

BEXIL

- **Notice of 2015 Annual Meeting and Proxy Statement**
- **2014 Annual Report**

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Ticker:

BXLC

BEXIL CORPORATION

Notice of Annual Meeting of Stockholders

To the Stockholders:

Notice is hereby given that the 2015 Annual Meeting of Stockholders (“Meeting”) of Bexil Corporation (the “Company”) will be held at the Company’s executive offices at 11 Hanover Square, 12th Floor, New York, New York 10005 on July 9, 2015 at 11:00 a.m., local time, for the following purposes:

1. To elect to the board of directors the Nominee, Philip N. Kadinsky-Cade, as a Class II Director to serve for a three year term and until his successor is duly elected and qualifies.
2. To ratify the appointment of auditors.
3. To approve an amendment to the Company’s Bylaws regarding claims that may be brought against a Company party.
4. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

The board of directors unanimously recommends that stockholders vote FOR Proposals 1, 2, and 3.

Stockholders of record at the close of business on May 15, 2015 are entitled to receive notice of and to vote at the Meeting.

By Order of the board of directors

John F. Ramírez
Secretary

New York, New York
June 5, 2015

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

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

BEXIL CORPORATION

PROXY STATEMENT

Annual Meeting of Stockholders to be held July 9, 2015

This Proxy Statement is furnished in connection with a solicitation of proxies by Bexil Corporation (the “Company”) to be voted at the 2015 Annual Meeting of Stockholders of the Company to be held at the Company’s executive offices at 11 Hanover Square, 12th Floor, New York, New York 10005 on July 9, 2015 at 11:00 a.m., local time, and at any postponements or adjournments thereof (“Meeting”) for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Only stockholders of record at the close of business on May 15, 2015 (the “Record Date”) are entitled to be present and to vote on matters at the Meeting. Stockholders are entitled to one vote for each Company share held. Shares represented by executed and unrevoked proxies will be voted in accordance with the instructions on the Proxy Card. A stockholder may revoke a proxy by delivering to the Company a signed proxy with a date later than the previously delivered proxy or by sending a written revocation to the Company. To be effective, such revocation must be received prior to the Meeting. In addition, any stockholder who attends the Meeting in person may vote by ballot at the Meeting, thereby canceling any proxy previously given. As of the Record Date, the Company had 982,245 shares of common stock issued and outstanding. Stockholders of the Company will vote as a single class.

It is estimated that proxy materials will be mailed to stockholders as of the Record Date on or about June 10, 2015.

PROPOSAL 1: TO ELECT TO THE BOARD OF DIRECTORS THE NOMINEE, PHILIP N. KADINSKY-CADE, AS A CLASS II DIRECTOR TO SERVE FOR A THREE YEAR TERM AND UNTIL HIS SUCCESSOR IS DULY ELECTED AND QUALIFIES.

The Board has approved the nomination of Philip N. Kadinsky-Cade (the “Nominee”) as a Class II Director to serve for a three year term and until his successor is duly elected and qualifies. The Nominee currently serves as a director of the Company. Unless otherwise noted, the address of record for the Nominee is 11 Hanover Square, New York, New York 10005.

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

Name, Principal Occupation, and Business Experience	Director Since
Class II:	
PHILIP KADINSKY-CADE - 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.	2014

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

Vote Required

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

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS YOU VOTE FOR THE NOMINEE. ANY SIGNED BUT UNMARKED PROXIES WILL BE SO VOTED FOR THE NOMINEE.

PROPOSAL 2: TO RATIFY THE APPOINTMENT OF AUDITORS.

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

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

Vote Required

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

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS STOCKHOLDERS VOTE
FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF AUDITORS. ANY SIGNED BUT UNMARKED PROXIES
WILL BE SO VOTED FOR PROPOSAL 2.***

PROPOSAL 3: TO APPROVE AN AMENDMENT TO THE COMPANY'S BYLAWS REGARDING CLAIMS THAT MAY BE BROUGHT AGAINST A COMPANY PARTY.

The board of directors recommends approval of an additional Article to the Company's Bylaws entitled "CLAIMS AGAINST A COMPANY PARTY" to provide that in the event that (i) any current or prior stockholder or anyone on their behalf (a "Claiming Party") initiates any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or asserts any claim or counterclaim (each, a "Claim") or joins, offers substantial assistance to, or has a direct financial interest in any Claim against the Company (including any Claim purportedly filed on behalf of any other stockholder) and/or any director, officer, employee, or affiliate thereof (each, a "Company Party"), and (ii) the Claiming Party (or the third party that received substantial assistance from the Claiming Party or in whose Claim the Claiming Party had a direct financial interest) does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought, then each Claiming Party shall be obligated jointly and severally to reimburse the applicable Company Party for all fees, costs, and expenses of every kind and description (including, but not limited to, all reasonable attorneys' fees and other litigation expenses) that the applicable Company Party may incur in connection with such Claim. The proposed amendment provides:

Notwithstanding anything in these Bylaws to the contrary, to the fullest extent permitted by law, in the event that (i) any current or prior stockholder or anyone on their behalf (a "Claiming Party") initiates any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or asserts any claim or counterclaim (each, a "Claim") or joins, offers substantial assistance to, or has a direct financial interest in any Claim against the Corporation (including any Claim purportedly filed on behalf of any other stockholder) and/or any director, officer, employee, or affiliate thereof (each, a "Company Party"), and (ii) the Claiming Party (or the third party that received substantial assistance from the Claiming Party or in whose Claim the Claiming Party had a direct financial interest) does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought, then each Claiming Party shall be obligated jointly and severally to reimburse the applicable Company Party for all fees, costs, and expenses of every kind and description (including, but not limited to, all reasonable attorneys' fees and other litigation expenses) that the applicable Company Party may incur in connection with such Claim. If any provision (or any part thereof) of this Article shall be held to be invalid, illegal, or unenforceable facially or as applied to any circumstance for any reason whatsoever: (1) the validity, legality, and enforceability of such provision (or part thereof) in any other circumstance and of the remaining provisions of this Article (including, without limitation, each

portion of this Article containing any such provision (or part thereof) held to be invalid, illegal, or unenforceable that is not itself held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby, and (2) to the fullest extent permitted by law, the provisions of this Article (including, without limitation, each such portion containing any such provisions (or part thereof) held to be invalid, illegal, or unenforceable) shall be construed for the benefit of the Corporation to the fullest extent permitted by law so as to (a) give effect to the intent manifested by the provision (or part thereof) held invalid, illegal, or unenforceable, and (b) permit the Corporation to protect its directors, officers, employees, and agents from personal liability in respect of their good faith service. Any person or entity purchasing or otherwise acquiring any interest in the shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article.

The board of directors recommends the proposed amendment and by its adoption intends to potentially protect the Company and its directors, officers, employees, or affiliates from vexatious and expensive lawsuits, deter distracting litigation, and provide other benefits to the Company and its stockholders. The board has noted that, although the Delaware Supreme Court has decided that such a fee shifting bylaw provision as adopted by a Delaware non-stock membership corporation is valid under Delaware law, the Company is organized under Maryland law, is not such a corporation, and the matter is subject to controversy.

The proposed amendment may affect the rights of stockholders and, therefore, the board of directors believes it is desirable to seek stockholder approval of the proposed amendment. The board of directors accordingly hereby submits the proposed amendment to the stockholders for their consideration and approval, although whether or not this Proposal 3 is approved, pursuant to Article X of the Bylaws the board reserves the right to amend, alter, or repeal the Bylaws, which may include adding the proposed amendment if not approved by stockholders and/or amending, altering, or repealing the proposed amendment if approved by stockholders.

The Amended and Restated Bylaws as currently in effect are attached hereto in their entirety as Exhibit A, and if Proposal 3 is approved effective immediately the additional Article entitled "CLAIMS AGAINST A COMPANY PARTY" set forth above shall be added as Article X and the current Article X shall be renumbered Article XI.

Vote Required

The Company's charter, Article VIII, Section (1)(a), provides that 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 Proposal 3 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 approve Proposal 3.

THE BOARD OF DIRECTORS, INCLUDING THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT THE HOLDERS OF THE COMPANY'S COMMON STOCK VOTE FOR THE APPROVAL OF THE PROPOSED AMENDMENT TO THE BYLAWS. ANY SIGNED BUT UNMARKED PROXIES WILL BE SO VOTED FOR PROPOSAL 3.

ADDITIONAL INFORMATION

At the Meeting, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the Meeting is sufficient to constitute a quorum. In the absence of a quorum, the chairman of the board, if present, or if not present, then any officer entitled to preside or act as secretary of such meeting, if present, or if not present, then any stockholder present in person or by proxy entitled to vote, may adjourn the meeting without determining the date of the new meeting or from time to time without further notice to a date not more than 120 days after the original record date. Any business that might have been transacted at the meeting originally called may be transacted at any such adjourned meeting at which a quorum is present. Notice of adjournment of a stockholders meeting to another time or place need not be given if such time and place are announced at the meeting. A stockholder vote may be taken for one or more proposals prior to any adjournment. If a proxy is properly executed and returned accompanied by instructions to withhold authority to vote, represents a broker "non-vote" (that is, a proxy from a broker or nominee indicating that such person has not received instructions from the beneficial owner or other person entitled to vote shares of the Company on a particular matter with respect to which the broker or nominee does not have discretionary power), or is marked with an abstention (collectively, "abstentions"), the Company's shares represented thereby will be considered to be present at the Meeting for purposes of determining the existence of a quorum for the transaction of business. Under Maryland law, abstentions do not constitute a vote "for" or "against" a matter and will be disregarded in determining "votes cast" on an issue.

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

Discretionary Authority; Submission Deadlines for Stockholder Proposals

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

How to Communicate with the Company's Board of Directors

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

Annual Statement of Affairs

A full and complete statement of the affairs of the Company, including a balance sheet and a financial statement of operations for the year ended December 31, 2014, shall be submitted at the Meeting and, within 20 days after the Meeting, placed on file at the Company's principal office.

Householding of Proxy Materials

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

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

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

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

EXHIBIT A

**AMENDED AND RESTATED BYLAWS OF
BEXIL CORPORATION**

(A MARYLAND CORPORATION)

ARTICLE I -- NAME OF CORPORATION, LOCATION OF OFFICES AND SEAL

Section 1. Name. The name of the Corporation is Bexil Corporation.

Section 2. Principal Offices. The principal office of the Corporation in the State of Maryland shall be located in Baltimore, Maryland or such other place in Maryland authorized by a resolution of the board of directors. The Corporation may, in addition, establish and maintain such other offices and places of business as the board of directors may, from time to time, determine.

Section 3. Seal. The corporate seal of the Corporation shall consist of two (2) concentric circles, between which shall be the name of the Corporation, and in the center shall be inscribed the year of its incorporation, and the words "Corporate Seal". The form of the seal shall be subject to alteration by the board of directors and the seal may be used by causing it or a facsimile to be impressed or affixed or printed or otherwise reproduced. Any officer or director of the Corporation shall have authority to affix the corporate seal of the Corporation to any document requiring the same.

ARTICLE II -- STOCKHOLDERS

Section 1. Annual Meetings. There shall be no stockholders' meetings for the election of directors and the transaction of other proper business except as required by the laws of the State of Maryland or as hereinafter provided, in which case the annual meeting shall be held at such time and in such place as may be determined by the board of directors.

Section 2. Special Meetings. Special meetings of stockholders may be called at any time by the board of directors, the chairman of the board, or the president and shall be held at such time and place as may be stated in the notice of the meeting. The secretary shall call a special meeting of the stockholders on the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting. Such request shall state the purpose of such meeting and the matters proposed to be acted on thereat, and no other business shall be transacted at any such special meeting. The secretary shall inform such stockholders of the reasonably estimated costs of preparing and mailing the notice of the meeting, and upon payment to the Corporation of such costs, the secretary shall give not less than ten nor more than 90 days' notice of the time, place and purpose of the meeting in the manner provided in section 3 of this Article.

