

# BEXIL

- **Notice of 2014 Annual Meeting and Proxy Statement**
- **2013 Annual Report**

11 Hanover Square  
New York, NY 10005

Tel 1-212-785-0900  
[www.Bexil.com](http://www.Bexil.com)

Ticker:

**BXLC**



# BEXIL CORPORATION

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## Notice of Annual Meeting of Stockholders

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To the Stockholders:

Notice is hereby given that the 2014 Annual Meeting of Stockholders (“Meeting”) of Bexil Corporation (the “Company”) will be held at The Down Town Association, 60 Pine Street, New York, New York on August 6, 2014 at 11:00 a.m., local time, for the following purposes:

1. To elect to the Board of Directors the Nominee, Thomas B. Winmill, as a Class I Director to serve for a three year term and until his successor is duly elected and qualifies.
2. To ratify the appointment of auditors.
3. To approve the Company’s 2014 Stock Incentive Plan.
4. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

**The Board of Directors unanimously recommends that stockholders vote FOR Proposals 1, 2, and 3.**

Stockholders of record at the close of business on May 16, 2014 are entitled to receive notice of and to vote at the Meeting.

By Order of the Board of Directors

John F. Ramírez  
Secretary

New York, New York  
July 7, 2014

THE MEETING WILL START PROMPTLY AT 11:00 A.M., LOCAL TIME. TO AVOID DISRUPTION, ADMISSION MAY BE LIMITED ONCE THE MEETING STARTS. PHOTOGRAPHIC IDENTIFICATION WILL BE REQUIRED FOR ADMISSION TO THE MEETING. PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED PRE-ADDRESSED REPLY ENVELOPE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. ANY STOCKHOLDER OF RECORD PRESENT AT THE MEETING MAY VOTE IN PERSON INSTEAD OF BY PROXY, THEREBY CANCELING ANY PREVIOUS PROXY.

**Please Vote Immediately by Signing and Returning the Enclosed Proxy Card.**  
*Delay may cause the Company to incur additional expenses to solicit votes for the Meeting.*

# BEXIL CORPORATION

## PROXY STATEMENT

### Annual Meeting of Stockholders to be held August 6, 2014

This Proxy Statement is furnished in connection with a solicitation of proxies by Bexil Corporation (the “Company”) to be voted at the 2014 Annual Meeting of Stockholders of the Company to be held at The Down Town Association, 60 Pine Street, New York, New York on August 6, 2014 at 11:00 a.m., local time, and at any postponements or adjournments thereof (“Meeting”) for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Only stockholders of record at the close of business on May 16, 2014 (the “Record Date”) are entitled to be present and to vote on matters at the Meeting. Stockholders are entitled to one vote for each Company share held. Shares represented by executed and unrevoked proxies will be voted in accordance with the instructions on the Proxy Card. A stockholder may revoke a proxy by delivering to the Company a signed proxy with a date later than the previously delivered proxy or by sending a written revocation to the Company. To be effective, such revocation must be received prior to the Meeting. In addition, any stockholder who attends the Meeting in person may vote by ballot at the Meeting, thereby canceling any proxy previously given. As of the Record Date, the Company had 982,245 shares of common stock issued and outstanding. Stockholders of the Company will vote as a single class.

It is estimated that proxy materials will be mailed to stockholders as of the Record Date on or about July 11, 2014.

#### **PROPOSAL 1: TO ELECT TO THE BOARD OF DIRECTORS THE NOMINEE, THOMAS B. WINMILL, AS A CLASS I DIRECTOR TO SERVE FOR A THREE YEAR TERM AND UNTIL HIS SUCCESSOR IS DULY ELECTED AND QUALIFIES.**

The Board has approved the nomination of Thomas B. Winmill (the “Nominee”) as a Class I Director to serve for a three year term and until his successor is duly elected and qualifies. The Nominee currently serves as a director of the Company. Unless otherwise noted, the address of record for the Nominee is P.O. Box 4, Walpole, NH 03608.

The following table sets forth certain information concerning the Nominee for Class I Director of the Company:

<b>Name, Principal Occupation, and Business Experience</b>	<b>Director Since</b>
<b>Class I:</b>	
THOMAS B. WINMILL – Mr. Winmill has served as President, Chief Executive Officer, General Counsel, and a director of the Company since 1999 and in other capacities since 1996. Since 1999, he has also served as a director or trustee, President, Chief Executive Officer, and General Counsel of Winmill & Co. Incorporated, its affiliates, and certain of the investment companies managed by its affiliates, and in other capacities since 1988. Mr. Winmill is a member of the SEC Rules Committee of the Investment Company Institute. He was born on June 25, 1959.	1996

The persons named in the accompanying form of proxy intend to vote each such proxy FOR the election of the Nominee listed above unless a stockholder specifically indicates on a proxy the desire to withhold authority to vote for the Nominee. It is not contemplated that the Nominee will be unable to serve as a director for any reason but, if that should occur prior to the Meeting, the proxy holders reserve the right to substitute another person or persons of their choice for the Nominee. The Nominee listed above has consented to being named in this Proxy Statement and has agreed to serve as a director if elected.

#### **Vote Required**

As set forth in the Company’s bylaws, except as otherwise provided in the charter and notwithstanding any other provision of Maryland law, “the election of any director by stockholders requires the affirmative vote of at least eighty percent (80%) of the outstanding shares of all classes of voting stock, voting together, in person or by proxy at a meeting at which a quorum is present, unless such action is approved by the vote of a majority of the Board of Directors, in which case such action requires the affirmative vote of a plurality of the votes cast at the Meeting.” Inasmuch as the election of the Nominee was

approved by a majority of the Board of Directors, a plurality of all the votes cast at the Meeting at which a quorum is present shall be sufficient to elect the Nominee.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS YOU VOTE FOR THE NOMINEE.***

**PROPOSAL 2: TO RATIFY THE APPOINTMENT OF AUDITORS.**

The Board of Directors is empowered to appoint a firm to serve as the Company's auditors. The Board of Directors has previously appointed BDO USA, LLP ("BDO") to serve as the Company's auditors.

Although the Board of Directors has sole authority to appoint, re-appoint, and dismiss auditors, it is seeking the opinion of the stockholders regarding its appointment of BDO as auditors. For this reason, stockholders are being asked to ratify this appointment. If stockholders ratify the appointment of BDO as auditors, the Board will take that fact into consideration, but may, nevertheless, dismiss BDO. If stockholders do not ratify the appointment of BDO as auditors, the Board will take that fact into consideration, but may, nevertheless, continue to retain BDO.

**Vote Required**

Under Article VIII of the Company's charter, except as otherwise provided in the charter and notwithstanding any other provision of the Maryland General Corporation Law to the contrary, any action submitted to a vote by stockholders requires the affirmative vote of at least eighty percent (80%) of the outstanding shares of all classes of voting stock, voting together, in person or by proxy at a meeting at which a quorum is present, unless such action is approved by the vote of a majority of the Board of Directors, in which case such action requires the lesser of (A) a majority of all the votes entitled to be cast on the matter with the shares of all classes of voting stock voting together, or (B) if such action may be taken or authorized by a lesser proportion of votes under applicable law, such lesser proportion. Inasmuch as the ratification of the appointment of auditors was approved by the vote of a majority of the Board of Directors, the affirmative vote of the majority of the votes validly cast at the Meeting at which a quorum is present will be required to ratify the appointment of auditors.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS STOCKHOLDERS VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF AUDITORS.***

**PROPOSAL 3: TO APPROVE THE COMPANY'S 2014 STOCK INCENTIVE PLAN.**

The Company proposes to supplement the current 2011 Incentive Compensation Plan (the "2011 Plan") with the 2014 Stock Incentive Plan (the "2014 Plan"), which would be a new long term stock incentive plan intended to facilitate the continued use of equity based incentives and rewards for employees, directors, and consultants of the Company and its affiliates. Regardless of whether the 2014 Plan is approved by the Company's stockholders at the upcoming annual meeting, the 2011 Plan will remain outstanding and new awards may be made under that plan and outstanding awards will continue to be administered in accordance with their terms.

The following is a summary of the 2014 Plan and is qualified in its entirety by reference to the 2014 Plan, a copy of which is attached as Exhibit A to this proxy statement.

**Administration**

The 2014 Plan shall be administered by the Board. The Board may delegate some or all of its powers under the 2014 Plan to a committee composed of members of the Board and, in the event of such delegation, references herein to the Board shall be deemed to refer to the committee. The Board has the authority to determine, within the limits of the express provisions of the 2014 Plan, the individuals to whom awards will be granted, the nature, amount and terms of such awards and the objectives and conditions for earning such awards.

**Types of Awards**

Awards under the 2014 Plan may include incentive stock options, nonqualified stock options, stock appreciation rights ("SARs"), restricted stock, deferred stock and other stock-based awards.

*Stock Options.* The Board may grant to a participant options to purchase Company stock that qualify as incentive stock options for purposes of Section 422 of the U.S. Internal Revenue Code (“incentive stock options”), options that do not qualify as incentive stock options (“nonqualified stock options”), or a combination of both types. The terms and conditions of stock option grants, including the quantity, price, vesting periods, and other conditions on exercise will be determined by the Board, provided that the option exercise price will not be less than 110% of the market price of the Company’s stock on the grant date.

*Stock Appreciation Rights.* The Board may grant to a participant an award of SARs, which entitles the participant to receive, upon its exercise, a payment equal to (i) the excess of the fair market value of a share of stock on the exercise date over the SAR exercise price, times (ii) the number of shares of stock with respect to which the SAR is exercised.

*Restricted Stock.* The Board may award to a participant shares of stock subject to specified restrictions and forfeiture conditions (“restricted stock”). Restricted stock is subject to forfeiture if the participant does not meet certain conditions such as continued employment over a specified forfeiture period or the attainment of specified performance targets over the forfeiture period. The terms and conditions of restricted stock awards are determined by the Board.

*Deferred Stock.* The Board also may award to a participant deferred stock representing the right to receive shares of stock in the future subject to the achievement of one or more goals relating to the completion of service by the participant or the achievement of performance or other objectives (“deferred stock”). The terms and conditions of deferred stock awards are determined by the Board.

*Other Stock-Based Awards.* The Board may grant equity-based or equity-related awards, referred to as “other stock-based awards,” other than options, SARs, restricted stock or deferred stock. Other stock-based awards may include, without limitation, stock purchase rights, phantom stock units or unrestricted bonus stock awards. The terms and conditions of each other stock-based award are determined by the Board. Payment under any other stock-based awards may be made in stock or cash, as determined by the Board in its discretion.

*Performance Awards.* The Board may grant any of the above awards subject to or otherwise conditioned on one or more of the following performance goals:

- increase in book value per share over time
- earnings before interest, taxes, depreciation. and amortization
- net income (loss) (either before or after interest, taxes, depreciation and/or amortization)
- growth in the market price of the stock
- economic value-added
- sales or revenue
- acquisitions or strategic transactions
- operating income (loss)
- cash flow (including, but not limited to, operating cash flow and free cash flow)
- return on capital, assets, equity, or investment
- stockholder returns
- return on sales
- gross or net profit levels
- productivity
- expense
- margins
- operating efficiency
- customer satisfaction
- working capital
- earnings (loss) per share of stock
- sales or market shares

In addition to the performance goals, the terms and conditions of any performance-based award are determined by the Board and such awards may be designed to comply with the performance-based compensation requirements of Section 162(m) of the Code. Performance awards may be paid in cash, shares of stock or a combination thereof, as determined by the Board in its discretion.

## **Eligibility and Limitation on Awards**

The Board may grant awards to any employee, director, consultant or other person providing services to the Company or its affiliates.

If an award is intended to comply with the requirements for performance-based compensation under Section 162(m) of the Code, the maximum number of shares of stock that can be awarded under the 2014 Plan to a single participant in any calendar year with respect to such awards will be equal to fifteen percent (15%) of the number of outstanding shares of the Company's stock as of the effective date of the 2014 Plan.

## **Shares Subject to the 2014 Plan**

The total number of shares of common stock reserved and available for issuance under the 2014 Plan is (i) 15% of the number of outstanding shares of common stock as of the effective date of the 2014 Plan, plus (ii) 15% of the number of shares of common stock issued or delivered by the Company during the term of the 2014 Plan (other than pursuant to the 2014 Plan, or other benefit plans of the Company); provided, however, that the total number of shares of common stock with respect to which incentive stock options may be granted shall in no event exceed 15% of the total number of authorized shares of Company common stock as of the effective date. Shares of stock not actually issued (as a result, for example, of the lapse of an option), as well as any shares surrendered to or withheld by the Company in payment or satisfaction of the exercise price of a stock option or tax withholding obligations with respect to an award will be available for additional grants. As of April 17, 2014, the number of outstanding shares of common stock was 982,582 and the total number of authorized shares of Company common stock was 9,900,000.

## **Anti-Dilution Protection**

In the event of any changes in the capital structure of the Company, including a change resulting from a stock dividend or stock split, or a combination or reclassification of shares, the Board is empowered to make such equitable adjustments with respect to awards or any provisions of the 2014 Plan as it deems necessary and appropriate, including, if necessary, any adjustments in the maximum number of shares of common stock subject to the 2014 Plan, the number of shares of common stock subject to and the exercise price of an outstanding award, or the maximum number of shares that may be subject to one or more awards granted to any one recipient during a calendar year.

## **Effective Date**

The 2014 Plan was approved by the Board of Directors on April 17, 2014 and will become effective on the date of Board approval, subject to approval by the Company's stockholders.

## **Tax Treatment**

With the exception of incentive stock options, all awards will be taxable to the participant at either the time of exercise (for options and SARs) or the time of vesting or issuance of vested shares (for restricted stock, deferred stock and all other stock-based awards). If the participant meets certain holding requirements applicable to incentive stock options, the participant will have no tax at the time of exercise and will treat the gain on the value of the exercised stock as long-term capital gain at the time the stock is sold by the participant. The Company is entitled to a tax deduction at the time the participant is taxed on the award, except for incentive stock options for which the Company receives no deduction if the required holding periods are met.

## **Accounting Treatment**

All awards under the 2014 Plan will be reflected as a compensation expense in the Company's financial statements.

## **Vote Required**

Under Article VIII of the Company's charter, except as otherwise provided in the charter and notwithstanding any other provision of the Maryland General Corporation Law to the contrary, any action submitted to a vote by stockholders requires the

affirmative vote of at least eighty percent (80%) of the outstanding shares of all classes of voting stock, voting together, in person or by proxy at a meeting at which a quorum is present, unless such action is approved by the vote of a majority of the Board of Directors, in which case such action requires the lesser of (A) a majority of all the votes entitled to be cast on the matter with the shares of all classes of voting stock voting together, or (B) if such action may be taken or authorized by a lesser proportion of votes under applicable law, such lesser proportion. Inasmuch as the approval of the 2014 Plan was approved by the vote of a majority of the Board of Directors, the affirmative vote of the majority of the votes validly cast at the Meeting at which a quorum is present will be required to approve the 2014 Plan.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS YOU VOTE  
FOR THE COMPANY'S 2014 STOCK INCENTIVE PLAN.***

**ADDITIONAL INFORMATION**

At the Meeting, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the Meeting is sufficient to constitute a quorum. In the absence of a quorum, the stockholders present in person or by proxy or, if no stockholder entitled to vote is present in person or by proxy, any officer present entitled to preside or act as secretary of such meeting may adjourn the meeting without determining the date of the new meeting or from time to time without further notice to a date not more than 120 days after the original record date. Any business that might have been transacted at the meeting originally called may be transacted at any such adjourned meeting at which a quorum is present. Notice of adjournment of a stockholders meeting to another time or place need not be given if such time and place are announced at the meeting. A stockholder vote may be taken for one or more proposals prior to any adjournment. If a proxy is properly executed and returned accompanied by instructions to withhold authority to vote, represents a broker "non-vote" (that is, a proxy from a broker or nominee indicating that such person has not received instructions from the beneficial owner or other person entitled to vote shares of the Company on a particular matter with respect to which the broker or nominee does not have discretionary power), or is marked with an abstention (collectively, "abstentions"), the Company's shares represented thereby will be considered to be present at the Meeting for purposes of determining the existence of a quorum for the transaction of business. Under Maryland law, abstentions do not constitute a vote "for" or "against" a matter and will be disregarded in determining "votes cast" on an issue.

In addition to the use of the mails, proxies may be solicited personally, by telephone, or by other means, and the Company may pay persons holding its shares in their names or those of their nominees for their expenses in sending soliciting materials to their beneficial owners. The Company will bear the cost of soliciting proxies. Authorizations to execute proxies may be obtained by telephonic instructions in accordance with procedures designed to authenticate the stockholder's identity. In cases where a telephonic proxy is solicited, the stockholder may be asked to provide his or her address, social security number (in the case of an individual), taxpayer identification number (in the case of an entity), or other identifying information, and the number of shares owned and to confirm that the stockholder has received the Company's Proxy Statement and proxy card in the mail. Within 72 hours of receiving a stockholder's telephonic voting instructions and prior to the Meeting, a confirmation will be sent to the stockholder to ensure that the vote has been taken in accordance with the stockholder's instructions and to provide a telephone number to call immediately if the stockholder's instructions are not correctly reflected in the confirmation. Stockholders requiring further information with respect to telephonic voting instructions or the proxy generally should contact the Company's transfer agent. Any stockholder giving a proxy may revoke it at any time before it is exercised by submitting to the Company a written notice of revocation or a subsequently executed proxy or by attending the Meeting and voting in person.

