

TUXIS CORPORATION

Unaudited 2020 Annual Report
For the Period Ended December 31, 2020

TUXIS CORPORATION

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TUXIS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

Assets	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets		
Cash and cash equivalents	\$ 906,255	\$ 1,150,450
Investment in securities	4,489,109	4,390,461
Dividends and interest receivable	10,318	9,741
Due from affiliates	—	26,883
Refundable income taxes	6,003	5,122
Prepaid expenses	5,062	6,585
Total current assets	<u>5,416,747</u>	<u>5,589,242</u>
Property and equipment, net	2,802,744	2,758,898
Other assets	1,380	1,380
	<u>2,804,124</u>	<u>2,760,278</u>
Total assets	<u>\$ 8,220,871</u>	<u>\$ 8,349,520</u>
Liabilities and shareholders' equity		
Current liabilities		
Due to affiliates	\$ 1,470	\$ —
Accounts payable and accrued expenses	1,188	2,739
	<u>2,658</u>	<u>2,739</u>
Death benefit obligation	—	128,784
Total liabilities	<u>2,658</u>	<u>131,523</u>
Commitments and Contingencies		
Shareholders' equity		
Common stock, \$0.01 par value; shares authorized, issued and outstanding at December 31, 2020 and 2019 were: 1,000,000,000 and 1,246,929 and 1,000,100,000 and 1,209,988, respectively	12,470	12,100
Series A participating preferred stock, \$0.01 par value, 100,000 shares authorized, -0- shares issued and outstanding	—	—
Additional paid in capital	10,482,812	10,422,384
Notes receivable for common stock issued	(98,164)	(37,484)
Accumulated comprehensive income	231,872	66,367
Accumulated deficit	(2,410,777)	(2,245,370)
Total shareholders' equity	<u>8,218,213</u>	<u>8,217,997</u>
Total liabilities and shareholders' equity	<u>\$ 8,220,871</u>	<u>\$ 8,349,520</u>

See notes to unaudited consolidated financial statements.

TUXIS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues	\$ —	\$ —
Expenses		
Compensation and benefits	206,200	198,404
General and administrative	84,874	79,873
Professional services	39,052	28,980
Depreciation	—	30
	<u>330,126</u>	<u>307,287</u>
Other income		
Dividends, interest, and other	144,633	142,794
Gain from removal of death benefit commitment liability / (expense)	109,709	(14,400)
Unrealized gain (loss) on investment securities	(85,318)	106,448
Gain contingency realized	—	900,000
Realized loss on sale of investment securities	—	(5,070)
	<u>169,024</u>	<u>1,129,772</u>
Income (loss) before income taxes	(161,102)	822,485
Income tax expense	4,305	10,640
Net income (loss)	<u>\$ (165,407)</u>	<u>\$ 811,845</u>
Net income (loss) per share		
Basic net income (loss)	\$ (0.13)	\$ 0.67
Diluted net income (loss)	\$ (0.13)	\$ 0.66
Weighted average shares outstanding		
Basic	1,240,370	1,209,988
Diluted	1,240,370	1,229,137
Other comprehensive income		
Unrealized gain on investment securities	\$ 165,505	\$ 148,630
Comprehensive income	<u>\$ 98</u>	<u>\$ 960,475</u>

See notes to unaudited consolidated financial statements.

TUXIS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Notes Receivable for Common Stock Issued</u>	<u>Accumulated Other Comprehensive Gain (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Par Value</u>					
Balance at December 31, 2018	1,209,988	\$ 12,100	\$ 10,425,384	\$ (37,484)	\$ (82,263)	\$ (3,057,215)	\$ 7,260,522
Net income	—	—	—	—	—	811,845	811,845
Unrealized gain on investment securities	—	—	—	—	148,630	—	148,630
Cashless exercise of stock options	—	—	(3,000)	—	—	—	(3,000)
Balance at December 31, 2019	1,209,988	12,100	10,422,384	(37,484)	66,367	(2,245,370)	8,217,997
Net loss	—	—	—	—	—	(165,407)	(165,407)
Unrealized gain on investment securities	—	—	—	—	165,505	—	165,505
Common stock issued with exercise of stock options	37,000	370	60,680	(60,680)	—	—	370
Common stock repurchases	(59)	—	(252)	—	—	—	(252)
Balance at December 31, 2020	1,246,929	\$ 12,470	\$ 10,482,812	\$ (98,164)	\$ 231,872	\$ (2,410,777)	\$ 8,218,213

See notes to unaudited consolidated financial statements.

