

**PROSPECTUS**

April 30, 2008



**BREAD & BUTTER  
FUND**

The Fund is best suited for investors seeking long-term capital appreciation. The Fund will invest its assets in common stocks and other securities in which the Adviser believes are undervalued.

Investment Adviser: Potkul Capital Management LLC

The Securities and Exchange Commission has not approved or disapproved of these securities, nor has the commission determined that this Prospectus is complete or accurate. Any representation to the contrary is a criminal offense.

**BREAD & BUTTER FUND, INC.**  
3633 Hill Rd. 3rd Flr.  
Parsippany, NJ 07054  
[Http://www.BreadandButterFund.com](http://www.BreadandButterFund.com)

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ACCOUNT APPLICATION FORMS are included separately with prospectus.  
Regular Account Application  
IRA Account Application

**Bread & Butter Fund, Inc.**  
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**www.BreadandButterFund.com**

**PROSPECTUS**

**April 30, 2008**

**FUND INVESTMENT OBJECTIVE/GOAL**

Bread & Butter Fund, Inc. (The Fund) investment objective is to seek long-term capital appreciation primarily by investing in securities the Adviser believes are undervalued.

**PRINCIPAL INVESTMENT STRATEGIES OF THE FUND**

The Fund will adhere to a Contrarian/Value Investment Strategy which focuses on investing in out of favor and undervalued securities.

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The Contrarian/Value Investment Strategy is a discipline that utilizes investor overreactions to capture inefficiencies in the market by investing in securities that are out of favor and undervalued. A contrarian mindset is necessary to look at out of favor areas of the market. Usually out of favor securities are in the least popular areas of the market, surrounded by controversy and investor sentiment is negative. Typically with fewer investors analyzing a security or sector, there is a greater chance that share price inefficiencies and under-valuation exist in the short term. Investors frequently overreact to current economic, company and industry information leading to hastily made investment decisions. These decisions may cause a particular security, industry group or entire market to become undervalued in the short-term.

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Among such investments the Fund will emphasize is the purchase of small, medium, and large capitalization U.S. common stocks. The Fund will typically invest in common stocks, although it may also invest in other equity securities; preferred stocks, convertible bonds, convertible preferred stocks and foreign stocks. In addition, the Fund retains the flexibility to invest in fixed income securities; investment grade corporate bonds, below investment grade (junk) corporate bonds, U.S. treasury bonds, foreign government bonds and REITS. The Adviser believes that the price you pay for an investment is very important to the long-term return of that investment and to minimize permanent loss of capital. The Adviser will concentrate research efforts in areas of the market that are currently out of favor in order to find undervalued securities. Also, the Adviser believes that investors continually overreact by overpaying for the most popular stocks while discounting the unpopular stocks. It is these extreme swings between optimism and pessimism, just like a pendulum, that is used to build long-term capital appreciation. This is the Contrarian aspect of the strategy. The Adviser will then focus on those securities that trade at a discount or reasonable price to various fundamental valuation criteria. The Adviser believes the following undervalued characteristics are important in the security selection process:

- \*Freecashflow/Cashflow
- \*Current as well as anticipated future levels of earnings
- \*Book Value or replacement cost of assets
- \*Private Market Values/Franchise Value

This is the value aspect of the investment strategy.

The Adviser will maintain a proprietary list of potential investment securities that meet strict valuation criteria that become potential candidates for future purchase. In order to be included in the Fund, each security will go through a rigorous Four Step Investment Process in order to determine its long-term investment viability. The Adviser will intensify and increase its interest in a security in the face of negative price action.

The Four Step Investment Process is the following:

1. Complete Financial Statement Analysis/Financial Integrity - The Adviser will analyze the 10k annual report, the 10q quarterly report, the proxy and the accompanying footnotes to these SEC documents of the company. This in-depth analysis will allow the Adviser to have the conviction in the company's financial strength and flexibility to weather a difficult environment.

2. Industry Dynamics - The Adviser will analyze the current competitive landscape in the Industry. The Adviser prefers to invest in companies that possess a leading competitive position in an industry that has a growing long-term outlook within a reasonable pricing environment, has products or services that provide real value to the customer and are not faddish in nature and have at least some barriers to entry.

3. Overall Management Strategy - The Adviser searches for high quality management teams that make prudent operating and capital allocation decisions to grow the underlying value of the business. Also, they want management teams that treat shareholders like partners and have a vested stake in the company.

4. Analyst Sentiment - The Adviser looks at analyst estimates and ratings preferably when downgrading and upgrading. The market reactions to these rating changes are used to the Fund's advantage when acquiring or liquidating a position.

Once a position is acquired, constant research and monitoring follow throughout the holding period. As with accumulation, selling is also price stimulated. When a security approaches what the Adviser considers a fully valued price, then a sell strategy will begin. The Adviser will seek to maximize gains by selling into strength. In cases where the stock moves ahead of the fundamentals the Adviser may sell a portion of the position to stay disciplined with current valuations. Also, if the initial assumptions regarding a company are invalid or inaccurate, the Adviser will sell out the entire position. The Adviser tends to be fully invested. However, when there is a lack of good values based on our investment strategy, then cash reserves may increase to higher than normal levels. Cash is only invested when undervalued opportunities that meet our disciplined Contrarian/Value Strategy are found. In difficult markets, the Adviser may find select trading opportunities for short-term profits.