**Discretionary Authority; Submission Deadlines for Stockholder Proposals**

Although no business may come before the Meeting other than that specified in the Notice of Annual Meeting of Stockholders, shares represented by executed and unrevoked proxies will confer discretionary authority to vote on matters which the Company did not have notice of a reasonable time prior to mailing this Proxy Statement to stockholders. The Company's bylaws provide that in order for a stockholder to nominate a candidate for election as a director at an annual meeting of stockholders or propose business for consideration at such meeting, written notice generally must be delivered to the Secretary of the Company, at the principal executive offices, not less than 60 days nor more than 90 days prior to the first anniversary of the mailing of the notice for the preceding year's annual meeting. Proposals should be mailed to Bexil Corporation, Attention: Secretary, 11 Hanover Square, New York, New York 10005. The submission by a stockholder of a proposal for inclusion in the proxy statement or presentation at any stockholder meeting does not guarantee that it will be

included or presented. Stockholder proposals are subject to certain requirements under Maryland law and must be submitted in accordance with the Company's bylaws.

### **How to Communicate with the Company's Board of Directors**

Stockholders who wish to communicate with the Board of Directors or a particular director may send a letter to the Secretary of the Company at 11 Hanover Square, New York, New York 10005. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Stockholder-Board Communication" or "Stockholder-Director Communication." All such letters must identify the author as a stockholder and clearly state whether the intended recipients are all members of the Board or just certain specified individual directors. All communications received as set forth above will be opened by the office of our Secretary for the sole purpose of determining whether the contents represent a message to Company's directors. Materials that are unrelated to the duties and responsibilities of the Board of Directors, such as solicitations, resumes and other forms of job inquiries, surveys and individual complaints, or materials that are unduly hostile, threatening, illegal or similarly unsuitable will not be distributed, but will be made available upon request to the Board of Directors or individual directors as appropriate, depending on the facts and circumstances outlined in the communication.

### **Annual Statement of Affairs**

A full and complete statement of the affairs of the Company, including a balance sheet and a financial statement of operations for the year ended December 31, 2013, shall be submitted at the Meeting and, within 20 days after the Meeting, placed on file at the Company's principal office.

### **Householding of Proxy Materials**

To reduce the expenses of printing and delivering duplicate copies of proxy statements, some banks, brokers, and other nominee record holders may deliver only one copy of these materials to stockholders who share an address unless otherwise requested. If you share an address with another stockholder and have received only one copy of this proxy statement, you may request a separate copy of these materials at no cost to you by writing to Bexil Corporation, Attention: Secretary, 11 Hanover Square, New York, New York 10005. For future stockholder meetings, you may request separate copies of these materials or request that we send only one set of these materials to you if you are receiving multiple copies by calling or writing to us at the number or address given above.

### **Notice to Banks, Broker/Dealers, and Voting Trustees and Their Nominees**

Please advise the Company's transfer agent whether other persons are the beneficial owners of the shares for which proxies are being solicited and, if so, the number of copies of this Proxy Statement and other soliciting materials you wish to receive in order to supply copies to the beneficial owners of shares.

***It is important that proxies be returned promptly. Therefore, stockholders who do not expect to attend the Meeting in person are urged to complete, sign, date, and return the enclosed proxy card in the enclosed stamped envelope.***

EXHIBIT A

**BEXIL CORPORATION**  
**2014 Stock Incentive Plan**

**Section 1. Purpose; Definitions.**

1.1. Purpose. The purpose of the 2014 Stock Incentive Plan (“Plan”) is to enable the Company to offer to its employees, officers, directors and consultants whose past, current and/or potential contributions to the Company and its Subsidiaries have been, are or will be important to the success of the Company, an opportunity to acquire a proprietary interest in the Company. The various types of long-term incentive awards that may be provided under the Plan will enable the Company to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its businesses.

1.2. Definitions. For purposes of the Plan, the following terms shall be defined as set forth below:

(a) “Agreement” means the agreement between the Company and the Holder, or such other document as may be determined by the Board, setting forth the terms and conditions of an award under the Plan.

(b) “Board” means the Board of Directors of the Company.

(c) “Code” means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto and the regulations promulgated thereunder.

(d) “Committee” means the Compensation Committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two members of the Board who are “outside directors” within the meaning of Section 162(m) of the Code and, if applicable, “non-employee directors” within the meaning of Rule 16b-3 of the Exchange Act. If no Committee is so designated, then all references in this Plan to “Committee” shall mean the Board.

(e) “Common Stock” means the Common Stock of the Company, par value \$.01 per share.

(f) “Company” means Bexil Corporation, a corporation organized under the laws of Maryland.

(g) “Deferred Stock” means Common Stock to be received under an award made pursuant to Section 8 of the Plan, at the end of a specified deferral period.

(h) “Disability” means the Holder, as determined by a licensed physician appointed by the Company, (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or its Parent or Subsidiaries. Notwithstanding the foregoing, if a Holder is a party to a written agreement embodying the material terms of his or her employment by the Company or a Parent or Subsidiary and “disability” has been defined thereunder, the definition of “disability” contained in such written agreement shall control.

(i) “Effective Date” means the date set forth in Section 11.1, below.

(j) “Employee” means any person employed by the Company or any Parent or Subsidiary of the Company within the meaning of code Section 3401(c), including employees who are also officers or directors or both of the Company or any Parent or Subsidiary of the Company. The payment of a director’s fee by the Company shall not be sufficient to constitute “employment” by the Company.

(k) “Fair Market Value”, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, means, as of any given date: (i) if the Common Stock is listed on a national securities exchange, the last sale price of the Common Stock in the principal trading market for the Common Stock on such date, as reported by the applicable exchange, or if no sale was reported on that date, then on the last preceding date on which such sale took place; (ii) if the Common Stock is not listed on a national securities exchange, but is traded in the over-the-counter market, the last sale price of the Common Stock on such date, as reported by the OTC Markets

Inc., the OTC Bulletin Board or similar publisher of such quotations, or if no sale was reported on that date, then on the last preceding date on which such sale took place; and (iii) if the Fair Market Value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Board shall determine, in good faith. Notwithstanding the foregoing, the Board may use any other definition of Fair Market Value consistent with applicable tax, accounting and other rules.

- (l) "Holder" means a person who has received an award under the Plan.
- (m) "Incentive Stock Option" means any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code.
- (n) "Non-qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.
- (o) "Normal Retirement" means retirement from active employment with the Company and any Parent or Subsidiary.
- (p) "Other Stock-Based Award" means an award under Section 9 of the Plan that is valued in whole or in part by reference to, or is otherwise based upon, Common Stock.
- (q) "Parent" means any current or future "parent corporation" of the Company, as such term is defined in Section 424(e) of the Code.
- (r) "Performance Goals" means any of the following performance measures, as determined by the Board (or, if the award is intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee): increase in book value per share over time, earnings before interest, taxes, depreciation and amortization, net income (loss) (either before or after interest, taxes, depreciation and/or amortization), growth in the market price of the Common Stock, economic value-added, sales or revenue, acquisitions or strategic transactions, operating income (loss), cash flow (including, but not limited to, operating cash flow and free cash flow), return on capital, assets, equity, or investment, stockholder returns, return on sales, gross or net profit levels, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings (loss) per share of Common Stock, and sales or market shares, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group.
- (s) "Plan" means the Bexil Corporation 2014 Stock Incentive Plan, as hereinafter amended from time to time.
- (t) "Repurchase Value" shall mean the Fair Market Value in the event the award to be settled under Section 2.2(h) is comprised of shares of Common Stock and the difference between Fair Market Value and the Exercise Price (if lower than Fair Market Value) in the event the award is a Stock Option or Stock Appreciation Right; in each case, multiplied by the number of shares subject to the award.
- (u) "Restricted Stock" means Common Stock received under an award made pursuant to Section 7 of the Plan that is subject to restrictions under said Section 7.
- (v) "Retained Distributions" has the meaning ascribed to such term under Section 7.2(b) of the Plan.
- (w) "SAR Value" means the excess of the Fair Market Value (on the exercise date) over the exercise price of the Stock Appreciation Right or the related Stock Option, multiplied by the number of shares for which the Stock Appreciation Right is exercised.
- (x) "Stock Appreciation Right" means the right to receive from the Company, on the exercise of the Stock Appreciation Right or the surrender of all or part of the related Stock Option, without a cash payment to the Company, a number of shares of Common Stock or cash, in the discretion of the Company, having a Fair Market Value equal to the SAR Value.
- (y) "Stock Option" or "Option" means any option to purchase shares of Common Stock which is granted pursuant to the Plan.
- (z) "Stock Reload Option" means any option granted under Section 5.3 of the Plan.
- (aa) "Subsidiary" means any current or future "subsidiary corporation" of the Company, as such term is defined in Section 424(f) of the Code.
- (bb) "Vest" means to become exercisable or to otherwise obtain ownership rights in an award.

## Section 2. Administration.

2.1. Board Administration. The Plan shall be administered by the Board. The Board may delegate some or all of its powers under the Plan to a Committee composed of members of the Board and, in the event of such delegation, references in the Plan to the Board shall be deemed to refer to the Committee. Committee members shall serve for such term as the Board may in each case determine, and shall be subject to removal at any time by the Board.

2.2. Powers of Board. The Board shall have full authority to award, pursuant to the terms of the Plan: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock, (iv) Deferred Stock, (v) Stock Reload Options and/or (vi) Other Stock-Based Awards. For purposes of illustration and not of limitation, the Board shall have the authority (subject to the express provisions of this Plan):

(a) to select the officers, Employees, directors and consultants of the Company or any Parent or Subsidiary to whom Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Reload Stock Options and/or Other Stock-Based Awards may from time to time be awarded hereunder.

(b) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, number of shares, option exercise price or types of consideration paid upon exercise of such options, such as other securities of the Company or other property, any restrictions or limitations, and any vesting, exchange, surrender, cancellation, acceleration, termination, exercise or forfeiture provisions, as the Board shall determine);

(c) to determine any specified performance goals or such other factors or criteria which need to be attained for the vesting of an award granted hereunder;

(d) to determine the terms and conditions under which awards granted hereunder are to operate on a tandem basis and/or in conjunction with or apart from other equity awarded under this Plan and cash and non-cash awards made by the Company or any Parent or Subsidiary outside of this Plan;

(e) to permit a Holder to elect to defer a payment under the Plan under such rules and procedures as the Board may establish, including the crediting of interest on deferred amounts denominated in cash and of dividend equivalents on deferred amounts denominated in Common Stock;

(f) to determine the extent and circumstances under which Common Stock and other amounts payable with respect to an award hereunder shall be deferred that may be either automatic or at the election of the Holder;

(g) to substitute (i) new Stock Options for previously granted Stock Options, which previously granted Stock Options have higher option exercise prices and/or contain other less favorable terms, and (ii) new awards of any other type for previously granted awards of the same type, which previously granted awards are upon less favorable terms; and

(h) to make payments and distributions with respect to awards (*i.e.*, to “settle” awards) through cash payments in an amount equal to the Repurchase Value.

### 2.3. Interpretation of Plan.

(a) Board Authority. The Board shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable to interpret the terms and provisions of the Plan and any award issued under the Plan (and to determine the form and substance of all agreements relating thereto), to otherwise supervise the administration of the Plan or to amend, alter, suspend, discontinue or terminate the Plan, in its discretion, pursuant to Section 10. Subject to Section 10, below, all decisions made by the Board pursuant to the provisions of the Plan shall be made in the Board’s sole discretion and shall be final and binding upon all persons, including the Company, its Parent and Subsidiaries and all Holders.

(b) Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term or provision of the Plan relating to Incentive Stock Options (including but not limited to Stock Reload Options or Stock Appreciation Rights granted in conjunction with an Incentive Stock Option) or any Agreement providing for Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Holder(s) affected, to disqualify any Incentive Stock Option under such Section 422.

(c) Compliance with Section 409A. Anything in the Plan to the contrary notwithstanding, no term or provision of the Plan or any Agreement providing for an award under this Plan shall be interpreted so as to cause such award to constitute deferred compensation that fails to comply with the requirements of Section 409A of the Code.

### **Section 3. Stock Subject to Plan.**

3.1. Number of Shares. The total number of shares of Common Stock reserved and available for issuance under the Plan shall be (i) 15% of the number of outstanding shares of Bexil Common Stock as of the Effective Date, plus (ii) 15% of the number of shares of Common Stock issued or delivered by the Company during the term of the Plan (other than pursuant to this Plan, or other benefit plans of the Company); provided, however, that the total number of shares of Common Stock with respect to which Incentive Stock Options may be granted shall in no event exceed 15% of the total number of authorized shares of Company Common Stock as of the Effective Date. Shares of Common Stock under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares. If any shares of Common Stock that have been granted pursuant to a Stock Option cease to be subject to a Stock Option, or if any shares of Common Stock that are subject to any Stock Appreciation Right, Restricted Stock award, Deferred Stock award, Reload Stock Option or Other Stock-Based Award granted hereunder are forfeited or any such award otherwise terminates without a payment being made to the Holder in the form of Common Stock, such shares shall again be available for distribution in connection with future grants and awards under the Plan. If a Holder surrenders any previously owned shares and/or arranges to have the appropriate number of shares otherwise issuable upon exercise or settlement of any award withheld to cover the exercise price or withholding tax liability associated with the exercise or settlement, then the number of shares available under the Plan shall be increased by the number of such surrendered shares and shares withheld.

3.2. Adjustment Upon Changes in Capitalization, Etc. In the event of any merger, reorganization, consolidation, common stock dividend payable on shares of Common Stock, Common Stock split or reverse split, combination or exchange of shares of Common Stock, or other extraordinary or unusual event which results in a change in the shares of Common Stock of the Company as a whole, the Board shall make such equitable adjustment in the terms of any award (including number of shares subject to the award and the exercise price) and the aggregate number or kind of shares reserved for issuance under the Plan and the maximum number of shares that may be awarded to any participant in a single year. Any such adjustments will be made by the Board in its sole discretion and the Board's determination will be final, binding and conclusive.

3.3. Limit on Performance-Based Awards. In the discretion of the Board or the Committee (as applicable), if any award under the Plan is intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the maximum number of shares that may be granted under such awards to any one Holder during any one calendar year period shall not exceed an amount equal to 15% of the number of outstanding shares of Bexil Common Stock as of the Effective Date (subject to adjustment as provided in Section 3.2 above).

### **Section 4. Eligibility.**

Awards may be made or granted to Employees, officers, directors and consultants who are deemed to have rendered or to be able to render significant services to the Company or its Parent or Subsidiaries and who are deemed to have contributed or to have the potential to contribute to the success of the Company. No Incentive Stock Option shall be granted to any person who is not an Employee of the Company or a Parent or Subsidiary at the time of grant. Notwithstanding the preceding sentence, an award of an Incentive Stock Option may be made or granted to a person in connection with his or her hiring or retention, or at any time on or after the date such person reaches a written agreement with the Company with respect to such hiring or retention, even though it may be prior to the date the person first performs services for the Company or its Subsidiaries; *provided, however*, that no portion of any such award shall vest prior to the date the person first performs such services.

### **Section 5. Stock Options.**

5.1. Grant and Exercise. Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-qualified Stock Options. Any Stock Option granted under the Plan shall contain such terms, not inconsistent with this Plan, or with respect to Incentive Stock Options, not inconsistent with the Plan and the Code, as the Board may from time to time approve. The Board shall have the authority to grant Incentive Stock Options or Non-qualified Stock Options, or both types of Stock Options which may be granted alone or in addition to other awards granted under the Plan. To the extent that any Stock Option intended to qualify as an Incentive Stock Option does not so qualify, it shall constitute a separate Non-qualified Stock Option.

5.2. Terms and Conditions. Stock Options granted under the Plan shall be subject to the following terms and conditions:

(a) Option Term. The term of each Stock Option shall be fixed by the Board; provided, however, that an Incentive Stock Option may be granted only within the ten year period commencing from the Effective Date and may only be exercised within five years of the date of grant.

(b) Exercise Price. The exercise price per share of Common Stock purchasable under a Stock Option shall be determined by the Board at the time of grant and may not be less than 110% of the Fair Market Value on the date of grant.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Board. If the Board provides, in its discretion, that any Stock Option is exercisable only in installments, i.e., that it vests over time, the Board may waive such installment exercise provisions at any time at or after the time of grant in whole or in part, based upon such factors as the Board shall determine.

