# BEXIL

- **Notice of 2017 Annual Meeting and Proxy Statement**

- **2016 Annual Report**

Ticker:

**BXLC**

11 Hanover Square
New York, NY 10005

Tel 1-212-785-0900
www.Bexil.com

# BEXIL CORPORATION

## Notice of Annual Meeting of Stockholders

To the Stockholders:

Notice is hereby given that the 2017 Annual Meeting of Stockholders (the "Meeting") of Bexil Corporation (the "Company") will be held at 11 Hanover Square, 12th Floor, New York, New York on June 15, 2017 at 11:30 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 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 each of the proposals.***

Stockholders of record at the close of business on April 17, 2017 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
May 22, 2017

THE MEETING WILL START PROMPTLY AT 11:30 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 June 15, 2017**

This Proxy Statement is furnished in connection with a solicitation of proxies by Bexil Corporation (the "Company") to be voted at the 2017 Annual Meeting of Stockholders of the Company to be held at 11 Hanover Square, 12th Floor, New York, New York on June 15, 2017 at 11:30 a.m., local time, and at any postponements or adjournments thereof (the "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 April 17, 2017 (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 977,168 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 May 26, 2017.

**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 of directors (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. The address of record for the Nominee is PO Box 4, Walpole, NH 03608.

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

| **Name, Principal Occupation, and Business Experience** |
|---|
| **Class I:** |
| 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 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. |

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 THAT YOU VOTE <u>FOR</u> THE NOMINEE. ANY SIGNED BUT UNMARKED PROXIES WILL BE VOTED <u>FOR</u> THE NOMINEE.***

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

The Board is empowered to appoint a firm to serve as the Company's auditors. The Board has previously appointed Tait, Weller & Baker LLP ("Tait, Weller") to serve as the Company's auditors for the fiscal period commencing January 1, 2017. Tait, Weller served as the Company's auditor for the years 2015 and 2016.

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

**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, a majority of all the votes cast at the Meeting at which a quorum is present is sufficient to ratify the appointment of auditors.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE <u>FOR</u> THE PROPOSAL TO RATIFY THE APPOINTMENT OF AUDITORS. ANY SIGNED BUT UNMARKED PROXIES WILL BE VOTED <u>FOR</u> PROPOSAL 2.***

## 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 chairman of the board, if present, or if not present, then any officer entitled to preside or act as secretary of such meeting, if present, or if not present, then any stockholder present in person or by proxy entitled to vote, 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 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, 12th Floor, 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 or a particular director may send a letter to the Secretary of the Company at 11 Hanover Square, 12th Floor, 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, such as solicitations, resumes and other forms of job inquiries, surveys, and individual complaints, and materials that are unduly hostile, threatening, illegal, or similarly unsuitable will not be distributed, but will be made available upon request to the Board 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, 2016, 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, 12th Floor, 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.***

# BEXIL CORPORATION

## 2016 Annual Report

# BEXIL CORPORATION

## Contents

**BEXIL CORPORATION**
11 Hanover Square
New York, New York 10005
Tel. 1-212-785-0900 www.Bexil.com

May 22, 2017

Fellow Shareholders:

Bexil Corporation ("Bexil" or the "Company") is a holding company primarily engaged through wholly-owned subsidiaries in investment management and securities trading. Bexil Advisers LLC ("Bexil Advisers") is a registered investment adviser. Bexil Securities LLC ("Bexil Securities") is a registered broker-dealer trading securities for its own account. The Company's objective is to increase book value per share over time.

**2016 Financial Results and Condition -** *Book Value per Share Up 7.8%*

Bexil's shareholders' book value at 2016 year end amounted to about $18.2 million or $18.64 per share, up 7.8% from $16.7 million or $17.29 per share a year earlier. 2016 net income attributable to Bexil shareholders was $0.95 million or $0.97 per share, as compared to a 2015 net loss of $1.66 million or $1.69 per share. Dividing this 2016 net income by 2015 year end shareholders' equity shows a 5.6% return on equity.

The Company's income statement shows revenue improving over the prior year primarily from realized and unrealized gains on investments in securities, totaling about $0.96 million, as compared to losses of $2.23 million in the prior year. Expenses increased in 2016 compared to 2015, although expenses of professional services declined notwithstanding litigation the Company brought, which is described below. Certain of the Company's 2015 income and expenses were reclassified to discontinued operations, attributable to Castle Mortgage Corporation, which was sold in September 2015.

The Company's year-end balance sheet shows cash and securities totaling about $16.8 million and total liabilities of $1.5 million, but not its net deferred tax assets of about $9.0 million since they have been fully reduced by a valuation allowance. The majority of these assets is comprised of the Company's federal and state net operating loss carryovers of approximately $17.6 million, which begin to expire in 2030. The balance sheet also reflects a net intangible asset of about $2.52 million, comprised of the investment management agreement for a fund acquired by Bexil Advisers. The agreement was acquired in 2011 for about $4.33 million, when the fund's assets were only about half of what they are today, and is amortizing over 12 years by roughly $0.36 million per year.

