BEXIL

- **Notice of 2019 Annual Meeting and Proxy Statement**
- **2018 Annual Report**

**Ticker:**

# BXLC

**11 Hanover Square**
**New York, NY 10005**

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

**BEXIL CORPORATION**

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**Notice of Annual Meeting of Stockholders**

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To the Stockholders:

Notice is hereby given that the 2019 Annual Meeting of Stockholders (the “Meeting”) of Bexil Corporation, a Maryland Corporation (the “Company”), will be held at 11 Hanover Square, 12th Floor, New York, New York on June 5, 2019 at 11:30 a.m., local time, for the following purposes:

1. To elect John C. Hitchcock to the board of directors of the Company as a Class III Director to serve until the 2022 annual meeting of stockholders, or thereafter when his successor is duly elected and qualifies.

2. To ratify the 2019 compensation of independent directors.

3. To approve an amendment to the Company’s charter as permitted under Section 3-202(c)(4) of the Maryland General Corporation Law eliminating the entitlement of Company stockholders to exercise the rights of an objecting stockholder to demand and receive payment of the fair value of their stock.

4. To consider and act upon any other business as may properly come before the Meeting or any postponement or 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 30, 2019 are entitled to receive notice of and to vote at the Meeting.

By Order of the board of directors

Russell Kamerman
Secretary

New York, New York
May 1, 2019

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 CARD AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE PAID 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 5, 2019**

This Proxy Statement is furnished in connection with a solicitation of proxies by Bexil Corporation, a Maryland corporation (the "Company"), to be voted at the 2019 Annual Meeting of Stockholders of the Company to be held at 11 Hanover Square, 12th Floor, New York, New York on June 5, 2019 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 30, 2019 (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 867,728 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 3, 2019.

At the Meeting, the presence in person or by proxy of stockholders entitled to cast one third or more of all the votes entitled to be cast at the Meeting constitutes a quorum. In the absence of a quorum, the chairman of the board of directors (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. Abstentions and broker non-votes will not have an impact on the chairman's determination to adjourn the Meeting. At such adjourned Meeting at which a quorum is present, any business may be transacted which might have been transacted at the Meeting as originally notified. 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.

Properly executed proxies may contain instructions to abstain from voting or to withhold authority to vote (an "abstention") or may represent a broker "non-vote" (which is a proxy from a broker or nominee indicating that the broker or nominee has not received instructions from the beneficial owner or other persons entitled to vote shares on a particular matter with respect to which the broker or nominee does not have discretionary power to vote). The shares represented by abstentions or broker non-votes will be considered 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.

No other business may be acted upon at the Meeting other than as described in this Proxy Statement. If any procedural matters related to the proposals described herein properly come before the Meeting, shares represented by proxies will be voted in the discretion of the person or persons holding the proxies.

All costs of soliciting proxies for the Meeting will be borne by the Company. Banks, brokerage houses, and other custodians will be requested on behalf of the Company to forward solicitation material to the beneficial owners of Company shares to obtain authorizations for the execution of proxies, and the Company will reimburse them for any reasonable expenses they incur. In addition, some of the officers of the Company may, without remuneration, solicit proxies personally, by telephone, electronically, or by other means. If you are a record holder of one or more of the Company's shares and plan to attend the Meeting in person, in order to gain admission, you must show valid photographic identification, such as your driver's license or passport. If you hold shares of the Company through a bank, broker, or other nominee, and plan to attend the Meeting in person, in order to gain admission, you must show valid photographic identification, such as your driver's license or passport, and satisfactory proof of ownership of shares in the Company, such as your voting instruction form or a letter from your bank, broker, or other nominee's statement indicating ownership as of the record date for the Meeting.

**PROPOSAL 1: TO ELECT JOHN C. HITCHCOCK TO THE BOARD OF DIRECTORS OF THE COMPANY AS A CLASS III DIRECTOR TO SERVE UNTIL THE 2022 ANNUAL MEETING OF STOCKHOLDERS, OR THEREAFTER WHEN HIS SUCCESSOR IS DULY ELECTED AND QUALIFIES.**

Pursuant to the governing documents of the Company, the Board is divided into three classes, designated Class I, Class II, and Class III. One class of directors is to be elected at each annual meeting of stockholders to serve for a term expiring at the time of the third succeeding annual meeting of stockholders, or thereafter in each case when their respective successors are elected and qualify. At the Meeting, stockholders will be asked to elect John C. Hitchcock (the "Nominee") as Class III director. Mr. Hitchcock's term as a Class III director will expire at the Meeting, or thereafter when his successor is elected and qualifies. No other class of directors has a term that so expires this year.

The Nominee has consented to being named in this Proxy Statement and has agreed to serve if elected. If you properly execute and return your proxy but do not indicate any voting instructions, your shares will be voted for the election of the Nominee. Should the Nominee withdraw or otherwise become unavailable for election due to events not now known or anticipated, it is intended that the proxy holders will vote for the election of such other person or persons as the Board may recommend.

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

| Name, Address,[(1)] and Date of Birth | Position(s) Held with Company | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years |
|---|---|---|---|
| *Independent[(2)] Director Nominee* | | | |
| John C. Hitchcock<br>October 17, 1957 | Director<br>(Class III) | Since 2016 | Managing Director & Vice President, Energy Intelligence Group, 2010-Present. Mr. Hitchcock is an officer of a 64-year-old company whose core lines include web-based newsletters, conferences and research. Direct reports have included general counsel, circulation and billing, compliance, and sales and marketing. He previously held editorial and executive positions with Dow Jones & Co. and Institutional Investor Inc. |

(1) The mailing address of the Nominee is, except as noted otherwise, 11 Hanover Square, New York, New York 10005.

(2) "Independent director" as used throughout this proxy statement means a director who, neither directly nor through any corporation, firm, or other entity in which the director has a material financial interest, (i) has a current contract or other transaction with the Company other than as a Company director, (ii) would be deemed "disinterested" under section 2-419 of the Maryland General Corporation Law, or (iii) is otherwise deemed independent by the Board.

In considering the Nominee, the Nominating Committee evaluated the Nominee's background and his oversight and service as a member of the Board. The nominee was deemed to have an excellent educational background, a great reputation for high ethical standards and personal and professional integrity, and strong financial, technical and other expertise which may complement the Board's existing mix of skills and qualifications. The Nominating Committee also expected the nominee to contribute to the ongoing functions of the Board, including an ability and commitment to attend meetings regularly, work collaboratively with other members of the Board, and carry out his duties in the best interests of the Company, as well as qualify as an independent director. In considering the nominee, the Board evaluated Mr. Hitchcock's background and his specific qualifications, attributes, knowledge, expertise, experience, and skills as a result of his occupational experience as set forth herein. The Board also considered and evaluated the nominee's independence and experience with Company board, audit, compensation, governance, and operational matters.