(d) Method of Exercise. Subject to whatever installment, exercise and waiting period provisions are applicable in a particular case, Stock Options may be exercised in whole or in part at any time during the term of the Option by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be purchased. Such notice shall be accompanied by payment in full of the option exercise price and any required income tax withholding amounts required by applicable taxing authorities, which shall be in cash or, if provided in the Agreement or otherwise permitted by the Board in its discretion, (1) in cash to the extent of par value of the Common Stock acquired and by delivery of a promissory note in a form satisfactory to the Board, (2) in shares of Common Stock (including Restricted Stock and other contingent awards under this Plan), (3) in cash and a combination of (1) and (2) above, (4) by means of any cashless “broker-assisted” exercise or net exercise procedure approved by the Board, in its sole discretion and permitted by applicable law; or (5) such other means which the Board determines to be consistent with the Plan’s purpose and applicable law, including, but not limited to, permitting payment by surrender of a portion of the Stock Option that has a “value” equal to the difference between the exercise price of the Common Stock issuable upon exercise of the Option and the Fair Market Value on the date immediately prior to exercise, multiplied by the number of Shares underlying the portion of the Stock Option being surrendered, all as may be set forth in the Agreement representing such Stock Option. Cash payments shall be made by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; provided, however, that the Company shall not be required to deliver certificates for shares of Common Stock with respect to which an Option is exercised until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof and any required income tax withholding amounts (except that, in the case of an exercise arrangement approved by the Board and described in the last sentence of this paragraph, payment may be made as soon as practicable after the exercise). Payments in the form of Common Stock shall be valued at the Fair Market Value of a share of Common Stock on the date immediately prior to the date of exercise. Such payments shall be made by delivery of stock certificates in negotiable form that are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Subject to the terms of the Agreement, the Board may, in its sole discretion, at the request of the Holder, deliver upon the exercise of a Non-qualified Stock Option a combination of shares of Deferred Stock and Common Stock; *provided, however*, that, notwithstanding the provisions of Section 8 of the Plan, such Deferred Stock shall be fully vested and not subject to forfeiture. A Holder shall have none of the rights of a Stockholder with respect to the shares subject to the Option until such shares shall be transferred to the Holder upon the exercise of the Option. The Board may permit a Holder to elect to pay the Exercise Price upon the exercise of a Stock Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Stock Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

(e) Transferability. Except as may be set forth in the next sentence of this Section or in the Agreement, no Stock Option shall be transferable by the Holder other than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the Holder’s lifetime, only by the Holder (or, to the extent of legal incapacity or incompetency, the Holder’s guardian or legal representative). Notwithstanding the foregoing, a Holder, with the approval of the Board, may transfer a Non-qualified Stock Option (i) (A) by gift, for no consideration, or (B) pursuant to a domestic relations order, in either case, to or for the benefit of the Holder’s “Immediate Family” (as defined below), or (ii) to an entity in which the Holder and/or members of Holder’s Immediate Family own more than fifty percent of the voting interest, in exchange for an interest in that entity, provided that such transfer is being made for estate, tax and/or personal planning purposes and will not have adverse tax consequences to the Company and subject to such limits as the Board may establish and the execution of such documents as the Board may require. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Stock Option prior to such transfer. The term “Immediate Family” shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Holder’s household (other than a tenant or Employee), a trust in which these persons have more than fifty percent beneficial interest, and a foundation in which these persons (or the Holder) control the management of the assets.

(f) Termination by Reason of Death. If a Holder’s employment by the Company or a Parent or Subsidiary terminates by reason of death, any Stock Option held by such Holder, unless otherwise determined by the Board at the time of grant and set forth in the Agreement, shall thereupon automatically terminate, except that the portion of such Stock Option that has vested on the date of death may

thereafter be exercised by the legal representative of the estate or by the legatee of the Holder under the will of the Holder, for a period of one year (or such other greater or lesser period as the Board may specify in the Agreement) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter.

(g) Termination by Reason of Disability. If a Holder's employment by the Company or a Parent or Subsidiary terminates by reason of Disability, any Stock Option held by such Holder, unless otherwise determined by the Board at the time of grant and set forth in the Agreement, shall thereupon automatically terminate, except that the portion of such Stock Option that has vested on the date of termination may thereafter be exercised by the Holder for a period of one year (or such other greater or lesser period as the Board may specify in the Agreement) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is shorter.

(h) Other Termination. Subject to the provisions of Section 12.3, below, and unless otherwise determined by the Board and set forth in the Agreement, if such Holder's employment or retention by, or association with, the Company or a Parent or Subsidiary terminates for any reason other than death or Disability, the Stock Option shall thereupon automatically terminate, except that if the Holder's employment is terminated by the Company or a Parent or Subsidiary without cause or due to Normal Retirement, then the portion of such Stock Option that has vested on the date of termination of employment may be exercised for the lesser of three months after termination of employment or the balance of such Stock Option's term.

(i) Additional Incentive Stock Option Limitation. In the case of an Incentive Stock Option, the aggregate Fair Market Value (on the date of grant of the Option) with respect to which Incentive Stock Options become exercisable by a Holder during any calendar year (under all such plans of the Company and its Parent and Subsidiaries) shall not exceed \$100,000.

(j) Buyout and Settlement Provisions. The Board may at any time, in its sole discretion, offer to repurchase a Stock Option previously granted, based upon such terms and conditions as the Board shall establish and communicate to the Holder at the time that such offer is made.

5.3. Stock Reload Option. Unless otherwise provided in the applicable Agreement, if a Holder tenders shares of Common Stock to pay the exercise price of a Stock Option ("Underlying Option") and/or arranges to have a portion of the shares otherwise issuable upon exercise withheld to pay the applicable exercise price or withholding taxes, then the Holder shall receive a new Stock Reload Option to purchase that number of shares of Common Stock equal to the number of shares tendered or withheld. Stock Reload Options shall be of the same type as the Underlying Option and will be granted subject to similar terms, conditions, restrictions and limitations as applicable to the Underlying Option. Such Stock Reload Option shall have an exercise price equal to the Fair Market Value as of the date of exercise of the Underlying Option. Unless the Board determines otherwise, a Stock Reload Option may be exercised commencing one year after it is granted and shall expire on the date of expiration of the Underlying Option to which the Reload Option is related.

## **Section 6. Stock Appreciation Rights.**

6.1. Grant and Exercise. The Board may grant Stock Appreciation Rights as standalone awards or in tandem with Stock Options under the Plan. In the case of a Non-qualified Stock Option, a tandem Stock Appreciation Right may be granted either at or after the time of the grant of such Non-qualified Stock Option. In the case of an Incentive Stock Option, a tandem Stock Appreciation Right may be granted only at the time of the grant of such Incentive Stock Option.

6.2. Terms and Conditions. Stock Appreciation Rights shall be subject to the following terms and conditions:

(a) Exercisability. Stock Appreciation Rights shall be exercisable as shall be determined by the Board and set forth in the Agreement, subject to the limitations, if any, imposed by the Code with respect to any related Incentive Stock Options granted in tandem with the Stock Appreciation Right.

(b) Termination. The term of each Stock Appreciation Right shall be fixed by the Board; provided, however, that a tandem Stock Appreciation Right shall terminate and shall no longer be exercisable upon the termination or exercise of the related Stock Option.

(c) Method of Exercise. Stock Appreciation Rights shall be exercisable upon such terms and conditions as shall be determined by the Board and set forth in the Agreement and, with respect to a tandem Stock Appreciation Right, by surrendering the applicable portion of the related Stock Option. Upon such exercise and surrender, the Holder shall be entitled to receive a number of shares of Common Stock equal to the SAR Value divided by the Fair Market Value on the date the Stock Appreciation Right is exercised or, in the discretion of the Board, a cash payment equal to the SAR value.

(d) Shares Affected Upon Plan. The granting of a Stock Appreciation Right in tandem with a Stock Option shall not affect the number of shares of Common Stock available for awards under the Plan. The number of shares available for awards under the Plan will, however, be reduced by the number of shares of Common Stock issued upon exercise of the Stock Appreciation Right or a tandem Stock Option to which such Stock Appreciation Right relates.

## **Section 7. Restricted Stock.**

7.1. Grant. Shares of Restricted Stock may be awarded either alone or in addition to other awards granted under the Plan. The Board shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be awarded, the number of shares to be awarded, the price (if any) to be paid by the Holder, the time or times within which such awards may be subject to forfeiture (“Restriction Period”), the vesting schedule and rights to acceleration thereof and all other terms and conditions of the awards. In the discretion of the Board (or, if the award is intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee), vesting of Restricted Stock awards may be subject to Performance Goals or other criteria as established by the Board (or the Committee) and set forth in the applicable Agreement.

7.2. Terms and Conditions. Each Restricted Stock award shall be subject to the following terms and conditions:

(a) Certificates. Restricted Stock, when issued, will be represented by a stock certificate or certificates registered in the name of the Holder to whom such Restricted Stock shall have been awarded. During the Restriction Period, certificates representing the Restricted Stock and any securities constituting Retained Distributions shall bear a legend to the effect that ownership of the Restricted Stock (and such Retained Distributions) and the enjoyment of all rights appurtenant thereto are subject to the restrictions, terms and conditions provided in the Plan and the Agreement. Such certificates shall be deposited by the Holder with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions that shall be forfeited or that shall not become vested in accordance with the Plan and the Agreement.

(b) Rights of Holder. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends and other cash equivalent distributions as the Board may in its sole discretion designate, pay or distribute on such Restricted Stock and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to such Restricted Stock, with the exceptions that (i) the Holder will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled; (ii) the Company will retain custody of the stock certificate or certificates representing the Restricted Stock during the Restriction Period; (iii) other than regular cash dividends and other cash equivalent distributions as the Board may in its sole discretion designate, pay or distribute, the Company will retain custody of all distributions (“Retained Distributions”) made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested and with respect to which the Restriction Period shall have expired; (iv) a breach of any of the restrictions, terms or conditions contained in this Plan or the Agreement or otherwise established by the Board with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto.

(c) Vesting; Forfeiture. Upon the expiration of the Restriction Period with respect to each award of Restricted Stock and the satisfaction of any other applicable restrictions, terms and conditions (i) all or part of such Restricted Stock shall become vested in accordance with the terms of the Agreement, and (ii) any Retained Distributions with respect to such Restricted Stock shall become vested to the extent that the Restricted Stock related thereto shall have become vested. Any such Restricted Stock and Retained Distributions that do not vest shall be forfeited to the Company and the Holder shall not thereafter have any rights with respect to such Restricted Stock and Retained Distributions that shall have been so forfeited.

## **Section 8. Deferred Stock.**

8.1. Grant. Shares of Deferred Stock may be awarded either alone or in addition to other awards granted under the Plan. The Board shall determine the eligible persons to whom and the time or times at which grants of Deferred Stock will be awarded, the number of shares of Deferred Stock to be awarded to any person, the duration of the period (“Deferral Period”) during which, and the conditions under which, receipt of the shares will be deferred, and all the other terms and conditions of the awards. In the discretion of the Board (or, if the award is intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee), vesting of Deferred Stock awards may be subject to Performance Goals or other criteria as established by the Board (or the Committee) and set forth in the applicable Agreement.

8.2. Terms and Conditions. Each Deferred Stock award shall be subject to the following terms and conditions:

(a) Certificates. At the expiration of the Deferral Period (or the Additional Deferral Period referred to in Section 8.2(d) below, where applicable), share certificates shall be issued and delivered to the Holder, or his legal representative, representing the number equal to the shares covered by the Deferred Stock award.

(b) Rights of Holder. A person entitled to receive Deferred Stock shall not have any rights of a Stockholder by virtue of such award until the expiration of the applicable Deferral Period and the issuance and delivery of the certificates representing such Common Stock. The shares of Common Stock issuable upon expiration of the Deferral Period shall not be deemed outstanding by the Company until the expiration of such Deferral Period and the issuance and delivery of such Common Stock to the Holder.

(c) Vesting; Forfeiture. Upon the expiration of the Deferral Period with respect to each award of Deferred Stock and the satisfaction of any other applicable restrictions, terms and conditions all or part of such Deferred Stock shall become vested in accordance with the terms of the Agreement. Any such Deferred Stock that does not vest shall be forfeited to the Company and the Holder shall not thereafter have any rights with respect to such Deferred Stock.

(d) Additional Deferral Period. Subject to compliance with the requirements of Section 409A of the Code and the applicable regulations thereunder, a Holder may request to, and the Board may at any time, defer the receipt of an award (or an installment of an award) for an additional specified period or until a specified event (“Additional Deferral Period”).

### **Section 9. Other Stock-Based Awards.**

Other Stock-Based Awards may be awarded, subject to limitations under applicable law, that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock, as deemed by the Board to be consistent with the purposes of the Plan, including, without limitation, purchase rights, phantom stock units valued by reference to or in comparison with the Common Stock and payable in shares, cash or other consideration, shares of Common Stock awarded which are not subject to any restrictions or conditions, convertible or exchangeable debentures, or other rights convertible into shares of Common Stock and awards valued by reference to the value of securities of or the performance of specified Subsidiaries. Other Stock-Based Awards may be awarded either alone or in addition to or in tandem with any other awards under this Plan or any other plan of the Company. Each Other Stock-Based Award shall be subject to such terms and conditions as may be determined by the Board. In the discretion of the Board (or, if the award is intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee), vesting of Other Stock-Based Awards may be subject to Performance Goals or other criteria as established by the Board (or the Committee) and set forth in the applicable Agreement.

### **Section 10. Amendment and Termination.**

The Board may at any time, and from time to time, amend, alter, suspend or discontinue any of the provisions of the Plan, but no amendment, alteration, suspension or discontinuance shall be made that would impair the rights of a Holder under any Agreement theretofore entered into hereunder, without the Holder’s consent, except as set forth in this Plan.

### **Section 11. Term of Plan.**

11.1. Effective Date. The Plan shall be effective as of April 17, 2014, subject to approval by the Company’s stockholders.

11.2. Termination Date. Unless terminated by the Board, this Plan shall continue to remain effective until such time as no further awards may be granted and all awards granted under the Plan are no longer outstanding. Notwithstanding the foregoing, grants of Incentive Stock Options may be made only during the ten year period following the Effective Date.

### **Section 12. General Provisions.**

12.1. Written Agreements. Each award granted under the Plan shall be confirmed by, and shall be subject to the terms of, the Agreement executed by the Company and the Holder, or such other document as may be determined by the Board. The Board may terminate any award made under the Plan if the Agreement relating thereto is not executed and returned to the Company within 10 days after the Agreement has been delivered to the Holder for his or her execution.

12.2. Unfunded Status of Plan. The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payments not yet made to a Holder by the Company, nothing contained herein shall give any such Holder any rights that are greater than those of a general creditor of the Company.

12.3. No Right of Employment. Nothing contained in the Plan or in any award hereunder shall be deemed to confer upon any Holder who is an Employee of the Company or any Subsidiary any right to continued employment with the Company or any Subsidiary, nor shall it interfere in any way with the right of the Company or any Subsidiary to terminate the employment of any Holder who is an Employee at any time.

12.4. Investment Representations; Company Policy. The Board may require each person acquiring shares of Common Stock pursuant to a Stock Option or other award under the Plan to represent to and agree with the Company in writing that the Holder is acquiring the shares for investment without a view to distribution thereof. Each person acquiring shares of Common Stock pursuant to a Stock Option or other award under the Plan shall be required to abide by all policies of the Company in effect at the time of such acquisition and thereafter with respect to the ownership and trading of the Company's securities.

12.5. Additional Incentive Arrangements. Nothing contained in the Plan shall prevent the Board from adopting such other or additional incentive arrangements as it may deem desirable, including, but not limited to, the granting of Stock Options and the awarding of Common Stock and cash otherwise than under the Plan; and such arrangements may be either generally applicable or applicable only in specific cases.

12.6. Withholding Taxes. As a condition of issuing any award under the Plan, the Holder shall pay to the Company, or make arrangements satisfactory to the Board regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. If permitted by the Board, tax withholding or payment obligations may be settled with Common Stock, including Common Stock that is withheld from the award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditioned upon such payment or arrangements and the Company or the Holder's employer (if not the Company) shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Holder from the Company or any Parent or Subsidiary.

12.7. Governing Law. The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Maryland (without regard to choice of law provisions).

12.8. Other Benefit Plans. Any award granted under the Plan shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company or a Parent or Subsidiary and shall not affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation (unless required by specific reference in any such other plan to awards under this Plan).

12.9. Non-Transferability. Except as otherwise expressly provided in the Plan or the Agreement, no right or benefit under the Plan may be alienated, sold, assigned, hypothecated, pledged, exchanged, transferred, encumbered or charged, and any attempt to alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void.

12.10. Applicable Laws. The obligations of the Company with respect to all Stock Options and awards under the Plan shall be subject to (i) all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the Securities Act of 1933 (the "Securities Act"), as amended, and (ii) the rules and regulations of any securities exchange on which the Common Stock may be listed.

12.11. Conflicts. If any of the terms or provisions of the Plan or an Agreement conflict with the requirements of Section 422 of the Code, then such terms or provisions shall be deemed inoperative to the extent they so conflict with such requirements. Additionally, if this Plan or any Agreement does not contain any provision required to be included herein under Section 422 of the Code, such provision shall be deemed to be incorporated herein and therein with the same force and effect as if such provision had been set out at length herein and therein. If any of the terms or provisions of any Agreement conflict with any terms or provisions of the Plan, then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of the Plan. Additionally, if any Agreement does not contain any provision required to be included therein under the Plan, such provision shall be deemed to be incorporated therein with the same force and effect as if such provision had been set out at length therein.

