

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number: 811-21748

Bread & Butter Fund, Inc.

(Exact Name of Registrant as Specified in Charter)

3633 Hill Rd. 3<sup>rd</sup> Flr., Parsippany, NJ 07054

(Address of Principal Executive Offices) (Zip Code)

James B. Potkul, Potkul Capital Management LLC

3633 Hill Rd. 3<sup>rd</sup> Flr., Parsippany, NJ 07054

(Name and Address of Agent for Service)

Registrant's Telephone Number, including Area Code: 973-331-1000

Date of fiscal year end: December 31

Date of reporting period: September 30, 2007

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, and 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. SCHEDULE OF INVESTMENTS.

BREAD & BUTTER FUND, INC.  
SCHEDULE OF INVESTMENTS IN SECURITIES  
September 30, 2007 (Unaudited)

	Shares	Historical Cost	Value
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COMMON STOCKS - 76.40 %			
Diversified Holding Cos. - 2.73 %			
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Berkshire Hathaway Cl B*	8	23,466	31,616
		-----	-----
		23,466	31,616
Closed End Investment Company - 3.51 %			
-----			
NGP Capital Resources Company	2,500	33,170	40,575
		-----	-----
		33,170	40,575
Energy - 23.98 %			
-----			
ConocoPhillips	550	32,619	48,274
El Paso Corporation	2,090	23,124	35,467
Helmerich & Payne Inc.	1,100	24,330	36,113
Patterson UTI Energy	2,000	49,376	45,140
Pioneer Drilling Co.*	7,000	87,700	85,260
Pioneer Natural Resources	600	23,626	26,988
		-----	-----
		240,775	277,242
Financials - 7.75 %			
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Mitsubishi UFJ Financial ADRF	6,000	65,075	54,480
Wachovia Corp.	700	34,812	35,105
		-----	-----
		99,887	89,585
Healthcare-Pharmaceutical - 5.07 %			
-----			
Pfizer Incorporated	2,400	50,588	58,632
		-----	-----
		50,588	58,632
Insurance - 6.89 %			
-----			
Mercer Insurance Group	2,500	45,372	44,225
Montpelier RE Holdings	2,000	32,009	35,400
		-----	-----
		77,381	79,625

Media/Entertainment - 6.85 %			
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News Corp. Ltd. B	1,500	23,785	35,085
Time Warner Inc.	2,400	43,335	44,064
		-----	-----
		67,120	79,149
Real Estate (REITs) - 15.89 %			
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Sun Communities Inc.	4,500	130,554	135,360
Origen Financial Inc.	8,000	50,072	48,400
		-----	-----
		180,626	183,760
Retail - 2.27 %			
-----			
Walmart Stores Inc.	600	25,750	26,190
		-----	-----
		25,750	26,190
Telecommunications - 1.47 %			
-----			
IDT Corp	2,150	26,025	17,006
		-----	-----
		26,025	17,006
TOTAL COMMON STOCKS		824,788	883,380
		-----	-----
SHORT-TERM INVESTMENTS - 24.64 %			
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Schwab Value Advantage	262,251	262,251	262,251
Money Market Fund			
Schwab One Money Market	22,604	22,604	22,604
		-----	-----
TOTAL SHORT-TERM INVESTMENTS		284,855	284,855
		-----	-----
TOTAL INVESTMENTS 101.04%		\$1,109,643	1,168,235
		=====	
OTHER ASSETS AND LIABILITIES - (1.04) %			(12,000)
			-----
NET ASSETS - 100.00%			\$1,156,235
			=====

\*Non-income producing during the year.

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

### Bread & Butter Fund, Inc.

#### 1. Security Transactions

At September 30, 2007, the net unrealized appreciation on investment, based on cost for federal income tax purposes of \$1,109,643 amounted to \$58,592 which consisted of aggregate gross unrealized appreciation of \$87,701 and aggregate gross unrealized depreciation of (\$29,109).

#### ITEM 2. CONTROLS AND PROCEDURES.

(a)EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Quarterly Schedule of Portfolio Holdings on Form N-Q, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(b)CHANGES IN INTERNAL CONTROLS. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Quarterly Schedule of Portfolio Holdings on Form N-Q.

#### ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

## SIGNATURES

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

Bread & Butter Fund, Inc.

By /s/ James B. Potkul

James B. Potkul  
President

Date: November 7, 2007

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

By /s/ James B. Potkul

James B. Potkul  
Principal Financial Officer

Date: November 7, 2007