The Board believes that the significance of each director's qualifications, attributes, knowledge, expertise, experience, and skills is an individual matter (meaning that experience important for one director may not have the same value for another) and that these factors are best evaluated at the Board level, with no single director, or particular factor, being indicative of Board effectiveness. In its periodic self-assessment of the effectiveness of the Board, the Board considers the complementary individual skills and experience of the individual directors in the broader context of the Board's overall composition so that the Board, as a body, possesses the appropriate (and appropriately diverse) skills and experience to oversee the business of the Company. References to the qualifications, attributes and skills of directors do not constitute holding out the Board or any director as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

**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 FOR THE NOMINEE. ANY SIGNED BUT UNMARKED PROXIES WILL BE VOTED FOR THE NOMINEE.***

**Current Board Members**

In addition to the Nominee for Class III director set forth above, the Board is comprised of the individuals listed below.

| Name, Address,[1] and Date of Birth | Position(s) Held with Company | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years |
|---|---|---|---|
| **Independent Director** | | | |
| Philip N. Kadinsky-Cade<br>May 28, 1959 | Director (Class II) | Since 2014 (current term ends at the 2021 annual meeting, or thereafter when his successor is elected and qualified) | Independent trader since 2007. Previously, Mr. Kadinsky-Cade was a founder and Managing Member of Bluehaven Management Group, LLC and co-organizer/manager of Grey Owl Partners, LP. |
| **Interested Director** | | | |
| Thomas B. Winmill, Esq.[2]<br>P.O. Box 4<br>Walpole, NH 03608<br>June 25, 1959 | Director (Class I); Chairman, President, Chief Executive Officer, and Chief Legal Officer | Since 1999 (current term ends at the 2020 annual meeting, or thereafter when his successor is elected and qualified) | Mr. Winmill has served as President and Chief Executive Officer, 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 and Chief Executive Officer of Winmill & Co. Incorporated ("Winco"), its affiliates, and the investment companies managed by their affiliates (the "Fund Complex"), and in other capacities since 1988. Mr. Winmill is a member of the New York State Bar. |

(1) The mailing address of each director is, except as noted otherwise, 11 Hanover Square, New York, New York 10005.
(2) Thomas B. Winmill and William M. Winmill are father and son, respectively.

**Executive Officers**

The current executive officers of the Company, other than those who serve as directors, are as follows:

| Name, Address[1] and Date of Birth | Position(s) Held with Company | Officer Since[2] | Principal Occupation(s) During Past 5 Years |
|---|---|---|---|
| Thomas O'Malley<br>July 22, 1958 | Chief Accounting Officer, Chief Financial Officer, and Treasurer | 2005 | Chief Accounting Officer, Chief Financial Officer, Treasurer, and Vice President of the Company, Winco, its affiliates, and the Fund Complex. He is a certified public accountant. |
| Russell Kamerman, Esq.<br>July 8, 1982 | Chief Compliance Officer, Secretary, and General Counsel | 2014 | Chief Compliance Officer, Secretary, and General Counsel of the Company, and in such capacity or as Assistant Chief Compliance Officer, Assistant Secretary, and Assistant General Counsel for Winco, its affiliates, and the Fund Complex, and in other capacities since 2014. Previously, he was an attorney in private practice focusing on regulatory, compliance, and other general corporate matters relating to the structure, formation, and operation of investment funds and investment advisers. He is a member of the New York State Bar. |
| Donald Klimoski II, Esq.<br>September 24, 1980 | Assistant Chief Compliance Officer, | 2017 | Assistant Chief Compliance Officer, Assistant Secretary, and Assistant General Counsel of the Company, and in such capacity |

| Name, Address[(1)] and Date of Birth | Position(s) Held with Company | Officer Since[(2)] | Principal Occupation(s) During Past 5 Years |
|---|---|---|---|
| | Assistant Secretary, Assistant General Counsel | | or as Chief Compliance Officer, Secretary, and General Counsel for Winco, its affiliates, and the Fund Complex since 2017. He is a member of the New York, New Jersey and Patent Bars. Previously, he served as Associate General Counsel of Commvault Systems, Inc. Prior to that, he was an associate at Sullivan & Cromwell LLP, where his practice focused on mergers and acquisitions, securities law, corporate governance, intellectual property and related matters. |
| Heidi Keating<br>March 28, 1959 | Vice President | 1978 | Vice President of the Company, Winco, its affiliates, and the Fund Complex. |
| William M. Winmill[(3)]<br>December 29, 1991 | Vice President | 2018 | Vice President of the Company, Winco, its affiliates, and the Fund Complex. |

(1) The mailing address of each officer is, except as noted otherwise, 11 Hanover Square, New York, New York 10005.
(2) Officers hold their positions with the Company until a successor has been duly elected and qualifies. Officers are generally elected annually. The officers were last elected on December 12, 2018.
(3) Thomas B. Winmill and William M. Winmill are father and son, respectively.

**Current Board Leadership Structure and Oversight Responsibilities**

The Board is responsible for the oversight of the Company's operations. The Board is currently composed of three members, two of whom are independent directors. As described below, the Board has established three standing committees, Audit, Compensation, and Governance Committee ("ACG Committee"), Executive Committee, and Nominating Committee, and may establish *ad hoc* committees or working groups from time to time, to assist the Board in fulfilling its oversight responsibilities. The Board designated the ACG Committee, consisting of all the independent directors, to consider matters related to audit, compensation, and governance. In accordance with an ACG Committee recommendation, the Board designated the Nominating Committee to consider matters related to nominating candidates for election as directors of the Company and, specifically, to determine the slate of director nominees for election to the Company's Board of Directors, to fill vacancies between annual stockholder meetings, and to review, evaluate, and recommend changes to the Company's corporate governance, and provided that the Nominating Committee be comprised of the chairman of the board, the deputy or vice chairman, if any, and the chief executive officer, with the exact number of members on the Nominating Committee depending on the number of individuals on the board with such titles. With respect to the Executive Committee, Article IV, Section 2 of the Company's Bylaws provides "Powers of the Executive Committee. Unless otherwise provided by resolution of the board of directors, when the board of directors is not in session the Executive Committee shall have and may exercise all powers of the board of directors in the direction of the management of the business and affairs of the Corporation that may lawfully be exercised by an Executive Committee."