The performance of the investment management and broker-dealer businesses is discussed below. Generally, 2016 saw revenue and other income from the investment management business dip slightly, while contributions from the broker-dealer lead to overall positive results for the Company.

**Investment Management**

In 2016, investment management and administrative services fees earned by Bexil Advisers were $1.62 million, as compared to $1.70 million in 2015. These fees are paid by Dividend and Income Fund ("DNI" or the "Fund"), a closed end investment company listed on the New York Stock Exchange with the ticker symbol DNI (and net asset value per share symbol XDNIX). Pursuant to an investment management agreement, 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. By dividing the Fund's investment management expense shown on its audited statements of operations, dated December 31, by this annual fee rate we can estimate that such managed assets in 2016 and 2015 averaged about $148 million and $157 million, respectively. Bexil Advisers also provides administrative services to the Fund at cost. Under Bexil Advisers' management, the Fund's 2016 total return on a net asset value basis was 18.13%, leaving 2016 year end net assets and managed assets standing at roughly $151 and $179 million, respectively.

The litigation noted above was filed on October 3, 2016 by Bexil against Karpus Management, Inc. (“Karpus”). Karpus sometimes seeks closed end fund liquidation. Bexil’s suit was seeking specific enforcement of the terms of a 1999 settlement agreement with Karpus. The agreement has a 40-year term with divestment and non-investment provisions covering DNI (and any other entity in which an officer or director of Bexil is or becomes an officer or director). Happily, by November 7, 2016 Karpus affirmed that it had fully divested its 4.1% position in DNI, and the matter was dismissed.

**Broker-Dealer**

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. In 2016 and 2015, Bexil Securities acquired, respectively, about 73,000 and 304,000 shares of DNI. At December 31, 2016, Bexil Securities owned approximately 860,000 shares, or 8.1%, of the Fund with a carrying value of about $10.2 million, as compared to 2015 year end’s 7.5% with a carrying value of about $8.7 million. These shares are held pursuant to the Fund’s governing documents that permit ownership of more than 4.99% of the Fund’s outstanding shares only with the prior approval of the Fund’s Board of Trustees. From this holding and other proprietary trading activity in 2016, Bexil Securities recorded approximately $0.77 million of net realized and unrealized gains and earned dividends and interest of $0.82 million. Recently, the Fund has paid a $0.15 per share quarterly dividend distribution which reflects the Fund’s current distribution policy to provide shareholders with a relatively stable cash flow per share. The Fund has stated that this policy may be changed or discontinued without notice and that the distributions are paid from net investment income and any net capital gains, with the balance representing return of capital. These dividends are currently being reinvested in additional Fund shares pursuant to the Fund’s dividend reinvestment plan.

**Mortgage Banking**

In 2011, Bexil provided primary funding for the start-up of Bexil American Mortgage Inc. (“BAM”) as a residential mortgage origination company, and for the 2012 acquisition by BAM of Castle Mortgage Corporation, an approved seller and servicer of mortgage loans with Fannie Mae, Freddie Mac, and Ginnie Mae. In 2014 BAM determined to discontinue the mortgage business and in 2015 sold Castle. As of December 31, 2016, Bexil owns about 92% of BAM’s equity which, unconsolidated, has a negative book value. Currently, BAM is negotiating and settling claims by and against the corporation, paying and collecting payables and receivables, maintaining records, and responding to regulatory, legal, customer, and other inquiries for information. BAM is also devoting management time and resources to developing and monetizing its intellectual property, including domain names and a registered service mark.

**Bexil Stock**

The Company calculated 980,094 basic and 980,557 diluted weighted average shares of common stock outstanding over 2016. The stock’s market price, quoted in the over the counter market under the ticker BXLC, fluctuated in 2016 between about $5.70 and $10.00 per share, closing at about $10.00 per share on December 31, 2016, as compared to $10.74 on December 31, 2015. Trading volume in 2016 for BXLC was approximately 374,000 shares, compared to 2015 volume of approximately 127,000 shares.

**Outlook**

Our investment management and broker-dealer businesses are dependent in large part on the health of the financial markets. In our view, the U.S. economy appears to be strengthening, and consumer sentiment improving, which suggests to us that investors might anticipate both strong markets and heightened market volatility from unanticipated disappointments, warranting caution over the course of 2017.

On behalf of management and affiliates owning over 30% of Bexil’s shares, we thank you for investing with us in Bexil.

Sincerely,

Thomas B. Winmill

President

Safe Harbor Note

This letter and annual report contains certain “forward looking statements” made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Bexil, which may cause the Company’s actual results to be materially different from those expressed or implied by such statements. Investors should carefully consider the risks, uncertainties and other factors, together with all of the other information included in this letter and annual report, at http://www.bexil.com/cautionary-language.html, and similar information. The forward looking statements made herein are only made as of the date of this letter and annual report, and the Company undertakes no obligation to publicly update such forward looking statements to reflect subsequent events or circumstances.

TAIT | WELLER
FOCUS. EXPERTISE. RESULTS.

CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Bexil Corporation (the "Company") (a Maryland corporation), which comprise the consolidated balance sheet as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive loss, changes in equity and cash flows for the year 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 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 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 audit. We conducted our audit 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 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 entity'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 entity'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 financial position of Bexil Corporation as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

**TAIT, WELLER, & BAKER LLP**

**Philadelphia, Pennsylvania**
**May 26, 2017**

**BEXIL CORPORATION**
**CONSOLIDATED BALANCE SHEETS**
**December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 1,671,550 | $ 6,904,417 |
| Investments in securities | 15,153,765 | 8,672,288 |
| Accounts receivable | 165,221 | 452,811 |
| Intangible asset, net | 2,522,916 | 2,883,333 |
| Total assets | $ 19,513,452 | $ 18,912,849 |
| Liabilities and equity | | |
| Accounts payable and accrued expenses | $ 1,455,288 | $ 1,840,382 |
| Repurchase reserve | 15,000 | 30,000 |
| Subordinated debt convertible to stock of subsidiary | - | 276,136 |
| Total liabilities | 1,470,288 | 2,146,518 |
| Commitments and Contingencies (Note 16) | | |
| Equity | | |
| Bexil Corporation shareholders' equity | | |
| Common stock, $0.01 par value, 9,900,000 shares authorized; 977,168 issued and outstanding at December 31, 2016 and 980,168 issued and outstanding at December 31, 2015 | 9,772 | 9,802 |
| Series A participating preferred stock, $0.01 par value, 100,000 shares authorized: zero shares issued and outstanding | - | - |
| Additional paid in capital | 15,946,513 | 15,759,653 |
| Notes receivable for common stock issued | (1,295,746) | (1,427,466) |
| Accumulated comprehensive income (loss) | 2,088 | (173) |
| Retained earnings | 3,550,897 | 2,601,647 |
| Total Bexil Corporation shareholders' equity | 18,213,524 | 16,943,463 |
| Noncontrolling interests in subsidiary | (170,360) | (177,132) |
| Total equity | 18,043,164 | 16,766,331 |
| Total liabilities and equity | $ 19,513,452 | $ 18,912,849 |

See accompanying notes to consolidated financial statements.

**BEXIL CORPORATION**
**CONSOLIDATED STATEMENTS OF INCOME**
**Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Revenues | | |
| Management and other fees | $ 1,617,175 | $ 1,699,267 |
| Dividends and interest | 841,766 | 943,816 |
| Realized gain on investments in securities | 252,325 | 2,886 |
| Unrealized gain (loss) on investments in securities | 713,955 | (2,229,162) |
| | 3,425,221 | 416,807 |
| Expenses | | |
| Compensation and benefits | 1,702,026 | 1,495,754 |
| General and administrative | 483,027 | 537,512 |
| Professional services | 250,747 | 370,102 |
| | 2,435,800 | 2,403,368 |
| Other income (expense) | | |
| Interest expense on subordinated debt convertible to stock of subsidiary | - | (207,666) |
| | - | (207,666) |
| Income (loss) from continuing operations | 989,421 | (2,194,227) |
| Income tax expense | 33,399 | 36,308 |
| Net income (loss) from continuing operations | 956,022 | (2,230,535) |
| Discontinued operations | | |
| Gain on sale of Castle Mortgage Corporation | - | 1,125,827 |
| Loss from operations of discontinued components | - | (544,704) |
| Income tax expense | - | 4,350 |
| Gain on discontinued operations, net of tax | - | 576,773 |
| Net income (loss) | 956,022 | (1,653,762) |
| Net income attributable to noncontrolling interests | 6,772 | 4,109 |
| Net income (loss) attributable to Bexil Corporation shareholders | $ 949,250 | $ (1,657,871) |
| | | |
| Net income (loss) per share | | |
| Basic, continuing operations | $ 0.98 | $ (2.27) |
| Basic, discontinued operations | $ - | $ 0.59 |
| Basic, attributable to Bexil Corporation shareholders | $ 0.97 | $ (1.69) |
| Diluted, continuing operations | $ 0.97 | $ (2.27) |
| Diluted, discontinued operations | $ - | $ 0.59 |
| Diluted attributable to Bexil Corporation shareholders | $ 0.97 | $ (1.69) |
| Weighted average shares outstanding | | |
| Basic | 980,094 | 981,898 |
| Diluted | 980,557 | 981,898 |

See accompanying notes to consolidated financial statements.

**BEXIL CORPORATION**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Net income (loss) before noncontrolling interests | $ 956,022 | $ (1,653,762) |
| Other comprehensive gain, net of tax | | |
| Unrealized gain on investment securities available-for-sale, net of tax | 2,261 | 44 |
| Other comprehensive gain, net of tax | 2,261 | 44 |
| Comprehensive income (loss) | 958,283 | (1,653,718) |
| Comprehensive income attributable to noncontrolling interests | 6,772 | 4,109 |
| Comprehensive income (loss) attributable to Bexil Corporation shareholders | $ 951,511 | $ (1,657,827) |

See accompanying notes to consolidated financial statements.

