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

FORM 10-QSB

(Mark One)

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2006
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 001-12233

Bexil Corporation
(Name of small business issuer in its charter)

Maryland
(State of incorporation)

13-3907058
(I.R.S. Employer Identification No.)

11 Hanover Square, New York, New York
(Address of principal executive offices)

10005
(Zip Code)

Registrant's telephone number, including area code: 1-212-785-0400

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock	American Stock Exchange
Rights to Purchase Series A Participating	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No .

The number of shares outstanding of the issuer's classes of common equity, as of May 15, 2006: Common Stock, par value \$.01 per share – 883,592 shares.

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BEXIL CORPORATION
CONDENSED BALANCE SHEET
March 31, 2006
(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents \$ 13,151,257

Total current assets 13,151,257

Fifty percent interest in unconsolidated affiliate (Note 6) 2,937,117

Deferred taxes 1,136,237

Other assets 274,093

4,347,447

Total assets \$ 17,498,704

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses \$ 636,421

Total current liabilities 636,421

Commitments and contingencies (Note 9) -

Shareholders' equity

Common stock, \$0.01 par value, 9,900,000 shares authorized,
883,592 shares issued and outstanding 8,836

Series A participating preferred stock, \$0.01 par value, 100,000
shares authorized, -0- shares issued and outstanding -

Additional paid-in capital 12,767,086

Retained earnings 4,086,361

Total shareholders' equity 16,862,283

Total liabilities and shareholders' equity \$ 17,498,704

See notes to the condensed financial statements.

BEXIL CORPORATION
CONDENSED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2006 (Unaudited)	2005 (Unaudited)
Revenues		
Consulting and other	\$ 3,000	\$ 52,000
Dividends and interest	135,429	11,221
	138,429	63,221
Expenses		
Employee compensation and benefits	202,692	111,724
Professional	224,119	27,250
Occupancy	27,854	27,273
Communications	15,532	9,164
	470,197	175,411
Loss before income taxes and equity in earnings of York Insurance Services Group, Inc.	(331,768)	(112,190)
Income taxes	273,770	11,743
Equity in earnings of York Insurance Services Group, Inc.	1,071,891	594,420
Net income	\$ 466,353	\$ 470,487
Per share net income:		
Basic	\$ 0.53	\$ 0.53
Diluted	\$ 0.50	\$ 0.53
Average shares outstanding:		
Basic	880,392	879,591
Diluted	925,411	879,591

See notes to the condensed financial statements.

BEXIL CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31,	
	2006	2005
Cash flows from operating activities	(Unaudited)	(Unaudited)
Net income	\$ 466,353	\$ 470,487
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Equity in earnings of York Insurance Services Group, Inc.	(1,071,891)	(594,420)
(Increase) decrease in deferred taxes	(33,789)	2,743
Non-cash stock compensation	38,604	-
Increase in other assets	(263,759)	(25,750)
Decrease in income taxes payable	(228,118)	-
Increase (decrease) in other liabilities	68,662	(101,078)
Net cash used in operating activities	(1,023,938)	(248,018)
Cash flows from financing activities		
Proceeds from exercise of common stock options	86,360	-
Net cash provided by financing activities	86,360	-
Net decrease in cash and cash equivalents	(937,578)	(248,018)
Cash and cash equivalents		
Beginning of period	14,088,835	3,601,311
End of period	\$ 13,151,257	\$ 3,353,293
Supplemental disclosure:		
Income taxes paid	\$ 795,790	\$ -

See notes to the condensed financial statements.

BEXIL CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
March 31, 2006
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Organization

Bexil Corporation (the "Company"), a Maryland corporation, is a holding company. We have 10 employees. The Company's primary holding is a fifty percent interest in privately held York Insurance Services Group, Inc. ("York").

The Company was incorporated in 1996 under the laws of the State of Maryland as Bull & Bear U.S. Government Securities Fund, Inc., a non-diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). In October 1996, the Company's predecessor, a series of shares of Bull & Bear Funds II, Inc., an open-end management investment company, transferred its net assets to the Company in exchange for shares of the Company. The Company changed its name to Bexil Corporation in 1999. In 2002, the Company filed an application with the Securities and Exchange Commission (the "SEC") to terminate its registration as an investment company registered under the 1940 Act.

On January 6, 2004, the Company's application with the SEC to terminate its registration as an investment company was granted. As a result, the Company is subject to the reporting and other requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is no longer subject to regulation under the 1940 Act. The Company's shares are listed on the American Stock Exchange.

The information furnished in this report reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the period.

York Insurance Services Group, Inc. - Business

York is a privately owned insurance services business process outsourcing company. Since the 1930's, York (through predecessor companies) has served as both an independent adjustment company and third party administrator providing claims data and risk related services to insurance companies, self insureds, and intermediaries throughout the United States. More recently, York has established business units in the program management, licensed private investigation, recovery, environmental consulting, retail logistics and large/complex loss adjusting markets.

Basis of Presentation

The Company's fifty percent interest in York is accounted using the equity method and, therefore, York's financial results are not consolidated with ours.

Certain prior year balances have been reclassified to conform to the current year presentation. Such reclassifications did not affect total revenues, operating income or net income.

Cash and Cash Equivalents

Investments in money market funds and short-term investments and other marketable securities maturing in 90 days or less are considered to be cash equivalents. At March 31, 2006, the Company held approximately \$13,100,000 in a money market fund.

Investment in Unconsolidated Affiliate

The Company's fifty percent interest in York is accounted for using the equity method.

Income Taxes

The Company's method of accounting for income taxes conforms to the Financial Accounting Standards Board ("FASB")'s Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." This method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities.

Reporting Segment

The Company's operations are organized around insurance services and classified into one group: insurance services. The chief operating decision maker reviews and considers the reports of York and York's consolidated subsidiaries as the key decision making information.

Earnings Per Share

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by applying the treasury stock method where the weighted average number of common shares outstanding is adjusted for the incremental shares attributed to potentially dilutive securities including outstanding exercisable options to purchase common stock during the period. The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2006	2005
Numerator for basic and diluted earnings per share:		
Net income	\$ 466,353	\$ 470,487
Denominator for basic earnings per share:		
Weighted-average shares	880,392	879,591
Effect of dilutive securities:		
Employee stock options	45,019	-
Denominator for diluted earnings per share:		
Adjusted weighted average shares and assumed conversion	925,411	879,591
Per share net income:		
Basic	\$ 0.53	\$ 0.53
Diluted	\$ 0.50	\$ 0.53

Dilutive securities consisting of stock options were excluded if their effect was anti-dilutive. There were options to purchase 0 and 143,000 shares of common stock for the three months ended March 31, 2006 and 2005, respectively that were excluded from earnings per share because their effect was anti-dilutive.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Estimates are primarily used in the determination of equity method goodwill, investment impairment and expenses allocation. Actual results may differ from those estimates.