While it is anticipated that the Fund will invest across a broad range of industries or group of industries, certain industries may be over weighted in the Fund at any time. This may happen since the Adviser seeks the best value presented in the markets regardless of the particular industry. This may include industries that are economically depressed or any industry out of favor.

#### **DETERMINING IF THIS FUND IS RIGHT FOR YOU**

**You should consider investing in this Fund if:**

\*You are seeking long-term capital appreciation.

\*You want to invest in Large, Medium and Small capitalization companies.

\*You are willing to accept higher risk for the opportunity to pursue higher returns.

\*You are investing for the long term or more than 5 years.

**You should not invest in this Fund if:**

- \*You are worried about the possibility of price swings and market declines.
- \*You prefer to invest only in large, more established companies.
- \*You are interested in current income.
- \*You are investing for the short term.

**PRINCIPAL INVESTMENT RISKS**

If you buy shares in the Fund, you may lose money. The investment return and the principal value of an investment in the Fund can fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. We think the following are some of the significant risk factors of the Fund.

**Market Risks:** U.S. or foreign stock markets may go down. Common stock prices can change rapidly and unpredictably as a result of political or economic events having little to nothing to do with the fundamentals of a specific security.

**Company Specific Risks:** An adverse event can depress the share price of a particular security such as an earnings disappointment, litigation against an industry or company, changes in government regulations affecting the company or industry, loss of a major customer and competitive industry factors.

**Company Capitalization Risks:** The Fund's flexible investment approach could result in owning small and medium capitalization companies. Investing in small and medium companies generally involves greater risk than investing in larger companies. Small and medium companies typically have limited product lines, markets and financial resources than larger companies, and their securities may trade less frequently and in limited trading volumes.

**Headline Risks:** Since we are contrarian investors we buy companies that are out of favor and can be the subject of adverse media attention. The company may be involved in litigation, financial reports may be questioned, corporate governance issues, greater government regulation is contemplated or other adverse events may threaten the company's future. Our research sometimes fails us and are subject to potential losses.

**Selection Risk:** The Fund is actively managed, so it may look and perform differently than the broad stock market indices. The securities the Adviser selects for the Fund may under-perform the major stock indices. The Fund's Contrarian/Value investment strategy may under-perform growth oriented or other investment strategies at various times.

**Non-Diversification Risk:** The Fund is non-diversified which means that it may invest in a relatively high percentage of its assets in a limited number of holdings in any industry or group of industries. As a result the Fund may be susceptible to increased volatility of the Fund's investment performance as compared to funds that invest in a larger number of securities. The Fund may seek only enough diversification in its security selections to maintain its federal non-taxable status under Sub-chapter M of the Internal Revenue Code. See section "Tax Consequences" of the prospectus for information about what level of Sub-Chapter M is required of the Fund.

**Fixed Income Risk:** Fixed income securities are subject to interest rate and credit risk. Interest rate risk is the potential for a decline in bond prices due to rising interest rates. Credit risks is the possibility that the issuer of a fixed income security will fail to make timely payments of interest or principal, or that the security will have its credit rating downgraded. The Fund could lose money if the issuers cannot meet their financial obligations or go bankrupt. These risks and below investment grade bonds (junk) are discussed in greater detail on page 5.

**REIT Risk:** A REIT is a Real Estate Investment Trust. It is a pooled investment vehicle that purchases primarily income-producing real estate related interests. There are certain real estate related risks. These risks include, among other, changes in local economic conditions, possible declines in real estate values, the possible lack of available funds for loans to purchase real estate, overbuilding in particular areas, prolonged vacancies in rental properties, changes in tax laws, the costs associated with storm damage and changes in property taxes, rents and interest rates can lead to investment losses.

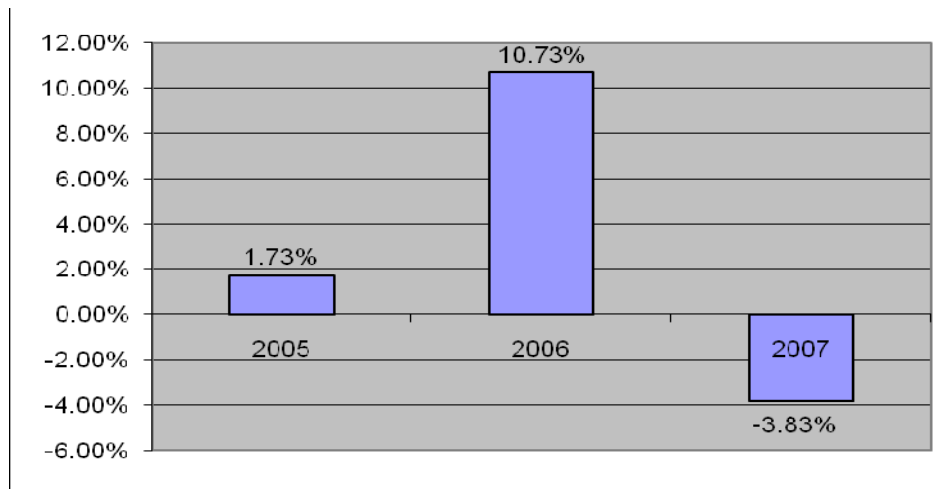
**Foreign Risk:** Investing in foreign securities, including securities of foreign government bonds, typically involves more risks than investing in U.S. Securities. These risks, which can increase the potential for losses in the Fund and affect its share price, are discussed in greater detail on page 5.

