

BANCROFT FUND LTD
Form PRE 14A
November 28, 2007

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
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BANCROFT FUND LTD.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**BANCROFT FUND LTD.
65 Madison Avenue
Morristown, New Jersey 07960**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
to be held**

_____, _____, 2008
__:00 a.m., Eastern Standard Time
at
**The Madison Hotel,
One Convent Road, Morristown, NJ 07960**

To Shareholders of Bancroft Fund Ltd.:

We cordially invite you to attend our 2008 Annual Meeting of Shareholders to vote on:

1. Ratifying the Audit Committee's appointment of Tait, Weller & Baker LLP as independent registered public accountants for fiscal year 2008;
2. To consider and vote upon, if properly presented at the meeting, a shareholder proposal with respect to a monthly managed distribution policy;
3. Electing two trustees to three year terms; and
4. Transacting any other business that properly comes before the Annual Meeting or any adjournments or postponements thereof.

We are holding the Annual Meeting on _____, 2008 at __:00 a.m., Eastern Standard Time, at The Madison Hotel, located at One Convent Road, Morristown, New Jersey 07960.

This meeting is extremely important in light of the announcement by a dissident shareholder, Mr. Phillip Goldstein, who controls Opportunity Partners, L.P. (Opportunity Partners), of his intention to solicit proxies against the nominees of your Board of Trustees. Opportunity Partners has also made a shareholder proposal, included in this proxy statement, which your Board of Trustees strongly opposes.

Your vote is very important. Whether or not you plan to attend the meeting, and regardless of the number of shares you own, we urge you to vote **AGAINST** the dissident shareholder proposal (Proposal 2) and **FOR** the nominees proposed by your Board of Trustees (Proposal 3) by promptly completing, signing, dating and returning the enclosed **White** proxy card. We strongly urge you **NOT** to sign any proxy card sent to you by Opportunity Partners or Mr. Goldstein, even if you only intend to vote against their nominees or proposal. If you have previously returned any proxy card sent to you by the dissident shareholder, you may change any vote you may have cast in favor of his nominees or proposal, and vote instead for the election of the Board's nominees and against his proposal by completing, signing, dating, and returning the **White** proxy card in the accompanying envelope. If you hold shares in a brokerage account (in street name), your broker cannot vote your shares unless you complete, sign and return the enclosed **White** proxy card. In addition, you may be able to vote your shares by telephone or Internet. Please consult the materials you receive from your broker prior to voting by telephone or Internet.

You may vote on these proposals in person or by proxy. If you cannot attend the Annual Meeting, we ask that you return the *White* proxy card promptly so that your vote will be counted. Only shareholders of record on _____, 2008 will be entitled to vote at the meeting or any adjournment or postponement of the meeting.

Thomas H. Dinsmore
Chairman of the Board of Trustees

_____, 2007

**BANCROFT FUND LTD.
65 Madison Avenue
Morristown, New Jersey 07960**

**PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON
_____, 2008**

INFORMATION ABOUT THE ANNUAL MEETING

Proxy Statement

We are sending you this Proxy Statement and the enclosed proxy card because the Board of Trustees of Bancroft Fund Ltd. (the Trust) is soliciting your proxy to vote at the 2008 annual meeting of shareholders and at any adjournments or postponements of the annual meeting (the Annual Meeting). This Proxy Statement summarizes the information you need to know to cast an informed vote at the Annual Meeting.

This Proxy Statement, the attached Notice of Annual Meeting and the enclosed proxy card will first be sent on or about _____, 200_ to all shareholders entitled to vote. Shareholders who owned the Trust's shares of beneficial interest on _____, 200_ are entitled to vote. On this record date, there were 5,733,016, shares outstanding. Each share of the Trust that you own entitles you to one vote. (A fractional share has a fractional vote.)

The Trust will furnish you free of charge with its most recent annual report upon request. Please contact Gary I. Levine in care of the Trust at 65 Madison Avenue, Morristown, NJ 07960 or call (973) 631-1177 to receive the annual report. The annual report is also available online at www.bancroftfund.com.

Time and Place of Meeting

We are holding the Annual Meeting on _____, 2008 at __:00 a.m., Eastern Standard Time, at The Madison Hotel, located at One Convent Road, Morristown, New Jersey 07960.

THIS IS AN ESPECIALLY IMPORTANT ANNUAL MEETING OF SHAREHOLDERS OF THE FUND.