2. INCENTIVE COMPENSATION PLAN

In 2004, the Company's shareholders approved the adoption of the 2004 Incentive Compensation Plan (the "Plan"), which provides for the granting of a maximum of 175,918 options to purchase common stock to directors, officers and key employees of the Company or its affiliates. The option price per share may not be less than the fair value of such shares on the date the option is granted, and the maximum term of an option may not exceed 5 years. The vesting period is three years of service.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R) "Share-Based Payment" and began recognizing compensation expense for its share-based payments based on the fair value of the awards. Share-based payments include stock option grants under the Plan. SFAS 123(R) requires share-based compensation expense recognized since January 1, 2006, to be based on the following: a) grant date fair value estimated in accordance with the original provisions of SFAS 123 for unvested options granted prior to the adoption date; and b) grant date fair value estimated in accordance with the provisions of SFAS 123(R) for unvested options granted subsequent to the adoption date. Prior to January 1, 2006, the Company accounted for share-based payments using the intrinsic-value-based recognition method prescribed by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and SFAS 123, "Accounting for Stock-Based Compensation." As options were granted at an exercise price equal to the market value of the underlying common stock on the date of grant, no stock-based employee compensation cost was reflected in net income prior to adopting SFAS 123(R). As the Company adopted SFAS 123(R) under the modified-prospective-transition, results from prior periods have not been restated. The following table illustrates the effect on net income and earnings per share for the three months ended March 31, 2005 had compensation expense been recognized based upon the estimated fair value on the grant date of the awards, in accordance with SFAS 123.

Net income - as reported	\$	470,487
Less total employee stock option expense determined under fair value method, net of related tax effects		(32,751)
Pro forma net income	<u>\$</u>	<u>437,736</u>
Earnings per share - Basic:		
As reported	\$	0.53
Pro forma	\$	0.49
Earnings per share - Diluted:		
As reported	\$	0.53
Pro forma	\$	0.49

Under SFAS 123(R) forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

The adoption of SFAS 123(R)'s fair value method has resulted in additional share-based expense (a component of compensation expenses and taxes) in the amount of \$38,604 related to stock options for the three months ended March 31, 2006, than if the Company had continued to account for share-based compensation under APB 25. For the three months ended March 31, 2006, this additional share-based compensation lowered pre-tax earnings by \$38,604, lowered net income by \$37,117, and lowered basic earnings per share by \$0.04.

The following schedule shows all options granted, exercised, expired and exchanged under the Company's Stock Option Plan as of December 31, 2005.

Information relating to the options is as follows:

	Shares Under Option	Weighted Average Exercise Price	Total Price
Balance, December 31, 2003	-	\$ -	\$ -
Granted	147,500	\$ 21.47	\$ 3,166,825.00
Forfeited	(4,500)	\$ 21.59	\$ (97,155.00)
Balance, December 31, 2004	143,000	\$ 21.47	\$ 3,070,210.00
Granted	8,000	\$ 21.19	\$ 169,520.00
Forfeited	(7,000)	\$ 21.59	\$ (151,130.00)
Balance, December 31, 2005	144,000	\$ 21.45	\$ 3,088,800.00

The Company grants options to purchase common stock to its directors, officers, and key employees of the Company or its affiliates. The option price per share may not be less than the fair market value of such shares on the date the option is granted, and the maximum term of an option may not exceed 5 years. The vesting period is three years of service. Employees have 3 months after the employment relationship ends to exercise all vested options. The fair value of each option grant is separately estimated for each vesting date. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the award and each vesting date. The Company has estimated the fair value of all stock option awards as of the date of the grant by applying the Black-Scholes option pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense. The Company did not award any options during the first quarter of 2006.

The key assumptions used in determining the fair value of options granted by applying the Black-Scholes option pricing valuation model in 2005 and a summary of the methodology applied to develop each assumption are as follows:

Expected price volatility	49 – 51%
Risk-free interest rate	4.11 – 4.49%
Weighted average expected lives in years	5
Forfeiture rate	0%
Dividend yield	0%

Expected Price Volatility – The Company estimates the volatility of its common stock at the date of grant based solely on the historical volatility of its common stock. The volatility factor used in the Black-Scholes option valuation model is based on the Company’s historical stock prices over the most recent period commensurate with the estimated expected life of the award.

Risk-Free Interest Rate - This is the U.S Treasury yield in effect at the time of the grant having a term equal to the expected life of the option. An increase in the risk-free interest rate will increase compensation expense.

Expected Lives - This is the period of time over which the options granted are expected to remain outstanding giving consideration to vesting schedules, historical exercise and forfeiture patterns. The Company uses the simplified method outlined in SEC Staff Accounting Bulletin No. 107 to estimate expected lives for options granted during the period. Options granted have a maximum term of 5 years. An increase in the expected life will increase compensation expense.

Forfeiture Rate - This is the estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested. This estimate is based on historical experience. An increase in the

forfeiture rate will decrease compensation expense.

Expected Dividend Yield – In 2005 and since the adoption of the Plan the Company had not paid a dividend and at the time the options were granted did not anticipate paying a dividend in the foreseeable future, consequently the dividend yield assumption was zero. However, on December 29, 2005, the Board of Directors authorized a special dividend of \$1.00 per share contingent upon the closing of the York sale. The sale closed on April 28, 2006, and the dividend will be payable to stockholders on May 31, 2006. The expected dividend yield 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.

The Company generally issues new shares when options are exercised. A summary of stock option activity since our most recent fiscal year end is as follows:

	Shares Under Option	Weighted Average Exercise Price	Total Price
Balance, December 31, 2005	144,000	\$ 21.45	\$ 3,088,800.00
Granted	-	\$ -	\$ -
Exercised	(4,000)	\$ 21.59	\$ (86,360.00)
Balance, March 31, 2006	140,000	\$ 21.45	\$ 3,003,000.00

The following table summarized information about stock option outstanding as of March 31, 2006:

Range of Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price of Exercisable Options
\$ 16.30 - \$ 19.50	28,000	3.73	\$ 17.04	21,000	\$ 16.37
\$ 21.59 - \$ 24.00	112,000	3.11	\$ 22.55	83,476	\$ 22.34
	140,000	3.17	\$ 21.45	104,476	\$ 21.14

At March 31, 2006, the aggregate intrinsic value of all outstanding options was \$1,005,185 with a weighted average remaining contractual term of 3.17 years. The total compensation cost related to non-vested awards not yet recognized was \$163,636 with an expense recognition period of 3 years.

On February 21, 2006, pursuant to a Post-Effective Amendment filing to a registration statement filed on Form S-8 under the Securities Act of 1933, the Plan was amended to correct a defect in the Plan regarding the circumstances in which a participant may exercise an option after the date the employment of the participant is terminated by the Company other than for cause.

3. 401(k) PLAN

The Company participates in a 401(k) retirement plan for substantially all of its qualified employees. The plan is sponsored by an affiliate of the Company, Winmill & Co. Incorporated. Contributions to this plan are based upon a percentage of salaries of eligible employees and are accrued and funded on a current basis. Total plan expense for the three months ended March 31, 2006 and 2005 was \$10,049 and \$5,476, respectively.