Mr. Thomas B. Winmill is chairman of the Board of Directors (the "Chairman") pursuant to Article III, Section 7 of the Company's Bylaws, which provides "The chairman of the board of directors shall be the president if a director or, if not, the next most senior officer of the Corporation who is a member of the board of directors, and the chairman, or his designee, shall preside at all stockholders meetings and at all meetings of the board of directors. He shall have such other powers and perform such other duties as may be assigned to him from time to time by the board of directors (or an authorized committee thereof)." Mr. Thomas B. Winmill has been active in investment management for over 25 years as a portfolio manager, chief executive officer, general counsel, compliance officer, and in other capacities. The Chairman presides at each Board meeting, establishes the agenda for Board meetings, and acts as the primary liaison between the independent directors and Company management. The Chairman of the Board is an interested director of the Company. The independent directors have not appointed a lead independent director. The independent directors believe that the utilization of an interested director as Chairman provides an efficient structure for them to coordinate with Company management in carrying out their responsibilities. The independent directors also regularly meet among themselves and the Chairman plays an important role in communicating with them in identifying matters of special interest to be addressed by Company management and the Board. The Chairman may also perform such other functions as may be requested by the directors from time to time. Designation as Chairman does not impose on such director any duties or standards greater than or different from other directors. The directors believe that the Board's leadership structure, taking into account, among other things, its committee structure, which permits certain areas of responsibility to be allocated to the independent directors, is appropriate given the characteristics and circumstances of the Company.

For the fiscal year ended December 31, 2018, the current Board held three meetings. For the fiscal year ended December 31, 2018, each of the directors currently in office attended all of the meetings of the Board and all of the meetings of the Committees of the Board held during the period in which he served. The Company does not have a formal policy regarding attendance by directors at annual meetings of stockholders but encourages such attendance. On June 13, 2018, the Company held an annual meeting of stockholders for the fiscal year ended December 31, 2018, which was attended by all of the directors.

**PROPOSAL 2: TO RATIFY THE 2019 COMPENSATION OF INDEPENDENT DIRECTORS.**

For the services of each independent director on the Board in 2019, the Board has approved an annual retainer of $6,000, payable semi-annually, a fee of $10,000 for each semi-annual Board meeting attended, $1,000 for each special meeting attended, $1,000 for each committee meeting attended, and $2,000 for each stockholders' meeting attended. Each independent director will also be reimbursed for reasonable travel and out-of-pocket expenses associated with attending Board and committee meetings. Employees of the Company receive no additional compensation for their service on the Board. In 2018, Mr. Hitchcock and Mr. Kadinsky-Cade received $30,000 and $30,000, respectively, as fees for their services as independent directors.

Although the Board has sole authority to determine the compensation of independent directors of the Company, it is seeking the opinion of the stockholders regarding the 2019 compensation of independent directors. For this reason, stockholders are being asked to ratify the 2019 compensation of independent directors. If stockholders do not ratify the 2019 compensation of independent directors, the Board will take that fact into consideration, but may, nevertheless, continue to compensate the independent directors as set forth herein or otherwise as the Board may deem appropriate from time to time.

**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 2019 compensation of independent directors 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 2019 compensation of independent directors.

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

**PROPOSAL 3: TO APPROVE AN AMENDMENT TO THE COMPANY'S CHARTER AS PERMITTED UNDER SECTION 3-202(C)(4) OF THE MARYLAND GENERAL CORPORATION LAW ELIMINATING THE ENTITLEMENT OF COMPANY STOCKHOLDERS TO EXERCISE THE RIGHTS OF AN OBJECTING STOCKHOLDER TO DEMAND AND RECEIVE PAYMENT OF THE FAIR VALUE OF THEIR STOCK**

Stockholders are being asked to approve an amendment to the Company's charter as permitted under Section 3-202(c)(4) of the Maryland General Corporation Law eliminating the entitlement of Company stockholders to exercise the rights of an objecting stockholder to demand and receive payment of the fair value of their stock.

If approved by stockholders, Proposal 3 will add the following to Article VII of the Company's charter:

> Holders of shares of stock shall not be entitled to exercise any rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute unless the Board of Directors shall determine that such rights apply, with respect to all or any classes or series of shares, to one or more transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise such rights.

Under the Maryland General Corporation Law ("MGCL"), objecting stockholders of a corporation have the right to demand and receive payment of the fair value of their stock if (1) the corporation consolidates or mergers with a another corporation; (2) the stockholder's stock is to be acquired in a share exchange; (3) the corporation transfers its assets in a manner requiring action under Section 3-105(e) of Title 3 of the MGCL; (4) the corporation amends its charter in a way which alters the contract rights, as expressly set forth in the charter, of any outstanding stock and substantially adversely affects the stockholder's rights, unless the right to do so is reserved by the charter of the corporation; (5) the transaction is governed by Section 3-602 of Title 3 of the MGCL or exempted by Section 3-603(b) of Title 3 of the MGCL; or (6) the corporation is converted in accordance with Section 3-901 of Title 3 of the MGCL (collectively, the "Transactions"). However, such right of objecting stockholders to demand and receive payment of the fair value of their stock does not apply in certain circumstances, including if (i) the stock is listed on a national securities exchange (e.g., NYSE or NASDAQ) or (ii) the charter provides that the holders of the stock are not entitled to exercise the rights of an objecting stockholder.

Shares of stock of the Company are not traded on a "national securities exchange" but rather are traded "over the counter" and the Company's charter does not currently provide that the Company's stockholders are not entitled to exercise the rights of an objecting stockholder. Absent the amendment to the Company's charter contemplated by Proposal 3, upon a Transaction, stockholders of the Company who objected to such transaction may have the right to demand and receive payment in cash of the fair value of their stock. There would likely be disagreements about the fair value of such stock and the objecting stockholder may be able to petition a court of equity for an appraisal to determine the fair value of such stock. The costs associated with any such appraisal proceeding could be significant, and once the fair value was determined, the Corporation would likely be required to dispose of assets to pay such value to the dissenters.

In order to mitigate these potential adverse consequences, it is proposed that the Company's charter be amended as permitted under Section 3-202(c)(4) of the Maryland General Corporation Law eliminating the entitlement of Company stockholders to exercise the rights of an objecting stockholder to demand and receive payment of the fair value of their stock.