12.12. Non-Registered Stock. The shares of Common Stock to be distributed under this Plan have not been, as of the Effective Date, registered under the Securities Act of 1933, as amended, or any applicable state or foreign securities laws and the Company has no obligation to any Holder to register the Common Stock or to assist the Holder in obtaining an exemption from the various registration requirements, or to list the Common Stock on a national securities exchange or any other trading or quotation system.

12.13. Legality of Issuance. Notwithstanding any provision of this Plan or any applicable Agreement to the contrary, the Board shall have the sole discretion to impose such conditions, restrictions and limitations (including suspending exercises of Options and Stock

Appreciation Rights and the tolling of any applicable exercise period during such suspension) on the issuance of Common Stock with respect to any award unless and until the Board determines that such issuance complies with (a) any applicable registration requirements under the Securities Act of 1933 or the Board has determined that an exemption therefrom is available, (b) any applicable listing requirement of any stock exchange or listing service on which the Common Stock is listed, and (c) any other applicable provision of state, federal or foreign law, including foreign securities laws where applicable.

#### 12.14. Effect of Transactions on Plan and Awards.

(a) Corporate Transactions. In the event that the Company is a party to a merger, reorganization, consolidation, share exchange, transfer of assets, or other transaction having a similar effect involving the Company, outstanding awards shall be subject to the agreements regarding such transaction. Such agreements may provide, without limitation, for the continuation of outstanding awards by the Company (if the Company is a surviving corporation), for their assumption by the surviving corporation or its parent or subsidiary, for the substitution by the surviving corporation or its parent or subsidiary of its own awards for such awards, for accelerated vesting and accelerated expiration, or for settlement in cash or cash equivalents.

(b) Options to Purchase Stock of Acquired Companies. After any transaction in which the Company or its Parent or a Subsidiary is a surviving corporation, the Board may grant substituted options under the provisions of the Plan, pursuant to Section 424 of the Code, replacing old options granted under a plan of another party to the transaction whose shares of stock to be issued under the old options may no longer be issued following the Merger. These provisions shall be applied to the old options and any appropriate adjustments to the Options shall be determined by the Board in its sole discretion. Any adjustments under this paragraph may provide for the elimination of any fractional shares that might otherwise become subject to any Options.

12.15. Delivery of Certificates; Uncertificated Shares. To the extent that this Plan provides for or otherwise refers to issuance of certificates to reflect the transfer of shares of Common Stock pursuant to the terms of an award, the transfer of such shares may be effected, in the Company's discretion, on a book entry or such other noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange or listing service on which such shares are listed or otherwise traded.

**BEXIL  
CORPORATION**

**2013  
ANNUAL  
REPORT**

# BEXIL CORPORATION

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**BEXIL CORPORATION**  
 11 Hanover Square  
 New York, New York 10005  
 Tel. 1-212-785-0400 [www.Bexil.com](http://www.Bexil.com)

July 1, 2014

Fellow Shareholders:

Bexil Corporation is a holding company engaged through subsidiaries in investment management, securities trading, and mortgage banking. We are also seeking to develop or acquire additional operating businesses where we can work with superior managers to grow the value of the business prudently and solidly for the long term.

Our objective is simple, straightforward, and sharply focused: to increase book value per share over time. We believe that long term shareholders will benefit from a rising book value as market recognition builds and investors come to appreciate Bexil's intrinsic value as well.

<b>At December 31</b>	<b>Shares issued and outstanding</b>	<b>Bexil Shareholders' Equity \$</b>	<b>Book Value \$ per share</b>
2000	806,411	9,788,927	12.14
2001	836,801	9,549,288	11.41
2002	865,061	12,983,211	15.01
2003	879,591	15,148,085	17.22
2004	879,591	14,882,887	16.92
2005	879,591	16,270,966	18.50
2006	883,592	37,864,881	42.85
2007	883,592	38,462,447	43.53
2008	883,592	38,583,085	43.67
2009	1,011,592	38,054,185	37.62
2010	1,017,592	36,624,015	35.99
2011	1,018,592	35,532,178	34.88
2012	1,019,592	28,474,638	27.93
2013	982,245	23,698,968	24.12

Bexil shareholders' equity at year end amounted to about \$23.7 million or \$24.12 per share, a decline of \$4.8 million from \$28.5 million or \$27.93 per share, from a year earlier. The decline was due primarily to a 2013 net loss attributable to Bexil shareholders amounting to \$4.6 million, or \$4.54 per share, as compared to a 2012 net loss of \$7.1 million, or \$6.97 per share. This statement of Bexil's shareholders' equity and income statement performance excludes the noncontrolling interest in the mortgage banking subsidiary held by others at 2013 year end. The market price of Bexil's common stock, quoted in the over the counter market under the ticker BXLC, fluctuated during the course of the year from about \$27 to \$68 per share, on 2013 volume of approximately 136,000 shares, closing at about \$32 per share on December 31, 2013.

With respect to the Company's financial strength, at 2013 year end, Bexil's consolidated working capital was about \$16 million, with \$7 million in cash, and total liabilities amounted to \$21 million. Unconsolidated with Bexil American Mortgage Inc., at 2013 year end Bexil Corporation had cash and securities totaling over \$11 million, and no long term debt.

Results in each of Bexil's businesses -- investment management, securities trading, and mortgage banking -- are discussed below. Generally, 2013 saw revenue and other income from the investment management and securities trading business improve, but losses incurred in connection with the development of the mortgage business led to overall losses for the Company, which was also the case in 2012.

## Investment Management

In 2013 investment management and administrative services fees increased to about \$1.4 million, from about \$1.2 million in 2012. These fees are earned by Bexil Advisers LLC, which on February 1, 2011 became the investment manager to Dividend and Income Fund, a closed end investment company listed on the New York Stock Exchange under the ticker symbol DNI. The Fund pays Bexil Advisers a monthly fee at an annual rate of 0.95% of the Fund's Managed Assets. "Managed Assets" means the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, which liabilities exclude debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock. Bexil Advisers also provides the Fund administrative services at cost. The Fund's most recently audited balance sheet, dated December 31, 2013, showed total assets less liabilities excluding debt related to leverage, etc., of about \$169 million (as compared to \$115 million at December 31, 2012). Some of this asset growth came about when the Fund completed a successful non-transferable rights offering, in which more than 2.5 million shares were issued on October 4, 2013 for proceeds totaling over \$34 million. Certain officers and directors of the Company are also officers and/or directors of the Fund. For more information about the Fund, please visit <http://www.dividendandincomefund.com>.

## Securities Trading

At December 31, 2013, Bexil Securities LLC and its affiliates owned approximately 660,000 shares, or 8%, of Dividend and Income Fund, with a carrying value of about \$9,954,000. Most of the unrealized gain on investments in securities reported by the Company in 2013, about \$980,000, reflects the performance of this holding, versus unrealized loss of about \$125,000 in 2012. 2013 realized gains on investments in securities were about \$72,000, as compared to a \$30,000 realized loss in 2012. From this holding Bexil also earned dividends of \$769,740 and \$672,263 for the years ended December 31, 2013 and 2012, respectively. Recently the Fund has paid a \$0.408 per share quarterly dividend distribution which, the Fund has announced, reflects the current managed distribution policy to provide shareholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its net asset value per share. The Fund has stated that this policy may be changed or discontinued without notice and that the distributions are paid from ordinary income and any net capital gains, with the balance representing return of capital. A portion of these dividends are reinvested in additional Fund shares pursuant to the Fund's dividend reinvestment plan.

## Mortgage Banking

On October 7, 2011, Bexil Corporation announced that it had funded the start-up of Bexil American Mortgage Inc., a residential mortgage origination company, along with management of the new enterprise, an experienced mortgage banking executive team. In May 2012, Bexil American's mortgage origination operations began. On December 31, 2012, Bexil American acquired 90% of the equity in Castle Mortgage Corporation, a mortgage lender operating in the southeastern United States, and an approved seller and servicer of mortgage loans with Fannie Mae, Freddie Mac, and Ginnie Mae. Bexil American simultaneously received an option to acquire the remaining 10% of Castle in the future at a predetermined price. Bexil has provided Bexil American with approximately \$20.8 million in capital in exchange for Bexil American's subordinated convertible note and stock. Other parties have provided additional sums. As of December 31, 2013, the Company owned just over 80% of Bexil American's outstanding stock. Conversion of the note to stock would increase the Company's ownership to approximately 86% of Bexil American's outstanding stock.

The following selected data are the results attributed to Bexil American (excluding any provision for income taxes), which are less net income attributed to noncontrolling interests:

Consolidated results	2013	2012
Total income	\$8,549,626	\$3,865,455
Total expense	\$15,365,064	\$8,970,706
Net loss	\$(7,139,654)	\$(5,105,251)

Bexil announced recently that it has undertaken a strategic review to assess alternatives relative to its mortgage banking operations to enhance and maximize shareholder value, although no specific time frame has been set.

## Outlook

The Company's investment management and securities trading businesses have made steady progress, rising on the tide of favorable equity markets. Their continuing financial performance is likely to reflect in large part the continuing health of those markets. Continuing operating losses from the mortgage business appear likely, subject to a favorable development arising from

the strategic review process, and its past losses will almost certainly not be recouped. Nevertheless, the Company still enjoys a strong financial condition and management is determined to improve returns and re-build book value per share. Having the value of an investment in Bexil grow is as important to us as it is to you -- management and affiliates own over 30% of Bexil's shares. Thank you for investing in Bexil Corporation.

Sincerely,

Thomas B. Winmill  
President

## **Independent Auditor's Report**

To the Board of Directors and Stockholders of  
Bexil Corporation  
New York, New York

We have audited the accompanying consolidated financial statements of Bexil Corporation (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bexil Corporation as of December 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ **BDO USA, LLP**

San Diego, California  
July 1, 2014

**BEXIL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2013 and 2012**

Assets	2013	2012
Cash and cash equivalents	\$ 7,039,849	\$ 10,525,675
Investments in securities	9,955,477	5,807,775
Restricted cash	1,325,926	2,426,848
Prepaid expenses and other assets	582,474	983,702
Mortgage loans held-for-sale, at fair value	13,095,308	78,741,441
Mortgage loans held-for-investment, at fair value	384,474	349,897
Mortgage servicing rights, at fair value	4,762,719	788,517
Derivative assets	105,789	1,367,718
Real estate owned	-	133,000
Property and equipment, net	28,189	44,144
Intangible assets, net	7,647,602	8,008,019
Goodwill, net	1,429,035	-
Total assets	\$ 46,356,842	\$ 109,176,736
Liabilities and shareholders' equity		
Accounts payable and accrued expenses	\$ 2,318,578	\$ 3,423,526
Derivative liabilities	103,432	497,933
Repurchase reserve	793,446	563,988
Warehouse borrowings	12,007,158	72,980,770
Short term borrowings	1,036,186	107,500
Notes payable for Castle Mortgage Corporation acquisition	303,999	803,999
Subordinated debt convertible to stock of subsidiary	2,300,000	-
Deferred tax liability	1,756,061	-
Total liabilities	20,618,860	78,377,716
Commitments and Contingencies (Note 19)		
Shareholders' equity		
Bexil Corporation shareholders' equity		
Common stock, \$0.01 par value, 9,900,000 shares authorized; 982,245 and 1,019,592 issued and outstanding at December 31, 2013 and 2012, respectively	9,823	10,196
Series A participating preferred stock, \$0.01 par value, 100,000 shares authorized: zero shares issued and outstanding	-	-
Additional paid in capital	14,778,727	16,361,903
Notes receivable for common stock issued	(1,515,466)	(2,887,433)
Accumulated comprehensive loss	(231)	(195)
Retained earnings	10,426,115	14,990,167
Total Bexil Corporation shareholders' equity	23,698,968	28,474,638
Noncontrolling interests in subsidiary	2,039,014	2,324,381
Total shareholders' equity	25,737,982	30,799,019
Total liabilities and shareholders' equity	\$ 46,356,842	\$ 109,176,735

See accompanying notes to consolidated financial statements.

**BEXIL CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**Years Ended December 31, 2013 and 2012**

	2013	2012
Revenues		
Gain on mortgage loans, net	\$ 4,880,460	\$ 2,273,582
Servicing income, net	723,149	220,256
Dividends and interest	2,561,293	1,320,231
Management and other fees	1,404,305	1,229,926
Other non-interest income, net	489,611	797,464
Unrealized gain (loss) on investment in securities	980,960	(156,213)
	11,039,778	5,685,246
Expenses		
Compensation and benefits	9,511,857	8,489,354
General and administrative	2,893,724	1,758,174
Professional	1,282,205	967,870
Interest expense	2,054,035	707,428
Other	994,701	297,996
	16,736,522	12,220,822
Loss before income taxes	(5,696,744)	(6,535,576)
Income tax expense	163,280	1,377,418
Net loss	(5,860,024)	(7,912,994)
Less: Net loss attributable to noncontrolling interests	1,295,972	812,975
Net loss attributable to Bexil Corporation shareholders	\$ (4,564,052)	\$ (7,100,019)
Earnings per share - basic and diluted		
Net loss attributable to Bexil Corporation shareholders	\$ (4.54)	\$ (6.97)
Weighted average shares outstanding	1,005,585	1,019,261
Other comprehensive loss, net of tax		
Unrealized loss on investment securities available-for-sale, net of tax	\$ (36)	\$ (31)
Other comprehensive loss, net of tax	(36)	(31)
Comprehensive loss	(5,860,060)	(7,913,025)
Less: Comprehensive loss attributable to noncontrolling interests	1,295,972	812,975
Comprehensive loss attributable to Bexil Corporation shareholders	\$ (4,564,088)	\$ (7,100,050)

See accompanying notes to consolidated financial statements.

**BEXIL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Years Ended December 31, 2013 and 2012**

	Common Stock Shares	Common Stock Par Value	Additional Paid in Capital	Notes Receivable for Common Stock Issued	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Shareholders' Equity
Balance at December 31, 2011	1,018,592	\$ 10,186	\$ 16,287,083	\$ (2,855,113)	\$ 22,090,186	\$ (164)	\$ 970,186	\$ 36,502,364
Net loss	-	-	-	(7,100,019)	-	-	(812,975)	(7,912,994)
Unrealized security holding loss, net of taxes	-	-	-	-	-	(31)	-	(31)
Purchase of noncontrolling interests in subsidiary	-	-	-	-	-	-	2,258,000	2,258,000
Stock issuance cost of capital contributed to subsidiary	-	-	(418,100)	-	-	-	(107,900)	(526,000)
Stock-based compensation expense	-	-	460,600	-	-	-	17,070	477,670
Common stock issued with exercise of stock options	1,000	10	32,320	-	-	-	-	32,330
Acceptance of promissory notes with exercise of stock options	-	-	-	(32,320)	-	-	-	(32,320)
Balance at December 31, 2012	1,019,592	10,196	16,361,903	(2,887,433)	14,990,167	(195)	2,324,381	30,799,019
Net loss	-	-	-	(4,564,052)	-	-	(1,295,972)	(5,860,024)
Unrealized security holding loss, net of taxes	-	-	-	-	-	(36)	-	(36)
Purchase of noncontrolling interests in subsidiary	-	-	-	-	-	-	1,000,000	1,000,000
Stock-based compensation expense	-	-	221,063	-	-	-	10,605	231,668
Cashless exercise of stock options and stock repurchases	-	-	(574,842)	285,747	-	-	-	(289,095)
Bexil stock accepted as payment for stock options exercised, retired	(2,000)	(20)	(119,980)	-	-	-	-	(120,000)
Bexil stock accepted as payment for promissory note outstanding, retired	(35,347)	(353)	(1,109,417)	1,085,764	-	-	-	(24,006)
Repayment of promissory notes	-	-	-	456	-	-	-	456
Balance at December 31, 2013	982,245	\$ 9,823	\$ 14,778,727	\$ (1,515,466)	\$ 10,426,115	\$ (231)	\$ 2,039,014	\$ 25,737,982

See accompanying notes to consolidated financial statements.

**BEXIL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2013 and 2012**

	2013	2012
Cash flows from operating activities		
Net loss	\$ (5,860,024)	\$ (7,912,994)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Change in fair value of mortgage loans held-for-sale	2,539,008	(2,434,820)
Mark to market adjustments on derivative assets and liabilities, net	867,428	(346,409)
Origination of mortgage loans held-for-sale	(583,407,472)	(245,247,857)
Proceeds from sale of loans held-for-sale	645,536,097	171,220,028
Principal payments received on loans held-for-sale	978,500	428,339
Repurchase of loans previously sold included as loans held-for-investment	(55,547)	-
Purchase of investment securities, trading	(3,596,233)	(1,808,755)
Proceeds from sale of investment securities, trading	501,582	-
Stock-based compensation expense	231,668	477,670
Unrealized (gain) loss on investments in securities	(980,960)	125,318
Realized (gain) loss on investments in securities	(72,126)	30,906
Depreciation and amortization	535,154	363,557
Decrease (increase) in restricted cash	1,100,922	(2,426,848)
Decrease (increase) in prepaid expenses and other assets	376,615	(321,419)
Increase in mortgage servicing rights	(3,974,202)	-
Increase in deferred taxes	168,244	1,363,730
(Decrease) increase in accounts payable and accrued expenses	(1,104,950)	2,844,186
Increase (decrease) in repurchase liability	229,458	(770,722)
Net cash provided by (used in) operating activities	<u>54,013,162</u>	<u>(84,416,090)</u>
Cash flows from investing activities		
Proceeds from the sale of real estate owned	133,000	-
Payments of received from mortgage loans-held-for-investment	20,971	-
Cash paid for Castle Mortgage Corporation, net of cash acquired	-	(3,804,526)
Acquisition of management contract	-	(125,000)
Purchase of property and equipment	-	(4,000)
Net cash provided by (used in) investing activities	<u>153,971</u>	<u>(3,933,526)</u>

See accompanying notes to consolidated financial statements.