4. INCOME TAXES

The income tax provision (benefit) is comprised of the following:

	<u>2005</u>	<u>2004</u>
Current provision:		
Federal	\$ -	\$ -
State and local	307,559	9,000
Total current provision	<u>307,559</u>	<u>9,000</u>
Deferred provision (benefit):		
Net operating loss	(121,684)	(46,000)
Equity in earnings of York	87,895	48,743
Total deferred provision (benefit)	<u>(33,789)</u>	<u>2,743</u>
Total provision for income taxes	<u>\$ 273,770</u>	<u>\$ 11,743</u>

At March 31, 2005, deferred tax assets were \$1,136,237 comprised of net operating and capital loss carryforwards of \$1,224,132 and a deferred tax liability for the equity in earnings of York of \$87,895.

At December 31, 2005, the Company had net operating loss carryforwards of \$2,363,925 expiring as follows: \$658,200 in 2022, \$572,400 in 2023, \$895,800 in 2024, and \$237,525 in 2025.

The provision for income taxes differs from the provision calculated using the federal statutory income tax rate because of the dividends received exclusion (80%) on the equity in earnings of the unconsolidated affiliate.

5. RELATED PARTIES

Certain officers of the Company also serve as officers and/or directors of Winmill & Co. Incorporated (“Winco”), Tuxis Corporation (“Tuxis”), and their affiliates (collectively with Bexil, the “Affiliates”). At March 31, 2006, Winco’s wholly owned subsidiary, Investor Service Center, Inc., owned 222,644 shares of the Company and 234,665 shares of Tuxis, or 25% and 23%, respectively, of the outstanding common stock. Winco’s wholly owned subsidiary, Midas Management Corporation (“MMC”), acts as “master” payer of compensation and benefits of Affiliate employees. At March 31, 2006, the Company had a payable to MMC for compensation and benefit expenses of \$93,589.

Rent expense of jointly used office space and overhead expense for various jointly used administrative and support functions incurred by Winco are allocated to the Company and the Affiliates. At March 31, 2006, the Company had a payable to Winco related to these costs of \$17,270. The Company incurred allocated rent and overhead costs of \$24,999 and \$24,000 for the three months ended March 31, 2006 and 2005, respectively.

The Company earned fees of \$3,000 and \$52,000 from York for consulting services and for service on York’s board of directors for the three months ended March 31, 2006 and 2005, respectively.

On December 22, 2005, the Company entered into an expense sharing agreement with York and the other fifty percent stockholder of York for interest and other expenses related to a bank loan obtained by and for use by York. The expense sharing agreement has a limited duration of approximately six months and will end on June 30, 2006. The loan is for \$15,000,000 bearing interest at LIBOR plus 1.5%. Under the expense sharing agreement the Company will bear 50% of the interest expense. The Company will also bear two-thirds of other agreed upon expenses up to a maximum of approximately \$197,000. The Company has incurred expenses of approximately \$113,000 related to the expense sharing agreement for the three months ended March 31, 2006.

6. INVESTMENT IN UNCONSOLIDATED AFFILIATE

Summarized condensed financial information for York is as follows:

<u>York Insurance Services Group, Inc.</u>	<u>Three Months Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
Revenues	\$ 23,142,567	\$ 16,839,102
Expenses	19,154,163	14,706,958
Net income	2,143,782	1,188,840
Working capital	10,109,085	15,230,081
Total assets	31,926,966	32,400,946
Total liabilities	29,052,732	12,365,134
Shareholder's equity	2,874,234	20,035,812

York is a fifty percent owned unconsolidated affiliate accounted for by the equity method. The Company's cost of its fifty percent interest in York exceeds the underlying equity in net assets as of March 31, 2006, as follows:

Equity in net assets of York	\$ 1,437,117
Goodwill	<u>1,500,000</u>
Carrying value	<u>\$ 2,937,117</u>

The carrying value of the Company's investment in York of \$2,937,117 at March 31, 2006 is reviewed by the Company for impairment in accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

The equity method goodwill of \$1,500,000 is not amortized. The Company reviews the goodwill balance for impairment and considers changes in events or circumstances that would impair the valuation. The Company believes there has been no impairment of goodwill as of March 31, 2006.

7. COMMITMENTS AND CONTINGENCIES

At March 31, 2006, there were no contingent obligations or events occurring that could reasonably be expected to have a material adverse impact on the Company's financial statements.

On January 11, 2006, the staff of the Market Regulation Department of the National Association of Securities Dealers ("NASD") on behalf of the American Stock Exchange ("AMEX") commenced a review of trading in the Company's common stock surrounding the December 27, 2005, announcement that the Company had entered into an agreement to sell its fifty percent interest in York. In connection with this review, the NASD requested that the Company provide certain information regarding the events that preceded the corporate disclosure. Pursuant to Section 132(e) of the AMEX Company Guide, a listed company is required to furnish such information, as the AMEX shall reasonably request. Failure to comply may subject a listed company to suspend dealings in its securities or removal from listing pursuant to AMEX Company Guide Section 1003. This inquiry should not be construed as an indication that the NASD has determined that any violations of AMEX rules or Federal Securities laws have occurred, or as a reflection upon the merits of the securities involved or upon any person who effected transactions in such securities. The Company provided the NASD

with all of the information requested on March 29, 2006. The NASD has not communicated any findings to the Company at this time.

8. STOCKHOLDER RIGHTS PLAN

The Board of Directors has adopted a stockholder rights plan. 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 \$.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 \$.01 per share. The rights were distributed as a non-taxable dividend and will expire on November 21, 2015. 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 10, 2005, the Board of Directors authorized the reclassification of 100,000 unissued shares of common stock of the Company (from among the 10,000,000 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.

9. SUBSEQUENT EVENTS

On April 27, 2006, the Company's stockholders voted to approve the sale of its fifty percent interest in York to a newly formed entity controlled by a private equity fund and certain other investors for approximately \$39 million in cash; the sale was consummated on April 28, 2006.

On April 28, 2006, pursuant to the authorization of the Governance, Compensation, and Nominating Committee of the Board of Directors, the Company paid employee bonuses of approximately \$1.9 million upon the consummation of the sale.

On December 29, 2005, the Company's Board of Directors authorized a special dividend to stockholders of \$1.00 per share of the common stock contingent upon the closing of the sale. The special dividend is payable on May 31, 2006 to stockholders of record on May 15, 2006.