**BEXIL CORPORATION**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**Years Ended December 31, 2016 and 2015**

| | Par Value Common Stock | Additional Paid in Capital | Notes Receivable for Common Stock Issued | Accumulated Other Comprehensive Gain (Loss) | Retained Earnings | Treasury Stock of Subsidiary | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2014 | $ 9,823 | $ 15,202,486 | $ (1,477,066) | $ (217) | $ 4,259,518 | $ (80,812) | $ 684,816 | $ 18,598,548 |
| Net income (loss) | - | - | - | - | (1,657,871) | - | 4,109 | (1,653,762) |
| Unrealized security holding gain, net of tax | - | - | - | 44 | - | - | - | 44 |
| Stock-based compensation | - | 71,024 | - | - | - | - | - | 71,024 |
| Common stock of subsidiary repurchased from noncontrolling interest in subsidiary | - | 507,245 | - | - | - | 80,812 | (866,057) | (278,000) |
| Common stock repurchased and retired | (21) | (21,102) | - | - | - | - | - | (21,123) |
| Repayment of promissory notes | - | - | 49,600 | - | - | - | - | 49,600 |
| Balance at December 31, 2015 | 9,802 | 15,759,653 | (1,427,466) | (173) | 2,601,647 | - | (177,132) | 16,766,331 |
| Net income | - | - | - | - | 949,250 | - | 6,772 | 956,022 |
| Unrealized security holding gain, net of tax | - | - | - | 2,261 | - | - | - | 2,261 |
| Stock-based compensation | - | 256,580 | - | - | - | - | - | 256,580 |
| Rescission of common stock options exercised | (30) | (69,720) | 69,720 | - | - | - | - | (30) |
| Repayment of promissory notes | - | - | 62,000 | - | - | - | - | 62,000 |
| Balance at December 31, 2016 | $ 9,772 | $ 15,946,513 | $ (1,295,746) | $ 2,088 | $ 3,550,897 | $ - | $ (170,360) | $ 18,043,164 |

See accompanying notes to consolidated financial statements

**BEXIL CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income (loss) | $ 956,022 | $ (1,653,762) |
| Less from discontinued operations | - | 549,054 |
| Net realized gain on sale of discontinued operations | - | (1,125,827) |
| Income (loss) from continuing operations | 956,022 | (2,230,535) |
| Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities | | |
| Purchase of investment securities, trading | (5,275,419) | (3,689,883) |
| Proceeds on sales of investment secuirites, trading | 2,503,062 | 100,632 |
| Stock-based compensation expense | 256,580 | 71,024 |
| Realized gain on investments in securities | (252,325) | (2,886) |
| Unrealized (gain) loss on investments in securities | (714,044) | 2,229,162 |
| Amortization | 360,417 | 360,417 |
| Decrease in accounts receivable | 287,590 | 2,769,779 |
| Decrease in prepaid expenses and other assets | - | 57,155 |
| (Decrease) increase in accounts payable and accrued expenses | (418,460) | 220,067 |
| Total adjustments for continuing operations | (3,252,599) | 2,115,467 |
| Net cash used in operating activities from continuing operations | (2,296,577) | (115,068) |
| Net cash provided by operating activities from discontinued operations | - | 62,376 |
| Net cash used in operating activities | (2,296,577) | (52,692) |
| Cash flows from investing activities | | |
| Purchase of investment securities, available-for-sale | (2,940,000) | - |
| Proceeds on sale investment securities, avaialable-for-sale | 1,736 | - |
| Net proceeds on the sale of discontinued operations | - | 650,000 |
| Net cash (used in) provided by investing activities | (2,938,264) | 650,000 |
| Cash flows from financing activities | | |
| Proceeds from promissory notes accepted for common stock issued | 62,000 | 49,600 |
| Purchase of subordinated debt convertible to stock of subsidiary | (60,026) | (2,723,864) |
| Common stock repurchases | - | (21,123) |
| Net cash provided by (used in) financing activities from continuing operations | 1,974 | (2,695,387) |
| Net cash used in financing activities from discontinued operations | - | - |
| Net cash provided by (used in) financing activities | 1,974 | (2,695,387) |
| Net decrease in cash and cash equivalents | (5,232,867) | (2,098,079) |
| Cash and cash equivalents, beginning of year | 6,904,417 | 9,002,496 |
| Cash and cash equivalents, end of year | $ 1,671,550 | $ 6,904,417 |
| | | |
| Supplemental disclosures | | |
| Interest paid | $ - | $ 207,666 |
| Income taxes paid | $ 33,399 | $ 36,308 |
| Effect of recission of stock options: | | |
| Notes receivable for common stock issued | $ 69,720 | $ - |
| Common stock, par value | $ 30 | $ - |

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 primarily engaged through wholly-owned subsidiaries in investment management and securities trading. 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 (the "Advisers Act"). Pursuant to an investment management agreement ("IMA"), Bexil Advisers acts as the investment manager of Dividend and Income Fund ("DNI"), a registered closed end investment company listed on the New York Stock Exchange under the ticker DNI.