The Trust has had an exceptionally strong year: for the twelve months ended October 31, 2007, the Trust's market return was 18.27%, while the market return for 2007 calendar year-to-date through October 31 was 12.81% . Moreover, although these returns are calculated with quarterly dividends reinvested, they do not include the very large distribution of \$2.175 declared on November 19, 2007 (the Trust's largest single distribution since fiscal 2000) .

Despite this continued strong performance , a dissident shareholder, Phillip Goldstein, who controls Opportunity Partners, L.P. (Opportunity Partners), has announced his intention to solicit proxies against the nominees of your Board of Trustees. Opportunity Partners has also made a shareholder proposal, included in this proxy statement, which your Board of Trustees strongly opposes.

Your Board strongly believes that its nominees are extremely well suited to continue to serve as the Fund’s Trustees based on each nominee’s background, relevant business experience, and past service on the Trust’s Board of Trustees. By contrast, significant doubt exists as to whether nominees proposed by the dissident shareholder are even qualified to serve on your Board of Trustees. Please read the information below carefully regarding the dissident nominees before casting your vote.

The Board of Trustees strongly urges you to complete, sign, date, and mail promptly the **White** proxy card accompanying this Proxy Statement. If you have shares in a brokerage account (in street name) your broker cannot vote your shares this year (as it has in past routine annual meetings) in the manner recommended by your Board unless you complete, sign, date, and mail promptly the enclosed **White** proxy card. In addition, you may be able to vote your shares by telephone or Internet.

Proposal Table

The following table summarizes each proposal to be presented at the Annual Meeting and the page number of this proxy statement where you will find a description of the proposal:

<u>Proposal</u>	<u>Page Number</u>
1. Ratifying the Audit Committee’s Appointment of Tait, Weller & Baker LLP (Tait Weller) as independent registered public accountants	3
2. Consideration of shareholder proposal to implement a monthly managed distribution policy	4
3. Electing trustees	8

The Board of Trustees, including all of the independent trustees, recommends that you vote **FOR** Proposal 1, **AGAINST** Proposal 2, and **FOR** the Board’s nominees for Trustee in Proposal 3.

How to Vote

You do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign, date and return the enclosed **White** proxy card or use any of the available alternative proxy voting methods specified in the instructions that accompany this Proxy Statement.

If you are the record owner of your shares, the available alternative proxy voting methods are telephone and Internet voting. If your shares are held by a broker, the alternative proxy voting methods may include telephone, Internet and any alternative method of voting permitted by your broker. Please see “Additional Information on Voting” on page 17 below for a further discussion of how to vote your shares.

Broker Voting

Under rules applicable to broker-dealers, if your broker holds your shares in its name, we expect that the broker will be entitled to vote your shares on Proposals 1 and 3 even if it has not received instructions from you. However, your broker will not be entitled to vote on Proposal 2 unless it receives instructions from you. A “broker non-vote” occurs when a broker has not received voting instructions from a shareholder and is barred from voting the shares without shareholder instructions because the proposal is considered to be non-routine. Because Proposal 2 is considered non-routine, your broker will not be permitted to vote your shares if it has not received instructions from you, and the

shares will be considered “broker non-votes.” As a result, we urge you to complete and send in the **White** proxy card so your vote can be counted.

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PROPOSAL 1

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Although not required to do so, the Board seeks your ratification of the Audit Committee's appointment of Tait Weller as the Trust's independent registered public accountants for the 2008 fiscal year. The Board believes that the shareholders should have the opportunity to vote on this matter. If the appointment is not ratified, the Audit Committee will meet to select new independent registered public accountants for the Trust's 2008 fiscal year. We do not expect that a representative from Tait Weller will be present at the Annual Meeting. However, if a Tait Weller representative chooses to attend, he or she will have an opportunity to make a statement and to respond to appropriate questions.

Fees Billed by Tait Weller Related to the Trust

Set forth in the table below are the aggregate fees billed to the Trust by Tait Weller for services rendered to the Trust during the Trust's last two fiscal years ended October 31, 2006 and October 31, 2007.