YORK INSURANCE SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS MARCH 31, 2006 AND 2005 (UNAUDITED)

ASSETS	2006	2005
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,779,473	\$ 4,606,085
Accounts receivable, less allowance for doubtful accounts of \$840,779 and 557,223	17,140,176	12,037,672
Unbilled revenue	1,652,816	5,186,836
Deferred income taxes	1,895,672	1,397,524
Prepaid expenses and other current assets	<u>1,421,733</u>	<u>1,501,887</u>
Total current assets	<u>23,889,870</u>	<u>24,730,004</u>
PROPERTY AND PLANT—		
Furniture, fixtures and equipment—Net	<u>4,568,570</u>	<u>4,205,809</u>
OTHER ASSETS:		
Other intangible assets—Net	1,937,500	2,187,500
Goodwill	1,050,294	1,050,294
Deferred income taxes	-	36,273
Other	<u>480,732</u>	<u>191,066</u>
Total other assets	<u>3,468,526</u>	<u>3,465,133</u>
TOTAL	<u>\$ 31,926,966</u>	<u>\$ 32,400,946</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 282,010	\$ 1,432,965
Accrued payroll expenses	996,050	495,523
Accrued expenses	1,592,327	650,859
Accrued sub-contractors' fees	-	533,348
Taxes payable	1,794,128	967,077
Current portion of deferred income	5,485,534	5,060,974
Current portion of note payable	3,103,448	-
Current portion of capital lease obligation	246,042	240,937
Other current liabilities	<u>281,246</u>	<u>154,512</u>
Total current liabilities	<u>13,780,785</u>	<u>9,536,195</u>
NONCURRENT LIABILITIES:		
Deferred income	512,020	562,386
Notes payable	13,068,747	1,044,372
Capital lease obligation	345,358	352,901
Deferred income taxes	634,262	-
Other	<u>453,765</u>	<u>414,867</u>
Total noncurrent liabilities	<u>15,014,152</u>	<u>2,374,526</u>
MINORITY INTEREST	<u>257,795</u>	<u>454,413</u>
STOCKHOLDERS' EQUITY:		
Common stock—no par value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	-
Additional paid-in capital	3,000,000	3,000,000
Retained (deficit)/earnings	<u>(125,766)</u>	<u>17,035,812</u>
Total stockholders' equity	<u>2,874,234</u>	<u>20,035,812</u>
TOTAL	<u>\$ 31,926,966</u>	<u>\$ 32,400,946</u>

See notes to consolidated financial statements.

YORK INSURANCE SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)

	2006	2005
REVENUE	\$23,142,567	\$ 16,839,102
OPERATING EXPENSES	<u>19,216,662</u>	<u>14,769,456</u>
INCOME FROM OPERATIONS	<u>3,925,905</u>	<u>2,069,646</u>
OTHER INCOME AND DEDUCTIONS:		
Investment income	4,021	14,945
Interest expense	<u>(32,721)</u>	<u>(36,750)</u>
	<u>(28,700)</u>	<u>(21,805)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	3,897,205	2,047,841
PROVISION FOR INCOME TAXES	(1,700,740)	(766,236)
MINORITY INTEREST IN USTM INCOME	<u>(52,683)</u>	<u>(92,765)</u>
NET INCOME	<u>\$ 2,143,782</u>	<u>\$ 1,188,840</u>

See notes to consolidated to financial statements.

YORK INSURANCE SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)

	2006	2005
COMMON STOCK:	\$ -	\$ -
ADDITIONAL PAID-IN CAPITAL		
Balance— Beginning of period	<u>3,000,000</u>	<u>3,000,000</u>
Balance—March 31	<u>3,000,000</u>	<u>3,000,000</u>
RETAINED (DEFICIT)/EARNINGS:		
Balance— Beginning of period	(2,269,548)	15,846,972
Net income	<u>2,143,782</u>	<u>1,188,840</u>
Balance—March 31	<u>(125,766)</u>	<u>17,035,812</u>
TOTAL STOCKHOLDERS' EQUITY—March 31	<u>\$ 2,874,234</u>	<u>\$ 20,035,812</u>

See notes to consolidated financial statements.

YORK INSURANCE SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,143,782	\$ 1,188,840
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	433,386	382,502
Bad debt expense	-	-
Loss on disposition of fixed assets	-	1,458
Changes in:		
Accounts receivable	(1,249,321)	(295,063)
Unbilled revenues	329,466	3,528,029
Minority interest	52,683	92,765
Deferred income taxes	80,053	(35,079)
Prepaid expenses and other current assets	(276,155)	(571,845)
Other noncurrent assets	22,326	(2,389)
Accounts payable	(552,028)	(782,590)
Accrued payroll expenses	(861,846)	(1,119,162)
Accrued expenses	849,644	(144,925)
Accrued subcontractors' fees	-	(2,618,642)
Taxes payable	668,640	247,617
Deferred income	(552,753)	564,088
Other payables	(38,953)	95,689
Net cash provided by operating activities	<u>1,048,924</u>	<u>531,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(521,148)	(456,572)
Net proceeds from sale of fixed assets	<u>-</u>	<u>1,700</u>
Net cash used in investing activities	<u>(521,148)</u>	<u>(454,872)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable	(248,621)	(510,963)
Financing of capital lease obligations	108,958	-
Repayment of capital lease obligations	(70,745)	(66,292)
Partnership distributions	<u>(152,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(362,408)</u>	<u>(577,255)</u>
NET INCREASE / (DECREASE) IN CASH	165,368	(500,834)
CASH AND CASH EQUIVALENTS—Beginning of period	<u>1,614,105</u>	<u>5,106,919</u>
CASH AND CASH EQUIVALENTS—March 31	<u>\$ 1,779,473</u>	<u>\$ 4,606,085</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid—income taxes	<u>\$ 957,360</u>	<u>\$ 496,588</u>
Cash paid—interest	<u>\$ 32,721</u>	<u>\$ 36,751</u>

See notes to consolidated financial statements.

YORK INSURANCE SERVICES GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)

1. NATURE OF OPERATIONS AND ORGANIZATION

York Insurance Services Group, Inc. (the “Company”) provides comprehensive claims services for insurance carriers and self-insureds. Claim services provided include property and casualty, workers’ compensation, transportation, environmental and surveillance investigations. Services are provided throughout the United States.

The Company has a 50 percent ownership in a general partnership, Underground Storage Tank Management (“USTM”). The partnership was formed to contract with various State agencies to audit the costs incurred for the clean up of contaminated underground storage tanks and perform site inspections. All revenue is derived from work performed for the State of Florida Department of Environmental Protection. The Company maintains managerial, financial and operational control of USTM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation— The financial statements include York Insurance Services Group, Inc., its wholly owned subsidiaries, York Claims Service, Inc., York Claims Service, Inc. – Florida, York Special Investigations, Inc., York Claims Service of Nevada, Inc. and its 50 percent investment in USTM. York Claims Service, Inc. and York Claims Service, Inc. – Florida, Inc. provide comprehensive claims services and third-party administration for insurance carriers, self-insureds, municipalities, brokers and other intermediaries. York Special Investigations, Inc. offers surveillance investigation in addition to other special investigation services.

Investment in USTM Partnership—The Company’s 50 percent investment in USTM is fully consolidated and a minority interest is recorded to account for the minority interest holder’s proportionate share of net equity and net income in USTM.

Management’s Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Estimates are primarily used in the determination of unbilled revenue, deferred income and allowance for doubtful accounts. Actual results may differ from those estimates.