**Temporary Defensive Position:** The Fund may hold a higher than normal cash position due to a lack of undervalued investment ideas that meet the Contrarian/Value investment strategy and due to defensive measures taken by the Adviser to preserve capital in unusual market turmoil. The Fund may invest in short-term debt securities (BBB or better), high grade commercial (AA or Better), and/or obligations of the U.S. Government and its agencies. This high cash position may prevent the Fund from achieving its stated investment objective of long-term capital appreciation.

**RISK/RETURN BAR CHART AND TABLE**

The bar chart and table below show the historical performance of the Fund (before and after taxes), although past performance is not necessarily an indication of future performance. The bar chart shows changes in the Fund's yearly performance over the lifetime of the Fund. Performance updates are sent to shareholders in the Fund's semi-annual and annual reports. Shareholders and non-shareholders may also receive copies without charge by contacting the Fund at (888)476-8585, or by downloading them from the Fund's web site at [www.breadandbutterfund.com](http://www.breadandbutterfund.com).

**ANNUAL TOTAL RETURNS**  
(For Calendar Years Ending December 31\*)



\*2005 performance is for the period from October 31, 2005 (commencement of investment operations) to December 31, 2007.

The Fund's best calendar quarter: 3.87% (Q2 2007)  
 The Fund's worst calendar quarter: -5.37% (Q4 2007)

Average Annual Total Returns for the Periods ended December 31, 2007	1 year	Life of Fund (from 10/31/05)
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<b>Bread &amp; Butter Fund</b>		
Return before taxes	-3.83%	3.76%
Return after taxes on distributions	-4.12%	3.42%
Return after taxes on distributions and sale of Fund shares	-2.28%	3.07%
 *S&P 500 Index with dividends reinvested (Reflects no deduction for [fees, expenses, or taxes])	5.49%	11.59%

\* The Fund's after tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after tax returns depend on your individual tax situation and may differ from those shown. If your Fund shares are held through a tax-deferred account such as an IRA or 401k, then the after tax returns shown are not relevant.

**FEES AND EXPENSES OF THE FUND**

The following table describes fees and expenses that you may pay if you buy and hold Fund shares.

<b>Shareholder Fees</b> (fees deducted from Fund assets):	
Maximum Sales Charge (Load) Imposed on Purchases:	None
Maximum Deferred Sales Charge (Load):	None
Maximum Sales Charge (Load) on Reinvested Dividends:	None
Redemption Fee:	None
***IRA Custodian Fee:	None
 <b>Annual Fund Operating Expenses</b> (expenses deducted from Fund assets):	
*Management Fees:	1.00%
Distribution (and/or Service) (12b-1) Fees:	None
**Other Expenses:	1.69%
*Gross Expenses	2.69%
*Fee Waiver [and/or Expense Reimbursement]	(0.69%)
***Acquired Fund Fees and Expenses	0.40%
*Total Annual Fund Operating Expenses:	<u>2.40%</u>

\*Currently, the Adviser is voluntarily holding total annual Fund expenses at 1.40% for the foreseeable future. The Adviser under contract must waive sufficient management fees to hold the total Fund expenses to 2.00%. The Fund does not consider "Acquired Fund Fees and Expenses" to be fund operating expenses subject to the 2.00% limit. The Adviser may terminate waiver of management fee when fund assets cover 2% of expenses. The Adviser at its own discretion and under no obligation may waive management fees to further lower total expenses of the Fund. The Fund's administrative expenses will be under constant Board of Director review in order to best serve the interests of shareholders. The Fund has been operating since October 31, 2005.

\*\*Other expenses are estimated for the current fiscal year. Other includes Fund operating expenses such as bookkeeping and software, shareholder reports, printing postage and mailings; annual meeting and Board of Director expenses; miscellaneous office expenses; custodian, legal, accounting, insurance and registration fees; taxes.

\*\*\*The Total Annual Fund Operating Expenses in this fee table will not correlate to the expense ratio in the Fund's financial statements (or the financial highlights in this Prospectus) because the financial statements include only the direct operating expenses incurred by the Fund, not the indirect costs of investing in Acquired Funds. Excluding the indirect costs of investing in Acquired Funds, Total Annual Fund Operating Expenses would be 2.00%.

\*\*\*\*The IRA Custodian Fee is not charged if the account balance is at least \$10,000. A \$25 fee may be charged annually on all IRA accounts in which there is an account balance below \$10,000, at the discretion of the Fund's Management or Directors. If the fee is charged, each account holder will have the choice of paying the fee directly, or having it deducted from their IRA account balance.

**Example:** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be lower, based on these assumptions your costs would be:

1 year	3 years	5 Years	10 Years
\$243	\$748	\$1280	\$2736

## **INVESTMENT OBJECTIVES, PRINCIPAL INVESTMENT STRATEGIES, AND RELATED RISKS**

### **Investment Objectives**

The Fund seeks long-term capital appreciation primarily by investing in securities the Adviser believes are undervalued. The Fund's investment objectives are fundamental policies and may not be changed without a vote of shareholders.

### **Principal Investment Strategies**

Security Selection criteria: As stated in the section "Principal Investment Strategies of the Fund" the Fund seeks to achieve its objective by focusing on investment in securities that the Adviser believes are undervalued based on one or a combination of fundamental valuation characteristics such as Free cashflow/Cashflow, current as well as anticipated future levels of earnings, Book value or replacement cost of assets and Private market value/Franchise value. However there is no guarantee that the Adviser's valuations are accurate. Even though a security is purchased below its perceived value, there may be unforeseen changes in the business that may lead to a decline in value of the security.