Fiscal Year Ended October 31	Audit Fees	Audit-Related Fees ⁽¹⁾	Tax Fees ⁽²⁾	All Other Fees
2006	\$ 31,000	\$ 0	\$ 2,600	\$ 0
2007	\$ 32,000	\$ 0	\$ 2,700	\$ 0

Tait Weller billed the Trust aggregate non-audit fees of \$2,700 for the fiscal year ended 2007, and \$2,600 for the fiscal year ended 2006, for non-audit services rendered to the Trust.

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- (1) All Audit-Related Fees were pre-approved by the Trust's Audit Committee. No Audit-Related Fees were approved by the Trust's Audit Committee pursuant to section 2.01(c)(7)(i)(C) of Regulation S-X, which waives the pre-approval requirement for certain *de minimus* fees.
- (2) "Tax Fees" include those fees billed by Tait Weller in connection with their review of the Trust's income tax returns for fiscal years 2006 and 2007. All Tax Fees were pre-approved by the Trust's Audit Committee. No Tax Fees were approved by the Trust's Audit Committee pursuant to section 2.01(c)(7)(i)(C) of Regulation S-X, which waives the pre-approval requirement for certain *de minimus* fees.

Non-Audit Services Billed to Davis-Dinsmore Management Company (Davis-Dinsmore)

During each of the last two fiscal years ended October 31, 2007 and October 31, 2006, Tait Weller did not provide any non-audit services to the Fund's investment adviser, Davis-Dinsmore, or its affiliates or otherwise bill Davis-Dinsmore or its affiliates for any non-audit services.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and permissible non-audit services that are proposed to be provided to the Trust by its independent registered public accountants before they are provided to the Trust. Such pre-approval also includes the proposed fees to be charged by the independent registered public accountants for such services. The Audit Committee may delegate the pre-approval of audit and permissible non-audit services and related fees to one or

more members of the Audit Committee who are “independent,” as such term is defined in Rule 10A-3(b)(1)(iii) promulgated under the Exchange Act. Any such member’s decision to pre-approve audit and/or non-audit services and related fees shall be presented to the full Audit Committee, solely for informational purposes, at its next scheduled meeting.

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The Audit Committee also pre-approves non-audit services to be provided by the Trust's independent registered public accountants to the Trust's investment adviser if the engagement relates directly to the operations and financial reporting of the Trust and if the Trust's independent registered public accountants are the same as, or affiliated with, the investment adviser's registered public accountants.

Required Vote

The affirmative vote of the majority of votes cast is needed to approve the ratification of the Audit Committee's appointment of the independent registered public accountants. Abstentions will not count as votes cast and will have no effect on the outcome of this proposal. We expect that brokers will be entitled to vote on this proposal, but any broker non-vote will have no effect on the outcome of this proposal.

The Board recommends that you vote FOR Proposal 1.

PROPOSAL 2

SHAREHOLDER PROPOSAL REGARDING A MONTHLY MANAGED DISTRIBUTION POLICY

We received notice that a shareholder intends to present the following proposal at the Annual Meeting. The proposal was submitted by Phillip Goldstein, Opportunity Partners L.P., Park 80 West --Plaza Two, Suite C04, Saddle Brook, NJ 07663. Opportunity Partners and its affiliates collectively claim to have owned an aggregate of 347,506 shares of beneficial interest as of October 15, 2007.

Your Board of Trustees strongly opposes adoption of the resolution proposed below and asks shareholders to consider carefully the Board of Trustee's response, which follows the shareholder proposal.

Shareholder Proposal and Supporting Statement

"RESOLVED: The shareholders of Bancroft Fund request that the board implement a monthly managed distribution policy with the goal of eliminating the discount."

Bancroft's shares have traded at an unacceptably wide discount to net asset value for a long time. For example, on May 11, 2007, Bancroft's NAV was \$23.67 per share but its stock price was only \$20.80, representing a discount of more than 12%.

Recently, a number closed-end funds have instituted a managed distribution plan as a means to address a persistent trading discount. These plans have generally been quite successful in narrowing or eliminating the discount. In fact, they have often had an immediate and lasting effect.

For example, on February 2, 2007 LMP Real Estate Income Fund announced a monthly managed distribution policy that increased its distribution from 10.9 cents per month to 19 cents. LMP's stock price quickly responded to the news, rising from \$23.11 to \$25.14 (more than 8%) over the next three days. More important, LMP's discount, which like Bancroft's was languishing in double digits, continued to narrow and has now virtually disappeared. On May 1st, its NAV was \$24.28 and its stock price closed at \$24.25.