Cash Equivalents—The Company considers money market funds and highly liquid debt instruments purchased with original maturity dates of three months or less to be cash equivalents.

Unbilled Revenue— Unbilled revenue represents work performed on client files that have not been invoiced at the end of the year, as per contract terms or customary on-account billing procedures. The unbilled revenues are valued based on actual time or estimated completion of services.

Deferred Income Taxes—The deferred income tax assets and liabilities recorded on the consolidated balance sheets represent the income tax effects of temporary differences between the tax basis of assets and their amounts for financial reporting purposes. Deferred income taxes arise from the recognition of these temporary differences.

Property and Depreciation—The Company depreciates the cost of property and equipment over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for the principal classifications are as follows:

Furniture, fixtures and equipment	7 years
Computer hardware and software	3-5 years
Automobiles	5 years
Leasehold improvements	3-10 years

Capitalized Software and Development—The Company capitalizes costs associated with internally developed software or systems. These costs included external direct costs for services and payroll and payroll related costs for employees directly associated with developing internal-use software and systems. Such costs are amortized on a straight-line basis over five years.

Goodwill and Other Intangible Assets—The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, which states that goodwill and intangible assets with indefinite useful lives should not be amortized, but instead tested for impairment at least annually at the reporting unit level. If an impairment exists, a writedown to fair value (normally measured by discounting estimated future cash flows) is recorded.

Intangible assets with finite lives are amortized on the straight-line basis over their estimated useful lives and are reviewed for impairment in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

After considering legal factors, business climate, potential action by regulators, key personnel and financial position, the Company believes there has been no impairment of goodwill and other intangible assets as of March 31, 2006 and 2005.

Allowance for Doubtful Accounts—The Company creates an allowance for receivables that may become uncollectible. The amount of the allowance is based upon management's assessment of several factors including the review of aging experience.

Revenue Recognition—Revenue is recognized as a claim file is being processed, based on the estimated rate at which services are provided or the actual value of time. The estimated rate at which services are provided is based on the average life of the claim and recognized as the claim enters different phases of the claims handling process. The full amount of revenue is recognized when the claim is closed or when the services have been completed.

Deferred Income— Deferred income represents the unearned portion of fixed fee arrangements or fixed percentages of net earned premiums of carriers, derived from insurance policies issued by clients. Deferred income is recognized into income based upon proportional performance.

3. PROPERTY & PLANT

The carrying value of depreciable assets at March 31, 2006 is as follows:

Classification	Cost	Accumulated Depreciation	Carrying Value
Furniture, fixtures and equipment	\$ 3,109,620	\$ 1,213,270	\$ 1,896,350
Computer hardware and software	2,462,763	1,349,982	1,112,781
Automobiles	-	-	-
Leasehold improvements	773,714	316,383	457,331
Systems development	<u>2,342,509</u>	<u>1,240,401</u>	<u>1,102,108</u>
Total	<u>\$ 8,688,606</u>	<u>\$ 4,120,036</u>	<u>\$ 4,568,570</u>

During the three months ended March 31, 2006 depreciation expense was \$370,886

The carrying value of depreciable assets at March 31, 2005 is as follows:

Classification	Cost	Accumulated Depreciation	Carrying Value
Furniture, fixtures and equipment	\$ 2,647,583	\$ 821,177	\$ 1,826,406
Computer hardware and software	1,847,108	960,753	886,355
Automobiles	7,391	7,391	-
Leasehold improvements	683,493	239,177	444,316
Systems development	<u>1,894,065</u>	<u>845,333</u>	<u>1,048,732</u>
Total	<u>\$ 7,079,640</u>	<u>\$ 2,873,831</u>	<u>\$ 4,205,809</u>

During the three months ended March 31, 2005, depreciation expense was \$320,001.

4. OTHER INTANGIBLE ASSETS

Other intangible assets consist principally of trademarks and trade names and customer relationships. Customer relationships are amortized on a straight-line basis over an estimated useful life of 10 years. Trademarks and trade names and goodwill which are not amortized are assessed for impairment on an annual basis or more frequently as events or circumstances arise. Amortization of intangible assets charged to operations amounted to \$62,500 for the three months ended March 31, 2006 and 2005.

Other intangible assets consist of the following at March 31, 2006:

Classification	Cost	Accumulated Amortization	Carrying Value
Amortized intangible assets:			
Customer relationships	<u>\$2,500,000</u>	<u>\$1,062,500</u>	<u>\$1,437,500</u>
Unamortized intangible assets:			
Trademarks and trade names	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>

Other intangible assets consist of the following at March 31, 2005:

Classification	Cost	Accumulated Amortization	Carrying Value
Amortized intangible assets:			
Customer relationships	<u>\$2,500,000</u>	<u>\$ 812,500</u>	<u>\$1,687,500</u>
Unamortized intangible assets:			
Trademarks and trade names	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>

The estimated amortization expense for the years ending December 31, 2007, 2008, 2009, 2010 and 2011 is \$250,000 each year.

5. LEASE COMMITMENTS

The Company leases office space in each of the cities in which its offices are located and certain office equipment under operating leases. Rental expense for all operating leases totaled \$859,332 for the three months ended March 31 2006 and \$787,296 for the three months ended March 31, 2005.

Future minimum lease payments for operating leases that have initial or remaining noncancelable terms in excess of one year as of March 31, 2006 are as follows:

	2007	2008	2009	2010	2011	Thereafter	Total
Office space	\$2,791,241	\$2,480,474	\$ 2,399,483	\$ 1,818,496	\$ 1,362,396	\$2,642,886	\$ 13,494,976
Equipment	<u>301,665</u>	<u>203,733</u>	<u>115,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>620,935</u>
Total	<u>\$3,092,906</u>	<u>\$2,684,207</u>	<u>\$ 2,515,020</u>	<u>\$ 1,818,496</u>	<u>\$ 1,362,396</u>	<u>\$2,642,886</u>	<u>\$ 14,115,911</u>

6. CAPITAL LEASE OBLIGATIONS

The Company leases certain office equipment and furniture under capital leases with terms up to 48 months. The leases expire between July 2005 and March 2009. The total amount of equipment and furniture financed by capital leases was \$108,958 for the three months ended March 31, 2006 and \$0 for the three months ended March 31, 2005. The total amount paid by the Company was \$80,010 for the three months ended March 31, 2006 and \$78,336 for the three months ended March 31, 2005.

The carrying value of equipment held under capital leases, which is included in property, plant, and equipment in the financial statements, at March 31, 2006 is as follows:

Classification	Cost	Accumulated Depreciation	Carrying Value
Equipment under capital lease	<u>\$ 967,394</u>	<u>\$276,995</u>	<u>\$ 690,399</u>

During the three months ended March 31, 2006, depreciation expense was \$51,735.

The carrying value of equipment held under capital leases, which is included in property, plant, and equipment in the financial statements, at March 31, 2005 is as follows:

Classification	Cost	Accumulated Depreciation	Carrying Value
Equipment under capital lease	<u>\$866,036</u>	<u>\$214,241</u>	<u>\$ 651,795</u>

During the three months ended March 31, 2005, depreciation expense was \$30,910.