**Vote Required**

Under Article VIII of the Company's charter, the amendment of Article VII of the Charter shall require the affirmative vote of the holders 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 approved by the vote of a majority of the board of directors, in which case such amendment would require the affirmative vote of stockholders entitled to cast a majority of the number of votes entitled to be cast thereon. Inasmuch as the amendment was approved and advised by at least a majority of the board of directors, the affirmative vote of stockholders entitled to cast a majority of the number of votes entitled to be cast thereon at the Meeting at which a quorum is present is sufficient to approve the amendment.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE <u>FOR</u> THE APPROVAL OF THE PROPOSED AMENDMENT.***
***ANY SIGNED BUT UNMARKED PROXIES WILL BE VOTED <u>FOR</u> PROPOSAL 3.***

## OTHER BUSINESS

The Company's bylaws provide that the only matters that may be acted on at the Meeting are those specified in the Notice of Meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof). Accordingly, other than procedural matters, no other business may properly come before the Meeting. If any such procedural matters requiring a vote of stockholders should arise, the persons named as proxies will vote on such procedural matters in accordance with their discretion.

## ADDITIONAL INFORMATION

In addition to the use of the mails, proxies may be solicited personally, by telephone, electronically, 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. Please see the enclosed proxy card for voting instructions. Stockholders requiring further information with respect to voting instructions or the proxy generally should contact the Company or 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 current 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 sixty (60) calendar days nor more than ninety (90) calendar days prior to the anniversary date of the mailing date of the notice of 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 presentation at any stockholder meeting does not guarantee that it will be 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, 2018, 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 postage paid envelope.***

# BEXIL CORPORATION

## 2018 Annual Report

# BEXIL CORPORATION

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## PRESIDENT'S LETTER

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

April 24, 2019

Fellow Shareholders:

Bexil Corporation ("Bexil" or the "Company") is primarily engaged through a wholly owned subsidiary, Bexil Advisers LLC ("Bexil Advisers"), in investment management. Bexil Advisers is a registered investment adviser and the investment manager to Dividend and Income Fund ("DNI" or the "Fund"), a registered closed end investment company listed on the New York Stock Exchange under the ticker symbol DNI (and net asset value per share ticker symbol XDNIX). Bexil's objective is to increase book value per share over time. We believe that long term stockholders will benefit from a rising book value as market recognition builds and investors come to appreciate Bexil's intrinsic value as well.

### 2018 Book Value per Share, Net Income, and Return on Equity

Bexil's shareholders' book value at 2018 year end amounted to about $18.0 million or $20.77 per share, down from $19.6 million or $21.96 per share a year earlier, a per share decrease of 5.0%. 2018 net loss attributable to Bexil shareholders was $1.27 million or $1.43 per diluted share, as compared to 2017 net income of $1.90 million or $2.02 per diluted share. Dividing this 2018 net loss by 2017 year end shareholders' equity shows a 6.5% loss on equity.

### Consolidated Condition and Results

The Company's year end consolidated balance sheet shows $19.3 of total assets, including cash and securities of about $15.3 million, and total liabilities of $1.5 million. New to the balance sheet this year are the net deferred tax assets of $1.82 million allowed against the Company's $6.21 million of total deferred tax assets. These tax assets are derived primarily from the Company's federal net operating loss carryovers of approximately $17.0 million and do not expire under the Tax Cuts and Jobs Act. The balance sheet also reflects a net intangible asset of about $1.80 million, which is the management agreement for an investment fund (DNI) acquired by Bexil Advisers. The agreement was acquired in 2011 for a price of about $4.33 million, when the Fund's total assets were $100 million, compared to about $210 million today. That intangible asset has been amortizing since 2011 over a 12 year schedule by roughly $0.36 million per year.

The Company's consolidated income statement shows 2018 revenue of about $(1.13) million, compared to 2017 revenue of about $3.92 million, a decrease primarily from unrealized loss on investments in securities, totaling about $4.12 million, as compared to an unrealized gain of approximately $1.36 million in the prior year. Total consolidated expenses were about $1.85 million in 2018, compared to about $2.02 million in 2017, primarily due to reduced compensation and benefits expense.

The performance of the investment management business is discussed below. Generally, 2018 saw revenue increase about 15% and expenses declining about 8%, but realized and unrealized losses on securities led to negative overall results for the Company.

### Investment Management

The Company's investment management operations are carried out by its wholly-owned subsidiary, Bexil Advisers, which serves as the investment manager of DNI. Certain officers and managers of Bexil Advisers are also officers and trustees of the Fund. After share transactions, including a rights offering and reinvestments, and distributions, the Fund's total net assets declined to about $159 million at 2018 calendar year end from roughly $179 million at the end of 2017.

The Fund has retained Bexil Advisers pursuant to an investment management agreement (the "IMA"). Under the terms of the IMA, Bexil Advisers receives a fee payable monthly for investment advisory services 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 2018 audited statements of operations as of December 31, 2018 by this annual fee rate we can estimate that such managed assets in 2018 and 2017 averaged about $198 million and $172 million, respectively.

Management fees earned by Bexil Advisers were approximately $1.89 million in 2018, as compared to approximately $1.63 million in 2016. Pursuant to the IMA, the Fund also reimburses Bexil Advisers for providing at cost certain administrative services comprised of compliance and accounting services, which in 2018 amounted to about $0.23 million. Bexil Advisers' expenses in 2017 are estimated at approximately $1.2 million, compared to approximately $1.3 million in 2017.

On January 29, 2018, the Fund announced the completion and results of its non-transferable rights offering to shareholders of record on December 26, 2017. The offer commenced on December 27, 2017 and expired on January 26, 2018. The offer resulted in total gross proceeds of approximately $23.5 million.

**Dividend and Income Fund**

Under Bexil Advisers' management, DNI's 2018 and 2017 total returns on a net asset value basis were, respectively, (18.75)% and 24.09%. At December 31, 2017, the consolidated Company owned approximately 892,000 shares, or 8.3%, of DNI with a carrying value of about $12.0 million. It then participated in the DNI rights offering that expired on January 26, 2018, acquiring another 190,000 shares at $14.20 per share and, together with dividend reinvestments, brought its DNI holding to about 1,105,000 shares, or about 9% of the Fund. DNI's 2018 and 2017 total returns on a market price basis were, respectively, (24.54)% and 18.84%. In 2018, the consolidated Company recorded $0.85 million of earned dividends and interest, as compared to $0.63 million in 2017, most of which was from DNI.

**Bexil American Mortgage Inc.**

Bexil American Mortgage Inc. continues to deal with its discontinued mortgage business by negotiating and settling claims by and against the corporation, paying and collecting payables and receivables, maintaining records, and responding to regulatory, legal, customer, or other inquiries for information, as applicable. Bexil American is also devoting management time and resources to developing and monetizing its intellectual property, including domain names and registered service marks. As of December 31, 2018, Bexil owns about 92% of Bexil American's equity which, unconsolidated, has a negative book value.