The Board of Trustees' Statement in Opposition to Proposal 2

Adoption of a monthly managed distribution policy would be extremely disadvantageous to Fund shareholders, and consequently, your Board of Trustees strongly opposes Proposal 2. The reasons why the proposal would be so harmful to your investment are as follows:

- ***A monthly managed distribution policy would adversely affect investment results in your Fund.***

Currently, the Fund is able to keep your assets fully invested and to choose investments in illiquid securities which can and do benefit the Fund's performance. For the fiscal year ended October 31, 2007 the Fund's net asset value performance was 14.53%. For the calendar year-to-date through October 31, 2007 the performance was 11.72%. By contrast, a managed distribution policy would negatively affect your Fund's performance because it would require the Fund to keep assets in low-yielding cash accounts or to liquidate assets at inopportune times solely to have the funds necessary to meet the cash demands of a managed distribution policy. In addition, the Fund's ability to invest in illiquid securities would be curtailed, because these securities cannot be quickly sold to meet the cash demands of a managed distribution policy. Because the Fund will be required to sell securities it would otherwise hold and its ability to invest in valuable illiquid securities would be limited, the cash drain associated with a managed distribution policy would adversely affect the investment results of your Fund.

- ***A monthly managed distribution policy of the magnitude demanded by the dissident would require the return of your capital and the ultimate liquidation of your Fund.***

The dissident shareholder has stated that he believes the monthly managed distribution policy the Fund should adopt should be "at least 1%" of net asset value per month, regardless of the amount earned from investment income or realized from capital gains. Virtually no investment company investing in domestic equity securities generates a level of investment income and capital gains sufficient to meet this unsustainable level of distribution. Consequently, during periods when insufficient investment income and capital gains are available for distribution, the Fund will be forced to return your invested capital to you unless the Fund earns a return *in excess of 1% of net asset each and every month*. During this phased liquidation, the monthly payment, of course, would decline with the decreasing asset base leading to the complete liquidation of your Fund!

- ***A monthly managed distribution policy would increase your Fund's expenses and administrative burdens.***

The Fund will be forced to distribute shareholders' capital to make up the difference between investment income and capital gains on the one hand and the required distribution on the other hand if this proposal is adopted. Such a distribution, in turn, will cause the Fund's expense ratio to increase because the required distributions will cause the Fund's net asset base to decrease while Fund expenses remain unchanged. In a speech to the 2007 ICI Closed End Fund Workshop on October 11, 2007, Andrew J. Donohue, Director, Division of Investment Management, U.S. Securities and Exchange Commission (SEC), lamented this very issue and requested that closed-end managers and directors "carefully consider whether a managed distribution plan is in the best interests of investors."

In addition, a managed monthly distribution policy would undoubtedly place an increased administrative burden on the Fund. The Investment Company Act of 1940, as amended (the Investment Company Act) requires strict and careful disclosure to shareholders regarding the sources and amounts distributed under a managed distribution policy, which will increase the Fund's expense ratio and thus reduce the Fund's performance.

- ***A monthly managed distribution policy is illegal unless the Fund receives an exemptive order from the SEC which will be virtually impossible to obtain.***

Section 19(b) of The Investment Company Act prohibits distribution of long-term capital gains more than once every twelve months. Because the managed distribution policy proposed by the dissident shareholder would, of necessity, require the distribution of long-term capital gains in each month in which such gains were realized, except in the rare cases where short-term capital gains and ordinary income for such month exceeded 1% of net asset value, the Fund would be required to request and obtain an exemptive order from the SEC under Section 19(b). A number of other closed-end funds currently have applications for such exemptive relief filed with the SEC, and to date, have not received the requested relief, almost certainly because the SEC does not support such policies for the reasons expressed by the SEC's Mr. Donohue as set forth above.

- ***Adoption of a monthly managed distribution policy will not eliminate the trading discount between net asset value and share price.***

Shares of closed-end funds, such as the Fund, trade on stock exchanges like those of any other listed company. Market forces and perceptions of the Fund's prospects drive price movements. The market price of the Fund's shares is often lower than the value of the Fund's portfolio, which is called its net asset value, just as the market value of any company's stock could be below the value of its assets.

Your Board of Trustees recognizes that the Fund's shares have traded at a discount to their net asset value, although that discount has decreased from approximately 16% in July, 2006 to approximately 10% as of November 23, 2007. Your Board believes there may be some misunderstandings about the market discount of closed-end funds such as Bancroft.