7. NOTES PAYABLE

During 2002, the Company borrowed of \$5,000,000 and \$4,000,000 from AIG and Merchants New York Commercial Corporation, respectively. The AIG loan was payable in sixty equal monthly installments commencing on February 18, 2002 with interest rate of prime plus 1.5%.

On June 17, 2003, the Company paid the AIG loan down to \$1,000,000, at which time the terms of the loan were renegotiated. The renegotiated loan is payable in 36 equal installments of \$31,106, with interest at 7.50 %. On March 23, 2005, the AIG loan was paid off.

The Merchants loan is a revolving line of credit for a period of four years and is deemed automatically renewed for a successive term of one year thereafter. The interest rate on the revolving line of credit is the prime rate, 5.75% at March 31, 2005. The line of credit was paid off on December 14, 2005.

Both the AIG and commercial bank loans required the Company to maintain a working capital of not less than \$5,000,000 at all times and tangible net worth of \$5,250,000 on March 31, 2005. The Company was in compliance with loan requirements as of March 31, 2005.

On December 14, 2005, the Company entered into a \$15,000,000 term loan with Wachovia Bank, NA, with interest equal to the one-month LIBOR rate plus 1.5%. The interest rate at March 31, 2006 was 6.56 %. The term loan was paid off on April 28, 2006.

The term loan required the Company to maintain the following financial covenants; funded debt to EBITDA ratio of not more than 2.00 to 1.00, funds flow coverage ratio of not less than 1.50 to 1.00, liquidity requirement of not less than \$2,000,000, officer and director compensation shall not increase during any fiscal year by more than 20%, no losses for any two consecutive quarters and no change in the current chief executive officer. The Company was in compliance with all covenants as of March 31, 2006.

On December 14, 2005, the Company entered into a \$5,000,000 revolving loan facility with Wachovia Bank, NA, with interest equal to the LIBOR Market Index-Based Rate plus 1.50%. The interest rate at March 31, 2006 was 6.32%. At March 31, 2006, the Company had drawn \$1,414,346 from the revolving loan. The revolving loan facility was paid off on April 28, 2006

8. INCOME TAXES

The provision for federal, state and local income taxes for the three months ended March 31, 2006 and 2005 is comprised of the following:

	2006	2005
Current - Federal, state and local	\$ 1,620,687	\$ 746,315
Deferred income tax benefit	<u>80,053</u>	<u>19,921</u>
	<u>\$ 1,700,740</u>	<u>\$ 766,236</u>

The provision for federal, state and local income taxes for the three months ended March 31, 2006 and 2005 is comprised of the following:

Income Before Income Taxes and				
Minority Interest	\$ 3,897,205		\$ 2,047,841	
Minority Interest in USTM Income	<u>(52,683)</u>		<u>(92,765)</u>	
Pre-tax Net Income	<u>\$ 3,844,522</u>		<u>\$ 1,955,076</u>	
Income Tax - Statutory Rate	\$ 1,345,583	35%	\$ 684,277	35%
Meals & Entertainment	16,687	0%	10,999	1%
State income taxes	(146,540)	-4%	(33,710)	-2%
Non-deductible Goodwill	21,875	-2%	21,875	0%
Other	<u>44,448</u>	<u>1%</u>	<u>(13,520)</u>	<u>-1%</u>
Federal Total Income Tax Expense	1,282,053	33%	669,921	17%
State Total Income Tax Expense	<u>418,687</u>	<u>11%</u>	<u>96,315</u>	<u>5%</u>
Total Income Tax Expense	<u>\$ 1,700,740</u>	<u>44%</u>	<u>\$ 766,236</u>	<u>39%</u>

Net deferred income tax assets and (liabilities) consist of the following at March 31, 2006 and 2005:

	2006	2005
Depreciation and amortization	\$ (724,672)	\$ (203,755)
Deferred income	1,555,631	1,399,279
Allowance for doubtful accounts	294,273	189,456
Enterprise appreciation rights	<u>136,178</u>	<u>48,817</u>
	<u>\$ 1,261,410</u>	<u>\$ 1,433,797</u>

9. EMPLOYEE BENEFITS

The Company has a voluntary employee savings plan (401(k) plan) in which eligible employees can contribute on a pretax basis a certain portion of their income. Matching contributions are made by the Company up to 6% of annual salary depending on the employees' years of service. The total cost of the plan to the Company was \$251,417 for the three months ended March 31, 2006 and \$185,466 for the three months ended March 31, 2005. The Company also has the following additional employee benefit plans: group life, health, dental, long-term disability and supplemental life insurance. The aggregate total of such additional employee benefit plan expense to the Company was \$690,339 for the three months ended March 31, 2006 and \$573,116 for the three months ended March 31, 2005.

10. CONCENTRATION OF BUSINESS

The Company has generated revenues through separate and distinct contractual service arrangements with several carriers that are affiliates of each other (but not related to the Company) which, in aggregate, represented approximately 32% and 39% of the Company's revenue for the three months ended March 31, 2006 and 2005 respectively. Approximately two-thirds of this revenue is derived from TPA services provided on industry-specific program business which also involves relationships with MGAs and trade associations which are an integral part of the buying decision.

The Company also manages claims for residual market plans in several states. Although the Company maintains a contractual relationship with the servicing carrier the selection of the Company as a TPA on these programs is influenced by each individual state plan, the servicing carrier which manages the plan, the state departments of insurance which oversee each plan and the representatives of insurance companies who serve on the Boards of each plan. In the aggregate, residual market plans represented 40% and 30% of the Company's revenue for the three months ended March 31, 2006 and 2005, respectively. Some of the carriers referred to above are also involved as the serving carrier on a portion of the residual market plans. It is the Company's position that each of these residual market plans is a separate customer relationship and as such, the customer concentration disclosure above does not reflect any business derived from the residual market plans.

11. FIDUCIARY ACCOUNT

The Company holds money in escrow on behalf of certain clients. These escrow funds are used to pay losses and claim-related expenses on behalf of those clients. The payment of losses and claim-expenses does not affect the operating results of the Company. Neither the cash balances nor the related liabilities are included in the accompanying financial statements. The balance of the fiduciary accounts was \$1,830,263 at March 31, 2006 and \$1,594,124 at March 31, 2005.

12. RELATED PARTY TRANSACTIONS

The Company entered into an agreement with the shareholders of record as of December 22, 2005. The agreement provides that the Company is to be reimbursed for interest expense and certain costs associated with the Wachovia term loan. On April 26, 2006, the Company received reimbursement of \$497,927.

The Company made a \$125,000 loan to a senior executive in 2005, with interest at 5%. The total amount of interest paid was \$4,894. The loan was repaid in full on January 19, 2006.