**BEXIL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2013 and 2012**

	2013	2012
Cash flows from financing activities		
Repayment of warehouse borrowings	(733,478,442)	(169,133,296)
Borrowing under warehouse agreement	672,504,830	239,989,879
Proceeds from capital contribution of noncontrolling interests in subsidiary	1,000,000	1,845,000
Proceeds from convertible subordinated promissory note accepted from noncontrolling interests in subsidiary	2,300,000	-
Stock issuance costs of capital contributions to subsidiary	-	(526,000)
Issuance of stock upon exercise of stock options	-	32,330
Promissory notes accepted with exercise of stock options	-	(32,320)
Repayment of notes payable for Castle Mortgage Corporation acquisition	(500,000)	-
Net settlement of cashless stock option exercises	(408,489)	-
Proceeds from short term borrowings	2,707,235	-
Repayment of short term borrowings	(1,778,549)	-
Proceeds from promissory notes accepted for common stock issued	456	-
Net cash (used in) provided by financing activities	<u>(57,652,959)</u>	<u>72,175,593</u>
Net decrease in cash and cash equivalents	(3,485,826)	(16,174,023)
Cash and cash equivalents, beginning of year	10,525,675	26,699,698
Cash and cash equivalents, end of year	<u>\$ 7,039,849</u>	<u>\$ 10,525,675</u>
Supplemental disclosures		
Interest paid	\$ 2,044,009	\$ 502,184
Income taxes paid	\$ 25,102	\$ 13,700
Promissory notes accepted for capital contributions by the noncontrolling interests	\$ -	\$ 135,000
Repayment of promissory notes and accrued interest accepted for common stock received	\$ 1,085,764	\$ -
Business combination measurement period adjustment	\$ 1,587,817	\$ -
Cashless exercise of stock options	\$ 289,095	\$ -

See accompanying notes to consolidated financial statements.

**BEXIL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. THE COMPANY**

Bexil Corporation (“Bexil” or the “Company”) is a holding company engaged through subsidiaries in investment management, securities trading, and mortgage banking. The Company was incorporated in Maryland in 1996.

The following are the Company’s operating subsidiaries, all of which are wholly owned except where indicated:

Bexil Advisers LLC (“Bexil Advisers”) is a Maryland limited liability company and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. Bexil Advisers is the investment manager of Dividend and Income Fund (“DNI”) (NYSE:DNI), a closed end registered investment company.

Bexil Securities LLC (“Bexil Securities”) is a Maryland limited liability company and is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority. Bexil Securities may engage in trading securities for its own account and act as a mutual fund underwriter or sponsor on a best efforts basis.

Bexil American Mortgage Inc. (“Bexil American”) was incorporated under the laws of the State of Delaware on September 16, 2011. Bexil American is engaged in the mortgage banking business including, but not limited to origination, production, and sale into the secondary mortgage market. On December 31, 2012, Bexil American acquired a controlling interest in Castle Mortgage Corporation (“Castle”). Castle was incorporated on March 17, 1986 under the laws of the State of Delaware. Castle is engaged in the mortgage banking business including, but not limited to the origination, production, servicing, and sale of mortgage loans into the secondary mortgage market.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The consolidated financial statements include the financial position, results of operations, and cash flows of the Company, its wholly and majority owned subsidiaries, Bexil American and Castle, in which the Company has direct or indirect controlling financial interests. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All material intercompany balances and transactions have been eliminated in consolidation.

The third party holdings of equity interests in the Company’s consolidated subsidiaries that are less than wholly owned are presented as noncontrolling interests in subsidiaries in the consolidated financial statements. The portion of net income (loss) attributable to the noncontrolling interests for such subsidiaries is presented as net income (loss) attributable to noncontrolling interests in subsidiaries in the Consolidated Statements of Comprehensive Loss, and the portion of shareholders’ equity of such subsidiaries is presented as noncontrolling interests in subsidiaries in the Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders’ Equity.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments purchased with an original maturity of three months or less. The carrying amount reported on the balance sheets for cash and cash equivalents approximates fair value.

**Derivative Instruments**

In its loan origination activities, the Company makes contractual commitments to loan applicants to originate mortgages at specified interest rates (“interest rate lock commitments” or “IRLC”). These commitments are accounted for as derivative financial instruments. The Company manages the risk created by IRLC relating to mortgage loans acquired for sale by entering into forward sale agreements to sell the mortgage loans and by the purchase and sale of interest rate options and futures (“Hedging Instruments”). The fair value of IRLCs and Hedging Instruments are represented as derivative assets and liabilities in Note 6 Fair Value Measurements.

The Company accounts for its derivative financial instruments as free-standing derivatives. The Company does not designate its forward sale agreements or options and futures for hedge accounting. All derivative financial instruments are recognized on the balance sheet at fair value with changes in the fair values being reported in current period income. The fair value of the Company's derivative financial instruments is included in Derivative assets and Derivative liabilities and changes in fair value are included in "Gain on mortgage loans, net," as applicable, in the Company's Consolidated Statements of Comprehensive Loss. The Company classifies changes in derivative assets and liabilities within operating cash flows in the Consolidated Statements of Cash Flows.

### Earnings Per Share

Basic earnings per share attributable to Bexil shareholders is calculated by dividing net loss attributable to Bexil shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share attributable to Bexil shareholders is calculated by dividing net loss attributable to Bexil shareholders by the weighted average number of common shares used in the basic earnings per share calculation plus the dilutive effect of stock options. The dilutive effect of stock options is determined using the treasury stock method, whereby exercise is assumed at the beginning of the reporting period, the proceeds from such exercise are assumed to be used to purchase common stock at the average market price during the period, and the incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per share calculation.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2013 and 2012:

	2013	2012
Net loss attributable to Bexil shareholders	\$ (4,564,052)	\$ (7,100,019)
Basic and diluted weighted average common shares outstanding	1,005,585	1,019,261
Basic and diluted per share net loss	\$ (4.54)	\$ (6.97)

Stock options will have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the option ("in the money options"). Stock options outstanding with an exercise price higher than the average stock price for the periods presented ("out of the money options") are excluded from the calculation of diluted net income per share since the effect would have been anti-dilutive under the treasury stock method.

As of December 31, 2013 and 2012, respectively, 97,600 and 138,900 shares of common stock from outstanding stock option awards were excluded from the computation of diluted net loss per common share attributable to Bexil shareholders since the effect as of each year would be anti-dilutive.

### Fair Value Option

The fair value option provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. The Company has elected the fair value option on mortgage loans held-for-sale, unrecognized firm commitments, written loan commitments, and mortgage servicing rights. Elections were made since management believes the fair value approach more accurately reflects the Company's operating results and to mitigate differences in measurement basis of elected instruments.

### Goodwill

In 2013, the Company adopted ASU 2014-02, Accounting for Goodwill, a consensus of the Private Company Council. The new standard states that private companies now have the option of amortizing goodwill over ten years, or a shorter period if that period is more appropriate. Entities making the election will test goodwill for impairment only when a triggering event occurs, instead of annually. In that situation, entities will elect to perform the test either at an entity-wide level or the reporting unit level. The amount of impairment, if any, would be determined by comparing the fair value of the entity (or reporting unit) to its carrying amount.

The Company has made a policy decision to amortize goodwill over ten years beginning on January 1, 2013. The Company will test goodwill for impairment when a triggering event occurs. In 2013, the Company recorded amortization expense related to goodwill of approximately \$158,782 that is included in general and administrative expenses in the Statements of Comprehensive Loss. Goodwill amortization expense for the next nine years will be approximately \$158,782 annually.

### **Impairment of Long-Lived Assets, including Intangible Assets**

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets, as appropriate, may not be recoverable. When the sum of the undiscounted future net cash flows are not expected to be sufficient to recover an asset's carrying amount, the asset will be written down to fair value based bids received from third parties or a discounted cash flow analysis based on market participant assumptions. There were no impairments during 2013 or 2012.

### **Income Taxes**

The Company records the current and deferred tax consequences of all transactions that have been recognized in the financial statements in accordance with the provisions of the enacted tax laws. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years. The Company records a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized.

The Company has reviewed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on federal, state, and local income tax returns for open tax years (2010 – 2012) or expected to be taken in the Company's 2013 tax returns.

### **Intangible Assets**

Intangible assets identified on the acquisition of a business are capitalized if the fair value can be measured reliably on initial recognition (transaction date) and, if they are determined to be finite-lived, are amortized and recorded as operating expenses on a straight-line basis over their useful lives which reflects the pattern in which the economic benefits are realized. Intangible assets of the Company include an investment management contract and Government Sponsored Entity ("GSE") approvals. The Company considers its own assumptions, which require management's judgment, about the expected life of the asset, consistent with its expected use of the asset. A change in the useful life of an intangible asset could have a significant impact on the Company's operating expenses. Where evidence exists that the asset has a high likelihood of continued use at little or no cost to the Company, the intangible asset is assigned an indefinite life and reviewed for impairment on an annual basis. The Company reevaluates the useful life determination for intangible assets annually to determine whether events and circumstances warrant a revision to the remaining useful life or an indication of impairment.

In July 2012, the Financial Accounting Standards Board issued, ASU No. 2012-02, Intangibles-Goodwill and Other (Topic 350)-Testing Indefinite-Lived Assets for Impairment, which updated guidance on the periodic testing of indefinite-lived intangible assets, other than goodwill, for impairment. This guidance allows companies to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset, other than goodwill, is impaired in order to determine whether it is necessary to perform a quantitative impairment test. ASU 2012-02 will be effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The ASU 2012-02 is effect for the Company beginning with the first quarter of fiscal year 2013. The adoption of ASU 2012-02 did not have a material impact on the Company's results of operations, financial condition, or cash flows. The qualitative analysis indicated there was no impairment during 2013.

### **Investments in Securities**

Investments in equity securities that have readily determinable fair values are accounted for as either trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. Purchases and sales of trading investments are classified as operating activities on the Consolidated Statements of Cash Flows based on the nature and purpose for which the securities were acquired. Available-for-sale securities are all other investments in equity securities not accounted for as trading. Trading and available-for-sale investments are measured at fair value. Gains or losses from changes in the fair value of trading investments are included in income, and gains or losses from changes in the fair value of available-for-sale investments are recorded in accumulated other comprehensive income, net of tax, until the investment is sold or otherwise disposed of, or until the investment is

determined to be other-than-temporarily impaired, at which time the cumulative gain or loss previously reported in equity is included in income. The specific identification method is used to determine the realized gain or loss on securities sold or otherwise disposed.

Fair value is determined using a valuation hierarchy generally by reference to an active trading market, using quoted closing or bid prices. Judgment is used to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive.

The Company periodically evaluates the carrying value of investment in securities for impairment. The Company considers, among other factors, the duration and extent of any decline in fair value, the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value, and recent events specific to the issuer or industry. If the decline in value is determined to be other-than-temporary, the carrying value of the security is written down to fair value through the income statement.

### **Mortgage Loans Held-for-Investment**

Mortgage loans held-for-investment (“LHFI”) are accounted for at fair value, with changes in fair value recorded in income. Loan origination costs are recognized in earnings as incurred and not deferred. The valuation of LHFI approximates a whole-loan price, which includes the value of the related mortgage servicing right.

LHFI are placed on nonaccrual status when any portion of the principal or interest is 90 days past due or earlier if factors indicate that the ultimate collectability of the principal or interest is not probable. Interest received from loans on nonaccrual status is recorded as income when collected. Loans return to accrual status when the principal and interest become current and it is probable that the amounts are fully collectible.

### **Mortgage Loans Held-for-Sale**

The Company has a residential mortgage lending operation. Mortgage loans held-for-sale (“LHFS”) are accounted for at fair value, with changes in fair value recorded in income. Loan origination fees and expenses are recognized in earnings as incurred and not deferred.

Revenue derived from the Company's mortgage lending activities includes loan fees collected at the time of origination and gain or loss from the sale of LHFS. Loan fees consist of fee income earned on all loan originations, including loans closed and held for sale, and includes amounts earned relating to application and underwriting fees and fees on cancelled loans. Loan fees are recognized as earned and related direct loan origination costs are recognized when incurred. Gain or loss from the sale of LHFS includes both realized and unrealized gains and losses and are included in income in the accompanying Consolidated Statements of Comprehensive Loss. The valuation of LHFS approximates a whole-loan price, which includes the value of the related mortgage servicing right.

The Company principally sells its LHFS to investors. The Company's acquisition of Castle on December 31, 2012 allows the Company to sell loans to GSEs. The Company evaluates its loan sales for sales treatment. To the extent the transfer of a loan qualifies as a sale, the Company derecognizes the loans and records the gain or loss on the sale date. In the event the Company determines that the transfer of loans does not qualify as a sale, the transfer would be treated as a secured borrowing. Interest received from loans is recorded as income when collected. LHFS are placed on nonaccrual status when any portion of the principal or interest is 90 days past due or earlier if factors indicate that the ultimate collectability of the principal or interest is not probable. Interest received from loans on nonaccrual status is recorded as income when collected. Loans return to accrual status when the principal and interest become current and it is probable that the amounts are fully collectible. There were no loan sales in 2013 and 2012 that were treated as secured borrowings.

### **Mortgage Servicing Rights**

Upon sale of LHFS, the receivables are removed from the balance sheet, mortgage servicing rights (“MSRs”) are recorded as an asset for servicing rights retained if any, and a gain or loss on sale, if applicable, is recognized for the difference between the carrying value of the receivables and the sales proceeds, net of origination costs and market subservicing fees.

The Company elected to measure MSRs at fair value, and as such, servicing assets or liabilities are valued using discounted cash flow modeling techniques using assumptions regarding future net servicing cash flow, including prepayment rates, discount rates, servicing cost and other factors. Changes in estimated fair value are reported in the accompanying Consolidated Statements of Comprehensive Loss within other non-interest income, net.

The Company receives servicing fees, less subservicing costs if any, on the unpaid principal balances (“UPB”) of the loans. The servicing fees are collected from the monthly payments made by the mortgagors or when the underlying real estate is foreclosed upon and liquidated. The Company generally receives other remuneration from rights to various mortgagor-contracted fees such as late charges, collateral re-conveyance charges, nonsufficient fund fees, and the Company is generally entitled to retain the interest earned on funds held pending remittance (or float) related to its collection of mortgagor principal, interest, tax and insurance payments. Since the MSRs were acquired on December 31, 2012, there was no MSR activity included in the accompanying Consolidated Statements of Comprehensive Loss during 2012. For the year ended December 31, 2013, mortgage servicing income was included in servicing fee income in the Consolidated Statements of Comprehensive Loss.

### **Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and amortization. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are charged to operations as incurred. Depreciation and amortization is calculated using the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset. The estimated useful lives of the major classifications of property and equipment are as follows: office equipment, 3-7 years; leasehold improvements, shorter of lease term or useful life - generally 1-2 years.

### **Real Estate Owned**

Real estate owned (“REO”) which consists of residential real estate acquired in satisfaction of loans, is carried at the lower of adjusted cost or net realizable value, which includes the estimated fair value of the residential real estate less estimated selling and holding costs, offset by expected contractual mortgage insurance proceeds to be received, if any. Subsequent write-downs in the net realizable value of REO are included within non-interest expense in the Consolidated Statements of Comprehensive Loss. No losses were recorded on REO in 2013 or 2012. As of December 31, 2013 there were no outstanding REOs. As of December 31, 2012, the Company had \$133,000 of REO included in the Consolidated Balance Sheet.

### **Reclassification**

Certain amounts in the prior period consolidated financial statements and related footnotes have been reclassified to conform to the 2013 presentation.

### **Regulation**

Bexil Advisers is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser under the Investment Advisers Act of 1940.

Bexil Securities is a registered broker-dealer and member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation.

The Bexil American and Castle mortgage lending and real estate brokerage operations have established underwriting guidelines that include provisions for inspections and appraisals, required credit reports on prospective borrowers, and determined maximum loan amounts. The mortgage lending activities are subject to, among other laws, the Equal Credit Opportunity Act, Federal Truth-in-Lending Act, Fair Credit Reporting Act, Fair and Accurate Credit Transaction Act, Fair Housing Act, Gramm-Leach, Bliley Act, Telephone Consumer Protection Act, Can Spam Act, Real Estate Settlement Procedures Act, Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the regulations promulgated thereunder. These laws and regulations, among other things, prohibit discrimination and require the disclosure of certain basic information to mortgagors concerning credit terms and settlement costs, prohibit the payment of kickbacks for the referral of business incident to a real estate settlement service, limit payment for settlement services to the reasonable value of the services rendered and goods furnished, restrict the marketing practices used to find customers, require the safeguard of non-public information about customers and require the maintenance, disclosure of information regarding the disposition of mortgage applications based on race, gender, geographical distribution, price and income level and established national minimum standards for mortgage licenses. The mortgage lending and real estate brokerage are also subject to state and local laws and regulations, including state licensing laws, anti-predatory lending laws, and may also be subject to applicable state usury statutes. The mortgage lending operation of Castle, the Company’s acquired subsidiary on December 31, 2012, is an approved Housing and Urban

Development ("HUD") lender. As a HUD approved lender, Castle is required to submit annually to Fannie Mae, Freddie Mac, and HUD, as applicable, audited financial statements, or the equivalent, according to the financial reporting requirements of each regulatory entity for its sellers/servicers. Castle's affairs are also subject to examination by Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), HUD and state regulatory agencies at any time to assure compliance with applicable regulations, policies and procedures.