The Adviser will then put the security through a rigorous Four Step Investment Process to determine long-term investment viability: 1. Complete Financial Statement Analysis/Financial Integrity 2. Industry Dynamics 3. Overall Management Strategy 4. Analyst Sentiment. If the Adviser is unable to find undervalued securities cash balances may rise temporarily. The cash balances will be invested in cash equivalents such as Government Treasury Bills, high-grade commercial paper (AA or better) money market and government agency paper. The cash balances may reduce Fund risk, but may prevent the Fund from achieving its stated investment objective of long-term capital appreciation. The Fund may invest in several types of securities that are undervalued in order to meet the Fund's objective.

This flexible investment approach allows the Fund to invest up to 30% in Foreign securities, up to 15% in lower rated (below investment grade bonds); Preferred stock, Corporate and Government (fixed income/Debt 70%) Bonds and REITS.

**Foreign Securities:** The Fund will normally limit its foreign investments to foreign companies that trade on U.S. exchanges as ADRs or over the counter markets. Foreign securities involve risks that may cause the Fund's performance to be more volatile. Foreign economies may not be as strong or as diversified, foreign political systems may not be as stable, and foreign financial reporting standards may not be as rigorous as they are in the U.S. In addition, foreign capital markets may not be as well developed, so securities maybe less liquid, transaction costs may be higher, and investments may be subject to government regulation. The securities may be denominated in foreign currencies, which float in value against the U.S. dollar. When foreign currencies lose value against the U.S. dollar, the value of the Fund's investments denominated in foreign currencies will lose value when they are converted back to dollars.

**Below Investment Grade Bonds (Junk Bonds):** The fixed income securities may be non-rated debt and or debt rated D, the lowest rating category by S&P and Moody 's. Debt rated D is in default, and payment of interest and/or repayment of principal is in arrears. Such debt obligations are rated below investment grade and are regarded as extremely speculative investments with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. Such securities are also generally considered to be subject to greater risk than securities with higher ratings with regard to deterioration of general economic conditions.

**REIT:** A REIT is a Real Estate Investment Trust. A REIT is a pooled investment vehicle that purchases primarily income-producing real estate or real estate related interests. The Fund's investment in REIT's is subject to certain real estate related risks. These risks include, among other; changes in general and local economic conditions, possible declines in the value of real estate, the

possible lack of available money for loans to purchase real estate, overbuilding in particular areas, prolonged vacancies in rental properties, changes in tax laws, the costs associated with damage to real estate resulting from storms and changes in property taxes, rents and interest rates.

**Non-Diversification of Investments:** The Fund may be more concentrated than other equity funds. The Fund generally will hold 15 - 40 securities. It may hold fewer than 15 securities or more than 40 securities if deemed prudent by the Adviser. The securities are generally held for the long-term.

**Portfolio Turnover Policy:** The Adviser's goal will be to minimize transaction cost and taxes in the portfolio within the framework of following their Contrarian/Value Investment Strategy. By minimizing these costs, the Fund can add incremental returns to the Fund over the long-term. The Adviser will use a disciplined trading strategy for purchasing and selling securities within the Fund.

The Adviser will establish price limits for purchasing and selling securities based on security valuation estimates. Portfolio turnover is computed by dividing the lesser of the Fund's total purchases or sales of securities within the period by the average monthly portfolio value of the Fund during such period.

The Adviser expects to have about 35% turnover annually. The Fund will not invest 25% or more of total assets at the time of purchase, in securities in any one industry or group of industries. The Fund will not invest more than 15% of the total assets at the time of purchase in the securities of any one issuer.

**Liquidity Policy:** The Fund may invest up to 15% of its net assets at time of purchase in securities with a limited trading market. Reduced liquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when necessary to meet the Fund's liquidity needs or in response to a specific economic event, such as the deterioration in the creditworthiness of an issuer. Reduced liquidity may make it more difficult for the Fund to obtain market quotations based on actual trades for the purpose of valuing the Fund's portfolio.

#### **Risks**

See section "Principal Risks of Investing in the Fund" as to the risks that may cause the investor to lose money in the Fund.

**Portfolio Holdings:** A complete description of the Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities is available in the Fund's Statement of Additional Information (SAI).

#### **MANAGEMENT, ORGANIZATION AND CAPITAL STRUCTURE**

Potkul Capital Management LLC is the Investment Adviser of the Fund. The Adviser's address is 3633 Hill Rd 3<sup>rd</sup> Flr. Parsippany, NJ 07054. Mr. James B. Potkul is the President/Chief Investment Officer of Potkul Capital Management LLC and he will serve as President/Portfolio Manager of the Fund. Since 1995, Mr. Potkul has managed and advised separate accounts using the same Contrarian/Value Strategy by the Fund for high net worth clients at his firm. Past experience of the Adviser:(1992-1994) Dreyfus Corporation - Investment Counselor;(1991-1992) Ivy Capital Management - Portfolio Manager; (1990-1991) ADP Inc. - District Manager; (1988-1990); Merrill Lynch Inc. - Investment Adviser; (1986-1988) Quick & Reilly Inc. - Trading desk/Floor Trading Clerk Amex & NYSE. Mr. Potkul earned a BA in Economics and Organizational Behavior & Management at Brown University.