Section 3. Notice of Meetings. The secretary shall cause notice of the place, date and hour and, in the case of a special meeting or as otherwise required by law, the purpose or purposes for which the meeting is called, to be served personally or to be mailed, postage prepaid, not less than 10 nor more than 90 days before the date of the meeting, to each stockholder entitled to vote at such meeting at his address as it appears on the records of the Corporation at the time of such mailing. Notice shall be deemed to be given when deposited in the United States mail addressed to the stockholders as aforesaid.

Notice of any stockholders meeting need not be given to any stockholder who shall sign a written waiver of such notice whether before or after the time of such meeting, which waiver shall be filed with the records of such meeting, or to any stockholder who is present at such meeting in person or by proxy. 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.

Irregularities in the notice of any meeting to, or the nonreceipt of any such notice by, any of the stockholders shall not invalidate any action otherwise properly taken by or at any such meeting.

Section 4. Quorum and Adjournment of Meetings. In the absence of a quorum, the chairman of the board, if present, or if not present, then any officer entitled to preside or act as secretary of such meeting, if present, or if not present, then any stockholder present in person or by proxy entitled to vote, may adjourn the meeting without determining the date of the new meeting or from time to time without further notice to a date not more than 120 days after the original record date. Any business that might have been transacted at the meeting originally called may be transacted at any such adjourned meeting at which a quorum is present.

Section 5. Voting and Inspectors. Unless the laws of the State of Maryland or the Corporation's charter provide otherwise, at every stockholders meeting, each stockholder shall be entitled to one vote for each share and a fractional vote for each fraction of a share of stock of the Corporation validly issued and outstanding and standing in his name on the books of the Corporation on the record date fixed in accordance with these Bylaws, either in person or by proxy appointed by instrument in writing subscribed by such stockholder or his duly authorized attorney, except that no shares held by the Corporation shall be entitled to a vote.

If no record date has been fixed, the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be the later of the close of business on the day on which notice of the meeting is mailed or the 30th day before the meeting, or, if notice is waived by all stockholders, at the close of business on the 11th day preceding the day on which the meeting is held.

Except as otherwise specifically provided in the Charter or these Bylaws or as required by applicable law, a majority of all the votes cast at a meeting at which a quorum is present is sufficient to approve any matter which properly comes before the meeting. The vote upon any question shall be by ballot whenever requested by any person entitled to vote, but, unless such a request is made, voting may be conducted in any way approved by the meeting.

At any meeting at which there is an election of directors, the chairman of the meeting may appoint two inspectors of election who shall first subscribe an oath or affirmation to execute faithfully the duties of inspectors at such election with strict impartiality and according to the best of their ability, and shall, after the election, make a certificate of the result of the vote taken. No candidate for election as a director shall be appointed as an inspector.

The determination of such inspectors as to all matters relating to the form or validity of proxies, ballots, and voting directions thereon, and all other matters upon which their certificate would be based shall be deemed final and conclusive, and such inspectors' determinations shall not be subject to challenge or review prior to the issuance of their certificate, unless such challenge or review is approved by the vote of a majority of the board of directors.

The certificate of the result of the vote taken shall be deemed final and conclusive, and such inspectors' decisions shall not be judicially reviewable, unless such judicial review is approved by the vote of a majority of the board of directors.

Section 6. Validity of Proxies. The right to vote by proxy shall exist only if the instrument authorizing such proxy to act shall have been signed by the stockholder or by his duly authorized attorney. Unless a proxy provides otherwise, it shall not be valid more than 11 months after its date. All proxies shall be delivered to the secretary of the Corporation or to the person acting as secretary of the meeting before being voted, who shall decide all questions concerning qualification of voters, the validity of proxies, and the acceptance or rejection of votes. If inspectors of election have been appointed by the chairman of the meeting, such inspectors shall decide all such questions. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by one of them unless at or prior to exercise of such proxy the Corporation receives from any one of them a specific written notice to the contrary and a copy of the instrument or order which so provides. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid unless challenged at or prior to its exercise.

Section 7. [reserved]

Section 8. Action without a Meeting. Any action required or permitted to be taken by stockholders at a meeting of stockholders may be taken without a meeting if (a) all stockholders entitled to vote on the matter consent to the action in writing, (b) all stockholders entitled to notice of the meeting but not entitled to vote at it sign a written waiver of any right to dissent, and (c) the consents and waivers are filed with the records of the meetings of stockholders. Such consent shall be treated for all purposes as a vote at the meeting.

Section 9. Election of Directors. Subject to the Corporation's charter, 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 ("Meeting"), 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.

Section 10. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the charter of the Corporation with respect to the right, if any, of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the board of directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the board of directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving

of the notice provided for in this section and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this section.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, 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; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) calendar days before or sixty (60) calendar days after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the later of the sixtieth (60) calendar day prior to such annual meeting or the tenth (10th) calendar day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) calendar day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs. For purposes of this section, the date of a public disclosure shall include, but not be limited to, the earliest of the date on which such disclosure is mailed to stockholders of record, disseminated in a press release by Business Wire, Marketwired, or similar press release service, reported by the Dow Jones News Services, the Associated Press, or any similar news service, or made in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15 (d) (or the rules and regulations thereunder) of the Securities Exchange Act of 1934, as amended.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address, and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person, and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this section. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 11. Business at Annual Meeting. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) 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), (b) otherwise properly brought before the annual meeting by or at the direction of the board of directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this section and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this section.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation 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; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) calendar days before or sixty (60) calendar days after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the later of the sixtieth (60) calendar day prior to such

annual meeting or the tenth (10th) calendar day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs. For purposes of this section, the date of a public disclosure shall include, but not be limited to, the earliest of the date on which such disclosure is mailed to stockholders of record, disseminated in a press release by Business Wire, Marketwired, or similar press release service, reported by the Dow Jones News Services, the Associated Press, or any similar news service, or made in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15 (d) (or the rules and regulations thereunder) of the Securities Exchange Act of 1934, as amended.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this section, provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this section shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III -- BOARD OF DIRECTORS

Section 1. General Powers. Except as otherwise provided by operation of law, by the Corporation's charter, or by these Bylaws, the business and affairs of the Corporation shall be managed under the direction of, and all the powers of the Corporation shall be exercised by or under authority of, its board of directors.

Section 2. Power to Issue and Sell Stock. The board of directors may from time to time issue and sell or cause to be issued and sold any of the Corporation's authorized shares to such persons and for such consideration as the board of directors shall deem advisable, subject to the provisions of the Corporation's charter.

Section 3. Power to Authorize Dividends. The board of directors, from time to time as it may deem advisable, may authorize and pay dividends in stock, cash, or other property of the Corporation, out of any source available for dividends, to the stockholders according to their respective rights and interests in accordance with the provisions of the Corporation's charter.

Section 4. Number and Term of Directors. The board of directors shall consist of not less than three nor more than fifteen directors, as specified by a resolution of a majority of the entire board of directors. Each director shall hold office until his successor is elected and qualified or until his earlier death, resignation, or removal. Any vacancy created by an increase in directors may be filled in accordance with this Article.

All acts done at any meeting of the directors or by any person acting as a director, so long as his successor shall not have been duly elected or appointed, shall, notwithstanding that it be afterwards discovered that there was some defect in the election of the directors or of such person acting as a director or that they or any of them were disqualified, be as valid as if the directors or such other person, as the case may be, had been duly elected and were or was qualified to be directors or a director of the Corporation.

Directors need not be stockholders of the Corporation.

Section 5. Election. At each annual meeting, the stockholders shall elect directors to hold office.

Section 6. Vacancies and Newly Created Directorships. Any vacancies in the board of directors, whether arising from death, resignation, removal, an increase in the number of directors, or otherwise, shall be filled by a vote of the board of directors and shall serve until the next annual meeting of stockholders and until his successor is elected and qualifies.

Section 7. Chairman of the Board. 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).

Section 8. Regular Meetings. Regular meetings of the board of directors for choosing officers and transacting other proper business shall be held at such time and place, within or outside the state of Maryland, as the board may determine. Notice of such meetings shall be given at any time in advance of the meeting time in writing or delivered by electronic transmission and need not state the business to be transacted at or the purpose of such meetings. Members of the board of directors or any committee of the board may participate in such meetings of the board or committee by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time; and participation by such means shall constitute presence in person at a meeting.

Section 9. Special Meetings. Special meetings of the board of directors shall be held whenever called by the chairman of the board, or his designee, (or, in the absence or disability of the chairman of the board, by any other director) at the time and place (within or outside of the State of Maryland). Notice of such meetings shall be in writing or delivered by electronic transmission and need not state the business to be transacted at or the purpose of such meetings. Members of the board of directors or any committee of the board may participate in such meetings of the board or committee by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time; and participation by such means shall constitute presence in person at a meeting.

Section 10. Waiver of Notice. No notice of any meeting need be given to any director who is present at the meeting or who waives notice of such meeting in writing or by electronic transmission (which waiver shall be filed with the records of such meeting), either before or after the time of the meeting.

Section 11. Quorum and Voting. At all meetings of the board of directors, the presence of a majority of the number of directors then in office shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn the meeting, from time to time, until a quorum shall be present. The action of a majority of the directors present at a meeting at which a quorum is present shall be the action of the board of directors, unless concurrence of a greater proportion is required for such action by law, by the Charter, or by these Bylaws.

Section 12. Action without a Meeting. Any action required or permitted to be taken at a meeting of the board of directors or of a committee of the board may be taken without a meeting if a unanimous consent which sets forth the action is: (a) given in writing or by electronic transmission by each member of the board or committee; and (b) filed in paper or electronic form with the minutes of proceedings of the board or committee.

Section 13. Compensation of Directors. Directors may receive such compensation for their services as may from time to time be determined by resolution of the board of directors.

ARTICLE IV -- COMMITTEES

Section 1. Organization. By resolution adopted by the board of directors, the board may designate one or more committees of the board of directors, including an Executive Committee, each consisting of at least one director. Each member of a committee shall be a director and shall hold committee membership at the pleasure of the board. The chairman of the board, if any, shall be a member of the Executive Committee. The board of directors shall have the power at any time to change the members of such committees and to fill vacancies in the committees.

Section 2. 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.

Section 3. Powers of Other Committees of the board of directors. To the extent provided by resolution of the board, other committees of the board of directors shall have and may exercise any of the powers that may lawfully be granted to a committee of the board of directors.

Section 4. Proceedings and Quorum. In the absence of an appropriate resolution of the board of directors, each committee may adopt such rules and regulations governing its proceedings, quorum, and manner of acting as it shall deem proper and desirable. In the event any member of any committee is absent from any meeting, the members thereof present at the meeting, whether or not they constitute a quorum, may appoint a member of the board of directors to act in the place of such absent member.

ARTICLE V -- OFFICERS

Section 1. Officers. The officers of the Corporation shall be a president, a secretary, and a treasurer, and may include one or more vice presidents (including executive and senior vice presidents), assistant secretaries or assistant treasurers, and such other officers as may be appointed in accordance with the provisions of this Article.

Section 2. Election, Tenure, and Qualifications. The board of directors shall elect the president, and the board of directors or the president, or his designee, shall elect all other officers of the Corporation. Except as otherwise provided in this Article, each officer serves for one year and until his or her successor is elected and qualifies. Any person may hold one or more offices of the Corporation except that no one person may serve concurrently as both the president and vice president. A person who holds more than one office in the Corporation may not act in more than one capacity to execute, acknowledge, or verify an instrument required by law to be executed, acknowledged, or verified by more than one officer.