**Bexil Stock**

The Company calculated 883,668 basic and diluted weighted average shares of common stock outstanding over 2018, as compared to 911,796 basic and 938,202 diluted weighted average shares over 2017. Excluding the Company tender offer (discussed below), the stock's market price, quoted in the over the counter market under the ticker symbol BXLC, fluctuated in 2018 between about $9.89 and $12.95 per share, with a last sale in the year at about $10.10 per share, as compared to about $12.25 in 2017 and trading volume in 2018 for BXLC was approximately 94,900 shares, compared to 2017 volume of approximately 117,000 shares. Broker-dealers seeking to gather information on Bexil pursuant to SEC Rule 15c2-11 should visit http://www.bexil.com/Rule15c2-11Information.html.

**Share Buybacks**

From time to time, Bexil's Board of Directors reviews and considers share buybacks in the context of the market price of the shares as compared to economic and book value per share; the Company's income statement and free cash flow in view of future liquidity requirements and opportunities to reasonably reinvest in its business; and the Company's cash, cash equivalents, and similar items on its balance sheet relative to discernable profitable investment opportunities. The Board also reviews and considers various means of distributing the accumulated wealth of the Company back to shareholders, including, among other things, stock price appreciation, dividends, and stock buybacks, and related matters such as tax efficiency and excess cash. In 2018 and 2017 the Company agreed to buy back a total of, respectively, 36,914 and 92,665 shares at an average price of about, respectively, $12.94 and $7.81. The 2018 figures include the Company's tender offer by document dated July 9, 2018, in which the Company offered to purchase 25,000 of its shares at a purchase price of $13.25 per share. The tender offer expired on August 9, 2018 and was oversubscribed.

At the right price the Board has concluded that share buybacks can potentially bring an instant and material benefit to continuing shareholders. In this connection, the Company may, in its sole discretion, engage in repurchases of shares of the Company. Such repurchases, should they occur, could be made through tender offers, solicited or unsolicited transactions in the open market, or in privately negotiated transactions at such times and prices, and on such other terms, as the Company deems appropriate. To quote the 2016 Berkshire Hathaway letter to shareholders, "our buying out 'partners' at a discount is not a particularly gratifying way of making money. Still, market circumstances could create a situation in which repurchases would benefit both continuing and exiting shareholders. If so, we will be ready to act."

**Outlook**

Our investment management business is dependent in large part on the health of the financial markets. We note that the Federal Open Market Committee of the Federal Reserve Bank appears to be expecting economic growth to remain above trend in 2019 and then slow. Accordingly, we believe that investors might anticipate favorable, although possibly volatile, markets in 2019, and that economic and market risks suggest a careful strategy.

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.

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Bexil Corporation (the "Company") (a Maryland corporation), which comprise the consolidated balance sheet as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**TAIT, WELLER, & BAKER LLP**

**Philadelphia, Pennsylvania**
**April 24, 2019**

## CONSOLIDATED FINANCIAL STATEMENTS

### BEXIL CORPORATION
### CONSOLIDATED BALANCE SHEETS
### December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,796,501 | $ 3,213,551 |
| Investments in securities | 13,490,964 | 15,268,998 |
| Accounts receivable | 402,147 | 195,435 |
| Intangible asset, net | 1,802,083 | 2,162,500 |
| Deferred tax assets, net | 1,822,992 | — |
| Total assets | $ 19,314,687 | $ 20,840,484 |
| **Liabilities and equity** | | |
| Accounts payable and accrued expenses | $ 1,244,278 | $ 1,374,148 |
| Due to broker | 216,394 | — |
| Securities loaned | 1,632 | — |
| Total liabilities | 1,462,304 | 1,374,148 |
| Commitments and Contingencies | | |
| **Equity** | | |
| Bexil Corporation shareholders' equity | | |
| Common stock, $0.01 par value, 9,900,000 shares authorized; 867,728 issued and outstanding at December 31, 2018 and 893,903 issued and outstanding at December 31, 2017 | 8,677 | 8,939 |
| Series A participating preferred stock, $0.01 par value, 100,000 shares authorized; zero shares issued and outstanding | — | — |
| Additional paid in capital | 14,998,709 | 15,351,296 |
| Notes receivable for common stock issued | (1,169,519) | (1,173,671) |
| Accumulated comprehensive income (loss) | (880) | (2,790) |
| Retained earnings | 4,182,484 | 5,448,164 |
| Total Bexil Corporation shareholders' equity | 18,019,471 | 19,631,938 |
| Noncontrolling interests in subsidiary | (167,088) | (165,602) |
| Total equity | 17,852,383 | 19,466,336 |
| Total liabilities and equity | $ 19,314,687 | $ 20,840,484 |

See notes to consolidated financial statements.

**BEXIL CORPORATION**
**CONSOLIDATED STATEMENTS OF INCOME**
**Years Ended December 31, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Revenues** | | |
| Management and other fees | $ 2,110,950 | $ 1,839,555 |
| Dividends and interest | 849,318 | 629,501 |
| Realized gain on investments in securities | 22,987 | 48,419 |
| Unrealized gain (loss) on investments in securities | (4,115,798) | 1,355,050 |
| Other | — | 48,703 |
| | (1,132,543) | 3,921,228 |
| **Expenses** | | |
| Compensation and benefits | 1,202,914 | 1,405,041 |
| General and administrative | 492,799 | 482,063 |
| Professional services | 155,615 | 129,439 |
| | 1,851,328 | 2,016,543 |
| Income (loss) before taxes | (2,983,871) | 1,904,685 |
| Income tax expense (benefit) | (1,716,705) | 2,660 |
| Net income (loss) | (1,267,166) | 1,902,025 |
| Net income (loss) attributable to noncontrolling interests | (1,486) | 4,758 |
| Net income (loss) attributable to Bexil Corporation shareholders | $ (1,265,680) | $ 1,897,267 |
| | | |
| Net income (loss) per share | | |
| Basic, attributable to Bexil Corporation shareholders | $ (1.43) | $ 2.08 |
| Diluted attributable to Bexil Corporation shareholders | $ (1.43) | $ 2.02 |
| Weighted average shares outstanding | | |
| Basic | 883,668 | 911,796 |
| Diluted | 883,668 | 938,202 |

See notes to consolidated financial statements.

**BEXIL CORPORATION**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**Years Ended December 31, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Net income (loss) before noncontrolling interests** | $ (1,267,166) | $ 1,902,025 |
| **Other comprehensive gain, net of tax** | | |
| Unrealized gain (loss) on investment securities available-for-sale, net of tax | 1,910 | (4,878) |
| Other comprehensive gain (loss), net of tax | 1,910 | (4,878) |
| Comprehensive income (loss) | (1,265,256) | 1,897,147 |
| Comprehensive income (loss) attributable to noncontrolling interests | (1,486) | 4,758 |
| Comprehensive income (loss) attributable to Bexil Corporation shareholders | $ (1,263,770) | $ 1,892,389 |

See notes to consolidated financial statements.