### **Repurchase Reserve**

The Company sells mortgage loans to the secondary market, including U.S. government sponsored entities and issues securities through the Government National Mortgage Association ("GNMA"). When the Company sells or issues securities, it makes customary representations and warranties to the purchasers about various characteristics of each loan such as the origination and underwriting guidelines, including but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state, and local law. In the event of a breach of its representations and warranties, the Company may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer for any loss. The Company's loss may be reduced by any recourse it has to correspondent lenders that, in turn, had sold such mortgage loans to the Company and breached similar or other representations and warranties. In such event, the Company has the right to seek a recovery of related repurchase losses from that correspondent lender.

The Company records a provision for losses relating to such representations and warranties as part of its loan sale transactions. The method used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a combination of factors, including, but not limited to, estimated future defaults and loan repurchase rates and the potential severity of loss in the event of defaults and the probability of reimbursement by the correspondent loan seller. The Company establishes a liability at the time loans are sold and continually updates its estimated repurchase liability. The level of the repurchase liability for representations and warranties is difficult to estimate and requires considerable management judgment. The level of mortgage loan repurchase losses is dependent on economic factors, investor demand strategies, and other external conditions that may change over the lives of the underlying loans.

### **Restricted Cash**

Cash balances that have restrictions as to the Company's ability to withdraw funds are considered restricted cash. Such restrictions are due to debt covenant restrictions and margin requirements. At December 31, 2013 and 2012, restricted cash totaled \$1,325,926 and \$2,426,848, respectively.

### **Revenue Recognition**

For revenue related to mortgage banking business, see mortgage loans held-for-sale, held-for investment, and mortgage servicing rights for discussion of revenue recognition.

The operating revenues of the Company consist of payments for investment management and administrative services performed by a Company subsidiary pursuant to an investment management agreement ("IMA") with a closed end fund. Under the terms of the IMA, the fund pays the subsidiary a fee monthly for the investment management services based on a percentage of assets under management and reimburses the subsidiary monthly for providing at cost certain administrative services comprised of compliance and accounting services. Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for services provided in the normal course of business. The IMA provides persuasive evidence of an arrangement. Other criteria for recognition is that services have been provided, collectability is reasonably assured, and the revenue can be reliably measured. Revenue is generally accrued over the period for which the service is provided.

### **Stock-based Compensation**

The Company accounts for stock-based compensation expense using the fair value method. Under the fair value method, stock-based compensation expense reflects the fair value of stock-based awards measured at grant date, is recognized over the relevant service period, and is adjusted each period for anticipated forfeitures. The fair value of each option award grant is separately estimated for each grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model incorporates assumptions as to price volatility, dividend yield, an appropriate risk-free interest rate, and the expected life of the option. The application of this valuation

model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense. Stock-based compensation expense is generally amortized on a straight-line basis between the grant date for the award and each vesting date.

### **Subsequent Events**

Management has evaluated the effect of subsequent events through July 1, 2014, which is the date the consolidated financial statements were available to be issued. There were no events that require adjustment of, or disclosure in, the consolidated financial statements for the year ended December 31, 2013.

### **Use of Estimates**

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from management's estimates.

## **3. CONCENTRATION OF CREDIT AND OTHER RISKS**

The Company's mortgage operations are centered in real estate-related assets and are primarily located in the states of California and Alabama. In 2013 and 2012, the Company sold approximately 32% and 54%, respectively, of its mortgage loans to a single investor. While the Company continues to pursue additional partners to acquire loans, the inability to obtain additional customers at desired rates could hinder growth plans.

The Company maintains its cash and cash equivalents with various financial institutions, and at times, balances may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. All non-interest bearing cash balances were fully insured at December 31, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage reverted to \$250,000 per depositor at each financial institution and the Company's non-interest bearing cash balances may again exceed federally insured limits.

## **4. BUSINESS DEVELOPMENTS**

### **Acquisition of Castle Mortgage Corporation**

On December 31, 2012, the Company acquired 90% of the outstanding equity interests of Castle Mortgage Corporation, a mortgage originator and servicer primarily operating in the state of Alabama, for approximately \$3.8 million. In connection with the acquisition, the Company obtained GSE licenses which provide the Company access to the GSE marketplace and agency direct programs, such as FNMA, FHLMC, and GNMA. The Castle acquisition was accounted for using the acquisition method of accounting and, accordingly, the tangible and intangible assets acquired, the liabilities assumed, and the noncontrolling interest in Castle were recorded at their estimated fair values as of the date of the acquisition. Fair value measurements have been applied based on assumptions that market participants would use in the pricing of the respective assets and liabilities. Since the Company was acquired for the GSE licenses, a substantial portion of the purchase price was allocated to intangible assets.

The Company's total consideration paid for Castle included payments to various parties to settle certain liabilities of Castle which increased the purchase price by \$1,804,526.

The following tables summarize consideration paid for Castle and the amounts of the assets and liabilities assumed recognized at the acquisition date, as well as the fair value at the acquisition date of the noncontrolling interest in Castle at December 31, 2012:

Cash	\$	2,000,000
Liabilities paid during acquisition		1,804,526
Total consideration paid	\$	<u>3,804,526</u>

The components of the purchase price allocation for Castle were as follows:

Accounts receivable	\$	60,695
Prepaid expenses and other assets		40,391
Mortgage loans held-for-sale		2,707,131
Mortgage loans held-for-investment		349,897
Mortgage servicing assets		788,517
Derivative assets		523,376
Real estate owned		133,000
Intangible assets		4,043,436
Goodwill		1,587,817
Property and equipment, net		39,226
Warehouse borrowings		(2,124,187)
Accounts payable and other liabilities		(1,038,179)
Repurchase liability		(529,278)
Debt assumed		(911,499)
Deferred tax liability		(1,587,817)
Noncontrolling interest in Castle		(278,000)
		<hr/>
Total net assets acquired	\$	<u>3,804,526</u>

In 2013, the Company adjusted the purchase price allocation since prior year allocation assumed a 338(h) election for federal tax purposes. The Company anticipated paying the sellers an insignificant amount for the election based on the terms of the agreement, but the parties never moved forward with the 338(h) election and therefore the assets acquired were recorded at a historical tax basis. As such, the Company made a final purchase price allocation adjustment in 2013 to include a deferred tax liability from the step-up in value from the intangible assets and goodwill in the amount of \$1,587,817. The acquired goodwill and the recorded intangibles are not deductible for tax purposes.

The fair value of the noncontrolling interest in Castle represents the agreed upon contractual purchase option held by the Company to purchase the remaining 10% equity interest in Castle. The Company has ten years from the closing of the acquisition on December 31, 2012 to purchase the remaining 10% equity interest at this price. The Company may elect to exercise this option at any time during the ten year period.

The Company incurred acquisition related costs (included in general and administrative expenses in the Consolidated Statement of Comprehensive Loss for the year ended December 31, 2012) in the amount of \$252,772.

#### **Formation, Capitalization, and Financing of Bexil American Mortgage Inc.**

In 2011, the Company entered into a Stockholders Agreement (the “Stockholders Agreement”) with Bexil American and certain individuals (the “Founders Group”) to create Bexil American. Bexil American received \$4,000,000 in cash before stock issuance costs of \$250,000, of which \$2,700,000 and \$1,300,000 was contributed by the Company and the Founders Group, respectively, in exchange for shares of Bexil American common stock at \$100 per share, giving the Company a 67.5% controlling initial ownership interest.

On March 15, 2012, the Company contributed \$4,000,000 in cash in exchange for 40,000 shares of Bexil American common stock at \$100 per share. On April 25, 2012, the Stockholders Agreement was amended (the “Amendment”) for purposes of, among others, (i) revising the timing, milestones and other terms for funding the operations of Bexil American; (ii) converting the common stock in Bexil American held by Bexil to Series A Preferred Stock, as defined in the Amendment, and providing for its conversion back to common stock under certain circumstances, and (iii) adding an option of Bexil to acquire the stock owned by the Founders Group under certain circumstances. The Amendment was to induce Bexil to provide additional funds to Bexil American and its operations on an expedited basis, and to provide a limited guarantee of collection of certain of Bexil American’s obligations to a prospective mortgage loan purchaser. Stock issuance costs incurred netted against proceed received were \$526,000.

On June 28, 2012, the Company contributed \$7,000,000 in cash to Bexil American in exchange for 77,000 shares of Series A Preferred

Stock, convertible to Bexil American common stock on a one for one basis.

On December 28, 2012, in connection with the acquisition of Castle, the Company contributed cash and 237,741 shares of DNI in-kind valued at \$3,213,636 to Bexil American in exchange for 32,000 shares of Bexil American common stock at \$100 per share. Bexil American also received from management and another investor contributions totaling \$1,980,000 in cash in exchange for an aggregate of 19,800 shares of Bexil American common stock at \$100 per share. In addition, the Company loaned Bexil American \$3,820,000 in cash and accepted a subordinated, convertible promissory note (the "Bexil Note") from Bexil American for the principal sum of \$3,820,000. The Bexil Note is subordinate, junior and inferior to all other debts and obligations of Bexil American, and convertible into Series A Preferred Stock at \$100 per share on or after June 15, 2013. The monthly interest rate is determined quarterly on the last business day of the preceding calendar quarter and is equal to the greater of 10% or seven percentage points over the yield on three year Treasury bills. Interest is calculated on the basis of a 365 day year and actual number of days elapsed. Interest is paid quarterly in arrears on the first day of each calendar quarter beginning April 1, 2013. The principal balance of the Bexil Note and all then-accrued interest is due and payable five years from the effective date of December 27, 2012. The outstanding principal balance of the Bexil Note was \$3,820,000 as of December 31, 2013 and 2012, respectively.

During 2013, the Company's remaining common stock in Bexil American was converted into Series A preferred stock. As of December 31, 2013, the Company owned 80.44% of Bexil American's outstanding stock which includes common and Series A preferred stock. The preferred stock is convertible participating preferred stock that includes a dividend, if any, equal to the dividend payable for an equivalent number of shares of common stock; a liquidation price and preference equal to the purchase price of the preferred stock, or the purchase price of common stock converted to such preferred stock, and all accrued but unpaid dividends; voting rights equal to the voting right of common stock; the option of the holder to convert each share to a share of common stock at any time; and full ratchet anti-dilution protection, subject to certain customary exclusions. Conversion of the Note to Series A preferred stock and then to common stock would increase the Company's ownership to approximately 86% of Bexil American's outstanding stock.

#### Acquisition of Investment Management Contract

During 2011, Bexil Advisers paid \$4,200,000 in cash to Chartwell Investment Partners, LP ("CIP") pursuant to an agreement (the "Transaction Agreement") dated November 9, 2010, in connection with becoming the investment manager of DNI. On August 1, 2012, a cash payment of \$125,000 was paid to CIP upon satisfaction of certain terms and conditions provided for in the Transaction Agreement.

#### 5. INVESTMENT IN SECURITIES

Investment in securities as of December 31, 2013 and 2012 consisted of the following:

December 31, 2013	Cost Basis	Gross Unrealized		Value
		Gains	Losses	
Investment securities, trading				
Closed end funds	\$ 9,019,360	\$ 934,832	\$ -	\$ 9,954,192
Investment securities, available-for-sale				
Closed end funds	1,605	-	(320)	1,285
Total investment in securities	<u>\$ 9,020,965</u>	<u>\$ 934,832</u>	<u>\$ (320)</u>	<u>\$ 9,955,477</u>
December 31, 2012	Cost Basis	Gross Unrealized		Value
		Gains	Losses	
Investment securities, trading				
Closed end funds	\$ 5,852,582	\$ -	\$ (46,128)	\$ 5,806,454
Investment securities, available-for-sale				
Closed end funds	1,605	-	(284)	1,321
Total investment in securities	<u>\$ 5,854,187</u>	<u>\$ -</u>	<u>\$ (46,412)</u>	<u>\$ 5,807,775</u>

## 6. FAIR VALUE MEASUREMENTS

The use of fair value to measure the Company's financial instruments is fundamental to its consolidated financial statements and is a critical accounting estimate because a substantial portion of its assets and liabilities are recorded at estimated fair value. The application of fair value measurements may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability or whether management has elected to carry the item at its estimated fair value.

The hierarchy of valuation techniques is based on whether the inputs to those techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 — Quoted prices in active markets for identical instruments or liabilities.

Level 2 — Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in pricing an asset or liability and are developed based on market data obtained from sources independent of the Company. These may include quoted prices for similar assets and liabilities, interest rates, prepayment speeds, credit risk and market-corroborated inputs.

Level 3 — Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Company's own assumptions about the factors that market participants use in pricing an asset or liability, and are based on the best information available in the circumstances.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when estimating fair value. The valuation method used to estimate fair value may produce a fair value measurement that may not be indicative of ultimate realizable value. Furthermore, while management believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methods or assumptions to estimate the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such loans or investments existed, or had such loans or investments been liquidated, and those differences could be material to the financial statements.

Investments in securities - Investments in securities consist of shares of closed end management investment companies. The value of the investment securities is based on a traded market price and is considered to be a level 1 measurement.

Mortgage loans held-for-sale and investment - Mortgage loans held-for-sale and investment originated from the Company's mortgage loan origination operation are carried at fair value. Fair value is based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. Given the meaningful level of secondary market activity for conforming mortgage loans, active pricing is available for similar assets and accordingly, the Company classifies its mortgage loans held-for-sale and investment as a level 2 measurement.

Derivative assets and liabilities - Derivative assets and liabilities are carried at fair value as required by GAAP and are accounted for as free standing derivatives. The derivative assets are IRLCs with prospective residential mortgage borrowers whereby the interest rate on the loan is determined prior to funding and the borrowers have locked in that interest rate. These commitments are determined to be derivative instruments. The derivative liabilities are Hedging Instruments used to hedge the fair value changes associated with changes in interest rates relating to its mortgage loan origination operations. The Company hedges the period from the interest rate lock (assuming a fall-out factor) to the date of the loan sale. The estimated fair value is based on current market prices for similar instruments. The Company's IRLC are valued using significant unobservable market parameters and therefore are classified as a level 3 measurement. Given the meaningful level of secondary market activity for derivative contracts, active pricing is available for similar assets and accordingly, the Company classifies its derivative assets and liabilities (excluding IRLC), as a level 2 measurement.

Mortgage servicing rights - Mortgage servicing rights arising from the Company's mortgage loan origination operation are carried at fair value. The fair value of mortgage servicing rights is based upon a discounted cash flow model. The valuation model incorporates assumptions that market participants would use in estimating the fair value of servicing. These assumptions include estimates of

prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations. Mortgage servicing rights are considered a level 3 measurement.