The discount is a function of the net asset value per share and the market price per share, each of which may be influenced by different factors. There is debate about whether the discount is the cause of market price movements or is merely the effect. The discount is considered by many to be the result of market supply and demand factors for shares, although it is uncertain whether the dominant factors are fund-specific, such as performance, or external, influenced by macroeconomic factors. If, as we believe to be the case, the discount is the effect and not the cause, adoption of a managed distribution policy will not have a long-term effect on the discount.

In any event, shareholders experience gain or loss based only on market price changes in the Fund's shares and on dividends received on Fund shares. There are no widely accepted economic theories for explaining the discount phenomenon. However, the discount does not represent value that the Board has a duty to distribute to shareholders.

By contrast to the slow decline in the Fund's trading discount since 2006, Mr. Goldstein conducted a successful proxy contest seven years ago to join the Board of the Mexico Equity and Income Fund for the express purpose of reducing the trading discount. As of November 23, 2007, the trading discount of that fund, which he and his confederates now control, is still over 15 %.

In short, Mr. Goldstein's track record in reducing trading discounts is one of failure, not success.

- *Dissidents rely on LMP Real Estate Income Fund (the LMP Fund) to support their view that a monthly managed distribution policy would be good for Fund shareholders.*

The following graph shows the relative performance of your Fund and the LMP Fund since the LMP Fund implemented a managed distribution policy:

The market price of LMP Fund was initially boosted by the news of a managed distribution policy, but, over the next several months, LMP Fund's stock price declined steadily, and has not recovered. As of July 2007, LMP Fund shares were once again trading at a discount to net asset value, and as of October 31, 2007, that discount has grown to over four percent.

Required Vote

The affirmative vote of the majority of votes cast is needed to approve the proposal with respect to a managed distribution policy. Abstentions and broker non-votes are counted as present but are not considered as votes cast. As a result, they have the same effect as a vote against the proposal. **We do not expect that brokers will be entitled to vote on this proposal unless they receive instructions from underlying beneficial owners.**

The Board strongly recommends that you vote AGAINST the implementation of a managed distribution policy.

PROPOSAL 3

ELECTION OF TRUSTEES

Structure of the Board of Trustees

The Board of Trustees (the Board) is divided into three classes for purposes of election. One class is elected at each annual meeting of shareholders. Trustees in each class serve for a three-year term. Classifying the Board for election may be regarded as an “anti-takeover provision” because it has the effect of maintaining the continuity of the Board and requiring at least two years to change a majority of the Board.

The Board currently consists of six persons. The Investment Company Act requires that a majority of the Board be “independent,” meaning they are not “interested persons” of the Trust within the meaning of the Investment Company Act. Currently, four of the six trustees are independent and two of the trustees are “interested persons” because of their business and financial relationships with the Trust and Davis-Dinsmore.

At the 2008 Annual Meeting, the term of each of two trustees is expiring. The Governance Committee of the Board nominated the two incumbent trustees, whose terms are expiring in 2008, as set forth below, to serve for terms that expire in 2011. Other trustees do not need to stand for election this year and will continue in office for the rest of their respective terms. Each of the Board’s nominees is willing to serve as a trustee. However, if a nominee becomes unavailable for election, proxies will vote for another nominee proposed by the Board or, as an alternative, the Board may keep the position vacant or reduce the number of trustees.

Nominees for Trustees

The Board has approved the nomination of the following individuals to serve as trustees until the annual meeting of shareholders to be held in 2011. The business address of each nominee and/or trustee listed below is Bancroft Fund Ltd., 65 Madison Avenue, Suite 550, Morristown, NJ 07960. Because Davis-Dinsmore serves as investment adviser to the Trust and to another investment company, Ellsworth Fund Ltd. (Ellsworth Fund), Ellsworth Fund and the Trust make up a “fund complex” (Fund Complex). If elected, each nominee would oversee the two registered investment companies in the Fund Complex.

Nominee Who is an Independent Trustee

Name and Age	Trustee Since	Principal Occupation(s) During Past 5 Years and other Business Experience	Other Directorship(s) Held
Daniel D. Harding – 55	2007	Senior Advisor with Harding Loevner Management LP (investment advisory firm) (since 2003).	Ellsworth Fund