**BEXIL CORPORATION**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**Years Ended December 31, 2018 and 2017**

| | Common Stock | | Additional | Notes Receivable | Accumulated Other | | Non- | |
|---|---|---|---|---|---|---|---|---|
| | | Par | Paid in | for Common | Comprehensive | Retained | controlling | Total |
| | Shares | Value | Capital | Stock Issued | Gain (Loss) | Earnings | Interest | Equity |
| Balance at December 31, 2016 | 977,168 | $ 9,772 | $ 15,946,513 | $ (1,295,746) | $ 2,088 | $ 3,550,897 | $ (170,360) | $ 18,043,164 |
| Net income | — | — | — | — | — | 1,897,267 | 4,758 | 1,902,025 |
| Unrealized loss on investment securities available-for-sale | — | — | — | — | (4,878) | — | — | (4,878) |
| Stock-based compensation expense | — | — | 71,024 | — | — | — | — | 71,024 |
| Common stock issued with exercise of stock options | 17,000 | 170 | 134,470 | (44,352) | — | — | — | 90,288 |
| Common stock repurchases and rescissions | (100,265) | (1,003) | (800,711) | 91,227 | — | — | — | (710,487) |
| Repayment of promissory notes | — | — | — | 75,200 | — | — | — | 75,200 |
| Balance at December 31, 2017 | 893,903 | 8,939 | 15,351,296 | (1,173,671) | (2,790) | 5,448,164 | (165,602) | 19,466,336 |
| Net loss | — | — | — | — | — | (1,265,680) | (1,486) | (1,267,166) |
| Unrealized gain on investment securities available-for-sale | — | — | — | — | 1,910 | — | — | 1,910 |
| Stock-based compensation expense | — | — | 39,592 | — | — | — | — | 39,592 |
| Common stock issued with exercise of stock options | 10,739 | 107 | 84,945 | (84,945) | — | — | — | 107 |
| Common stock repurchases | (36,914) | (369) | (477,124) | — | — | — | — | (477,493) |
| Repayment of promissory notes | — | — | — | 89,097 | — | — | — | 89,097 |
| Balance at December 31, 2018 | 867,728 | $ 8,677 | $ 14,998,709 | $ (1,169,519) | $ (880) | $ 4,182,484 | $ (167,088) | $ 17,852,383 |

See notes to consolidated financial statements

**BEXIL CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Years Ended December 31, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) | $ (1,267,166) | $ 1,902,025 |
| Adjustments to reconcile net income (loss) to net cash provided by | | |
| Purchase of investment securities, trading | (6,303,287) | (5,816,373) |
| Proceeds on sales of investment securities, trading | 3,618,663 | 5,875,245 |
| Stock-based compensation expense | 39,592 | 71,024 |
| Realized gain on investments in securities | (22,987) | (48,419) |
| Unrealized loss (gain) on investments in securities | 4,115,798 | (1,355,050) |
| Amortization | 360,416 | 360,416 |
| Accretion of discount | (642) | — |
| Increase in accounts receivable | (206,712) | (30,214) |
| Increase in deferred tax assets | (1,822,992) | — |
| Decrease in accounts payable and accrued expenses | (129,870) | (81,140) |
| Increase in due to broker | 216,394 | — |
| Increase in securities loaned | 1,632 | — |
| Decrease in repurchase reserves | — | (15,000) |
| Net cash (used in) provided by operating activities | (1,401,161) | 862,514 |
| **Cash flows from investing activities** | | |
| Purchase of investment securities, available-for-sale | (1,161,748) | (735,000) |
| Proceeds on sale investment securities, available-for-sale | 1,534,148 | 1,959,486 |
| Net cash provided by investing activities | 372,400 | 1,224,486 |
| **Cash flows from financing activities** | | |
| Common stock issued upon exercise of stock options | 107 | 90,288 |
| Repayments on notes receivable for common stock issued | 89,097 | 75,200 |
| Common stock repurchases | (477,493) | (710,487) |
| Net cash used in financing activities | (388,289) | (544,999) |
| Net (decrease) increase in cash and cash equivalents | (1,417,050) | 1,542,001 |
| Cash and cash equivalents, beginning of year | 3,213,551 | 1,671,550 |
| Cash and cash equivalents, end of year | $ 1,796,501 | $ 3,213,551 |
| **Supplemental disclosures** | | |
| Interest paid | $ 9,357 | $ 4,620 |
| Income taxes paid | $ 32,467 | $ 28,157 |
| Promissory note accepted with exercise of stock options | $ 84,945 | $ — |
| Effect of rescission of stock options: | | |
| Notes receivable for common stock issued | $ — | $ 39,427 |

See notes to consolidated financial statements.

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

## 1. THE COMPANY

Bexil Corporation ("Bexil" or the "Company") is primarily engaged through a wholly-owned subsidiary in investment management. 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 serves 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 symbol DNI (and net asset value per share ticker symbol XDNIX).

Bexil Securities LLC ("Bexil Securities") is a Maryland limited liability company and is a registered broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Bexil Securities may 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. Bexil American deals with its discontinued mortgage business by negotiating and settling claims by and against the corporation, paying and collecting payables and receivables, maintaining records, and responding to regulatory, legal, customer, or other inquiries for information, as applicable. Bexil American also is engaged in developing and monetizing its intellectual property, including domain names and registered service marks.

## 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 Income, 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, among other things, 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.

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.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Net income (loss) attributable to Bexil shareholders | $(1,265,680) | $1,897,267 |
| Net income (loss) per share | | |
| Basic, attributable to Bexil shareholders | $ (1.43) | $ 2.08 |
| Diluted attributable to Bexil shareholders | $ (1.43) | $ 2.02 |
| Weighted average shares outstanding | | |
| Basic | 883,668 | 911,796 |
| Diluted | 883,668 | 938,202 |

**Intangible Asset**

The intangible asset of the Company on the Consolidated Balance Sheets is 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 2018 or 2017.

**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 (2015 – 2017) or expected to be taken in the Company's 2018 tax returns.

**Investments in Securities**

Investments in equity and debt securities that have readily determinable fair values are accounted for as either trading or available-for-sale. Trading securities are typically 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 and debt 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 and available-for-sale equity securities are included in income, and gains or losses from changes in the fair value of available-for-sale debt 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.