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, Inc. ("FINRA"). 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") is a Delaware corporation 92% owned by the Company and had been engaged in the mortgage business. In 2014 Bexil American determined to discontinue the mortgage business. On May 1, 2015, Bexil American entered into an agreement to sell its subsidiary Castle Mortgage Corporation ("Castle"). Prior to closing, Bexil American increased its ownership in Castle to 100% by exercising its option to acquire all of the shares held by the non-controlling interests. The sale transaction closed on September 21, 2015. Currently, Bexil American is negotiating and settling claims by and against the corporation, paying and collecting payables and receivables, maintaining records, and responding to regulatory, legal, customer, and other inquiries for information. Bexil American is also seeking to develop and monetize its intellectual property, including domain names and a registered service mark.

### 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 and its wholly and majority owned subsidiaries 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 non-controlling interests in subsidiaries in the consolidated financial statements. The portion of net income (loss) attributable to the non-controlling interests for such subsidiaries is presented as net income (loss) attributable to non-controlling interests in subsidiaries in the Consolidated Statements of Comprehensive Loss, and the portion of total equity of such subsidiaries is presented as non-controlling interests in subsidiaries in the Consolidated Balance Sheets and Consolidated Statements of Changes in Equity.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments, and may include money market fund shares, 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.

**Earnings Per Share**

Basic earnings per share attributable to Bexil shareholders is calculated by dividing net gain or 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 gain or 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, 2016 and 2015:

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Net income (loss) from continuing operations | $ | 956,022 | $ | (2,230,535) |
| Gain on discontinued operations, net of tax | $ | - | $ | 576,773 |
| Net income (loss) attributable to Bexil Corporation shareholders | $ | 949,250 | $ | (1,657,871) |
| Net income (loss) per share | | | | |
| Basic, continuing operations | $ | 0.98 | $ | (2.27) |
| Basic, discontinued operations | $ | - | $ | 0.59 |
| Basic, attributable to Bexil Corporation shareholders | $ | 0.97 | $ | (1.69) |
| Diluted, continuing operations | $ | 0.97 | $ | (2.27) |
| Diluted, discontinued operations | $ | - | $ | 0.59 |
| Diluted attributable to Bexil Corporation shareholders | $ | 0.97 | $ | (1.69) |
| Weighted average shares outstanding | | | | |
| Basic | | 980,094 | | 981,898 |
| Diluted | | 980,557 | | 981,898 |

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, 2016 and 2015, shares of common stock from outstanding stock option awards totaling 97,264 and 141,139, respectively, 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.

**Intangible Asset**
The intangible asset of the Company on Consolidated Balance Sheets are comprised of the IMA between Bexil Advisers and DNI. The Company has assigned the IMA acquired in 2011 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.

There was no impairment of the IMA intangible asset during 2016 and 2015.

**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 (2013 – 2015) or expected to be taken in the Company's 2016 tax returns.

**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 securities 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 securities are measured at fair value. Gains or losses from changes in the fair value of trading securities

are included in income, and gains or losses from changes in the fair value of available-for-sale securities 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 investments 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.

**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.

**Reclassification**
Certain amounts in the prior period consolidated financial statements and related notes have been reclassified to conform to the 2016 presentation.

**Regulation**
Bexil Advisers is registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Advisers Act. Bexil Securities is a registered broker-dealer and member of FINRA and the Securities Investor Protection Corporation.

**Revenue Recognition**
The Company recognizes revenue from management and other fees consisting of payments for investment management and administrative services performed by Bexil Advisers pursuant to the IMA with DNI. Under the terms of the IMA, DNI pays Bexil Advisers a fee monthly for investment management services based on a percentage of assets under management and reimburses it 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. 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.

**Concentration of Credit and Other Risks**
The Company and its subsidiaries maintain cash and cash equivalents in accounts with various financial institutions, and at times, account balances may exceed federally insured limits. They have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk.

**Subsequent Events**

Management has evaluated the effect of subsequent events through May 26 , 2017, 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, 2016.

**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. DISPOSITIONS, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

On September 21, 2015, Bexil American completed the sale of its Castle subsidiary. Prior to the completion of the sale, Bexil American exercised its option to acquire all of the shares of the non-controlling interest of Castle for consideration not to exceed $278,000, subject to certain conditions, and Castle paid a cash distribution to Bexil American of $4,446,050. Bexil American received total cash proceeds of $725,000 from the buyer and recognized a gain on sale of $1,125,827, which is classified as a gain on sale from discontinued operations. The Company has reclassified the income and expenses attributable to Castle to discontinued operations for the year ended December 31, 2015.