13. COMMITMENTS AND CONTINGENCIES

The Company is subject to legal proceedings and claims that arise as result of events that occur in the ordinary course of business. Although there can be no assurance as to the ultimate outcome of these matters, it is the opinion of the Company's management that the final disposition of such matters will not have a material adverse effect on the Company's financial position, results of operations and cash flows.

14. SUBSEQUENT EVENTS

On December 23, 2005, the Company announced the signing of an agreement under which Odyssey Investment Partners LLC in partnership with the Company's Chairman & CEO, other members of the Company's senior management and Ward Partners, LLC (collectively "York Buyer") will purchase the Company from the Company's shareholders. The shareholders of the Company are the Company's Chairman and CEO and Bexil Corporation ("Bexil") each of whom own a fifty percent in the Company. The sale of Bexil's fifty percent interest in the Company is subject to the approval of the holders of at least 50% of Bexil's outstanding common stock. On April 27, 2006, the Bexil stockholders voted to approve the sale of its fifty percent interest in the Company to the York Buyer. The transaction was completed as of the close of business on April 28, 2006.

YORK INSURANCE SERVICES GROUP INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)

The following table represents the statements of operating expenses of York Insurance Services Group, Inc. for the three months ended March 31, 2006 and 2005 (Unaudited):

	2006	2005
Salaries	\$ 13,728,491	\$ 10,383,535
Employee benefits	1,087,177	880,961
Travel	525,625	317,803
Automobiles	401,742	291,819
Rent and related expenses	796,241	684,881
Equipment	184,751	161,977
Printing and stationary	183,281	154,537
Communications	441,089	490,402
Data processing	254,023	200,897
Depreciation and other amortization	433,386	382,500
Service fees	152,295	184,933
Loss adjustment expense	771,048	430,864
Other	<u>257,513</u>	<u>204,347</u>
Total operating expenses	<u>\$ 19,216,662</u>	<u>\$ 14,769,456</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Information

Information or statements provided by or on behalf of the Company from time to time, including those within this Quarterly Report on Form 10-QSB, may contain certain "forward looking information", including information relating to anticipated growth in revenues or earnings per share, anticipated changes in the amount and composition of assets under management, anticipated expense levels, and expectations regarding financial market conditions. The Company cautions readers that any forward looking information provided by or on behalf of the Company is not a guarantee of future performance and that actual results may differ materially from those in forward looking information as a result of various factors, including but not limited to those discussed below. Further, such forward looking statements speak only as of the date on which such statements are made, and the Company undertakes no obligation to update any forward looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Certain written and oral statements made or incorporated by reference from time to time by the Company in this report, other reports, filings with the SEC, press releases, conferences, or otherwise, contain "forward looking information" and are "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements. Forward looking statements may be identified, without limitation, by the use of such words as "anticipates", "estimates", "expects", "intends", "plans", "predicts", "projects", "believes", or words or phrases of similar meaning. Forward looking statements include risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward looking statements. In addition to other factors and matters discussed elsewhere herein, some of the important facts that could cause actual results to differ materially from those discussed in the forward looking statements include the following: changes in general economic conditions in York's major geographic markets; occurrences of weather-related, natural and man-made disasters, changes in overall employment levels and associated injury rates in the United States; changes in the degree to which property and casualty insurance carriers outsource their claims handling functions; decisions by major insurance carriers and underwriters and brokers to expand their activities as third party administrators and adjusters, which would directly compete with York's business; the ability to identify new revenue sources not directly tied to the insurance underwriting cycle; the growth of alternative risk programs and the use of independent third party administrators such as York, as opposed to administrators affiliated with brokers or insurance carriers; the ability to develop or acquire information technology resources to support and grow York's business; the ability to recruit, train and retain qualified personnel; the renewal of existing major contracts with clients and York's ability to obtain such renewals and new contracts on satisfactory financial terms and the creditworthiness of its major clients; changes in accounting principles or application of such principles to York's business; and any other factors referenced or incorporated by reference in this report and any other publicly filed report. The risks included above are not exhaustive.

Other sections of this report may include reference to the additional factors which could adversely impact the Company's and York's business and financial performance. Moreover, the Company and York operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors, nor can it assess the impact of known risk factors on the Company and York's business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward looking statement. The Company undertakes no obligation to revise or publicly release the results of any revisions to forward looking statements or to identify any new risk factors which may arise. Given these risks and uncertainties, investors should not place undue reliance on forward looking statements as a prediction of actual future results.

Investors should also be aware that while the Company does, from time to time, communicate with securities analysts, it is against the Company's policy to disclose to them any material, non-public information.

Accordingly, investors should not assume that the Company agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, the Company has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that the reports issued by securities analysts contain any projections, forecasts, or opinions, such reports are not the responsibility of the Company.

Overview

Bexil Corporation, a Maryland corporation (the “Company”), is a holding company. We have 10 employees, none of whom are full time.

The Company was incorporated in 1996 under the laws of the State of Maryland as Bull & Bear U.S. Government Securities Fund, Inc., a non-diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). In October 1996, the Company’s predecessor, a series of shares of Bull & Bear Funds II, Inc., an open-end management investment company, transferred its net assets to the Company in exchange for shares of the Company. The Company changed its name to Bexil Corporation in 1999. In 2002, the Company filed an application with the Securities and Exchange Commission (the “SEC”) to terminate its registration as an investment company registered under the 1940 Act.

On January 6, 2004, the Company’s application with the SEC to terminate its registration as an investment company was granted. As a result, the Company is subject to the reporting and other requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is no longer subject to regulation under the 1940 Act. The Company’s shares are listed on the American Stock Exchange.

Bexil’s primary holding is, and since 2002 has been, its fifty percent interest in privately held York Insurance Services Group, Inc. (“York”). York is an insurance services business process outsourcing company. Since the 1930’s, York (through predecessor companies) has served as both an independent adjustment company and third party administrator providing comprehensive claims, data, and risk related services to insurance companies, self-insureds, and intermediaries throughout the United States. York’s business units include the program management, licensed private investigation, recovery, environmental consulting, retail logistics and large/complex loss adjusting.

The Company’s fifty percent interest in York is accounted for using the equity method and, therefore, York’s financial results are not consolidated with ours.

On April 28, 2006, the Company consummated the sale of its fifty percent interest in York to a newly formed entity controlled by a private equity fund and certain other investors for approximately \$39 million in cash and realized a gain of approximately \$36 million.

York Industry Profile and Risks

The insurance services industry in which York competes is fragmented and includes captive and independent service providers. Captives are typically owned and operated by insurance carriers and brokers. Independent competitors include a few large, a small group of mid-sized, and many small companies. York seeks to position itself as a nimble, nationwide provider of a broad array of insurance services. York’s objective is to offer its customers the flexibility of the smaller providers combined with the infrastructure and service offerings of larger competitors.

York competes in the domestic and international markets for claims administration, claims adjusting, and related services, which are highly competitive. A large number of companies compete in varying ways in various segments of the market. Competitors include those insurance companies that have their own claims handling capabilities, insurance brokers offering adjusting and related services to supplement brokerage services, as well as national, regional, and small adjusting companies.