Section 3. Vacancies and Newly Created Offices. If any vacancy shall occur in any office by reason of death, resignation, removal, disqualification or other cause, or if any new office shall be created, such vacancies or newly created offices may be filled by the board of directors or the president.

Section 4. Removal and Resignation. If the board of directors or the president in its judgment finds that the best interests of the Corporation will be served, it may remove any officer or agent of the Corporation at any time (either with or without cause), although the removal of an officer or agent does not prejudice any of his contract rights. Any officer may resign from office at any time by delivering a written resignation to the board of directors, the president, the secretary, or any assistant secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery.

Section 5. President. The president shall be the chief executive officer of the Corporation. Subject to the supervision of the board of directors, the president shall have general charge of the business, affairs, and property of the Corporation and general supervision over its officers, employees and agents. Except as the board of directors may otherwise order, the president may sign in the name and on behalf of the Corporation all deeds, bonds, contracts, or agreements. The president shall exercise such other powers and perform such other duties as from time to time may be assigned by the board of directors.

Section 6. Vice President. Vice presidents (including executive and senior vice presidents) shall have such powers and perform such duties as from time to time may be assigned to them by the board of directors and the president. At the request of, or in the absence or in the event of the disability of, the president, the vice president (or, if there are two or more vice presidents (including executive and senior vice presidents)), then the highest ranking, and then the most senior, of the vice presidents present and able to act) may perform all the duties of the president and, when so acting, shall have all the powers of and be subject to all the restrictions upon the president.

Section 7. Treasurer and Assistant Treasurers. The treasurer shall be the chief accounting officer of the Corporation and shall have general charge of the finances and books of account of the Corporation. The treasurer shall perform all acts incidental to the office of treasurer, subject to the control of the board of directors and the president. Any assistant treasurer may perform such duties of the treasurer as the treasurer, the president, and the board of directors may assign, and, in the absence of the treasurer, may perform all the duties of the treasurer.

Section 8. Secretary and Assistant Secretaries. The secretary shall attend to the giving and serving of all notices of the Corporation and shall record all proceedings of the meetings of the stockholders and directors in books to be kept for that purpose. The secretary shall keep in safe custody the records of the Corporation, including the stock books and such other books and papers as the board of directors and president may direct and such books, reports, certificates and other documents required by law to be kept, all of which shall at all reasonable times be open to inspection by any director. The secretary shall perform such other duties which appertain to this office or as may be required by the board of directors and the president. Any assistant secretary may perform such duties of the secretary as the secretary, the president, and the board of directors may assign, and, in the absence of the secretary, may perform all the duties of the secretary.

Section 9. Remuneration. The salary or other compensation of the president of the Corporation shall be fixed from time to time by resolution of the board of directors, and the president shall have the power to fix the salaries or other compensation of any subordinate officers or agents appointed in accordance with the provisions of this Article.

Section 10. The Corporation may lend money to, guarantee an obligation of, or otherwise assist an officer or other employee of the Corporation or of its direct or indirect subsidiary, including an officer or employee who is a director of the Corporation or the subsidiary, if the loan, guarantee, or assistance (1) in the judgment of the directors, reasonably may be expected to benefit the Corporation; or (2)

is an advance made against indemnification in accordance with the Maryland General Corporation Law. The loan, guarantee, or other assistance may be: (1) with or without interest; (2) unsecured; or (3) secured in any manner that the board of directors approves, including a pledge of the stock of the Corporation.

Section 11. Surety Bonds. The board of directors may require any officer or agent of the Corporation to execute a bond (including, without limitation, any bond required by applicable law, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder) to the Corporation in such sum and with such surety or sureties as the board of directors may determine, conditioned upon the faithful performance of his or her duties to the Corporation, including responsibility for negligence and for the accounting of any of the Corporation's property, funds or securities that may come into his hands.

ARTICLE VI -- CAPITAL STOCK

Section 1. Certificates of Stock. The interest of each stockholder of the Corporation shall be represented by shares of stock in such form as the board of directors may from time to time prescribe. The board of directors may authorize the issuance of uncertificated shares by the Corporation, and may prescribe procedures for the issuance and registration or transfer thereof, and with respect to such other matters relating to uncertificated shares as the board of directors may deem appropriate. No such authorization shall affect previously issued and outstanding shares represented by certificates until such certificates shall have been surrendered to the Corporation.

In the event that the board of directors authorizes the issuance of uncertificated shares of stock, the board of directors may, in its discretion and at any time, discontinue the issuance of share certificates and may, by written notice to the registered owners of each certificated share, require the surrender of share certificates to the Corporation for cancellation. Such surrender and cancellation shall not affect the ownership of shares of the Corporation.

Section 2. Transfer of Shares. Shares of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his duly authorized attorney or legal representative (i) if a certificate or certificates have been issued, upon surrender and cancellation of a certificate or certificates for the same number of shares of the same class, duly endorsed or accompanied by proper instruments of assignment and transfer, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require, or (ii) as otherwise prescribed by the board of directors. The shares of stock of the Corporation generally may be freely transferred, although the board of directors may, from time to time, adopt rules and regulations with reference to transferability and the method of transfer of the shares of stock of the Corporation. The Corporation shall be entitled to treat the record holder of any share of stock as the absolute owner thereof for all purposes, and accordingly the board of directors may, but shall not be bound to, recognize any legal, equitable, beneficial, attributable, or other claim or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law or the statutes of the State of Maryland.

Section 3. Stock Ledgers. The stock ledgers of the Corporation, containing the names and addresses of the stockholders and the number of shares held by them respectively, shall be kept at the principal office of the Corporation or, if the Corporation employs a transfer agent, at the offices of the transfer agent of the Corporation. The stock ledgers of the Corporation shall be considered confidential and shall not be made available, except as required by applicable law to be made available to stockholders of record for a proper purpose in such capacity.

Section 4. Transfer Agents and Registrars. The board of directors may from time to time appoint or remove transfer agents and/or registrars of transfers of shares of stock of the Corporation, and it may appoint the same person as both transfer agent and registrar.

Section 5. Fixing of Record Date. The board of directors may fix in advance a date as a record date for the determination of the stockholders entitled to notice of, or to vote at, any stockholders' meeting or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or to receive payment of any dividend or other distribution or to be allotted any other rights, or for the purpose of any other lawful action, provided that (1) such record date shall not exceed 90 days preceding the date on which the particular action requiring such determination will be taken; (2) the transfer books shall remain open regardless of the fixing of a record date; (3) in the case of a meeting of stockholders, the record date shall be at least 10 days before the date of the meeting; and (4) in the event a dividend or other distribution is declared, the record date for stockholders entitled to a dividend or distribution shall be at least 10 days after the date on which the dividend is declared (declaration date).

Section 6. Lost, Stolen, or Destroyed Certificates. The board of directors may determine the conditions for issuing a new stock certificate in place of one which is alleged to have been lost, stolen, or destroyed, and in its discretion, the board may require the owner of the certificate to give bond, with sufficient surety, to indemnify the Corporation against any loss or claim arising as a result of the issuance of a new certificate. The issuance of a new certificate under this section does not constitute an overissue of the shares it represents.

ARTICLE VII -- CONFLICT OF INTEREST TRANSACTIONS

Section 1. General Rule. If section 2 of this Article is complied with, a contract or other transaction between the Corporation and any of its directors or between the Corporation and any other corporation, firm, or other entity in which any of its directors is a director or has a material financial interest is not void or voidable solely because of any one or more of the following: (1) The common directorship or interest; (2) The presence of the director at the meeting of the board or a committee of the board which authorizes, approves, or ratifies the contract or transaction; or (3) The counting of the vote of the director for the authorization, approval, or ratification of the contract or transaction.

Section 2. Disclosure and Ratification. Section 1 of this Article applies if: (1) The fact of the common directorship or interest is disclosed or known to: (i) The board of directors or the committee, and the board or committee authorizes, approves, or ratifies the contract or transaction by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum; or (ii) The stockholders entitled to vote, and the contract or transaction is authorized, approved, or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm, or other entity; or (2) The contract or transaction is fair and reasonable to the Corporation.

Section 3. Counting Common or Interested Directors in Determining Quorum. Common or interested directors or the stock owned by them or by an interested corporation, firm, or other entity may be counted in determining the presence of a quorum at a meeting of the board of directors or a committee of the board or at a meeting of the stockholders, as the case may be, at which the contract or transaction is authorized, approved, or ratified.

ARTICLE VIII -- FISCAL YEAR AND ACCOUNTANT

The fiscal year of the Corporation shall, unless otherwise ordered by the board of directors, be twelve calendar months ending on the 31st day of December.

ARTICLE IX -- INDEMNIFICATION AND INSURANCE

Section 1. Indemnification of Directors and Officers. The Corporation shall indemnify each director and officer made a party to any proceeding by reason of service in that capacity to the maximum extent permitted by applicable law against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the director or officer in connection with the proceeding, including a proceeding brought against the Corporation by a director. The right to indemnification conferred by this Article includes the payment and reimbursement by the Corporation of reasonable expenses incurred by a director or an officer who is a party to a proceeding in advance of the final disposition of the proceeding upon receipt by the Corporation from the director or officer of the minimum affirmations, undertakings, and similar documents required by applicable law.

Section 2. Insurance of Directors, Officers, Employees and Agents. The Corporation may purchase and maintain insurance or other sources of reimbursement to the extent permitted by law on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, partner, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in or arising out of his position.

Section 3. Non-exclusivity. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Charter, these Bylaws, agreement, vote of stockholders or directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

Section 4. Amendment. Notwithstanding anything to the contrary herein, no amendment, alteration or repeal of this Article or the adoption, alteration or amendment of any other provisions to the Charter or these Bylaws inconsistent with this Article shall adversely affect any right or protection of any person under this Article with respect to any act or failure to act which occurred prior to such amendment, alteration, repeal or adoption.

ARTICLE X -- AMENDMENTS

Section 1. General. Except as provided in this Article, no amendment, alteration or repeal of these Bylaws shall be made except (a) by the board of directors or a duly authorized committee thereof, or (b) by the stockholders, provided such amendment, alteration or repeal has been recommended by the board or a duly authorized committee thereof, and provided further that the board reserves the right to

amend, alter, or repeal any such amendment, alteration or repeal approved by the stockholders. No amendment of these Bylaws shall be made by the stockholders of the Corporation except as set forth in this Article.

Section 2. By Stockholders Only. No amendment of any section of these Bylaws shall be made except by the stockholders of the Corporation if the Bylaws provide that such section may not be amended, altered or repealed except by the stockholders. From and after the issuance of any shares of the capital stock of the Corporation no amendment, alteration or repeal of this Article shall be made except by the stockholders of the Corporation.

BEXIL CORPORATION

2014 Annual Report

BEXIL CORPORATION

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BEXIL CORPORATION

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New York, New York 10005
Tel. 1-212-785-0900 www.Bexil.com

June 5, 2015

Fellow Shareholders:

Bexil Corporation is a holding company engaged through subsidiaries in investment management and securities trading. Bexil Advisers LLC is a 100% owned registered investment adviser. Bexil Securities LLC is a 100% owned registered broker-dealer. Bexil American Mortgage Inc. (92% owned) and Castle Mortgage Corporation (90% owned by Bexil American) had been engaged in the mortgage banking business but in 2014 discontinued their mortgage activities.

2014 Financial Results and Condition

2014 net loss attributable to Bexil shareholders was \$6.2 million, or \$6.28 per share, as compared to a 2013 net loss of \$4.6 million, or \$4.54 per share. Bexil Corporation's shareholders' equity at year end amounted to about \$17.9 million or \$18.24 per share, down from \$23.7 million or \$24.12 per share a year earlier. These figures exclude the non-controlling interest in Bexil American and Castle held by others at 2014 year end. Including these interests, loss on discontinued operations (all less than 100% owned) net of tax was \$7.8 million, while net income from continuing operations (all 100% owned) was \$0.3 million.