### Recurring Fair Value Measurements

The Company's financial assets and liabilities that were measured at fair value on a recurring basis as of December 31, 2013 were as follows:

December 31, 2013	Recurring Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment in securities	\$ 9,955,477	\$ -	\$ -	\$ 9,955,477
Mortgage loans held-for-sale	-	13,095,308	-	13,095,308
Mortgage loans held-for-investment	-	384,473	-	384,473
Mortgage servicing rights	-	-	4,762,719	4,762,719
Derivative assets:				
Interest rate lock commitments	-	-	14,326	14,326
Forward sales contracts	-	91,463	-	91,463
<b>Total assets at fair value</b>	<b>\$ 9,955,477</b>	<b>\$ 13,571,244</b>	<b>\$ 4,777,045</b>	<b>\$ 28,303,766</b>
<b>Liabilities</b>				
Interest rate lock commitments	\$ -	\$ -	\$ (97,054)	\$ (97,054)
Forward sales contracts	-	(6,378)	-	(6,378)
<b>Total liabilities at fair value</b>	<b>\$ -</b>	<b>\$ (6,378)</b>	<b>\$ (97,054)</b>	<b>\$ (103,432)</b>

The Company's financial assets and liabilities that were measured at fair value on a recurring basis as of December 31, 2012 were as follows:

December 31, 2012	Recurring Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment in securities	\$ 5,807,775	\$ -	\$ -	\$ 5,807,775
Mortgage loans held-for-sale	-	78,741,441	-	78,741,441
Mortgage loans held-for-investment	-	349,897	-	349,897
Mortgage servicing rights	-	-	788,517	788,517
Derivative assets:				
Interest rate lock commitments	-	-	1,219,740	1,219,740
Forward sales contracts	-	147,978	-	147,978
<b>Total assets at fair value</b>	<b>\$ 5,807,775</b>	<b>\$ 79,239,316</b>	<b>\$ 2,008,257</b>	<b>\$ 87,055,348</b>
<b>Derivative liabilities</b>				
Forward sales contracts	\$ -	\$ (497,033)	\$ -	\$ (497,033)

Changes in level 3 recurring fair value measurements during 2013 and 2012 were as follows:

Level 3 Recurring Fair Value Measurements			
	Mortgage Servicing Rights	Interest Rate Lock Commitments	Total
Balance, December 31, 2012	\$ 788,517	\$ 1,219,740	\$ 2,008,257
Additions from servicing retained loan sales	1,453,428	-	1,453,428
Approximate change in fair value	2,520,774	(1,302,468)	1,218,306
Balance, December 31, 2013	<u>\$ 4,762,719</u>	<u>\$ (82,728)</u>	<u>\$ 4,679,991</u>

Level 3 Recurring Fair Value Measurements			
	Mortgage Servicing Rights	Interest Rate Lock Commitments	Total
Balance, December 31, 2011	\$ -	\$ -	\$ -
Total increase in volume and changes in value	-	774,142	774,142
Acquired through acquisition of Castle	788,517	445,598	1,234,115
Balance, December 31, 2012	<u>\$ 788,517</u>	<u>\$ 1,219,740</u>	<u>\$ 2,008,257</u>

The determination of the fair value of interest rate lock commitments is based on agreed pricing with the respective investor on each loan and includes a pull through percentage. The pull through percentage represents an estimate of loans in the pipeline to be delivered to an investor versus the total loans committed for delivery. Significant changes in this input could result in a significantly higher or lower fair value measurement. As the pull through percentage is a significant unobservable input, this is deemed a level 3 valuation input. The pull through percentage, which is based upon historical experience, was 76% and 66% as of December 31, 2013 and 2012, respectively. An increase or decrease of 20% in the pull through assumption during 2013 and 2012 would result in a positive or negative change of \$22,000 and \$360,000 in the fair value of interest rate lock commitments, respectively. The fair value of interest rate lock commitments was \$83,000 and \$1,220,000 as of December 31, 2013 and 2012, respectively.

The determination of the fair value of the mortgage servicing rights is based upon a discounted cash flow approach. As of December 31, 2013 and 2012, the weighted average interest rate on mortgage loans serviced by the Company was 3.87% and 4.18%, respectively, the weighted average service fee was 26 basis points (“bps”) and 26 bps and the weighted average remaining term of the loans being serviced was 337 and 336 months, respectively. Together these resulted in a fair market value multiple of 106.8 bps and 78.2 bps as of December 31, 2013 and 2012, respectively. An increase or decrease of 20% in the fair market value multiple would result in a positive or negative change of \$970,000 and \$158,000 in the fair value of the mortgage servicing rights as of December 31, 2013 and 2012, respectively.

#### Nonrecurring Fair Value Measurements

The Company acquired Castle on December 31, 2012 which included nonrecurring fair value measurements as of December 31, 2012. Certain assets and liabilities from the acquisition are described in Note 3, Business Developments, and for simplicity, are excluded from the table below. There were no nonrecurring fair value measurements in 2013.

The assets and liabilities measured using nonrecurring fair value measurements as of December 31, 2012 were as follows:

December 31, 2012	Nonrecurring Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets				
REO	\$ -	\$ -	\$ 133,000	\$ 133,000
Intangibles, net	-	-	4,043,436	4,043,436
Total assets at fair value	\$ -	\$ -	\$ 4,176,436	\$ 4,176,436

Intangible assets consist of GSE licenses obtained by the Company as a result of the Castle acquisition, which provides the Company access to the GSE marketplace and agency direct programs, such as FNMA, FHLMC and GNMA.

## 7. MORTGAGE LOANS HELD-FOR-SALE

A summary of the outstanding principal balance of mortgage loans held-for-sale by type as of December 31, 2013 and 2012 was as follows:

December 31,	2013	2012
Conventional	\$ 11,264,577	\$ 74,677,911
Government	1,817,765	1,511,556
Value adjustment	12,966	2,551,974
Total mortgage loans held-for-sale	\$ 13,095,308	\$ 78,741,441

The Company had no delinquent or nonaccrual loans as of December 31, 2013 and 2012.

The Company's repurchase reserve activity for previously sold loans for the years ended December 31, 2013 and 2012 was as follows:

December 31,	2013	2012
Beginning balance	\$ (563,988)	\$ -
Assumed repurchase liability from Castle acquisition	-	(529,278)
Settlements	184,120	-
Provision for repurchases	(413,578)	(34,710)
Ending balance	\$ (793,446)	\$ (563,988)

## 8. DERIVATIVE ASSETS AND LIABILITIES

The mortgage lending operations enters into IRLC and Hedging Instruments to hedge the fair value changes associated with changes in interest rates relating to its mortgage loan origination operations. The following table includes information for the derivative assets and liabilities, as of and for the years ended December 31, 2013 and 2012:

	Notional Balance December 31, 2013	Value at December 31, 2013
Derivative assets - IRLC's	\$ 1,866,583	\$ 14,326
Derivative assets - TBA/FNMA's	\$ 45,678,382	\$ 91,463
Derivative liabilities - IRLC's	\$ 7,132,194	\$ (97,054)
Derivative liabilities - TBA/FNMA's	\$ 3,000,000	\$ (6,378)

Gains and losses for derivative assets and liabilities are included in Gain on mortgage loans, net, in the Consolidated Statements of Comprehensive Loss.

## 9. MORTGAGE SERVICING RIGHTS

	Notional Balance December 31, 2012	Value at December 31, 2012
Derivative assets - IRLC's	\$ 131,885,063	\$ 1,219,740
Derivative assets - TBA/FNMA's	\$ 90,280,978	\$ 147,978
Derivative liabilities - TBA/FNMA's	\$ 114,000,000	\$ (497,033)

As of December 31, 2013 and 2012, the Company serviced approximately \$444.0 million and \$100.8 million, respectively, in unpaid principal balance of loans with the following characteristics:

December 31,	2013	2012
Conventional	\$ 382,341,367	\$ 81,787,086
Government	61,692,220	19,011,440
Total loans serviced	<u>\$ 444,033,587</u>	<u>\$ 100,798,526</u>

## 10. INTANGIBLE ASSETS

The intangible assets consist of the consideration paid in connection with acquiring DNI's investment management contract and Castle's GSE licenses. The Company has assigned the investment management contract a useful life of twelve years after considering, among other factors, the renewal or extension of the term of the arrangement, consistent with its expected use of the asset. The Company is able to renew Castle's GSE licenses annually upon complying with certain conditions, so they have been classified as indefinite life intangible assets. The Company anticipates the licenses will be usable for the foreseeable future.

The following table presents the major classes of the Company's intangible assets as of December 31, 2013 and 2012:

December 31, 2013	Gross Book Value	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)
Management contract	\$ 4,325,000	\$ (720,834)	\$ 3,604,166	10
GSE licenses	4,043,436	-	4,043,436	Not applicable
Total	<u>\$ 8,368,436</u>	<u>\$ (720,834)</u>	<u>\$ 7,647,602</u>	<u>10</u>

  

December 31, 2012	Gross Book Value	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)
Management contract	\$ 4,325,000	\$ (360,417)	\$ 3,964,583	11
GSE licenses	4,043,436	-	4,043,436	Not applicable
Total	<u>\$ 8,368,436</u>	<u>\$ (360,417)</u>	<u>\$ 8,008,019</u>	<u>11</u>

The Company reviewed the intangible asset for impairment and determined there was no impairment in the value of the asset.

As of December 31, 2013, estimated future amortization expense is as follows:

Year ending December 31,

2014	\$	360,417
2015		360,417
2016		360,417
2017		360,417
2018		360,417
Thereafter		<u>1,802,081</u>
	\$	<u><u>3,604,166</u></u>

## 11. PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment at December 31, 2013 and 2012:

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 was \$15,955 and \$3,140, respectively.

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 43,227	\$ 43,227
Software	6,086	6,086
Less: Accumulated depreciation and amortization	<u>(21,124)</u>	<u>(5,169)</u>
Property and equipment, net	<u><u>\$ 28,189</u></u>	<u><u>\$ 44,144</u></u>

## 12. DEBT

As of December 31, 2013 and 2012, Bexil American and Castle were in compliance with all financial covenants under their borrowing obligations, which are described below.

### Warehouse Borrowings

Bexil American and Castle have entered into Master Repurchase Agreements with lenders providing warehouse facilities. The warehouse facilities are used to fund, and are secured by, residential mortgage loans that are held for sale.

The following table presents certain information on warehouse borrowings for the periods indicated:

	Maximum Borrowing Capacity	Allowable Advance Rates (%)	Balance Outstanding At December 31, 2013	Balance Outstanding At December 31, 2012	Interest Rate	Maturity Date
Short-term borrowings:						
Repurchase agreement Texas Capital Bank	\$ 50,000,000	99%	\$ 9,277,233	\$ 33,520,204	3.75%	2/28/14
Repurchase agreement Wells Fargo Bank <sup>(1)</sup>	45,000,000	97%	-	34,292,678	4.25%	7/2/13
Repurchase agreement Northpointe	18,000,000	98%	2,729,925	2,124,188	6.00%	None
Repurchase agreement PennyMac <sup>(1)</sup>	<u>15,000,000</u>	100%	<u>-</u>	<u>3,043,700</u>	Variable	12/31/13
Total short-term borrowings	<u>\$ 128,000,000</u>		<u>\$ 12,007,158</u>	<u>\$ 72,980,770</u>		

<sup>(1)</sup> The Wells Fargo and PennyMac lines were not renewed and all advances were repaid in 2013.

### Short-term Borrowings

In December 2011, Castle entered into a \$2,000,000 revolving line of credit agreement with The Exchange Bank of Alabama. The interest rate was variable at 0.50% over New York Prime with a floor of 4.0% and the maturity date was January 2, 2013. The borrowing was secured by a personal guarantee of a stockholder. The principal balance was fully paid in 2013 and the outstanding balance at December 31, 2012 was \$37,500.

In November 2012, Castle entered into a note payable with The Exchange Bank of Alabama for \$70,150 with an interest at a rate of 5.0% per annum maturing on February 17, 2013. The note payable was paid in full in 2013.

In July 2013, Castle entered into a margin agreement with a broker, which permits it to borrow on margin in an amount up to fifty percent of the investment balance (the "margin loan"). Under the margin agreement, should the value of the investment balance decrease and the margin loan payable amount exceed fifty percent of the investment balance, Castle is required to repay the balance greater than fifty percent immediately on demand. The interest rate on the margin loan is determined by the broker monthly and interest accrues on the account daily. The interest rate as of December 31, 2013 was 5% and the interest expense incurred for the year ended December 31, 2013 was \$21,568. The outstanding margin loan balance as of December 31, 2013 was \$1,036,186.

### Subordinated Debt Convertible to Stock of Subsidiary

In October 2013, Bexil American entered into a subordinated debt agreement with Big Moat REIT ("Big Moat Note") for up to \$3,000,000. The Big Moat Note is subordinate, junior, and inferior to all other debts and obligations of Bexil American with the exception of the Bexil Note. The monthly interest rate is determined quarterly and bill on the last business day of the preceding calendar quarter. Interest is calculated on the basis of a 365 day year and number of days elapsed. Interest is paid quarterly in arrears on the first day of each calendar quarter beginning January 1, 2014. The principal balance of the note and accrued interest is due five years from the date of the note. The principal balance outstanding on the Big Moat Note as of December 31, 2013 was \$2,300,000.

### Note Payable to Former Stockholder of Castle

In connection with the Castle acquisition, Bexil American delivered a non-interest bearing note payable to a selling stockholder of Castle (the "former stockholder") in the amount of \$803,999. During 2013, Bexil American paid \$500,000 in total to the former stockholder in equal installments on June 30, 2013 and December 31, 2013. The remaining balance of \$303,999 is due on June 30, 2014. Bexil American imputed interest at 5.0% from the interest free loan during 2012 and recorded \$63,681 as interest expense and as a contribution from the former stockholder during 2012 as a result of the interest free loan. Due to the short term life of the note payable as of the date of the Castle acquisition, Bexil American recorded the value of the note at its carrying value which approximates fair value. Per the

terms of the acquisition agreement, the former stockholder and Bexil American were to subsequently enter into a subsequent agreement to collateralize the note, but no such agreement has been put in place. As of December 31, 2013 and 2012, the outstanding balance of the note payable to former stockholder was \$303,999 and \$803,999, respectively.

### 13. STOCK-BASED COMPENSATION

The Company has a long term stock incentive plan intended to facilitate the use of equity based incentives and rewards for officers, employees, directors, and consultants of the Company and its affiliates. On July 7, 2011, the shareholders of the Company approved the 2011 Stock Incentive Plan (the "SIP"). Awards under the SIP may include incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, deferred stock, and other stock-based awards. The Board of Directors determines the terms and conditions of awards under the SIP. The exercise price per share of common stock purchasable under a stock option grant may not be less than 110% of the fair market value on the date of grant. The SIP provides for the granting of a maximum 152,639 options to purchase common stock and, as of December 31, 2013, 20,739 were available for grant.

The SIP replaced the Company's former stock-based compensation plan, the 2004 Incentive Compensation Plan, as amended (the "ICP"). No future awards may be granted under the ICP, although any previously issued options granted under the ICP remain effective until either they expire, are forfeited, or are exercised. Under the ICP, the Board of Directors determined the terms and conditions of awards and the exercise price per share of common stock purchasable under a stock option grant could not be less than 110% of the fair market value on the date of grant. The ICP provided for the granting of a maximum 175,918 options to purchase common stock.

The Company granted 2,000 options at an exercise price of \$66.00 for the year ended December 31, 2013 and 38,600 options at exercise price of \$37.24 for the year ended December 31, 2012. The grant date fair value of the options issued was \$32.88 and \$10.26 to \$15.65 per option for the years ended December 31, 2013 and 2012, respectively.

A summary of the stock options activity for the years ended December 31, 2013 and 2012 is as follows:

	Shares Under Option	Weighted Average Exercise Price
Balance, December 31, 2011	120,000	\$ 29.34
Granted	38,600	\$ 37.24
Forfeited	(16,700)	\$ 22.55
Expired	(2,000)	\$ 32.33
Exercised	(1,000)	\$ 32.33
Balance, December 31, 2012	138,900	\$ 27.07
Granted	2,000	\$ 66.00
Expired	(2,000)	\$ 29.00
Exercised	(41,300)	\$ 24.77
Balance, December 31, 2013	97,600	\$ 28.80

At December 31, 2013 and 2012, exercisable and vested stock options were 73,550 and 106,825, respectively. The weighted average exercise price of the exercisable outstanding stock options at December 31, 2013 and 2012 was \$27.71 and \$25.87, respectively.

Stock options outstanding and exercisable at December 31, 2013 are as follows:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$ 22.55	60,000	7.5	51,650	\$ 22.55
\$ 37.24	35,600	4.6	19,900	\$ 37.24
\$ 66.00	2,000	9.5	2,000	\$ 66.00
	<u>97,600</u>	6.5	<u>73,550</u>	\$ 27.71

At December 31, 2013, the aggregate intrinsic value of all outstanding options was \$1,088,345.

A summary of the methodology applied to develop each assumption used in determining the fair value of options granted by applying the Black-Scholes option pricing valuation model is as follows:

	2013	2012
Expected price volatility	37.35%	37.35%
Risk-free interest rate	2.49%	0.68% - 1.57%
Weighted average expected life in years	10	6.5
Dividend yield	0%	0%

The expected price volatility is based on the Company's historical stock prices over the most recent period commensurate with the estimated expected life of the award. The expected life is the period of time the option holders are expected to hold the options, including the vesting period, and is based, in part, on actual experience with other grants. The expected dividend yield, excluding any special dividends that the Company may declare from time to time, is based on the Company's current dividend yield and the best estimate of projected dividend yields for future periods within the expected life of the option.

For the years ended December 31, 2013 and 2012, total stock-based compensation under the SIP was \$172,305 and \$373,125, respectively, which resulted in the recognition of tax benefits of \$94,984 and \$152,981, respectively.

As of December 31, 2013, the total compensation expense related to non-vested awards which are expected to vest but not yet recognized is \$81,064 with an expense recognition period of approximately 2 years.

There were 41,300 and 1,000 stock options exercised for the years ended December 31, 2013 and 2012, respectively, with a total intrinsic value of \$574,842 and \$0 for the years ended December 31, 2013 and 2012, respectively. The Company received \$10 in cash and accepted five year promissory notes in connection with the exercise of stock options for the year ended December 31, 2012.

The exercise of stock options will result in a tax deduction before the actual realization of the related tax benefit because the Company has a current year net operating loss. The tax benefit and a credit to additional paid in capital for the excess deduction will not be recognized until that deduction reduces taxes payable.