The results of operations of the discontinued operations have been reclassified in the Consolidated Statements of Comprehensive Loss for the year ended December 31, 2015:

| | |
|---|---|
| Gain on mortgage loans, net | $ 80,524 |
| Servicing income, net | (2,201) |
| Dividends and interest | 11,630 |
| Other non-interest income, net | 384,301 |
| Compensation and benefits | (442,957) |
| General and administrative | (325,649) |
| Professional services | (94,174) |
| Other | (156,178) |
| Pretax net loss | (544,704) |
| Income tax expense | 4,350 |
| Total amounts reclassified to discontinued operations | $ (549,054) |
| Net loss attributable to noncontrolling interests | $ (4,109) |

## 4. INVESTMENTS IN SECURITIES

Investments in securities as of December 31, 2016 and 2015 consisted of the following:

| December 31, 2016 | Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Value |
|---|---|---|---|---|
| Investment securities, trading | | | | |
| Closed end funds | $ 11,156,264 | $ - | $ (963,970) | $ 10,192,294 |
| Certificates of deposit | 1,325,000 | 2,049 | - | 1,327,049 |
| Equity securities | 686,903 | 5,432 | - | 692,335 |
| | 13,168,167 | 7,481 | (963,970) | 12,211,678 |
| Investment securities, available-for-sale | | | | |
| Certificates of deposit | 2,940,000 | 2,087 | | 2,942,087 |
| Total investment in securities | $ 16,108,167 | $ 9,568 | $ (963,970) | $ 15,153,765 |

| December 31, 2015 | Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Value |
|---|---|---|---|---|
| Investment securities, trading | | | | |
| Closed end funds | $ 10,341,390 | $ - | $ (1,670,445) | $ 8,670,945 |
| Investment securities, available-for-sale | | | | |
| Closed end funds | 1,605 | - | (262) | 1,343 |
| Total investment in securities | $ 10,342,995 | $ - | $ (1,670,707) | $ 8,672,288 |

## 5. FAIR VALUE MEASUREMENTS

The use of fair value to measure the financial instruments held by the Company and its subsidiaries 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, general equities, and certificates of deposit. The value of the closed end management investment companies and general equities is based on a traded market price and is considered to be a level 1 measurement, and the value of certificates of deposit is based on over-the-counter quotations and is considered to be a level 2 measurement.

The financial assets and liabilities held by the Company and its subsidiaries that were measured at fair value were as of December 31, 2016 and 2015 as follows:

| December 31, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Investment in securities | $ 10,884,629 | $ 4,269,136 | $ - | $ 15,153,765 |
| Total assets at fair value | $ 10,884,629 | $ 4,269,136 | $ - | $ 15,153,765 |

| December 31, 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Investment in securities | $ 8,672,288 | $ - | $ - | $ 8,672,288 |
| Total assets at fair value | $ 8,672,288 | $ - | $ - | $ 8,672,288 |

**6. MORTGAGE LOANS HELD-FOR-SALE**

Repurchase reserve activity for previously sold loans for the years ended December 31, 2016 and 2015 was as follows:

| December 31, | 2016 | 2015 |
|---|---|---|
| Beginning balance | $ 30,000 | $ 723,935 |
| Settlements | - | (693,935) |
| Provision for repurchases | (15,000) | - |
| Ending balance | $ 15,000 | $ 30,000 |

**7. INTANGIBLE ASSET**

As of December 31, 2016, the intangible asset of the Company on the Consolidated Balance Sheets is comprised of the IMA between Bexil Advisers and DNI. The IMA was acquired in 2011 for $4,325,000 and the Company has assigned it 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. Accordingly, the Company amortizes the IMA over 12 years beginning on January 1, 2011 at $360,417 per year.

There was no impairment of the IMA intangible asset during 2016 and 2015.

The following table presents the intangible assets of the Company and its subsidiaries as of December 31, 2016 and 2015:

| December 31, 2016 | Gross Book Value | Accumulated Amortization | Net Book Value | Weighted Average Amortization Period (Years) |
|---|---|---|---|---|
| Investment management contract | $ 4,325,000 | $ (1,802,084) | $ 2,522,916 | 7 |

| December 31, 2015 | Gross Book Value | Accumulated Amortization | Net Book Value | Weighted Average Amortization Period (Years) |
|---|---|---|---|---|
| Investment management contract | $ 4,325,000 | $ (1,441,667) | $ 2,883,333 | 8 |

As of December 31, 2016, estimated future amortization expense of the IMA is as follows:

| Year ending December 31, | | |
|---|---|---|
| 2017 | $ | 360,417 |
| 2018 | | 360,417 |
| 2019 | | 360,417 |
| 2020 | | 360,417 |
| 2021 | | 360,417 |
| Thereafter | | 720,831 |
| | $ | 2,522,916 |

**8. DEBT**

In 2012, 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 was determined quarterly on the last business day of the preceding calendar quarter and was equal to the greater of 10% or seven percentage points over the yield on three year Treasury bills, and was amended effective October 5, 2015 to be 0%. Interest was calculated on the basis of a 365 day year and actual number of days elapsed. Interest was 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 $351,613 as of December 31, 2016 and 2015, respectively.

In 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, and convertible into Series A Preferred Stock at $100 per share at any time on or after the date which is six months after the making of a loan. The monthly interest rate was determined quarterly on the last business day of the preceding calendar quarter and was equal to the greater of 10% or seven percentage points over the yield on three year Treasury bills, and was amended effective October 5, 2015 to be 0%. Interest was calculated on the basis of a 365 day year and actual number of days elapsed. Interest was 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 a loan. The principal balance outstanding on the Big Moat Note was $276,136 as of December 31, 2015.

