amortization of non-equity premium. For certain securities, known as "contingent payment debt instruments," Federal tax regulations require the Fund to record non-cash, "contingent" interest income in addition to interest income actually received. Contingent interest income amounted to approximately 3 cents per share for the three months ended January 31, 2010. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At January 31, 2010, there were unrealized losses of approximately 38 cents per share on contingent payment debt instruments.

Federal Income Tax Cost - At January 31, 2010, the cost basis of investments for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized depreciation from investments were \$89,237,528, \$7,819,590, \$(8,743,518) and \$(923,928), respectively.