Although there are a large number of property and casualty insurers, the major insurers, which account for a substantial portion of the insurance services market, typically maintain a staff of adjusters on their payrolls. Generally, insurers use this staff to adjust automobile and smaller property claims. Many insurers, however, also have internal adjusting staffs, which handle claims that are larger or more complicated. Nonetheless, to varying degrees, property and casualty insurers “outsource” claims adjusting, whether entirely, on a multi-policy “program” basis, a policy-by-policy basis or on an adjustment-by-adjustment basis.

Insurers have numerous reasons for out-sourcing claims handling. Some insurers have elected to reduce overhead by eliminating internal claims adjusting capability in whole or in part. Others have specialized requirements for specialized adjusting services. Additionally, certain claims may require adjusting services outside the geographic area that an insurer's staff can handle conveniently. Insurers' relationships with insureds or managing general agents, and those parties' relationships with claims administrators, may also result in an insurer out-sourcing claims. York makes its services available to those insurers wishing to out-source claims handling.

Insurance markets tend to be cyclical in nature. As markets “harden,” premiums, deductibles and “self-insured retention” amounts tend to increase, while coverage terms tend to become more restrictive. As markets “soften,” the opposite tends to occur. Different business opportunities arise in all phases of these cycles. For example, the higher deductibles and self-insured retention amounts seen during a “hard” market may lead insureds to take a greater degree of control over the claims handling process. This presents an opportunity for York to provide service to “self-insured” parties. On the other hand, a “soft” market will tend to cause insurers to seek to cut costs. One way insurers try to do this is by reducing the overhead of their in-house claims departments. This presents an opportunity to York to handle out-sourced claims.

The insurance industry is heavily regulated and has recently been the focus of intense scrutiny. Business practices of brokers, agents, insurance carriers and reinsurers have been under review, including many customers and parties that refer business to York. It is uncertain what impact these recent regulatory initiatives will have on the insurance industry and ultimately on York’s business. To the extent that these regulatory initiatives lead to changes in the industry, both risks to its current business and opportunities for new business may be created.

York generates revenues through separate and distinct contractual service arrangements with several carriers that are affiliates of each other (but not related to York) which, in aggregate, represented approximately 32% and 39% of York’s revenue for the three months ended March 31, 2006 and 2005, respectively. Approximately two thirds of this revenue is derived from third-party administrative (“TPA”) services provided on industry-specific program business which also involves relationships with managing general agents (“MGA’s”) and trade associations which are an integral part of the buying decision.

York also manages claims for residual market plans in several states. Although York maintains a contractual relationship with the servicing carrier the selection of York as a TPA on these programs is influenced by each individual state plan, the servicing carrier which manages the plan, the state departments of insurance which oversee each plan and the representatives of insurance companies who serve on the boards of each plan. In the aggregate, residual market plans represented 40% and 30% of York’s revenue for the three months ended March 31, 2006 and 2005, respectively. Some of the carriers referred to above are also involved as the serving carrier on a portion of the residual market plans. It is York’s position that each of these residual market plans is a separate customer relationship and as such, the customer concentration disclosure above does not reflect any business derived from the residual market plans.

Operations after the Sale of York Shares

Upon the sale of the York shares, the Company will seek to acquire and/or develop one or more businesses. There are no limits on the types of businesses or fields in which the Company may devote its assets. No businesses to acquire or develop have been identified by the Company at this time. The Company cannot predict what changes to its present business or operations would result from the sale of the York shares. We have no plans to dissolve and liquidate the Company. We may decide to use most of the proceeds from the sale

to start up and develop a business or to explore other alternatives, such as an acquisition of or business combination with, another entity or entities. At this time our Board of Directors has not made any decision to pursue any of these options.

Liquidity and Capital Resources

At March 31, 2006, the Company had positive working capital of \$12,514,836, total assets of \$17,498,704, no long-term debt, and shareholders' equity of \$16,862,283.

Management knows of no contingencies that are reasonably likely to result in a material decrease in the Company's liquidity or that are likely to materially adversely affect the Company's capital resources.

Three Months ended March 31, 2006 Compared to Three Months ended March 31, 2005

Total revenues of \$138,429 increased \$75,208. The increase in revenue was comprised of an increase in dividend and interest income of \$124,208 partially offset by a decrease in consulting and other fees of \$49,000. The increase in dividend and interest income was attributable to larger investable cash balances and rising yields on our money market fund investments. Consulting and other revenue decreased due to the discontinuance of the Company's consulting arrangement with York. In 2005 the consulting fee was \$150,000 per annum or \$37,500 per quarter.

Total expenses of \$470,197 increased \$294,786 for the three months ended March 31, 2006 compared to total expenses of \$175,411 for the three months ended March 31, 2005. Compensation and benefits increased \$90,968. The increase was due to recognizing \$38,604 in compensation expense for unvested stock options due to the adoption of SFAS 123(R) as of January 1, 2006 and to the increase in jointly used administrative and support functions incurred by Winco and allocated to the Company. Professional expenses increased \$196,869. This was due to an increase in audit, legal, and the York expense sharing agreement arising from the sale of York.

The Company's equity in the earnings of York increased \$477,471 for the three months ended March 31, 2006, from \$594,420 for the three months ended March 31, 2005 to \$1,071,891. This increase is attributable to the increase York's net income for the same period.

Net income was \$466,353 for the three months ended March 31, 2006 compared to net income of \$470,487 for the three months ended March 31, 2005, representing a 0.9% decrease. Net income on a per-share diluted basis was \$0.50 compared with \$0.53.

Item 3. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company has carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer along with the Company's Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based on that evaluation, management, including the Company's President and

Chief Executive Officer along with the Company's Principal Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2006.

Changes in Internal Controls

In connection with the evaluation of our internal controls during our last fiscal quarter, our principal executive officer and principal financial officer have determined that there have been no changes to our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BEXIL CORPORATION

Dated: May 15, 2006

By : /s/Thomas O'Malley
Thomas O'Malley
Chief Financial Officer,
Chief Accounting Officer

Certification - Exchange Act Rules 13a-14 and 15d-14

I, Thomas B. Winmill, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Bexil Corporation ("small business issuer");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [omitted in accordance with SEC Release Nos. 33-8238 and 34-47986];
 - c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 15, 2006
/s/ Thomas B. Winmill
Chief Executive Officer

Certification - Exchange Act Rules 13a-14 and 15d-14

I, Thomas O'Malley, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Bexil Corporation ("small business issuer");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [omitted in accordance with SEC Release Nos. 33-8238 and 34-47986];
 - c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 15, 2006
/s/ Thomas O'Malley
Chief Financial Officer

**CEO CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bexil Corporation on Form 10-QSB for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas B. Winmill, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Thomas B. Winmill
Thomas B. Winmill
Chief Executive Officer
May 15, 2006

**CFO CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bexil Corporation on Form 10-QSB for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas O'Malley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Thomas O'Malley
Thomas O'Malley
Chief Financial Officer
May 15, 2006