**Securities Loaned**

Securities loaned are collateralized financing arrangements that are recorded at the amount of cash collateral received. The Company receives cash collateral that typically exceeds the market value of securities loaned. The Company earns interest income on the cash collateral balance. The cash collateral may constitute the only source of satisfaction in the event that the counterparty cannot return the securities. As of December 31, 2018, the value of loaned securities was $1,577 and the related cash collateral outstanding was $1,632.

**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.

**Regulation**

Bexil Advisers is registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Advisers Act. Bexil Securities is registered as a broker-dealer under the Exchange Act and a 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 (including, but not limited to, 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 April 24, 2019, 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, 2018.

**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.

**Recently Issued Accounting Standards**

The Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), effective January 1, 2018. The standard provides companies with a single model for recognizing revenue from contracts with customers. The core principle requires a company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The adoption of the standard does not have a material impact on the timing of recognition of revenue in the Company's financial position or its results of operations.

The Company adopted ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, effective January 1, 2018. Under the new standard, all equity securities will be measured at fair value through earnings with certain exceptions, including investments accounted for under the equity method of accounting or where the fair market value of an equity security is not readily available. The adoption of the standard on January 1, 2018, did not impact the consolidated financial statements as the Company's available-for-sale investments have historically been fixed income securities which are not affected by this update.

## 3. INVESTMENTS IN SECURITIES

Investments in securities as of December 31, 2018 and 2017 consisted of the following:

| December 31, 2018 | Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Value |
|---|---|---|---|---|
| Investment securities, trading | | | | |
| Closed end funds | $ 14,761,870 | $ — | $ (3,980,968) | $ 10,780,902 |
| Equity securities | 1,103,969 | 263,731 | — | 1,367,700 |
| | 15,865,839 | 263,731 | (3,980,968) | 12,148,602 |
| Investment securities, available-for-sale | | | | |
| U.S. Treasury | 1,098,242 | — | (841) | 1,097,401 |
| Certificates of deposit | 245,000 | — | (39) | 244,961 |
| Total investment in securities | $ 17,209,081 | $ 263,731 | $ (3,981,848) | $ 13,490,964 |

| December 31, 2017 | Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Value |
|---|---|---|---|---|
| Investment securities, trading | | | | |
| Closed end funds | $ 11,548,139 | $ 431,004 | $ — | $ 11,979,143 |
| Certificates of deposit | 940,000 | — | (1,055) | 938,945 |
| Equity securities | 670,089 | — | (31,388) | 638,701 |
| | 13,158,228 | 431,004 | (32,443) | 13,556,789 |
| Investment securities, available-for-sale | | | | |
| Certificates of deposit | 1,715,000 | — | (2,791) | 1,712,209 |
| Total investment in securities | $ 14,873,228 | $ 431,004 | $ (35,234) | $ 15,268,998 |

## 4. 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, U.S. Treasury securities, and certificates of deposit. The value of the closed end management investment companies, general equities, and U.S. Treasury securities 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, 2018 and 2017 as follows:

| December 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Investment in securities | | | | |
| Closed end funds | $ 10,780,902 | $ — | $ — | $ 10,780,902 |
| Equity securities | 1,367,700 | — | — | 1,367,700 |
| U.S. Treasury | — | 1,097,401 | — | 1,097,401 |
| Certificates of deposit | — | 244,961 | — | 244,961 |
| Total assets at fair value | $ 12,148,602 | $ 1,342,362 | $ — | $ 13,490,964 |

| December 31, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Investment in securities | | | | |
| Closed end funds | $ 11,979,143 | $ — | $ — | $ 11,979,143 |
| Equity securities | 638,701 | — | — | 638,701 |
| Certificates of deposit | — | 2,651,154 | | 2,651,154 |
| Total assets at fair value | $ 12,617,844 | $ 2,651,154 | $ — | $ 15,268,998 |

**5. INTANGIBLE ASSET**

As of December 31, 2018, the intangible asset of the Company on the Consolidated Balance Sheets is 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 2018 or 2017.

The following table presents the intangible assets of the Company and its subsidiaries as of December 31, 2018 and 2017:

| December 31, 2018 | Gross Book Value | Accumulated Amortization | Net Book Value | Weighted Average Amortization Period (Years) |
|---|---|---|---|---|
| Investment management contract | $ 4,325,000 | $ (2,522,917) | $ 1,802,083 | 5 |

| December 31, 2017 | Gross Book Value | Accumulated Amortization | Net Book Value | Weighted Average Amortization Period (Years) |
|---|---|---|---|---|
| Investment management contract | $4,325,000 | $(2,162,500) | $2,162,500 | 6 |

As of December 31, 2018, estimated future amortization expense of the IMA is as follows:

| Year ending December 31, | |
|---|---|
| 2019 | $ 360,417 |
| 2020 | 360,417 |
| 2021 | 360,417 |
| 2022 | 360,417 |
| 2023 | 360,415 |
| | $1,802,083 |

### 6. 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 "2014 Plan"). Awards under the 2014 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 2014 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 2014 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 2014 Plan (other than pursuant to the 2014 Plan, or other benefit plans of the Company); provided, however, that the total number of shares of common stock with respect to which incentive stock options may be granted shall in no event exceed 15% of the total number of authorized shares of Company common stock as of the Effective Date. 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 2014 Plan replaced the Company's former stock-based compensation plan, the 2011 Stock Incentive Plan (the "2011 Plan"). No future awards may be granted under the 2011 Plan, although any previously issued options granted under the 2011 Plan remain effective until either they expire, are forfeited, or are exercised. Under the 2011 Plan, 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 2011 Plan provided for the granting of a maximum 152,639 options to purchase common stock.

The Company granted 2,000 options at an exercise price of $12.10 and the grant date fair value of the options issued was $5.62 to $5.80 for the year ended December 31, 2017. There were no options granted by the Company for the year ended December 31, 2018.

A summary of the stock options activity for the years ended December 31, 2018 and 2017 is as follows:

| | Shares Under Option | Weighted Average Exercise Price |
|---|---|---|
| Balance, December 31, 2016 | 166,364 | $ 8.29 |
| Granted | 2,000 | $ 12.10 |
| Exercised | (17,000) | $ 7.92 |
| Forfeited | (21,200) | $ 11.27 |
| Balance, December 31, 2017 | 130,164 | $ 7.91 |
| Exercised | (10,739) | $ 7.92 |
| Balance, December 31, 2018 | 119,425 | $ 7.91 |

The following table summarizes non-vested stock option activity for 2018:

| | Number of Non-vested Options | Weighted Average Grant Date Value |
|---|---|---|
| Non-vested at January 1, 2018 | 34,400 | $ 7.90 |
| Granted | — | $ — |
| Vested | (13,800) | $ 7.81 |
| Forfeited | — | $ — |
| Non-vested, December 31, 2018 | 20,600 | $ 7.96 |

At December 31, 2018 and 2017, exercisable and vested stock options were 98,825 and 95,764, respectively. The weighted average exercise price of the exercisable outstanding stock options at December 31, 2018 and 2017 was $7.90 and $7.91, respectively.