Excluding Bexil American at 2014 year end, the Company had cash and securities totaling about \$12.8 million, and no long term debt. At December 31, 2014, the Company had federal and state net operating loss carryovers of approximately \$18.5 million, which begin to expire in 2030, and net deferred tax assets of about \$9.7 million, fully reduced by a valuation allowance.

The performance of the investment management, broker-dealer, and mortgage banking businesses is discussed below. Generally, 2014 saw revenue and other income from the investment management and the broker-dealer business stable, but losses incurred in connection with the mortgage business led to overall losses for the Company, which was also the case in 2013 and 2012.

Investment Management

In 2014, investment management and administrative services fees earned by Bexil Advisers increased to about \$1.7 million, from about \$1.4 million in 2013. These fees are paid by Dividend and Income Fund, a closed end investment company listed on the New York Stock Exchange under the ticker symbol DNI. Pursuant to an investment management agreement, the Fund pays Bexil Advisers a monthly fee at an annual rate of 0.95% of the Fund's Managed Assets. "Managed Assets" means the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, which liabilities exclude debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock. Bexil Advisers also provides the Fund administrative services at cost. The Fund's most recently audited balance sheet, dated December 31, 2014, showed total assets less liabilities excluding debt related to leverage, etc., of about \$161 million. Certain officers and directors of the Company are also officers and/or directors of the Fund. For more information about the Fund, please visit <http://www.dividendandincomefund.com>.

Broker-Dealer

Bexil Securities may engage in trading securities for its own account and act as a mutual fund underwriter or sponsor on a best efforts basis. At December 31, 2014, Bexil Securities LLC owned approximately 483,000 shares, or 5.5%, of Dividend and Income Fund, with a carrying value of about \$7,300,000. Primarily from this holding Bexil recorded an approximate unrealized loss of \$27,000 and earned dividends of \$740,000 in 2014, compared to \$631,000 in unrealized gain and \$410,000 in dividends in 2013. Recently the Fund has paid a \$0.408 per share quarterly dividend distribution which, the Fund has announced, reflects the current managed distribution policy to provide shareholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its net asset value per share. The Fund has stated that this policy may be changed or discontinued without notice and that the distributions are paid from ordinary income (including excess capital gains taxed as

ordinary income) and any net capital gains, with the balance representing return of capital. These dividends are reinvested in additional Fund shares pursuant to the Fund's dividend reinvestment plan.

Mortgage Banking

In 2011, Bexil provided primary funding for the start-up of Bexil American as a residential mortgage origination company, and for the December 2012 acquisition by Bexil American of Castle, an approved seller and servicer of mortgage loans with Fannie Mae, Freddie Mac, and Ginnie Mae. Total Bexil funding was approximately \$20.8 million in exchange for Bexil American's subordinated convertible note and stock. As of December 31, 2014, the Company owned just over 92% of Bexil American's outstanding stock. In 2014 Bexil American undertook a strategic review of its mortgage banking business and its ownership interest in Castle and Castle began to wind down its operations. At December 31, 2014 Bexil American had determined to discontinue its mortgage banking business and was marketing its ownership interest in Castle, and Castle had substantially discontinued its mortgage banking business activities and was seeking to preserve and realize the value of its business and assets. On May 1, 2015, Bexil American entered into an agreement to sell Castle. Closing is subject to customary conditions and approvals of certain government sponsored enterprises and state licensing authorities.

In view of the wind down and substantial discontinuation of the mortgage banking business in 2014, the Company has for accounting purposes reclassified the results of this business on its income statement to "Loss on discontinued operations, net of tax," of \$7,817,510 and \$6,566,384 in 2014 and 2013, respectively. The 2014 result includes an impairment loss of \$5,472,471 to Bexil American's intangible assets and goodwill.

Bexil Stock

The Company calculated 982,245 weighted shares of common stock outstanding over 2014. The stock's market price, quoted in the over the counter market under the ticker BXLC, fluctuated in 2014 from about \$11.55 to \$34.69 per share, closing at about \$11.90 per share on December 31, 2014. 2014 volume in BXLC was approximately 70,000 shares, compared to 2013 volume of approximately 136,000 shares.

Outlook

Our investment management and broker-dealer business has been buoyed by robust financial markets, and its continuing contribution to the Company is dependent in large part the continuing health of those markets. The money losing mortgage business has been discontinued, although some recurring expenses will remain unless we can close the sale of the operating subsidiary. On behalf of management and affiliates owning over 30% of Bexil's shares, we thank you for investing with us in Bexil Corporation.

Sincerely,

Thomas B. Winmill
President

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Bexil Corporation (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bexil Corporation as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ **BDO USA, LLP**

San Diego, California
June 5, 2015

BEXIL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	\$ 9,002,496	\$ 7,039,849
Investments in securities	7,309,271	9,955,477
Restricted cash	-	1,325,926
Accounts receivable	3,222,589	470,399
Prepaid expenses and other assets	57,155	112,075
Mortgage loans held-for-sale, at fair value	-	13,095,308
Mortgage loans held-for-investment, at fair value	-	384,474
Mortgage servicing rights, at fair value	-	4,762,719
Derivative assets	-	105,789
Property and equipment, net	-	28,189
Intangible assets, net	3,243,750	7,647,602
Goodwill	-	1,429,035
Assets held for sale	1,407,650	-
Total assets	<u>\$ 24,242,911</u>	<u>\$ 46,356,842</u>
Liabilities and equity		
Accounts payable and accrued expenses	\$ 1,342,316	\$ 2,318,578
Derivative liabilities	-	103,432
Repurchase reserve	30,000	793,446
Warehouse borrowings	-	12,007,158
Short term borrowings	-	1,036,186
Notes payable for Castle Mortgage Corporation acquisition	-	303,999
Subordinated debt convertible to stock of subsidiary	3,000,000	2,300,000
Deferred tax liability	-	1,756,061
Liabilities held for sale	1,272,047	-
Total liabilities	<u>5,644,363</u>	<u>20,618,860</u>
Commitments and Contingencies (Note 20)		
Equity		
Bexil Corporation shareholders' equity		
Common stock, \$0.01 par value, 9,900,000 shares authorized; 982,245 issued and outstanding at December 31, 2014 and 2013, respectively	9,823	9,823
Series A participating preferred stock, \$0.01 par value, 100,000 shares authorized: zero shares issued and outstanding	-	-
Additional paid in capital	15,202,486	14,778,727
Notes receivable for common stock issued	(1,477,066)	(1,515,466)
Accumulated comprehensive loss	(217)	(231)
Retained earnings	4,259,518	10,426,115
Treasury stock of subsidiary stated at cost	(80,812)	-
Total Bexil Corporation shareholders' equity	<u>17,913,732</u>	<u>23,698,968</u>
Noncontrolling interests in subsidiary	684,816	2,039,014
Total equity	<u>18,598,548</u>	<u>25,737,982</u>
Total liabilities and equity	<u>\$ 24,242,911</u>	<u>\$ 46,356,842</u>

See accompanying notes to consolidated financial statements.

BEXIL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Years Ended December 31, 2014 and 2013

	2014	2013
Revenues		
Management and other fees	\$ 1,700,586	\$ 1,404,305
Dividends and interest	767,622	454,802
Unrealized gain (loss) on investment in securities	(26,198)	631,044
	<u>2,442,010</u>	<u>2,490,151</u>
Expenses		
Compensation and benefits	1,340,958	1,019,603
General and administrative	504,039	523,232
Professional services	256,776	215,854
	<u>2,101,773</u>	<u>1,758,689</u>
Income from continuing operations	340,237	731,462
Income tax expense	28,506	25,102
Net income from continuing operations	311,731	706,360
Discontinued operations		
Loss from operations of discontinued components	(4,069,820)	(6,428,206)
Impairment loss	(5,472,471)	-
Income tax (benefit) expense	(1,724,781)	138,178
Loss on discontinued operations, net of tax	<u>(7,817,510)</u>	<u>(6,566,384)</u>
Net loss	(7,505,779)	(5,860,024)
Less: Net loss attributable to noncontrolling interests	1,339,182	1,295,972
Net loss attributable to Bexil Corporation shareholders	<u>\$ (6,166,597)</u>	<u>\$ (4,564,052)</u>
Earnings per share - basic and diluted		
Net income from continuing operations	\$ 0.32	\$ 0.70
Net loss from on discontinued operations	\$ (6.60)	\$ (5.24)
Net loss attributable to Bexil Corporation shareholders	\$ (6.28)	\$ (4.54)
Weighted average shares outstanding	982,245	1,005,585
Other comprehensive loss, net of tax		
Unrealized gain (loss) on investment securities available-for-sale, net of tax	\$ 14	\$ (36)
Other comprehensive gain (loss), net of tax	<u>14</u>	<u>(36)</u>
Comprehensive loss	(7,505,765)	(5,860,060)
Less: Comprehensive loss attributable to noncontrolling interests	1,339,182	1,295,972
Comprehensive loss attributable to Bexil Corporation shareholders	<u>\$ (6,166,583)</u>	<u>\$ (4,564,088)</u>

See accompanying notes to consolidated financial statements.

BEXIL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2014 and 2013

	Par Value Common Stock	Additional Paid in Capital	Notes		Accumulated		Treasury Stock of Subsidiary	Noncontrolling Interest	Total Equity
			Receivable for Common Stock Issued	Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest			
Balance at December 31, 2012	\$ 10,196	\$ 16,361,903	\$ (2,887,433)	\$ (195)	\$ 14,990,167	\$ 2,324,381	\$ 30,799,019		
Net loss	-	-	-	-	(4,564,052)	(1,295,972)	(5,860,024)		
Unrealized security holding loss, net of taxes	-	-	-	(36)	-	-	(36)		
Contributions from noncontrolling interests in subsidiary	-	-	-	-	-	1,000,000	1,000,000		
Stock-based compensation	-	221,063	-	-	-	10,605	231,668		
Cashless exercise of stock options and stock repurchases	-	(574,842)	285,747	-	-	-	(289,095)		
Bexil stock accepted as payment for stock options exercised, retired	(20)	(119,980)	-	-	-	-	(120,000)		
Bexil stock accepted as payment for promissory note outstanding, retired	(353)	(1,109,417)	1,085,764	-	-	-	(24,006)		
Repayment of promissory notes	-	-	456	-	-	-	456		
Balance at December 31, 2013	9,823	14,778,727	(1,515,466)	(231)	10,426,115	2,039,014	25,737,982		
Net loss	-	-	-	-	(6,166,597)	(1,339,182)	(7,505,779)		
Unrealized security holding gain, net of taxes	-	-	-	14	-	-	14		
Stock-based compensation	-	435,704	-	-	-	3,088	438,792		
Purchase of subsidiary stock from noncontrolling interests in subsidiary	-	(11,945)	-	-	-	-	(11,945)		
Common stock of subsidiary repurchased from noncontrolling interest in subsidiary	-	-	-	-	-	(80,812)	(80,812)		
Repayment of promissory notes	-	-	38,400	-	-	-	38,400		
Balance at December 31, 2014	\$ 9,823	\$ 15,202,486	\$ (1,477,066)	\$ (217)	\$ 4,259,518	\$ 684,816	\$ 18,598,548		