The Investment Adviser will provide the following services to the Fund:

- \*Continuously monitor and review the Fund's investment portfolio
- \*Manage and implement various security purchases and sales based on the Fund's investment strategy and objective.
- \*Compensate the Fund's personnel who may be officers, directors or employees of the Investment Adviser.
- \*Pay the initial organizational costs of the Fund
- \*Act as the Fund's transfer agent by handling all share purchases/redemptions

On July 07, 2007, the Directors of the Fund approved a management and advisory contract with Potkul Capital Management LLC. This Agreement will continue on a year to year basis provided that approval is voted on at least annually by specific approval of the Board of Directors of the Fund or by vote of the holders of a majority of the outstanding voting securities of the Fund. In either event, it must also be approved by the majority of Directors of the Fund who are neither parties to the agreement or interested persons as defined in the Investment Company Act of 1940 at a meeting called for the purpose of voting on such approval.

**Contract Terms:** Under the agreement, Potkul Capital Management LLC (PCM), the Adviser, will have full account discretion and responsibility for the investment management of the Fund. The agreement may be terminated at any time, without payment or penalty, by the Board of Directors or by vote of a majority of the outstanding voting securities of the Fund on not more than 60 days written notice to Potkul Capital Management LLC. In the event of its assignment, the agreement will terminate automatically. For these services, the Fund has agreed to pay Potkul Capital Management LLC a fee of 1% per year on the average net assets of the Fund. This fee is computed and accrued on the average daily net asset value of the Fund and is payable monthly. The Investment Adviser would waive sufficient fees to hold the total expenses of the Fund to less than 2% of the first \$10 million in averaged assets and 1.5% of the next \$20 million Pursuant to its contract with the Fund, the investment adviser is required to pay all costs of travel and materials required in its research efforts; this is so that the Adviser may fulfill its duty to manage the Fund. The Adviser is to pay the salaries of the Fund's officers, directors or employees who are employees of the Investment Adviser. PCM will provide transfer agent services to the Fund as described in the SAI.

The Fund pays the following expenses, if any:

Director's fees, legal, Accounting fees, Interest, Taxes, Brokerage Commissions, Bookkeeping and Record Maintenance, Operating its Offices, Transfer Agent Fees and Custodian Fees.

The Fund paid the Adviser 1% of the Fund's average daily net assets for the fiscal year ended 12/31/07. The discussion regarding the basis for the Board of Director's approving any advisory contract of the Fund will be available in the Fund's Annual Report.

**Portfolio Manager:** The Portfolio Manager responsible for overseeing the Fund's investments is James B. Potkul. James B. Potkul founded Potkul Capital Management LLC (PCM) in 1995. He is President of the Fund and is President/Chief Investment Officer and principal of PCM. Mr. Potkul received his BA degree in Economics and Organizational Behavior/Management from Brown University. For the past 5 years, he has been managing and advising high net worth separate accounts at his firm.

The SAI provides additional information about the portfolio manager's compensation, other accounts managed by the portfolio manager and the manager's ownership of Fund shares.

**Custody Of Investments:** The Fund will operate under rule 17f(4) and its amendments under the Investment Company Act of 1940. Therefore, securities and similar investments of the Fund will be maintained with a "Securities Depository" registered with the Securities and Exchange Commission ("SEC") or a federal reserve bank by using the following intermediary custodian:

1. Charles Schwab & Co. ("Schwab") with offices throughout the United States. The Fund's securities and similar investments will be held in street name and maintained in bookkeeping entry by the "Securities Depository". Schwab met the following criteria required under Rule 17f-4:

- A. Not affiliated with the Fund.
- B. Use a federally registered "securities depository" known as Depository Trust Company ("DTC") to hold clients assets.
- C. Exercise due care in accordance with reasonable commercial standards in discharging its duty as a securities intermediary to obtain and thereafter maintain such financial assets.
- D. Provide promptly, upon request by the Fund, such reports as are available concerning internal accounting controls and financial strength of custodian.

**Legal Precedings:** As of the date of this prospectus, there was no pending or threatened litigation involving the Fund in any capacity whatsoever.

#### **CAPITAL STOCK**

**Description of Common Stock:** The authorized capitalization of the Fund consists of 100,000,000 shares of common stock of \$0.001 par value per share. Each share has equal dividend, distribution and liquidation rights. There is no conversion or pre-emptive rights applicable to any shares of the Fund. All shares are issued in book format (no certificates) and are fully paid and non-assessable.

**Voting Rights:** Each holder of the Fund's shares has one vote for each share held. Voting rights are non-cumulative. Therefore, the holders of a majority of the Fund shares can elect all directors of the Fund if they so choose, although holders of the remaining shares are still able to cast their votes.

#### **PRICING OF FUND SHARES**

**When and How do We Price:** The net asset value of the Fund's shares is determined as of the close of each business day the New York Stock Exchange is open (presently 4:00 p.m.) Monday through Friday exclusive of Presidents Day, Good Friday, Memorial Day, July 4th, Labor Day, Thanksgiving, Christmas, New Year's Day Martin Luther King Day and special days the exchange is closed. The net asset value is the price of each share and is determined by dividing the value of the Fund's securities, plus any cash and other assets less all liabilities, excluding capital surplus, by the number of shares outstanding.