### **Bexil American Stock Incentive Plan**

On October 7, 2011 (the "Effective Date"), Bexil American adopted the Bexil American Mortgage Inc. Stock Incentive Plan (the "BAM Plan"), a long term stock incentive plan intended to facilitate the use of equity based incentives and rewards for its employees, directors, and consultants with the opportunity to acquire shares of Bexil American's common stock. The BAM Plan shall remain in effect until the tenth anniversary of the Effective Date, or until terminated by action of its Board of Directors, whichever occurs sooner. Awards under the BAM Plan may include incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards. The Bexil American Board of Directors determines the terms and conditions of awards under the BAM Plan. There are 43,000 shares of Bexil American's common stock authorized to be issued under the BAM Plan and as of December 31, 2013, 35,277 were available for grant.

The BAM Plan includes time-based and performance based vesting options. Vesting of the options is ratable and cumulative beginning on the first anniversary of the grant date and, under certain terms and conditions, the options become fully vested on the fourth anniversary of the grant date. As of December 31, 2013, no options were exercisable.

Bexil American granted 12,550 options at an exercise price of \$100 for the year ended December 31, 2013. No options were granted during 2012.

A summary of the methodology applied to develop each assumption used in determining the fair value of options granted by applying the Black-Scholes option pricing valuation model is as follows:

	Year Ended December 31, 2013
Fair value	\$ 0.79
Expected volatility	63%
Expected dividend yield	-
Risk-free interest rate	0.38%
Expected life	3.75 years

The expected volatility is based on the weighted average between an industry peer group and Bexil American's expected volatility, which takes into consideration the anticipated capital contributions over the next 12 months from the date of grant. The expected dividend yield is based on Bexil American's history of paying no dividends since its inception and its intention to pay no dividends in the future. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant. The expected life was calculated using the simplified method since Bexil American does not have a history of granting options. The contractual term is 4 years. No forfeiture rate was applied due to Bexil American's limited operating history.

Bexil American recorded \$59,363 and \$104,544 of stock-based compensation expense for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013, the total compensation expense related to non-vested awards which are expected to vest but not yet recognized is \$31,866 with an expense recognition period of approximately 2 years. The remaining unrecognized stock option expense does not include performance based awards as performance conditions are not deemed to be probably satisfied. During 2013 and 2012, the Company classified \$10,605 and \$17,070 of Bexil American's stock-based compensation expense in the Consolidated Statements of Changes in Stockholders' Equity in noncontrolling interests.

A summary of the stock option activity is as follows:

	Shares Available for Grant	Shares Under Option	Weighted Average Exercise Price	Options Exercisable	Exercisable Weighted Average Exercise Price/Share
Balance, December 31, 2012 and 2011	13,000	30,000	\$ 100	-	\$ -
			-		-
Granted	(12,550)	12,550	100	-	-
Forfeited/ Canceled	34,827	(34,827)	100	-	-
Balance, December 31, 2013	35,277	7,723	\$ 100	-	\$ -

#### 14. INCOME TAXES

The income tax provision (benefit) consisted of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Current provision (benefit):		
Federal	\$ -	\$ (12)
State and local	(6,386)	13,700
Total current provision	<u>(6,386)</u>	<u>13,688</u>
Deferred provision (benefit):		
State and local	169,666	-
Net operating loss	-	1,169,941
Stock-based compensation	-	322,119
Intangible assets	-	(95,667)
Unrealized gain on investments	-	(32,663)
Total deferred provision	<u>169,666</u>	<u>1,363,730</u>
Total provision for income taxes	<u>\$ 163,280</u>	<u>\$ 1,377,418</u>

Deferred tax assets (liabilities) consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Deferred tax assets		
Accrued vacation	\$ 59,483	\$ -
Other accruals	47,554	-
Loan loss reserve	229,419	-
Sec. 195 start-up costs	763,106	-
Deferred rent	30,938	-
Stock based compensation	170,510	463,669
Unrealized gain/loss on investments	-	19,029
Death benefit liability	474,554	-
State taxes	889	-
Basis difference in fixed assets	8,469	-
Net operating losses	7,177,122	3,578,864
Total deferred tax assets	<u>8,962,044</u>	<u>4,061,562</u>
Deferred tax liabilities		
Basis difference in intangibles	(1,521,310)	(116,224)
Unrealized gain/loss on investments	(1,515,972)	-
Capitalized start-up costs	-	(298,158)
Accrued vacation	-	(45,246)
Loan loss reserve	-	(14,231)
Deferred rent	-	(30,287)
Sec. 481a adjustment	(209,584)	-
Investment	(395,416)	-
Total deferred tax liabilities	<u>(3,642,282)</u>	<u>(504,146)</u>
Net deferred tax assets	5,319,762	3,557,416
Valuation allowance	(7,083,863)	(3,557,416)
Net	<u>\$ (1,764,101)</u>	<u>\$ -</u>

The Company has evaluated the available evidence supporting the realization of its gross deferred tax assets, including the amount and timing of future taxable income, and has determined that, based on net losses to date, it may not utilize all of its deferred tax assets in the future. Therefore, the Company has established a full valuation allowance against all of its deferred tax assets. As such, the change

in the valuation allowance during 2013 and 2012 was \$2,373,097 and \$3,557,416. The difference between the federal statutory rate of 34% and the Company's rate of 0% is due to a full valuation allowance.

As of December 31, 2013 and 2012, the Company has federal and state net operating loss carryovers of approximately \$16.9 million and \$8 million, respectively. These losses will begin to expire in 2030.

The utilization of net operating loss carryovers may be subject to limitations under provision of the Internal Revenue Code Section 382 and similar state provisions.

ASC 740-10, Accounting for Uncertain Tax Positions, requires that the Company recognize the impact of tax positions in the financial statements if the position is more likely than not to be sustained upon examination and on the technical merits of the position. The Company's policy is to recognize interest accrued related to unrecognized tax benefits and penalties as income tax expense. The Company has no material uncertain tax positions at December 31, 2013. Consequently, no interest or penalties have been accrued by the Company.

## 15. RELATED PARTIES

Certain officers of the Company also serve as officers and/or directors of Winmill & Co. Incorporated ("Winco"), Tuxis Corporation ("Tuxis"), Self Storage Group, Inc. ("SELF") and their affiliates (collectively with Bexil, but excluding Bexil American and Castle, the "Affiliates"). At December 31, 2013, Winco owned 222,644 shares of the Company, 234,665 shares of Tuxis, and 127,869 shares of SELF or approximately 23%, 21%, and 2%, respectively, of the outstanding common stock. Pursuant to an arrangement between a professional employer organization ("PEO") and the Affiliates, the PEO provides payroll, benefits, compliance, and related services for employees of the Affiliates in accordance with applicable rules and regulations of the Internal Revenue Service, and in connection therewith Midas Management Corporation ("MMC"), a subsidiary of Winco, acts as a conduit payer of compensation and benefits to Affiliate employees including those who are concurrently employed. At December 31, 2013 and 2012, the Company had a payable to MMC relating to compensation and benefit expenses of \$93,623 and \$11,209, respectively.

Rent expense of concurrently used office space and overhead expenses for various concurrently used administrative and support functions incurred by the Affiliates are allocated at cost among the affiliates. The Company's allocated rent and overhead costs were \$113,044 and \$126,213 for the years ended December 31, 2013 and 2012, respectively, and it had a related receivable for these costs of \$4,015 and \$254 at December 31, 2013 and 2012, respectively.

The Company invests in DNI. The Company's carrying value in DNI was \$9,954,191 and \$5,806,454 as of December 31, 2013 and 2012, respectively, and earned dividends of \$769,740 and \$672,263 for the years ended December 31, 2013 and 2012, respectively. Certain officers and directors of the Company are also officers and/or directors of DNI.

The Company invests in SELF (formerly Global Income Fund, Inc.), a closed end investment company. The Company's carrying value in SELF was \$1,285 and \$1,321 as of December 31, 2013 and 2012, respectively, and dividends earned were \$124 and \$168 for the years ended December 31, 2013 and 2012, respectively. Certain officers and directors of the Company are also officers and/or directors of SELF.

The Company has accepted promissory notes from certain directors, officers, and employees in connection with their exercise of stock options to purchase the common stock of the Company. On November 30, 2013, all of the existing outstanding notes ("original notes") were replaced by new notes with substantially the same terms except for duration and rate of interest ("2013 notes"). The 2013 notes have nine year maturities and bear interest at 1.65% per annum payable semiannually. The original notes had five year maturities and interest rates ranging from 1.20% to 2.85% per annum which was payable semiannually. The notes, as well as accrued interest thereon, may be prepaid in part or in full at any time or from time to time without penalty. In the event of default in the payment of principal or interest, the full principal amount and any accrued and unpaid interest shall be immediately due and payable. The outstanding principal balance was \$1,515,466 and \$2,887,433, as of December 31, 2013 and 2012, respectively. As of December 31, 2013, \$1,515,466 is due and payable in 2022. The Company earned interest income of \$37,038 and \$57,847 for the years ended December 31, 2013 and 2012, respectively, and had a receivable for interest due of \$247 and \$20,544 as of December 31, 2013 and 2012, respectively.

On December 28, 2012, the Company loaned certain executives of Bexil American \$135,000 in cash and accepted promissory notes for the principal sum of \$135,000 in connection with capital contributed to Bexil American in December 2012 related the acquisition of Castle. The notes have three year maturities and bear interest at 0.24% per annum which is payable semiannually. The notes, as well as

accrued interest thereon, may be prepaid in part or in full at any time or from time to time without penalty. In the event of default in the payment of principal or interest, the full principal amount and any accrued and unpaid interest shall be immediately due and payable. The outstanding principal balance was \$78,029 and \$135,000 as of December 31, 2013 and 2012, respectively.

## **16. EMPLOYEE BENEFIT PLAN**

The Affiliates participate in a 401(k) retirement savings plan for substantially all qualified employees. A matching expense based upon a percentage of contributions to the plan by eligible employees is incurred and allocated among the Affiliates. The matching expense is accrued and funded on a current basis and may not exceed the amount permitted as a deductible expense under the Internal Revenue Code. The Company's allocated matching expense under the plan was \$26,966 and \$35,090 for the years ended December 31, 2013 and 2012, respectively

## **17. REGULATORY REQUIREMENTS**

### *Net Capital Requirements*

Bexil Securities, a registered broker-dealer, is subject to the Uniform Net Capital Rule under Rule 15c3-1 of the Securities Exchange Act of 1934, which requires broker-dealers to maintain a minimum level of net capital, as defined. As of December 31, 2013, Bexil Securities had net capital of \$3,237,747, which exceeded its \$100,000 required minimum capital by \$3,137,747.

### *Net Worth Requirements*

Castle is subject to net worth requirements, as required by HUD. As of December 31, 2013, Castle's net worth was \$5,866,107, which was \$4,649,910 in excess of the \$1,216,197 required minimum net worth.

## **18. STOCKHOLDER RIGHTS PLAN**

The Board of Directors has adopted a stockholder rights plan pursuant to a Rights Agreement dated November 10, 2005 (the "Rights Agreement") and other action. To implement the rights plan, the Board of Directors declared a dividend distribution of one right for each outstanding share of Bexil common stock, par value \$0.01 per share, to holders of record of the shares of common stock at the close of business on November 21, 2005. Each right entitles the registered holder to purchase from Bexil one one-thousandth of a share of preferred stock, par value \$0.01 per share. The rights were distributed as a non-taxable dividend. The rights are evidenced by the underlying Bexil common stock, and no separate preferred stock purchase rights certificates were distributed. The rights to acquire preferred stock will become exercisable only if a person or group, other than certain exempt persons, acquires or commences a tender offer for 10% or more of Bexil's common stock. If a person or group, other than certain exempt persons, acquires or commences a tender offer for 10% or more of Bexil's common stock, each holder of a right, except the acquirer, will be entitled, subject to Bexil's right to redeem or exchange the right, to exercise, at an exercise price of \$67.50, the right for one one-thousandth of a share of Bexil's newly created Series A Participating Preferred Stock, or the number of shares of Bexil common stock equal to the holder's number of rights multiplied by the exercise price and divided by 50% of the market price of Bexil's common stock on the date of the occurrence of such an event. Bexil's Board of Directors may terminate the rights plan at any time or redeem the rights, for \$0.01 per right, at any time before a person acquires 10% or more of Bexil's common stock. On November 11, 2011, in consideration of a Standstill Agreement providing, among other things, that the Boulderado Group (as defined in the Standstill Agreement) does not acquire equal to or greater than 15.0% of the common stock of the Company, the Company entered into a First Amendment to the Rights Agreement (the "Amendment") to exclude the Boulderado Group (as defined in the Amendment) from being deemed an "Acquiring Person" as defined in the Rights Agreement and to extend the "Final Expiration Date" of the Rights Agreement from November 21, 2015 until November 21, 2020. The parties entered into a First Amendment to the Standstill Agreement, dated as of June 1, 2012, to increase the allowed ownership percentage of the Boulderado Group from not equal to or greater than 15.0% to not equal to or greater than 16.0% of the common stock of the Company and to a Second Amendment to the Rights Agreement, dated as of June 1, 2012, to increase the beneficial ownership threshold of the Boulderado Group, without being deemed to be an "Acquiring Person", from less than 15% to less than 16% of the Common Shares and to exclude certain parties from being deemed an "Acquiring Person."

In conjunction with the stockholder rights plan, the Board of Directors authorized the reclassification of 100,000 unissued shares of common stock of the Company (from among 1,000,000,000 shares of common stock, \$0.01 par value, of the Company which are authorized) into 100,000 shares of Series A Participating Preferred Stock, par value \$0.01 per share, of the Company.

## **19. COMMITMENTS AND CONTINGENCIES**

Pursuant to a Death Benefit Agreement (the “DBA”) among the Company and certain of its affiliates and a deceased employee, Mr. Bassett Winmill, payments to the employee’s wife are made monthly until her death by the Company and certain of its affiliates. The annual amount equals 90% of the employee’s average annual base salary in the three year period prior to his death, subject to certain adjustments. The payment obligations under the DBA are not secured and not assignable, and became effective on May 15, 2012, following the death of the employee. The Company’s estimated total liability under the DBA is approximately \$1.3 million. Promissory notes accepted by the Company from the employee in 2009 in connection with the exercise of stock options on the Company’s common stock were outstanding at the time of his death. During 2013, payment on the notes was settled by the Company and the estate of the employee.

Bexil Securities leases office space under a sublease agreement with Winco expiring in 2018. The future minimum lease payments under the sublease are \$2,400 per year through 2017 and \$1,800 in 2018.

Bexil American and Castle lease operating facilities under operating leases. Rental expense for the year ended December 31, 2013 and 2012 was approximately \$367,627 and \$251,158, respectively. The total commitment on all operating leases is \$326,631, \$109,831, and \$74,660 for the years ended December 31, 2014, 2015, and 2016, respectively.

The Company's common stock is quoted in the over the counter market under the ticker symbol BXLC.

The high and low sales prices of the common stock during each quarterly period over the last two fiscal years were as follows (unaudited):

	2013		2012	
	High	Low	High	Low
First quarter	\$ 50.00	\$ 44.00	\$ 33.00	\$ 29.59
Second quarter	\$ 68.00	\$ 49.00	\$ 35.00	\$ 29.60
Third quarter	\$ 60.00	\$ 37.28	\$ 37.27	\$ 31.75
Fourth quarter	\$ 47.00	\$ 27.00	\$ 50.00	\$ 36.00

**DIRECTORS**

CHARLES A. CARROLL  
THOMAS B. WINMILL  
DOUGLAS WU

**OFFICERS AND STAFF**

THOMAS B. WINMILL  
President, Chief Executive Officer, General  
Counsel

THOMAS O'MALLEY  
Treasurer, Chief Financial Officer

JOHN F. RAMIREZ  
Vice President, Secretary, Associate General  
Counsel

MARK C. WINMILL  
Vice President

ERIC PAUL C. HWANG  
Vice President, Chief Compliance Officer,  
Associate General Counsel, Assistant Secretary

HEIDI KEATING  
Vice President

ANNE M. CHI  
Accounting Coordinator

DAVID CHEN  
Compliance Assistant

**CORPORATE INFORMATION****EXECUTIVE OFFICES**

Bexil Corporation  
11 Hanover Square  
New York, New York 10005  
1-212-785-0400  
[www.Bexil.com](http://www.Bexil.com)

**INVESTMENT MANAGEMENT**

Bexil Advisers LLC  
1-212-785-0400  
[www.DividendandIncomeFund.com](http://www.DividendandIncomeFund.com)

**MORTGAGE BANKING**

Bexil American Mortgage Inc.  
10770 Wateridge Circle, Suite 250  
San Diego, California 92121  
1-877-255-2266  
[www.BexilAmerican.com](http://www.BexilAmerican.com)

Castle Mortgage Corporation  
701 Montgomery Highway South, Suite 203  
Vestavia Hills, Alabama 35216  
1-800-578-3608  
[www.CastleMortgage.com](http://www.CastleMortgage.com)

**INDEPENDENT AUDITORS**

BDO USA, LLP  
4250 Executive Square, Suite 600  
La Jolla, California 92037

**TRANSFER AGENT AND REGISTRAR**

Securities Transfer Corporation  
2591 Dallas Parkway Ste 102  
Frisco, Texas 75034  
1-469-633-0101  
[www.stctransfer.com](http://www.stctransfer.com)

**Ticker: BXLC**

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Bexil website at: [www.Bexil.com](http://www.Bexil.com)

# BEXIL

11 Hanover Square  
New York, NY 10005