See accompanying notes to consolidated financial statements

BEXIL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Net loss	\$ (7,505,779)	\$ (5,860,024)
Less: Loss from discontinued operations	(7,817,510)	(6,566,384)
Income from continuing operations	311,731	706,360
Adjustments to reconcile net income from continuing operations to net cash provided by (used in) operating activities		
Purchase of investment securities, trading	(740,442)	(3,372,865)
Stock-based compensation expense	440,033	172,305
Unrealized loss (gain) on investments in securities	26,199	(631,044)
Depreciation and amortization	360,414	362,446
Decrease (increase) in accounts receivable	91,265	(5,965)
Decrease in prepaid expenses and other assets	1,176	-
(Decrease) increase in accounts payable and accrued expenses	(224,329)	53,354
Total adjustments for continuing operations	(45,684)	(3,421,769)
Net cash provided by (used in) operating activities from continuing operations	266,047	(2,715,409)
Net cash provided by operating activities from discontinued operations	14,248,359	56,728,571
Net cash provided by operating activities	14,514,406	54,013,162
Cash flows from investing activities		
Net cash provided by investing activities from continuing operations	-	-
Net cash provided by investing activities from discontinued operations	165,844	153,971
Net cash provided by investing activities	165,844	153,971
Cash flows from financing activities		
Proceeds from promissory notes accepted for common stock issued	38,400	456
Net settlement of cashless stock option exercises	-	(408,489)
Net cash provided by (used in) financing activities from continuing operations	38,400	(408,033)
Net cash used in financing activities from discontinued operations	(12,756,003)	(57,244,926)
Net cash used in financing activities	(12,717,603)	(57,652,959)
Net increase (decrease) in cash and cash equivalents	1,962,647	(3,485,826)
Cash and cash equivalents, beginning of year	7,039,849	10,525,675
Cash and cash equivalents, end of year	9,002,496	7,039,849
Less: Cash and cash equivalents of discontinued operations at end of year	2,218,617	1,062,690
Cash and cash equivalents of continuing operations at end of year	\$ 6,783,879	\$ 5,977,159
Supplemental disclosures		
Interest paid	\$ 419,799	\$ 2,044,009
Income taxes paid	\$ 23,596	\$ 25,102
Forgiveness of promissory notes accepted for capital contributions by the noncontrolling interest to repurchase subsidiary stock	\$ 58,467	\$ -
Repayment of promissory notes and accrued interest accepted for common stock received	\$ -	\$ 1,085,764
Business combination measurement period adjustment	\$ -	\$ 1,587,817
Cashless exercise of stock options	\$ -	\$ 289,095

See accompanying notes to consolidated financial statements.

BEXIL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

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

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

Bexil Advisers LLC (“Bexil Advisers”) is a Maryland limited liability company and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. Pursuant to an investment management contract, Bexil Advisers acts as the investment manager of Dividend and Income Fund (“DNI”), a registered closed end investment company listed on the New York Stock Exchange under the ticker DNI.

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

Bexil American Mortgage Inc. (“Bexil American”) is a Delaware corporation 92% owned by the Company and has been engaged in the mortgage banking business. Bexil American owns 90% of Castle Mortgage Corporation (“Castle”), a Delaware corporation. Castle is an approved Housing and Urban Development (“HUD”) lender and seller/servicer with the government sponsored enterprises (“GSE”) Federal National Mortgage Association (“FNMA”, commonly known as Fannie Mae), Federal Home Loan Mortgage Corporation (“FHLMC”, commonly known as Freddie Mac), and Government National Mortgage Association (“GNMA”, commonly known as Ginnie Mae) (the approvals with FNMA, FHLMC, and GNMA, collectively referred to herein as the “GSE Licenses”), and has been engaged in the mortgage banking business, consisting of origination, production, servicing, and sale of mortgage loans into the secondary mortgage market. In 2014 Bexil American undertook a strategic review of its mortgage banking business and its ownership interest in Castle and Castle began to wind down its operations. At December 31, 2014 Bexil American had decided to exit the mortgage banking business and was marketing its ownership interest in Castle for sale. On May 1, 2015, Bexil American entered into an agreement to sell Castle. Closing is subject to customary conditions and approvals of certain government sponsored enterprises and state licensing authorities.

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 noncontrolling interests in subsidiaries in the consolidated financial statements. The portion of net loss attributable to the noncontrolling interests for such subsidiaries is presented as net loss attributable to noncontrolling interests in subsidiaries in the Consolidated Statements of Comprehensive Loss, and the portion of total equity of such subsidiaries is presented as noncontrolling 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, including 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.

Derivative Instruments

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

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

Earnings Per Share

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

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2014 and 2013:

	2014	2013
Net income from continuing operations	\$ 311,731	\$ 706,360
Net loss on discontinued operations	\$ (6,478,328)	\$ (5,270,412)
Net loss attributable to Bexil shareholders	\$ (6,166,597)	\$ (4,564,052)
Basic and diluted weighted average common shares outstanding	982,245	1,005,585
Basic and diluted per share net loss		
Net income from continuing operations	\$ 0.32	\$ 0.70
Net loss on discontinued operations	\$ (6.60)	\$ (5.24)
Net loss attributable to Bexil shareholders	\$ (6.28)	\$ (4.54)

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

As of December 31, 2014 and 2013, shares of common stock from outstanding stock option awards totaling 140,139 and 97,600, respectively, were excluded from the computation of diluted net loss per common share attributable to Bexil shareholders since the effect as of each year would be anti-dilutive.

Fair Value Option

The fair value option provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. The Company has elected the fair

value option on mortgage loans held-for-sale, unrecognized firm commitments, written loan commitments, and mortgage servicing rights. Elections were made since management believes the fair value approach more accurately reflects the Company's operating results and to mitigate differences in measurement basis of elected instruments.

Intangible Assets and Goodwill; Impairment

The intangible assets of the Company on Consolidated Balance Sheets are comprised of the investment management contract ("IMC") between Bexil Advisers and DNI and the GSE Licenses. The Company has assigned the IMC 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. The GSE Licenses, acquired in Bexil American's 2012 acquisition of Castle, were recorded at fair value as of the date of the acquisition. Castle is able to renew these licenses annually upon complying with certain conditions, so they have been classified as indefinite life intangible assets. Castle anticipated using the licenses for the foreseeable future.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The goodwill of the Company on Consolidated Balance Sheets is comprised of Bexil American's final Castle purchase price allocation adjustment in 2013 to include a deferred tax liability from the step-up in value from the intangible assets and goodwill in the amount of \$1,587,817.

Due to the discontinuation of the mortgage banking business and the expected sales price, the Company determined that the GSE Licenses intangible asset and goodwill were impaired. Accordingly, the Company recorded an impairment loss of \$5,472,471, comprised of \$1,429,035 of goodwill and \$4,043,436 of intangible assets for the year ended December 31, 2014.

There was no impairment of the IMC intangible asset during 2014 and 2013.

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 (2011 – 2013) or expected to be taken in the Company's 2014 tax returns.

Investments in Securities

Investments in equity securities that have readily determinable fair values are accounted for as either trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. Purchases and sales of trading securities are classified as operating activities on the Consolidated Statements of Cash Flows based on the nature and purpose for which the securities were acquired. Available-for-sale securities are all other investments in equity securities not accounted for as trading. Trading and available-for-sale securities are measured at fair value. Gains or losses from changes in the fair value of trading securities are included in income, and gains or losses from changes in the fair value of available-for-sale securities are recorded in accumulated other comprehensive income, net of tax, until the investment is sold or otherwise disposed of, or until the investment is determined to be other-than-temporarily impaired, at which time the cumulative gain or loss previously reported in equity is included in income. The specific identification method is used to determine the realized gain or loss on investments sold or otherwise disposed.

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

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

Mortgage Loans Held-for-Investment

Mortgage loans held-for-investment (“LHFI”) are accounted for at fair value. Changes in fair value and loan origination costs are recognized as incurred and are included in discontinued operations in the Consolidated Statements of Comprehensive Loss. The valuation of LHFI approximates a whole-loan price, which includes the value of the related mortgage servicing right.

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

Mortgage Loans Held-for-Sale

Mortgage loans held-for-sale (“LHFS”) are accounted for at fair value, with changes in fair value recorded in income. Loan origination fees and expenses are recognized as incurred and not deferred.

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

To the extent the transfer of a loan qualifies as a sale, the loan is derecognized and a gain or loss on the sale date is recorded. If the transfer of a loan does not qualify as a sale, the transfer would be treated as a secured borrowing. Interest received from loans is recorded as income when collected. LHFS are placed on nonaccrual status when any portion of the principal or interest is 90 days past due or earlier if factors indicate that the ultimate collectability of the principal or interest is not probable. Interest received from loans on nonaccrual status is recorded as income when collected. Loans return to accrual status when the principal and interest become current and it is probable that the amounts are fully collectible. There were no loan sales in 2014 and 2013 that were treated as secured borrowings.

Mortgage Servicing Rights

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

MSRs are measured at fair value, and as such, servicing assets or liabilities are valued using discounted cash flow modeling techniques using assumptions regarding future net servicing cash flow, including prepayment rates, discount rates, servicing cost, and other factors. Changes in estimated fair value are included in discontinued operations in the Consolidated Statements of Comprehensive Loss.

Servicing fees, less subservicing costs if any, are received on the unpaid principal balances of the loans. The servicing fees are collected from the monthly payments made by the mortgagors or when the underlying real estate is foreclosed upon and liquidated. The Company typically records other remuneration from rights to various mortgagor-contracted fees such as late charges, collateral re-conveyance charges, nonsufficient fund fees, and the interest earned on funds held pending remittance (or float) related to the collection of mortgagor principal, interest, tax and insurance payments. For the years ended December 31, 2014 and 2013, mortgage servicing income was included in discontinued operations in the Consolidated Statements of Comprehensive Loss.

Property and Equipment

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

Reclassification

Certain amounts in the prior period consolidated financial statements and related notes have been reclassified to conform to the 2014 presentation.

Regulation

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

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

Bexil American and Castle are subject to, among other laws, the Equal Credit Opportunity Act, Federal Truth-in-Lending Act, Fair Credit Reporting Act, Fair and Accurate Credit Transaction Act, Fair Housing Act, Gramm-Leach, Bliley Act, Telephone Consumer Protection Act, Can Spam Act, Real Estate Settlement Procedures Act, Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the regulations promulgated thereunder. These laws and regulations, among other things, prohibit discrimination and require the disclosure of certain basic information to mortgagors concerning credit terms and settlement costs, prohibit the payment of kickbacks for the referral of business incident to a real estate settlement service, limit payment for settlement services to the reasonable value of the services rendered and goods furnished, restrict the marketing practices used to find customers, require the safeguard of non-public information about customers, require the maintenance and disclosure of information regarding the disposition of mortgage applications based on race, gender, geographical distribution, price and income level, and established national minimum standards for mortgage licenses. They are also subject to state and local laws and regulations, including state licensing laws, and anti-predatory lending laws, and may also be subject to applicable state usury statutes. Castle is an approved HUD lender and is required to submit annually to FNMA, FHLMC, and HUD, as applicable, audited financial statements, or the equivalent, according to the financial reporting requirements of each regulatory entity for its sellers/servicers. Castle’s affairs are also subject to examination by FNMA, FHLMC, HUD, and state regulatory agencies at any time to assure compliance with applicable regulations, policies, and procedures.

Repurchase Reserve

Each of Bexil American and Castle may sell mortgage loans in the secondary market and issue mortgage related securities. When it sells or issues, it normally makes representations and warranties to the purchasers about various characteristics of each loan relating to origination and underwriting requirements, including but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state, and local law. In the event of a breach of its representations and warranties, it may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer for any loss. Its loss may be reduced by any recourse it has to correspondent lenders that, in turn, had sold such mortgage loans to it and breached similar or other representations and warranties. In such event, it has the right to seek a recovery of related repurchase losses from that correspondent lender.

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

Restricted Cash

Cash balances that have restrictions on the Company or its subsidiaries withdrawing funds are considered restricted cash. Such restrictions are typically due to debt covenant restrictions and margin requirements. At December 31, 2014 and 2013, restricted cash totaled \$0 and \$1,325,926, respectively.