**Market Value of Securities:** The market value of each security held by the Fund that are listed on a national exchange and/or over the counter markets is determined to be the last recent sales price on such exchange or market. Listed Securities that have not recently traded are valued at the last bid price in such market. The fair value of securities for which current market quotations are not readily available will be evaluated or determined in good faith by the Fund's Board of Directors. Zero Coupon Bonds, US government Treasury Notes and all bonds that trade OTC (over the counter) are priced at the current bid price at 5:00 p.m. est. the close of OTC bond market trading) Foreign securities traded as ADR's will be priced on the close of the US exchanges. Foreign securities that trade on their domestic markets will be valued at the close of the markets along with any currency translations.

#### FREQUENT PURCHASES AND REDEMPTIONS OF FUND SHARES

The Fund is intended to be a long-term investment vehicle and is not designed to provide investors with a means of speculation on short-term market movements. Short-term trading ("market timing") involves frequent purchases and redemptions of Fund shares and may harm long-term shareholders of the Fund by diluting the value of Fund shares held by long-term shareholders, interfering in the efficient management of the Fund's portfolio, increasing short term capital gains which are taxable at a higher rate, and increasing brokerage and administrative costs. Accordingly, the Fund's Board has adopted a policy pursuant to which the Fund seeks to prohibit market timing. The Fund or its agent may reject, without any prior notice, any purchase orders by any investor or group of investors, including purchase orders that the Fund believes are attributable to market timers or are otherwise excessive or potentially disruptive to the Fund. Orders placed by investors in violation of the excessive trading policies may be revoked or cancelled, without prior notice, by the Fund on the next business day after receipt of the order.

#### PURCHASE OF FUND SHARES

The offering price of the shares offered by the Fund is at the net asset value per share next determined after receipt of the purchase order by the Fund and is computed in the manner described in the above section "Pricing of Fund Shares". The Fund reserves the right at its sole discretion to terminate the offering of its shares made by this Prospectus at any time and to reject purchase applications when, in the judgment of management such termination or rejection is in the best interest of the Fund. The Fund is intended to be a long-term investment vehicle and is not designed to provide investors with a means of speculation on short-term market movements. The Fund prohibits market timing and short-term trading because it can be disruptive to efficient Fund management, increase Fund expenses, increase taxes through short-term capital gains which are taxed at higher tax rate, consequently harming the Fund's performance and the Fund's shareholders.

**Initial Investments:** Initial purchase of shares of the Fund may be made only by application submitted to the Fund. For the convenience of investors, an account application is included in every request for a prospectus. To receive this information either call 1-888-476-8585, visit our web site at and download a copy or write to: Bread & Butter Fund, Inc. 3633 Hill Rd. 3rd Flr. Parsippany, NJ 07054.

To open an account send a signed completed application along with a check made payable to the **Bread & Butter Fund** to the above address. Cash, credit cards, travelers and third party checks will not be accepted. Purchases must be made in U.S. dollars and must be drawn on U.S. banks. The **minimum initial purchase** is **\$3,000**, which is due and payable within three business days after the purchase date. Less may be accepted under special circumstances such as an investor who is committed to making regular additional investments over time or a custodian account.

The Fund reserves the right at its sole discretion to terminate the offering of its shares made by this Prospectus at any time and to reject purchase applications when, in the judgment of management such termination or rejection is in the best interest of the Fund.

The Fund only issues book-entry shares. Therefore (no certificates) are issued.

**Subsequent Purchases:** Subsequent purchases may be made by mail or by phone and are due and payable within three business days after the purchase date. Telephone privileges to purchase shares are given to those shareholders that indicate the selection of "telephone instructions" on the Fund's application form. The **minimum** is **\$500**, but the officers of the Fund may permit exceptions.

**Fractional Shares:** Fractional shares to three decimal places are offered by the Fund.

**Anti-Money Laundering:** Please note that in compliance with the USA PATRIOT ACT of 2001, the Fund will verify certain information on your account application as part of the Fund's Anti-Laundering Program. As requested on the application, you should supply your full name, date of birth, social security number and permanent street address. Mailing addresses containing P.O. Boxes will not be accepted. If you do not supply the necessary information, an account may not be opened.

**Statements and Reports:** Confirmation statements are sent from the Fund after each transaction affecting your share balance and/or account registration. The Fund will send account statements to each shareholder quarterly along with quarterly reports. Also, the Fund will send to all shareholders an annual report containing audited financial statements after the end of the fiscal year on December 31st. Semi-annual report which are not audited are sent after June 30th.

#### **Redemption of Fund Shares**

**Redemption Requirements:** Shareholders may redeem all or any part of their shares on any day the Fund is open for business. To sell Fund shares, send written instructions, signed by the shareholder(s) with the proper signature guarantee, if applicable to: Bread & Butter Fund 3633 Hill Rd. 3rd Flr. Parsippany, NJ 07054.

A signature guarantee is designed to protect the Fund and its shareholders from fraud. A signature guarantee is required to redeem shares in the following situations:

- \*The redemption is for more than \$20,000.
- \*The redemption proceeds are to be paid to someone other than the registered owner of the shares
- \*The proceeds are to be mailed to an address other than the registered address of record.
- \*A change of address request has been received by the Transfer Agent within the last 15 days.
- \*Ownership of the Account has changed.

A **signature guarantee** assures that a signature is genuine. The signature guarantee protects shareholders from unauthorized account transfers. Signature guarantees can be obtained from most banks, credit unions or savings associations, or from broker/dealers, national securities exchanges or clearing agencies. **NOTARY PUBLICS** cannot provide signature guarantees.