In December 2016, the Company purchased the Big Moat Note (collectively with the Bexil Note, the “Bexil American Notes”) for $78,361 consisting of cash paid at closing of $60,026 and $18,336 contingently payable in cash upon the satisfaction of certain terms of the purchase agreement. The Company recorded a gain on the purchase date of $197,774.

The Bexil American Notes have been eliminated in the consolidation of the financial statements.

## 9. 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 August 6, 2014 ("Effective Date"), the shareholders of the Company approved the 2014 Stock Incentive Plan (the "Plan"). Awards under the Plan 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 Plan. 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 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. As of the Effective Date, the number of outstanding common shares was 982,245 and the total number of authorized shares of the Company common stock was 9,900,000.

The Plan replaced the Company's former stock-based compensation plan, the 2011 Stock Incentive Plan (the "SIP"). No future awards may be granted under the SIP, although any previously issued options granted under the SIP remain effective until either they expire, are forfeited, or are exercised. Under the SIP, 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 SIP provided for the granting of a maximum 152,639 options to purchase common stock.

On June 22, 2016, the Board of Directors approved the re-pricing of substantially all previously granted stock options, which previously granted stock options had higher option exercise prices (the "Modification"). The exercise price of the modified options was 113% of the fair market value on the Modification date and all other terms of the option grant including number of options granted, vesting, and expiration remained the same. The Company recognized additional compensation expense from the Modification of approximately $81,000.

The Company granted 71,100 options at an exercise prices of $7.71 to $8.24 for the year ended December 31, 2016 and 6,000 options at an exercise price of $8.81 for the year ended December 31, 2015. The grant date fair value of the options issued was $2.57 to $3.83 and $2.93 to $3.16 per option for the years ended December 31, 2016 and 2015, respectively.

A summary of the stock options activity for the years ended December 31, 2016 and 2015 is as follows:

| | Shares Under Option | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, December 31, 2014 | 140,139 | $ | 26.79 |
| Granted | 6,000 | $ | 8.81 |
| Forfeited | (5,000) | $ | 47.63 |
| Balance, December 31, 2015 | 141,139 | $ | 15.34 |
| Granted | 71,100 | $ | 7.72 |
| Forfeited | (45,875) | $ | 16.08 |
| Balance, December 31, 2016 | 166,364 | $ | 8.29 |

At December 31, 2016 and 2015, exercisable and vested stock options were 121,164 and 123,400, respectively. The weighted average exercise price of the exercisable outstanding stock options at December 31, 2016 and 2015 was $8.48 and $15.52, respectively. There were no options exercised during 2016 and 2015.

Stock options outstanding and exercisable at December 31, 2016 are as follows:

| Exercise Price | Options Outstanding | Weighted Average Remaining Contractual Life (in years) | Options Exercisable | Weighted Average Exercise Price of Exercisable Options |
|---|---|---|---|---|
| $7.71 to $8.81 | 156,364 | 3.8 | 111,164 | $7.88 |
| $15.18 | 10,000 | 0.4 | 10,000 | $15.18 |
| | 166,364 | 3.6 | 121,164 | $8.48 |

At December 31, 2016, the aggregate intrinsic value of outstanding options was $636,180.

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:

| Fair value | 2016 | 2015 |
|---|---|---|
| Expected price volatility | 66.9% – 56.6% | 41.8% |
| Risk-free interest rate | 1.0% - 1.5% | 2.3% |
| Weighted average expected life in years | 2.5 - 6 | 5.0 – 5.7 |
| 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, 2016 and 2015, the total stock-based compensation was $256,580 and $71,024, respectively.

As of December 31, 2016, the total compensation expense related to non-vested awards which are expected to vest but not yet recognized is $115,573 with an expense recognition period of approximately 3 years.

The exercise of stock options may result in a tax deduction before the actual realization of the related tax benefit because in a year in which 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.

**10. INCOME TAXES**

The income tax provision (benefit) consisted of the following for the years ended December 31, 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| Current provision: | | |
| Federal | $ - | $ - |
| State and local | 33,399 | 40,658 |
| Total current provision | 33,399 | 40,658 |
| Deferred provision (benefit): | | |
| Federal | $ - | $ - |
| State and local | - | - |
| Total deferred provision | - | - |
| Total provision for income taxes | $ 33,399 | $ 40,658 |

The principal difference between the effective tax rate and the statutory tax rate was the utilization of net operating loss carryforwards which were fully provided for in the valuation allowance.

Deferred tax assets consisted of the following at December 31, 2016 and 2015:

| Deferred tax assets | 2016 | 2015 |
|---|---|---|
| Net operating losses | $ 6,054,995 | $ 6,978,145 |
| Capital loss | 1,057,078 | 1,080,082 |
| Unrealized losses on investments in securities | 431,150 | 751,382 |
| Sec. 195 start-up costs | 609,946 | 650,231 |
| Death benefit liability | 505,583 | 472,885 |
| Stock-based compensation | 196,419 | 270,007 |
| Other accruals | 56,163 | 70,321 |
| Basis difference in intangibles | 47,014 | 15,008 |
| Loan loss reserve | 6,747 | 11,810 |
| Total deferred tax assets | 8,965,095 | 10,299,871 |
| Valuation allowance | (8,965,095) | (10,299,871) |
| Net | $ - | $ - |

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. 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 of December 31, 2016 and 2015, the Company has federal net operating loss carryovers of approximately $17.6 million and $18.2 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, 2016. Consequently, no interest or penalties have been accrued by the Company.