Revenue Recognition

For revenue related to mortgage banking business, see the above discussion of Mortgage Loans Held-For-Sale, Mortgage Loans Held-For-Investment, and Mortgage Servicing Rights.

The Company recognizes revenue from management and other fees consisting of payments for investment management and administrative services performed by Bexil Advisers pursuant to an investment management contract (“IMC”) with DNI. Under the terms of the IMC, DNI pays Bexil Advisers a fee monthly for investment management services based on a percentage of assets under management and reimburses it monthly for providing at cost certain administrative services comprised of compliance and accounting services. Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for services provided in the normal course of business. The IMC provides persuasive evidence of an arrangement. Other criteria for recognition is that services have been provided, collectability is reasonably assured, and the revenue can be reliably measured. Revenue is generally accrued over the period for which the service is provided.

Stock-based Compensation

The Company accounts for stock-based compensation expense using the fair value method. Under the fair value method, stock-based compensation expense reflects the fair value of stock-based awards measured at grant date, is recognized over the relevant service period, and is adjusted each period for anticipated forfeitures. The fair value of each option award grant is separately estimated for each grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model incorporates assumptions as to price volatility, dividend yield, an appropriate risk-free interest rate, and the expected life of the option. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense. Stock-based compensation expense is generally amortized on a straight line basis between the grant date for the award and each vesting date.

Subsequent Events

Management has evaluated the effect of subsequent events through June 5, 2015, 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, 2014.

Use of Estimates

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

3. CONCENTRATION OF CREDIT AND OTHER RISKS

Bexil American and Castle concentrate in residential real estate lending and are located in the state of California. In 2014 and 2013, they sold approximately 74% and 32%, respectively, of its mortgage loans to a single investor.

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.

4. DISCONTINUED OPERATIONS

The assets and liabilities of the discontinued operations held for sale are presented below at their fair values as of December 31, 2014.

December 31,	2014
Assets of discontinued operations	
Accounts receivable	\$ 337,182
Prepaid expenses and other assets	132,307
Mortgage loans held-for-sale, at fair value	<u>938,161</u>
Total assets of discontinued operations	<u>\$ 1,407,650</u>
Liabilities of discontinued operations	
Accounts payable and accrued expenses	\$ 578,112
Repurchase reserve	<u>693,935</u>
Total liabilities of discontinued operations	<u>\$ 1,272,047</u>

The results of operations of the discontinued operations have been reclassified in the Consolidated Statements of Comprehensive Loss for the years ended December 31, 2014 and 2013 to conform to the current presentation. The following table provides the amounts reclassified for the years ended December 31, 2014 and 2013:

	2014	2013
Amounts reclassified:		
(Loss) gain on mortgage loans, net	\$ (420,602)	\$ 4,880,460
Servicing income, net	1,094,926	723,149
Dividends and interest	195,652	2,106,491
Other non-interest (expense) income, net	(187,824)	489,611
Unrealized gain (loss) on investment in securities	(349,916)	349,916
Realized gain on sales of investment securities	502,767	-
Compensation and benefits	(2,187,421)	(8,492,254)
General and administrative	(1,502,579)	(2,370,491)
Professional services	(541,745)	(1,066,352)
Impairment loss	(5,472,471)	-
Interest expense	(419,799)	(2,054,035)
Other	<u>(253,279)</u>	<u>(994,701)</u>
Pretax net loss	(9,542,291)	(6,428,206)
Income tax (benefit) expense	<u>(1,724,781)</u>	<u>138,178</u>
Total amounts reclassified to discontinued operations	<u>\$ (7,817,510)</u>	<u>\$ (6,566,384)</u>
Net loss attributable to noncontrolling interests	<u>\$ (1,339,182)</u>	<u>\$ (1,295,972)</u>

5. INVESTMENTS IN SECURITIES

Investments in securities as of December 31, 2014 and 2013 consisted of the following:

December 31, 2014	Cost Basis	Gross Unrealized		Value
		Gains	Losses	
Investment securities, trading				
Closed end funds	\$ 6,749,254	\$ 558,717	\$ -	\$ 7,307,971
Investment securities, available-for-sale				
Closed end funds	1,605	-	(305)	1,300
Total investment in securities	<u>\$ 6,750,859</u>	<u>\$ 558,717</u>	<u>\$ (305)</u>	<u>\$ 7,309,271</u>
December 31, 2013	Cost Basis	Gross Unrealized		Value
		Gains	Losses	
Investment securities, trading				
Closed end funds	\$ 9,019,360	\$ 934,832	\$ -	\$ 9,954,192
Investment securities, available-for-sale				
Closed end funds	1,605	-	(320)	1,285
Total investment in securities	<u>\$ 9,020,965</u>	<u>\$ 934,832</u>	<u>\$ (320)</u>	<u>\$ 9,955,477</u>

6. 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. The value of the investment securities is based on a traded market price and is considered to be a level 1 measurement.

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

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

Mortgage servicing rights. Mortgage servicing rights arising from the mortgage loan origination operations of Bexil American and Castle are carried at fair value. The fair value of mortgage servicing rights is based upon a discounted cash flow model. The valuation model incorporates assumptions that market participants would use in estimating the fair value of servicing. These assumptions include estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, and prepayment and late fees, among other considerations. Mortgage servicing rights are considered a level 3 measurement.

Recurring Fair Value Measurements

The financial assets and liabilities held by the Company and its subsidiaries that were measured at fair value on a recurring basis were as of December 31, 2014 as follows:

December 31, 2014	Recurring Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Assets				
Investment in securities	\$ 7,309,271	\$ -	\$ -	\$ 7,309,271
Mortgage loans held-for-sale	-	938,161	-	938,161
Total assets at fair value	\$ 7,309,271	\$ 938,161	\$ -	\$ 8,247,432

The financial assets and liabilities held by the Company and its subsidiaries that were measured at fair value on a recurring basis as of December 31, 2013 were as follows:

December 31, 2013	Recurring Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Assets				
Investment in securities	\$ 9,955,477	\$ -	\$ -	\$ 9,955,477
Mortgage loans held-for-sale	-	13,095,308	-	13,095,308
Mortgage loans held-for-investment	-	384,474	-	384,474
Mortgage servicing rights	-	-	4,762,719	4,762,719
Derivative assets:				
Interest rate lock commitments	-	-	14,326	14,326
Forward sales contracts	-	91,463	-	91,463
Total assets at fair value	\$ 9,955,477	\$ 13,571,245	\$ 4,777,045	\$ 28,303,767
Liabilities				
Interest rate lock commitments	\$ -	\$ -	\$ (97,054)	\$ (97,054)
Forward sales contracts	-	(6,378)	-	(6,378)
Total liabilities at fair value	\$ -	\$ (6,378)	\$ (97,054)	\$ (103,432)

Changes in level 3 recurring fair value measurements during 2014 and 2013 were as follows:

Level 3 Recurring Fair Value Measurements			
	Mortgage Servicing Rights	Interest Rate Lock Commitments	Total
Balance, December 31, 2013	\$ 4,762,719	\$ (82,728)	\$ 4,679,991
Approximate change in fair value	(222,713)	82,728	(139,985)
Sale of mortgage servicing rights	(4,540,006)	-	(4,540,006)
Balance, December 31, 2014	\$ -	\$ -	\$ -

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

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

of interest rate lock commitments, respectively. The fair value of interest rate lock commitments was approximately \$83,000 as of December 31, 2013. There were no interest rate lock commitments as of December 31, 2014.

The determination of the fair value of the mortgage servicing rights is based upon a discounted cash flow approach. As of December 31, 2013, the weighted average interest rate on mortgage loans serviced by the Company was 3.87% and the weighted average service fee was 26 basis points (“bps”), and the weighted average remaining term of the loans being serviced was 337 months. Together these resulted in a fair market value multiple of 106.8 bps as of December 31, 2013.

7. MORTGAGE LOANS HELD-FOR-SALE

A summary of the outstanding principal balance of mortgage loans held-for-sale by type was as follows:

December 31,	2014	2013
Conventional	\$ 1,059,038	\$ 11,264,577
Government	-	1,817,765
Value adjustment	(120,877)	12,966
Total mortgage loans held-for-sale	\$ 938,161	\$ 13,095,308

Bexil American and Castle had no delinquent or nonaccrual loans as of December 31, 2014 and 2013.

Repurchase reserve activity for previously sold loans for the years ended December 31, 2014 and 2013 was as follows:

December 31,	2014	2013
Beginning balance	\$ 793,446	\$ 563,988
Settlements	(877,182)	(184,120)
Provision for repurchases	807,671	413,578
Ending balance	\$ 723,935	\$ 793,446

8. DERIVATIVE ASSETS AND LIABILITIES

Bexil American and Castle enter into IRLC and Hedging Instruments to hedge the fair value changes associated with changes in interest rates relating to its mortgage loan origination operations. The following table includes information for the derivative assets and liabilities as of December 31, 2013. There were no derivative assets and liabilities outstanding as of December 31, 2014.

Gains and losses for derivative assets and liabilities are included in discontinued operations in the Consolidated Statements of Comprehensive Loss.

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

9. MORTGAGE SERVICING RIGHTS

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

December 31,	2013
Conventional	\$ 382,341,367
Government	61,692,220
Total loans serviced	\$ 444,033,587

In November 2014, Castle entered into an agreement (Sale Agreement) with Nationstar Mortgage LLC (“Purchaser”). Under the Sale Agreement, Castle sold to the Purchaser the loan servicing rights for the majority of its residential mortgage loans. This transaction qualified for sale accounting treatment with a total sales price of \$4.5 million. Castle received approximately \$2.3 million in cash upon signing of the Sale Agreement. The outstanding receivable related to the Sale Agreement was \$2.2 million at December 31, 2014. Subsequently, the receivable has been received in installments through May 2015 upon transfer of the servicing rights and loan documentation, and as of the date hereof a small receivable remains pending final documentation. Castle had entered into an Interim Servicing Agreement for the period of November 2014 through the transfer date for which Castle was required to perform all servicing duties for a monthly fee per loan serviced. Castle may be required to repurchase the servicing rights of specified loans due to required repurchase by the applicable Agency, document exceptions, or defective servicing rights. The repurchase price for these servicing rights is equal to the original purchase price percentage multiplied by the unpaid principle balance, reduced by 15 percent for each year following the date of the Sale Agreement until the purchase price percentage is zero in year eight.

10. INTANGIBLE ASSETS AND GOODWILL; IMPAIRMENT

The intangible assets of the Company on Consolidated Balance Sheets are comprised of the investment management contract (“IMC”) between Bexil Advisers and DNI and the GSE Licenses. The IMC 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 IMC over 12 years beginning on January 1, 2011 at \$360,417 per year. The GSE Licenses, acquired in Bexil American’s 2012 acquisition of Castle, were recorded at fair value as of the date of the acquisition at \$4,043,436. Since Castle was acquired substantially for the GSE Licenses, a substantial portion of the purchase price was allocated to intangible assets. Castle is able to renew the GSE Licenses annually upon complying with certain conditions, so they have been classified as indefinite life intangible assets.

The goodwill of the Company on the Consolidated Balance Sheets is comprised of Bexil American’s final Castle purchase price allocation adjustment in 2013 to include a deferred tax liability from the step-up in value from the intangible assets and goodwill in the amount of \$1,587,817. The acquisition goodwill and the recorded intangibles are not deductible for tax purposes.

In view of Castle’s wind down and substantially discontinued mortgage banking business activities in 2014, Bexil American determined that its GSE Licenses intangible asset and goodwill were impaired. Accordingly, the Company recorded an impairment loss of \$5,472,471, comprised of \$1,429,035 of goodwill and \$4,043,436 of intangible assets for the year ended December 31, 2014.