**Redemption Price:** The redemption price is the net asset value per share next determined after proper written notice is received by the Fund for redemption of shares. The proceeds received by the shareholder may be more or less than his/her cost of such shares, depending upon the net asset value per share at the time of redemption. The shareholder should treat the difference as a capital gain or loss for federal income tax purposes.

**Redemption Payment:** Payment by the Fund will ordinarily be made within seven days after the tender. The Fund may suspend the right of redemption or postpone the date of payment if: The New York Stock Exchange is closed for other than

customary weekend or holiday closings, or when trading on the New York Stock Exchange is restricted as determined by the Securities and Exchange Commission or when the Securities and Exchange Commission has determined that an emergency exists, making disposal of fund securities or valuation of net assets not reasonably practical. The Fund intends to make payments in cash, however, the Fund reserves the right to make payments in kind. It should be noted that shareholders will incur brokerage costs when selling the securities received as part of an in kind distribution. Shareholders would also have continuing market risk by holding these securities. The Fund does not intend to issue in kind redemptions using illiquid securities.

#### **IRA ACCOUNTS**

**Individual Retirement Accounts** (IRA) is available to eligible individuals. There is an initial minimum investment of \$3,000 and subsequent minimum investment of \$500. These tax-deferred accounts allow participants to earn interest, dividends or capital gains that can grow tax deferred or tax free depending on the type of IRA chosen. Some or all of your IRA contributions may be tax deductible in certain IRA accounts depending on your annual income. Withdrawals made before the age of 59 1/2 and/or non-qualifying account (such as a participant's annual contribution exceeding the maximum limit) can result in regular income tax payable and an additional tax penalty. The maximum contribution limit is \$5,000 for 2008. If you are aged 50 or older the maximum annual contribution limit is \$6,000 for 2008. The IRA plans also permit investors to "roll over" a lump sum distribution from a qualified pension (401k) or profit sharing plan. We suggest investors seek advice from their accountant/tax adviser to determine the best retirement plan for you.

If requested, IRA account application forms, plan specific information, and instructions are enclosed with the Fund's prospectus. The Fund offers the following IRA type plans and IRA account transfers:

- |                     |                                  |
|---------------------|----------------------------------|
| *Traditional IRA    | *Roth IRA                        |
| *Rollover IRA       | *SEP-IRA                         |
| *Simple IRA         | *Money Purchase & Profit Sharing |
| *403(b)(7) Accounts | *Educational IRA                 |

#### **IRA Trustee & Custodian**

Delaware Charter Guarantee & Trust Company, conducting business as Principal Trust Company, has agreed to act as trustee for the Fund's IRA plans and Potkul Capital Management LLC will provide investment and custodial services for the Fund's IRA accounts.

**IRA Fees:** Principal Trust Company acting as trustee for retirement accounts charges the participant a \$25 maintenance fee each year for accounts under \$10,000 balance at the discretion of Management and Directors. This fee may be paid directly by the IRA owner or the Custodian may deduct it from your IRA account. This fee is not prorated for periods of less than one full year. There is a \$50 fee for closing out retirement accounts. There are no waivers of this fee.

#### **DIVIDENDS & DISTRIBUTIONS**

**Re-Investments:** The Fund will automatically use the taxable dividend and capital gains distributions for purchase of additional shares for the shareholder at net asset value as of the close of business on the distribution date.

**Cash Payouts:** A shareholder may, at any time, by letter or forms supplied by the Fund direct the Fund to pay dividends and/or capital gains distributions, if any, to such shareholder in cash.

#### **TAX CONSEQUENCES**

Under provisions of Sub-Chapter M of the Internal Revenue Code of 1986 as amended, the Fund, by paying out substantially all of its investment income and realized capital gains, intends to continue to be relieved of federal income tax on the amounts distributed to shareholders. In order to qualify as a "regulated

investment company" under Sub-Chapter M, at least 90% of the Fund's income must be derived from dividends, interest and gains from securities transactions, and no more than 50% of the Funds assets may be in two or more securities holdings that exceed 5% of the total assets of the Fund at the time of each security's purchase. Not qualifying under Sub-Chapter M of the internal Revenue Code would cause the Fund to be considered a personal holding company subject to normal corporate income taxes. This would reduce the value of shareholder holdings by the amount of taxes paid. Any subsequent dividend distribution of the Fund's earnings after taxes would still be taxable as received by shareholders. Jobs and Growth and Tax Relief Reconciliation Law of 2003 reduced the rate on "qualifying dividends" to 15% (5% for those in 10% or 15% income tax bracket). The Fund may invest in companies that pay "qualifying dividends". Investors in the Fund may benefit from the new tax bill and its lower tax rate on taxable quarterly dividend payments, attributable to corporate dividends, distributed by the Fund.

**Tax Distributions:** The Fund's distributions (capital gains and dividend income) whether received by shareholders in cash or reinvested in additional shares of the Fund, may be subject to federal income tax payable by shareholders. All income realized by the Fund including short-term capital gains will be taxable to the shareholder as ordinary income. Dividends from net income will be made annually or more frequently at the discretion of the Fund's Board of Directors. Dividends received shortly after purchase of Fund shares by an investor will have the effect of reducing the per share net asset value of his/her shares by the amount of such dividends or distributions. You should consult a tax advisor regarding the effect of federal, state, local and foreign taxes on an investment in the Fund.