Stock options outstanding and exercisable at December 31, 2018 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 | 117,425 | 2.4 | 97,825 | $ 7.85 |
| $12.10 | 2,000 | 8.5 | 1,000 | $ 12.10 |
| | 119,425 | 2.5 | 98,825 | $ 7.90 |

At December 31, 2018, the aggregate intrinsic value of outstanding options was $261,676.

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** | **2018** | **2017** |
|---|---|---|
| Expected price volatility | - | 58.1% - 60.4% |
| Risk-free interest rate | - | 1.8% - 1.9% |
| Weighted average expected life in years | - | 5.2 – 6.0 |
| Dividend yield | - | 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, 2018 and 2017, total stock-based compensation was $39,592 and $71,024, respectively.

As of December 31, 2018, the total compensation expense related to non-vested awards which are expected to vest but not yet recognized is $21,942 with an expense recognition period of approximately 2 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.

## 7. INCOME TAXES

The income tax provision (benefit) consisted of the following for the years ended December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Current provision: | | |
| Federal | $ — | $ (24,242) |
| State and local | 106,287 | 26,902 |
| Total current provision | 106,287 | 2,660 |
| Deferred provision (benefit): | | |
| Federal | $ (1,392,103) | $ — |
| State and local | (430,889) | — |
| Total deferred provision | (1,822,992) | — |
| Total provision for income taxes | $ (1,716,705) | $ 2,660 |

Deferred tax assets consisted of the following at December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Deferred tax assets (liabilities): | | |
| Net operating losses | $ 3,834,431 | $ 3,995,041 |
| Capital loss | 533,119 | 704,454 |
| Section 195 start-up costs | 334,001 | 374,081 |
| Death benefit liability | 298,085 | 343,383 |
| Unrealized (gain) loss on investments | 1,022,471 | (127,797) |
| Stock-based compensation | 101,496 | 100,459 |
| Basis difference in intangibles | 68,899 | 56,183 |
| Other accruals | 18,279 | 24,735 |
| Total deferred tax assets, net | 6,210,781 | 5,470,539 |
| Valuation allowance | (4,387,789) | (5,470,539) |
| Net | $ 1,822,992 | $ — |

For the year ended December 31, 2018, the Company had an effective tax rate of 58% and a federal statutory rate of 21% with the difference resulting from a change in the valuation allowance of the deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law making significant changes to the Internal Revenue Code of 1986, as amended (the "Code"). Among other things, the TCJA reduces the federal corporate tax rate from 35% to 21%, effective for tax years beginning after December 31, 2017. The change in the federal tax rate required the Company, in 2017, to remeasure its deferred tax assets and its valuation allowance, resulting in a decrease to both the deferred tax asset and the corresponding valuation allowance. For 2017, the Company had an effective tax rate of 0% and a federal statutory rate of 21%, with the difference being attributable to the utilization of net operating loss carryovers which were fully provided for in the valuation allowance.

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. At December 31, 2018, the Company established a valuation allowance in the amount of $4,387,789 against its deferred tax assets. At December 31, 2017, the Company established a valuation allowance in the amount of $5,470,539.

As of December 31, 2018, the Company has federal net operating loss carryovers of approximately $17.0 million which will not expire, but are subject to the amount available for use each year.

The utilization of net operating loss carryovers may be subject to limitations under provision of the Section 382 of the Code 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, 2018. 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 federal examination for years before 2015.

## 8. 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, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Shares outstanding, beginning of year | 893,903 | 977,168 |
| Common stock issued with exercise of stock options | 10,739 | 11,400 |
| Common stock repurchased and retired | (36,914) | (92,665) |
| Rescission of common stock | — | (2,000) |
| Shares outstanding, end of year | 867,728 | 893,903 |

## 9. 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, the "Affiliates"). At December 31, 2018, Winco owned approximately 26%, 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 $12,813 and $24,089 as of December 31, 2018 and 2017, 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 $69,367 and $82,078 for the years ended December 31, 2018 and 2017, respectively, and it had a related receivable for these costs of $1,543 at December 31, 2018 and a payable of $1,769 at December 31, 2017.

Bexil Securities and Bexil Advisers collectively own approximately 9% of the shares of DNI with a carrying value of $10,532,662 and $11,979,143 as of December 31, 2018 and 2017, respectively, and earned dividends of $757,378 and $525,670 for the years ended December 31, 2018 and 2017, respectively. Certain officers and directors of the Company are also officers and/or trustees of DNI.

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% - 2.64% 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 $1,169,519 and $1,173,670, as of December 31, 2018 and 2017, respectively. As of December 31, 2018, $1,084,574 and $84,945 are due and payable through 2022 and 2028, respectively. The Company earned interest income of $20,888 and $20,496 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Company owned approximately 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.

**10. 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 Code. The Company's allocated matching expense under the plan was $37,203 and $34,562 for the years ended December 31, 2018 and 2017, respectively.

**11. REGULATORY REQUIREMENTS**

Bexil Securities, a registered broker-dealer, is subject to the Uniform Net Capital Rule under Rule 15c3-1 of the Exchange Act, which requires broker-dealers to maintain a minimum level of net capital, as defined. As of December 31, 2018, Bexil Securities had net capital of $4,156,676, which exceeded its $100,000 required minimum capital by $4,056,676.

**12. 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, 2016 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, 2016 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, 2016) 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.

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.

**13. 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 $1.1 million and $1.2 million at December 31, 2018 and 2017, respectively.

## 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):

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First quarter | $ 12.95 | $ 12.20 | $ 10.25 | $ 7.65 |
| Second quarter | $ 12.20 | $ 9.89 | $ 11.00 | $ 7.50 |
| Third quarter | $ 12.70 | $ 10.05 | $ 11.00 | $ 9.00 |
| Fourth quarter | $ 11.50 | $ 10.00 | $ 12.80 | $ 11.00 |

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

**OFFICERS AND STAFF**
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President, Chief Executive Officer, Chief Legal Officer

THOMAS O'MALLEY
Treasurer, Chief Financial Officer, Chief Accounting Officer

RUSSELL KAMERMAN
Chief Compliance Officer, Secretary, General Counsel

DONALD KLIMOSKI, II
Assistant Chief Compliance Officer, Assistant Secretary, Assistant General Counsel

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Vice President

HEIDI KEATING
Vice President

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For press releases and Company news visit the Bexil website at: www.Bexil.com

# BEXIL

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