There was no impairment of the IMC intangible asset during 2014 and 2013.

The following table presents the intangible assets of the Company and its subsidiaries as of December 31, 2014 and 2013:

December 31, 2014	Gross Book Value	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)
Investment management contract	\$ 4,325,000	\$ (1,081,250)	\$ 3,243,750	9
Total	\$ 4,325,000	\$ (1,081,250)	\$ 3,243,750	9

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

As of December 31, 2014, estimated future amortization expense of the IMC is as follows:

Year ending December 31,

2015	\$ 360,417
2016	360,417
2017	360,417
2018	360,417
2019	360,417
Thereafter	1,441,665
	<u>\$ 3,243,750</u>

11. PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment at December 31, 2014 and 2013:

	2014	2013
Office equipment	\$ 43,227	\$ 43,227
Software	6,086	6,086
Less: Accumulated depreciation and amortization	(49,313)	(21,124)
Property and equipment, net	<u>\$ -</u>	<u>\$ 28,189</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$28,189 and \$15,955, respectively.

12. DEBT

As of December 31, 2014, the debt outstanding of Bexil American was comprised of the subordinated promissory notes and Castle had no debt outstanding. As of December 31, 2014 and 2013, Bexil American and Castle were in compliance with all financial covenants for all debt outstanding.

Warehouse Borrowings

Bexil American and Castle enter into agreements with lenders providing warehouse facilities. The warehouse facilities are used to fund, and are secured by, residential mortgage loans that are held for sale.

As of December 31, 2014, Bexil American and Castle had no borrowings under warehouse facilities. The following table presents certain information on warehouse facilities for 2013:

	Maximum Borrowing Capacity	Allowable Advance Rates (%)	Balance Outstanding At December 31, 2013	Interest Rate	Maturity Date
Short-term borrowings:					
Texas Capital Bank warehouse facility	\$ 50,000,000	99%	\$ 9,277,233	3.75%	2/28/14
Northpointe warehouse facility	<u>18,000,000</u>	98%	<u>2,729,925</u>	6.00%	None
Total short-term borrowings	<u>\$ 68,000,000</u>		<u>\$ 12,007,158</u>		

Margin Loan Balances

In 2013, Castle entered into a margin agreement with a broker, which permits Castle to borrow on margin in an amount up to fifty percent of the investment balance (the “margin loan”). Under the margin agreement, should the value of the investment balance decrease and the margin loan payable amount exceed fifty percent of the investment balance, Castle is required to repay the balance greater than fifty percent immediately on demand. The interest rate on the margin loan is determined by the broker monthly and interest accrues on the account daily. The interest rate as of December 31, 2013 was 5% and the interest expense incurred for the year ended December 31, 2014 and 2013 was \$16,343 and \$21,568, respectively. The outstanding margin loan balance as of December 31, 2014 and 2013 was \$0 and \$1,036,186, respectively.

Subordinated Debt Convertible to Stock of Subsidiary

In 2012, the Company loaned Bexil American \$3,820,000 in cash and accepted a subordinated, convertible promissory note (the “Bexil Note”) from Bexil American for the principal sum of \$3,820,000. The Bexil Note is subordinate, junior and inferior to all other debts and obligations of Bexil American, and convertible into Series A Preferred Stock at \$100 per share on or after June 15, 2013. The monthly interest rate is determined quarterly on the last business day of the preceding calendar quarter and is equal to the greater of 10% or seven percentage points over the yield on three year Treasury bills. Interest is calculated on the basis of a 365 day year and actual number of days elapsed. Interest is paid quarterly in arrears on the first day of each calendar quarter beginning April 1, 2013. The principal balance of the Bexil Note and all then-accrued interest is due and payable five years from the effective date of December 27, 2012. The outstanding principal balance of the Bexil Note was \$3,820,000 as of December 31, 2014 and 2013, respectively.

In 2013, Bexil American entered into a subordinated debt agreement with Big Moat REIT (“Big Moat Note”) for up to \$3,000,000. The Big Moat Note is subordinate, junior, and inferior to all other debts and obligations of Bexil American with the exception of the Bexil Note, and convertible into Series A Preferred Stock at \$100 per share at any time on or after the date which is six (6) months after the making of a loan. The monthly interest rate is determined quarterly on the last business day of the preceding calendar quarter and is equal to the greater of 10% or seven percentage points over the yield on three year Treasury bills. Interest is calculated on the basis of a 365 day year and actual number of days elapsed. Interest is paid quarterly in arrears on the first day of each calendar quarter beginning January 1, 2014. The principal balance of the note and accrued interest is due five years from the date of a loan. The principal balance outstanding on the Big Moat Note as of December 31, 2014 and 2013 was \$3,000,000 and \$2,300,000, respectively.

Note Payable to Former Stockholder of Castle

In connection with the Castle acquisition, Bexil American delivered a non-interest bearing note payable to a selling stockholder of Castle (the “former stockholder”) in the amount of \$803,999. During 2013, Bexil American paid \$500,000 in total to the former stockholder in equal installments on June 30, 2013 and December 31, 2013. The remaining balance of \$303,999 was paid to the former stockholder in June 2014. As of December 31, 2014 and 2013, the outstanding balance of the note payable to former stockholder was \$0 and \$303,999, respectively.

13. STOCK-BASED COMPENSATION

The Company has a long term stock incentive plan intended to facilitate the use of equity based incentives and rewards for officers, employees, directors, and consultants of the Company and its affiliates. On August 6, 2014 (“Effective Date”), the shareholders of the Company approved the 2014 Stock Incentive Plan (the “Plan”). Awards under the Plan may include incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, deferred stock, and other stock-based awards. The Board of Directors determines the terms and conditions of awards under the Plan. The exercise price per share of common stock purchasable under a stock option grant may not be less than 110% of the fair market value on the date of grant. The total number of shares of common stock reserved and available for issuance under the Plan shall be (i) 15% of the number of outstanding shares of Bexil common stock as of the Effective Date, plus (ii) 15% of the number of shares of common stock issued or delivered by the Company during the term of the Plan (other than pursuant to this Plan, or other benefit plans of the Company); provided, however, that the total number of shares of common stock with respect to which incentive stock options may be granted shall in no event exceed 15% of the total number of authorized shares of Company common stock as of the Effective Date. As of the Effective Date, the number of outstanding common shares was 982,245 and the total number of authorized shares of the Company common stock was 9,900,000.

The Plan replaced the Company’s former stock-based compensation plan, the 2011 Stock Incentive Plan (the “SIP”). No future awards may be granted under the SIP, although any previously issued options granted under the SIP remain effective until either they expire, are forfeited, or are exercised. Under the SIP, the Board of Directors determined the terms and conditions of awards and the exercise price per share of common stock purchasable under a stock option grant could not be less than 110% of the fair market value on the date of grant. The SIP provided for the granting of a maximum 152,639 options to purchase common stock.

On December 9, 2014, the Board of Directors approved the substitution of new stock options for substantially all previously granted stock options, which previously granted stock options had higher option exercise prices (the “Modification”). The exercise price of the modified options was 112% of the fair market value on the Modification date and all other terms of the option grant including number of options granted, vesting, and expiration remained the same. The Company recognized additional compensation expense from the Modification of approximately \$168,000.

The Company granted 43,539 options at an exercise prices of \$15.18 to \$20.08 for the year ended December 31, 2014 and 4,000 options at exercise price of \$66.00 for the year ended December 31, 2013. The grant date fair value of the options issued was \$4.86 - \$7.15 and \$32.88 per option for the years ended December 31, 2014 and 2013, respectively.

A summary of the stock options activity for the years ended December 31, 2014 and 2013 is as follows:

	Shares Under Option	Weighted Average Exercise Price
Balance, December 31, 2012	138,900	\$ 27.07
Granted	2,000	\$ 66.00
Expired	(2,000)	\$ 29.00
Exercised	<u>(41,300)</u>	\$ 24.77
Balance, December 31, 2013	97,600	\$ 28.80
Granted	45,539	\$ 18.06
Forfeited	<u>(3,000)</u>	\$ 20.90
Balance, December 31, 2014	<u><u>140,139</u></u>	\$ 26.79

At December 31, 2014 and 2013, exercisable and vested stock options were 114,375 and 73,550, respectively. The weighted average exercise price of the exercisable outstanding stock options at December 31, 2014 and 2013 was \$27.78 and \$27.71, respectively.

Stock options outstanding and exercisable at December 31, 2014 are as follows:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$15.18 to \$20.08	136,139	5.3	110,375	\$15.36
\$66.00	<u>4,000</u>	7.7	<u>4,000</u>	\$66.00
	<u><u>140,139</u></u>	6.5	<u><u>114,375</u></u>	\$17.13

At December 31, 2014, there was no aggregate intrinsic value of outstanding options.

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	2014	2013
Expected price volatility	41.12 – 46.29%	37.35%
Risk-free interest rate	0.64% - 2.49%	2.49%
Weighted average expected life in years	2.5 - 5	5
Dividend yield	0%	0%

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

For the years ended December 31, 2014 and 2013, the total stock-based compensation was \$440,033 and \$172,305, respectively, which resulted in the recognition of tax benefits of \$178,639 and \$94,984, respectively.

As of December 31, 2014, the total compensation expense related to non-vested awards which are expected to vest but not yet recognized is \$119,040 with an expense recognition period of approximately 5 years.

There were no options exercised during 2014 and 41,300 stock options were exercised with a total intrinsic value of \$574,842 for the year ended December 31, 2013.

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

Bexil American Stock Incentive Plan

The Bexil American Mortgage Inc. Stock Incentive Plan (the “BAM Plan”), is intended to facilitate the use of equity based incentives and rewards for its employees, directors, and consultants with the opportunity to acquire shares of Bexil American’s common stock. The BAM Plan shall remain in effect until October 7, 2021 or until terminated by action of its Board of Directors, whichever occurs sooner. Awards under the BAM Plan may include incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards. The Bexil American Board of Directors determines the terms and conditions of awards under the BAM Plan. There are 43,000 shares of Bexil American’s common stock authorized to be issued under the BAM Plan and as of December 31, 2014, 39,777 were available for grant.

The BAM Plan includes time-based and performance based vesting options. Vesting of the options is ratable and cumulative beginning on the first anniversary of the grant date and, under certain terms and conditions, the options become fully vested on the fourth anniversary of the grant date. As of December 31, 2014, no options were exercisable.

Bexil American granted 12,550 options at an exercise price of \$100 for the year ended December 31, 2013. No options were granted during 2014.

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

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

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

Bexil American recorded \$1,241 and \$59,363 of stock-based compensation expense for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, there was no compensation expense related to non-vested awards which are expected to vest but not yet recognized. The remaining unrecognized stock option expense does not include performance based awards as performance conditions are not deemed to be probably satisfied. During 2014 and 2013, the Company classified (\$101) and \$10,605 of Bexil

American's stock-based compensation expense in the Consolidated Statements of Changes in Stockholders' Equity in noncontrolling interests.