**Federal Withholding:** The Fund is required by federal law to withhold 31% of reportable payments (which may include dividends, capital gains, distributions and redemptions) paid to shareholders who have not complied with IRS regulations. In order to avoid this withholding requirement, you must certify on a W-9 tax form supplied by the Fund that your Social Security or Taxpayer Identification Number provided is correct and that you are not currently subject to back-up withholding, or that you are exempt from back-up withholding.

#### **DISTRIBUTION ARRANGEMENTS**

**The Fund is a truly no-load fund in that there are NO purchase or sales fees and no 12b-1 fees.**

#### **PRIVACY POLICY**

Regulation S-P: The U.S. Securities and Exchange Commission has adopted a regulation regarding the "Privacy of Consumer Financial Information" known as Regulation S-P. This regulation states that financial institutions such as the Fund must provide the shareholder with this notice of the Fund's privacy policies and practices on an annual basis. The following items (A & B) detail the Fund's policies and practices:

A. Information We Collect - Information we receive from you on application or forms include: your name, address, social security number or tax ID number, W9 status, phone number and citizenship status. Information about your transactions with us include: your account number, account balances and transaction histories.

B. The Fund's Disclosure Statement - We only disclose personal information about any current or former shareholder of the Fund as required by law. And, since we handle regular transactions internally the number of employees that even see your information is limited. We also require all of the Fund's brokers, and our Investment Adviser that acts as the Fund's transfer agent to adopt the regulations of regulation S-P, as specified above by the Fund.

### Financial Highlights Information

The financial highlights table is intended to help you understand the Fund's financial performance per share for the period from October 31, 2005 (commencement of investment operations) to December 31, 2007. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Sanville & Company, Independent Registered Public Accounting Firm, whose report, along with the Fund's financial statements, are included in the "Statement of Additional Information", that is available upon request For share of capital stock outstanding throughout the period December 31;

	2007	2006	2005*
<b>PER SHARE DATA:</b>			
Net Asset Value, Beginning of period	\$11.03	\$10.15	\$10.00
Income from Investment Operations:			
Net Investment Income **	.13	.14	.02
Net Realized and Unrealized Gain(Loss)on investments	(.55)	.95	.15
	-----	-----	-----
Total From Investment Operations	(.42)	1.09	.17
Distributions from:			
Net Investment Income	(.12)	(.14)	(.02)
Realized gains	(.04)	-	-
Return of capital	(.08)	(.07)	-
	-----	-----	-----
Total Distributions	(.24)	(.21)	(.02)
Net Asset value, End of period	\$10.37	\$11.03	\$10.15
Total Return ***	(3.83%)	10.73%	1.73%
 <b>Ratios and Supplemental Data:</b>			
Net Assets, End of Year	\$1,151,191	\$966,512	\$712,363
Ratio of Expenses, after reimbursement To Average Net Assets	1.40%	1.40%	1.40%a
Ratio of Expenses, before reimbursement To Average Net Assets	2.69%	3.22%	11.21%a
Ratio of Net Investment Income to Average Net Assets	1.19%	1.46%	1.68%a
Portfolio Turnover Rate (%)	18.09%	5.33%	0.00%

a = annualized

\*For the period from October 31, 2005 (commencement of investment operations) to December 31, 2005

\*\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

\*\*\* Assumes reinvestment of dividends.

#### WHERE TO GO FOR MORE INFORMATION

You will find more information about the Bread & Butter Fund, Inc. in the following documents: Statement of Additional Information (SAI) - The Statement of Additional Information contains additional and more detailed information about the Fund, and is considered to be a part of this Prospectus.

Annual and Semi-annual Reports - Additional information about the Fund's investments is available in the Fund's Annual and Semi-Annual reports to shareholders. In addition, a discussion of the Fund's strategies and market conditions that significantly affected the Fund's performance during its last fiscal year will be in the annual report.

There are Two Ways to Get a Copy of One or More of These Documents:

1. Call or write for one, and a copy will be sent without charge. OR visit the Fund's web site at [www.BreadandButterFund.com](http://www.BreadandButterFund.com) view all reports and holdings.

**Bread & Butter Fund, Inc.**  
3633 Hill Rd 3rd Flr.  
Parsippany, NJ 07054  
1-973-331-1000      1-888-476-8585  
**[www.BreadandButterFund.com](http://www.BreadandButterFund.com)**

2. You may also obtain information about the Fund (including the Statement of Additional Information and other reports) from the Securities and Exchange Commission on their Internet site at <http://www.sec.gov> or at their Public Reference Room in Washington, D.C. Call the Securities and Exchange Commission at 1-800-SEC-0330 for room hours and operation. You may also obtain Fund information by sending a written request and duplicating fee to the Public Reference Section of the SEC, Washington, D.C. 20549-6609 or by electronic request at the E-Mail address [publicinfo@sec.gov](mailto:publicinfo@sec.gov). Please contact the Fund at the above address, phone number or at the web site toll free phone number and Fund web site if you wish to request other information and/or make shareholder inquires.

#### WHY YOU SHOULD READ THIS PROSPECTUS

In this prospectus, we presented the objectives, risks and strategies of the Fund in plain and, hopefully, understandable language. The Prospectus is designed to aid you in deciding whether this Fund is one of the right investments for you. We suggest that you keep it for future references.

**Bread & Butter Fund, INC. - SEC file number 811-21748**