The Company is subject to taxation in the U.S. and various state jurisdictions. The Company is no longer subject to U.S. and state examination for years before 2012 and 2011, respectively.

**11. CAPITAL STOCK**

The Company is authorized to issue 9,900,000 shares of $0.01 par value common stock. The Company also has 100,000 shares of Series A participating preferred stock, $0.01 par value, authorized, of which none has been issued.

Changes in the number of shares of common stock outstanding for the years ended December 31, 2016 and 2015 are as follows:

| | 2016 | 2015 |
|---|---|---|
| Shares outstanding, beginning of year | 980,168 | 982,245 |
| Purchased and retired | (3,000) | (2,077) |
| Shares outstanding, end of year | 977,168 | 980,168 |

**12. RELATED PARTIES**

Certain officers of the Company also serve as officers and/or directors of Winmill & Co. Incorporated (“Winco”), Tuxis Corporation (“Tuxis”), Global Self Storage, Inc. (“SELF”), and their affiliates (collectively with Bexil, but excluding Bexil American and Castle, the “Affiliates”). At December 31, 2016, Winco owned approximately 23%, 19%, and 2%, respectively, of the outstanding common stock the Company, Tuxis, and SELF. 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. The Company had a payable of $15,445 and a receivable of $7,416 as of December 31, 2016 and 2015, respectively, with MMC relating to compensation and benefit expenses.

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 $103,133 and $108,874 for the years ended December 31, 2016 and 2015, respectively, and it had a related payable for these costs of $623 at December 31, 2016 and a related receivable of $1,459 at December 31, 2015.

Bexil Securities and its affiliates invest in DNI. The carrying value of DNI was $10,192,294 and $8,670, 945 as of December 31, 2016 and 2015, respectively, and earned dividends of $814,874 and $917,747 for the years ended December 31, 2016 and 2015, respectively. Certain officers and directors of the Company are also officers and/or trustees of DNI.

The Company’s sold all shares it owned of SELF during 2016 for proceeds of $1,736 and earned dividends of $69 for the year ended December 31, 2016. The carrying value was $1,343 as of December 31, 2015 and dividends earned were $93 for the year ended December 31, 2015. Certain officers and directors of the Company are also officers and/or directors of SELF.

The Company has accepted promissory notes from directors, officers, and employees in connection with their exercise of stock options to purchase the common stock of the Company. The notes have nine year maturities and bear interest at 1.65% per annum 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 $1,295,746 and $1,427,466, as of December 31, 2016 and 2015, respectively. As of December 31, 2016, $1,295,746 is due and payable in 2022. The Company earned interest income of $21,481 and $23,977 for the years ended December 31, 2016 and 2015, respectively, and had a receivable for interest due of $0 and $430 as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, the Company owned 92% 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.

**13. 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 $36,124 and $35,338 for the years ended December 31, 2016 and 2015, respectively.

## 14. 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, 2016, Bexil Securities had net capital of $4,821,677, which exceeded its $100,000 required minimum capital by $4,721,677.

## 15. 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 consideration of an August 15, 2014 agreement with Mr. Kelly Cardwell and Central Square Management LLC (collectively the "Central Parties") that the Central Parties and their affiliates ("Central Group") do not acquire any more of the issued and outstanding common stock of the Company, sell sufficient shares of common stock over the 12 month period (amended on July 16, 2015 to 15 months and providing for an option to Bexil to purchase such sufficient shares by generally such time at the volume weighted average sales price for the 20 business day period prior to November 1, 2015) commencing on the date thereof so that the Central Group owns beneficially less than the lesser of 98,000 shares or 10.0% of the common stock, and other conditions, on August 15, 2014 the Company entered into a Third Amendment to the Rights Agreement which excluded the Central Group from being deemed an "Acquiring Person" and extended the "Final Expiration Date" of the Rights Agreement from November 21, 2020 until November 21, 2025. During 2015, the Company purchased and retired 2,077 from Central Group for an aggregate price of $21,123.

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.

## 16. 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 S. 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 $1.2 million.

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.

## CORPORATE INFORMATION

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):

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First quarter | $ 10.74 | $ 7.23 | $ 11.90 | $ 8.55 |
| Second quarter | $ 8.49 | $ 5.71 | $ 10.00 | $ 6.26 |
| Third quarter | $ 9.00 | $ 6.01 | $ 15.00 | $ 8.01 |
| Fourth quarter | $ 10.00 | $ 7.70 | $ 12.00 | $ 8.00 |

**DIRECTORS**
PHILIP KADINSKY-CADE
JOHN C. HITCHCOCK
THOMAS B. WINMILL

**OFFICERS AND STAFF**
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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

RUSSELL KAMERMAN
Vice President, Chief Compliance Officer, Associate General Counsel, Assistant Secretary

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BEXIL

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