A summary of the stock option activity is as follows:

	Shares Available for Grant	Shares Under Option	Weighted Average Exercise Price	Options Exercisable	Exercisable Weighted Average Exercise Price/Share
Balance, December 31, 2013	35,277	7,723	\$ 100	-	\$ -
Granted	-	-	100	-	-
Forfeited/ Canceled	4,500	(4,500)	100	-	-
Balance, December 31, 2014	39,777	3,223	\$ 100	-	\$ -

14. INCOME TAXES

The income tax provision (benefit) consisted of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Current provision (benefit):		
Federal	\$ -	\$ -
State and local	41,095	(6,386)
Total current provision	<u>41,095</u>	<u>(6,386)</u>
Deferred provision (benefit):		
Federal	\$ (1,374,768)	\$ -
State and local	(362,602)	169,666
Total deferred provision	<u>(1,737,370)</u>	<u>169,666</u>
Total provision for income taxes	<u>\$ (1,696,275)</u>	<u>\$ 163,280</u>

Deferred tax assets (liabilities) consisted of the following at December 31, 2014 and 2013:

	2014	2013
Deferred tax assets		
Accrued vacation	\$ 16,218	\$ 59,483
Other accruals	131,877	47,554
Loan loss reserve	302,032	229,419
Sec. 195 start-up costs	707,605	763,106
Deferred rent	-	30,938
Stock based compensation	264,615	170,510
Unrealized gain/loss on investments	23,377	-
Death benefit liability	380,997	474,554
State taxes	2,579	889
Basis difference in fixed assets	14,914	8,469
Outside stock basis	1,423,095	-
Net operating losses	7,411,644	7,099,544
Total deferred tax assets	<u>10,678,953</u>	<u>8,884,466</u>
Deferred tax liabilities		
Basis difference in intangibles	(16,999)	(1,521,310)
Unrealized gain/loss on investments	(699,567)	(1,515,972)
Sec. 481a adjustment	-	(209,584)
Investment	(251,148)	(395,416)
Total deferred tax liabilities	<u>(967,714)</u>	<u>(3,642,282)</u>
Net deferred tax assets	9,711,239	5,242,184
Valuation allowance	(9,711,239)	(6,998,245)
Net	<u>\$ -</u>	<u>\$ (1,756,061)</u>

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

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

As of December 31, 2014 and 2013, the Company has federal and state net operating loss carryovers of approximately \$18.5 million and \$13.4 million, respectively. These losses will begin to expire in 2030.

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

ASC 740-10, Accounting for Uncertain Tax Positions, requires that the Company recognize the impact of tax positions in the financial statements if the position is more likely than not to be sustained upon examination and on the technical merits of the position. The Company's policy is to recognize interest accrued related to unrecognized tax benefits and penalties as income tax expense. The Company has no material uncertain tax positions at December 31, 2014. Consequently, no interest or penalties have been accrued by the Company.

The Company is subject to taxation in the U.S. and various state jurisdictions. The Company is no longer subject to U.S. and state examination for years before 2011 and 2010, respectively.

15. 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, 2014 and 2013 are as follows:

	2014	2013
Shares outstanding, beginning of year	982,245	1,019,592
Bexil stock accepted as payment for stock options exercised, retired	-	(2,000)
Bexil stock accepted as payment for promissory note outstanding, retired	-	(35,347)
Shares outstanding, end of year	<u>982,245</u>	<u>982,245</u>

16. RELATED PARTIES

Certain officers of the Company also serve as officers and/or directors of Winmill & Co. Incorporated (“Winco”), Tuxis Corporation (“Tuxis”), Self Storage Group, Inc. (“SELF”) and their affiliates (collectively with Bexil, but excluding Bexil American and Castle, the “Affiliates”). At December 31, 2014, Winco owned 222,644 shares of the Company, 234,665 shares of Tuxis, and 127,869 shares of SELF or approximately 23%, 20%, and 2%, respectively, of the outstanding common stock. Pursuant to an arrangement between a professional employer organization (“PEO”) and the Affiliates, the PEO provides payroll, benefits, compliance, and related services for employees of the Affiliates in accordance with applicable rules and regulations of the Internal Revenue Service, and in connection therewith Midas Management Corporation (“MMC”), a subsidiary of Winco, acts as a conduit payer of compensation and benefits to Affiliate employees including those who are concurrently employed. . The Company had a receivable of \$2,034 as of December 31, 2014 and a payable of \$93,623 as of December 31, 2013 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 \$102,771 and \$113,044 for the years ended December 31, 2014 and 2013, respectively, and it had a related receivable for these costs of \$1,226 and \$4,015 at December 31, 2014 and 2013, respectively.

Bexil Securities and its affiliates invest in DNI. Their carrying value in DNI was \$7,307,972 and \$9,954,191 as of December 31, 2014 and 2013, respectively, and earned dividends of \$875,898 and \$769,740 for the years ended December 31, 2014 and 2013, respectively. Certain officers and directors of the Company are also officers and/or directors of DNI.

The Company invests in SELF, a closed end investment company. The Company’s carrying value in SELF was \$1,300 and \$1,285 as of December 31, 2014 and 2013, respectively, and dividends earned were \$70 and \$124 for the years ended December 31, 2014 and 2013, respectively. Certain officers and directors of the Company are also officers and/or directors of SELF.

The Company has accepted promissory notes from a certain director, officers, and employees in connection with their exercise of stock options to purchase the common stock of the Company. On November 30, 2013, all of the existing outstanding notes (“original notes”) were replaced by new notes with substantially the same terms except for duration and rate of interest (“2013 notes”). The 2013 notes have nine year maturities and bear interest at 1.65% per annum payable semiannually. The original notes had five year maturities and interest rates ranging from 1.20% to 2.85% per annum which was payable semiannually. The notes, as well as accrued interest thereon, may be prepaid in part or in full at any time or from time to time without penalty. In the event of default in the payment of principal or interest, the full principal amount and any accrued and unpaid interest shall be immediately due and payable. The outstanding principal balance was \$1,477,066 and \$1,515,466, as of December 31, 2014 and 2013, respectively. As of December 31, 2013, \$1,477,066 is due and payable in 2022. The Company earned interest income of \$24,699 and \$37,038 for the years ended December 31, 2014 and 2013, respectively, and had a receivable for interest due of \$787 and \$247 as of December 31, 2014 and 2013, respectively.

During 2013, the Company’s remaining common stock in Bexil American was converted into Series A preferred stock. As of December 31, 2014, the Company owned 92% of Bexil American’s outstanding stock which includes common and Series A preferred stock. The preferred stock is convertible participating preferred stock that includes a dividend, if any, equal to the dividend payable for an equivalent

number of shares of common stock; a liquidation price and preference equal to the purchase price of the preferred stock, or the purchase price of common stock converted to such preferred stock, and all accrued but unpaid dividends; voting rights equal to the voting right of common stock; the option of the holder to convert each share to a share of common stock at any time; and full ratchet anti-dilution protection, subject to certain customary exclusions.

In 2012, the Company loaned certain executives of Bexil American \$135,000 in cash and accepted promissory notes for the principal sum of \$135,000 in connection with capital contributed to Bexil American related the acquisition of Castle. The notes have three year maturities and bear interest at 0.24% per annum which is payable semiannually. The notes, as well as accrued interest thereon, may be prepaid in part or in full at any time or from time to time without penalty. In the event of default in the payment of principal or interest, the full principal amount and any accrued and unpaid interest shall be immediately due and payable. The Company forgave \$58,467 of principal and interest on the promissory notes during 2014 pursuant to separation agreements entered into with certain executives to acquire Bexil American stock. The outstanding principal balance was \$0 and \$78,029 as of December 31, 2014 and 2013, respectively.

17. EMPLOYEE BENEFIT PLAN

The Affiliates participate in a 401(k) retirement savings plan for substantially all qualified employees. A matching expense based upon a percentage of contributions to the plan by eligible employees is incurred and allocated among the Affiliates. The matching expense is accrued and funded on a current basis and may not exceed the amount permitted as a deductible expense under the Internal Revenue Code. The Company's allocated matching expense under the plan was \$28,929 and \$26,966 for the years ended December 31, 2014 and 2013, respectively

18. REGULATORY REQUIREMENTS

Net Capital Requirements

Bexil Securities, a registered broker-dealer, is subject to the Uniform Net Capital Rule under Rule 15c3-1 of the Securities Exchange Act of 1934, which requires broker-dealers to maintain a minimum level of net capital, as defined. As of December 31, 2014, Bexil Securities had net capital of \$3,208,915, which exceeded its \$100,000 required minimum capital by \$3,108,915.

Net Worth Requirements

Castle is subject to net worth requirements, as required by HUD. As of December 31, 2014, Castle's net worth was \$4,539,275, which was \$3,539,275 in excess of the \$1,000,000 required minimum net worth.

19. STOCKHOLDER RIGHTS PLAN

The Board of Directors has adopted a stockholder rights plan pursuant to a Rights Agreement dated November 10, 2005 (the "Rights Agreement") and other action. To implement the rights plan, the Board of Directors declared a dividend distribution of one right for each outstanding share of Bexil common stock, par value \$0.01 per share, to holders of record of the shares of common stock at the close of business on November 21, 2005. Each right entitles the registered holder to purchase from Bexil one one-thousandth of a share of preferred stock, par value \$0.01 per share. The rights were distributed as a non-taxable dividend. The rights are evidenced by the underlying Bexil common stock, and no separate preferred stock purchase rights certificates were distributed. The rights to acquire preferred stock will become exercisable only if a person or group, other than certain exempt persons, acquires or commences a tender offer for 10% or more of Bexil's common stock. If a person or group, other than certain exempt persons, acquires or commences a tender offer for 10% or more of Bexil's common stock, each holder of a right, except the acquirer, will be entitled, subject to Bexil's right to redeem or exchange the right, to exercise, at an exercise price of \$67.50, the right for one one-thousandth of a share of Bexil's newly created Series A Participating Preferred Stock, or the number of shares of Bexil common stock equal to the holder's number of rights multiplied by the exercise price and divided by 50% of the market price of Bexil's common stock on the date of the occurrence of such an event. Bexil's Board of Directors may terminate the rights plan at any time or redeem the rights, for \$0.01 per right, at any time before a person acquires 10% or more of Bexil's common stock.

On November 11, 2011, in consideration of a Standstill Agreement providing, among other things, that the Boulderado Group (as defined in the Standstill Agreement) does not acquire equal to or greater than 15.0% of the common stock of the Company, the Company entered into a First Amendment to the Rights Agreement (the "Amendment") to exclude the Boulderado Group (as defined in the Amendment) from being deemed an "Acquiring Person" as defined in the Rights Agreement and to extend the "Final Expiration Date" of the Rights Agreement from November 21, 2015 until November 21, 2020. The parties entered into a First Amendment to the Standstill Agreement,

dated as of June 1, 2012, to increase the allowed ownership percentage of the Boulderado Group from not equal to or greater than 15.0% to not equal to or greater than 16.0% of the common stock of the Company and to a Second Amendment to the Rights Agreement, dated as of June 1, 2012, to increase the beneficial ownership threshold of the Boulderado Group, without being deemed to be an "Acquiring Person", from less than 15% to less than 16% of the Common Shares and to exclude certain parties from being deemed an "Acquiring Person."

In consideration of an August 15, 2014 agreement with Mr. Kelly Cardwell and Central Square Management LLC (collectively the "Central Parties") that the Central Parties and their affiliates ("Central Group") do not acquire any more of the issued and outstanding common stock of the Company, sell sufficient shares of common stock over the 12 month period 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.

20. 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 \$1.3 million. Promissory notes accepted by the Company from the employee in 2009 in connection with the exercise of stock options on the Company's common stock were outstanding at the time of his death. During 2013, payment on the notes was settled by the Company and the estate of the employee.

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

21. SUBSEQUENT EVENTS

On May 1, 2015, Bexil American entered into an agreement to sell Castle. Closing is subject to customary conditions and approvals of certain government sponsored enterprises and state licensing authorities.

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):

	<u>2014</u>		<u>2013</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First quarter	\$ 34.69	\$ 24.60	\$ 50.00	\$ 44.00
Second quarter	\$ 24.00	\$ 20.50	\$ 68.00	\$ 49.00
Third quarter	\$ 20.50	\$ 16.10	\$ 60.00	\$ 37.28
Fourth quarter	\$ 16.60	\$ 11.55	\$ 47.00	\$ 27.00

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DOUGLAS WU

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