TUXIS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Cash flows from operating activities		
Net (loss) income	\$ (165,407)	\$ 811,845
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities		
Gain from the removal of the death benefit commitment	(109,709)	—
Unrealized loss (gain) on investment securities	85,318	(106,448)
Purchase of investment securities, trading	(19,751)	(119,999)
Realized loss on sale of investment securities	—	5,070
Amortization of premium of investment securities	1,290	2,117
Depreciation	—	30
(Increase) decrease in dividends and interest receivable	(577)	14,196
Decrease (increase) in due from affiliates	26,883	(26,883)
(Increase) decrease in refundable income taxes	(881)	7,398
Decrease (increase) in prepaid expenses	1,523	(669)
Increase (decrease) in due to affiliates	1,470	(1,176)
(Decrease) increase in accounts payable and accrued expenses	(1,551)	2,739
Decrease in death benefit obligation	(19,075)	(10,891)
Net cash (used in) provided by operating activities	<u>(200,467)</u>	<u>577,329</u>
Cash flows from investing activities		
Real estate development	(43,846)	(40,078)
Proceeds from sale of investment securities, available-for-sale	—	445,861
Net cash (used in) provided by investing activities	<u>(43,846)</u>	<u>405,783</u>
Cash flows from financing activities		
Common stock issued upon exercise of stock options	370	—
Common stock repurchases	(252)	—
Net settlement of cashless stock option exercises	—	(3,000)
Net cash provided by (used in) financing activities	<u>118</u>	<u>(3,000)</u>
Net (decrease) increase in cash and cash equivalents	(244,195)	980,112
Cash and cash equivalents, beginning of period	1,150,450	170,338
Cash and cash equivalents, end of period	<u>\$ 906,255</u>	<u>\$ 1,150,450</u>
Supplemental disclosure:		
Income taxes paid	\$ 6,106	\$ 7,902
Promissory note accepted with exercise of stock options	\$ 60,680	\$ —

See notes to unaudited consolidated financial statements.

TUXIS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

Tuxis Corporation (“Tuxis” or the “Company”) is a holding company that engages through subsidiaries primarily in real estate development and management. The Company was incorporated in Maryland in 1983.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements include the financial position, results of operations, and cash flows of the Company and its wholly owned subsidiary Winmark Properties I LLC. The unaudited 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.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments purchased with an original maturity of three months or less and may include, among other things, money market fund shares. The carrying amount reported on the balance sheets for cash and cash equivalents approximates fair value.

Earnings Per Share

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

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

from outstanding stock option awards totaling 40,000 and 40,000 as of December 31, 2020 and 2019, respectively, were excluded from the computation of diluted net income per common share under the treasury stock method since the effect would be anti-dilutive. The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2020 and 2019:

	For the Year Ended December 31,	
	2020	2019
Net income (loss)	\$ (165,407)	\$ 811,845
Weighted average shares outstanding:		
Average number of common shares outstanding - basic	1,240,370	1,209,988
Shares related to dilutive stock options	—	19,149
Average number of common shares outstanding - diluted	1,240,370	1,229,137
Net income (loss) per share		
Basic	\$ (0.13)	\$ 0.67
Diluted	\$ (0.13)	\$ 0.66

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 (2017 – 2019) or expected to be taken in the Company's 2020 tax returns.

Investments in Securities

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

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

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

Property and Equipment

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

Real Estate Under Development

The Company capitalizes certain costs related to the development and redevelopment of real estate including initial project acquisition costs, pre-construction costs and construction costs for each specific property. Additionally, the Company capitalizes operating costs, real estate taxes, insurance, and compensation and related costs of personnel directly involved with the specific project related to real estate under development. Capitalization of these costs begin when the activities and related expenditures commence and ceases when the property is held available for occupancy upon substantial completion of construction activity at which time the project is placed in service and depreciation commences.

Revenue Recognition

Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Amortization of premium and accretion of discount on government bonds and notes are included in interest income.

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 involving judgment and estimates based on unobservable data material to 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.

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. REAL ESTATE ASSETS

The carrying value of the Company's real estate assets as of December 31, 2020 and 2019 consisted of the following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Real estate under development		
Land and land improvements	\$ 2,802,744	\$ 2,758,898
Less: accumulated depreciation	—	—
Total real estate assets	<u>\$ 2,802,744</u>	<u>\$ 2,758,898</u>

4. INVESTMENTS IN SECURITIES

Investments in securities as of December 31, 2020 and 2019 consisted of the following:

<u>December 31, 2020</u>	<u>Cost Basis</u>	<u>Gross Unrealized</u>		<u>Value</u>
		<u>Gains</u>	<u>Losses</u>	
Investment securities				
Equity securities	\$ 1,279,752	\$ —	\$ (78,880)	\$ 1,200,872
U.S. Treasury	3,056,366	231,871	—	3,288,237
Total investment in securities	<u>\$ 4,336,118</u>	<u>\$ 231,871</u>	<u>\$ (78,880)</u>	<u>\$ 4,489,109</u>

<u>December 31, 2019</u>	<u>Cost Basis</u>	<u>Gross Unrealized</u>		<u>Value</u>
		<u>Gains</u>	<u>Losses</u>	
Investment securities				
Equity securities	\$ 1,318,847	\$ —	\$ (52,592)	\$ 1,266,255
U.S. Treasury	3,057,839	66,367	—	3,124,206
Total investment in securities	<u>\$ 4,376,686</u>	<u>\$ 66,367</u>	<u>\$ —</u>	<u>\$ 4,390,461</u>

5. FAIR VALUE MEASUREMENTS

The use of estimated 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 or unreliable (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 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 and reliable market for such investments existed, or had such investments been liquidated, and those differences could be material to the financial statements.

Investments in securities. Investments in securities consist of shares of real estate investment trust equities and U.S. Treasury securities. The value of the real estate investment trust equities and U.S. Treasury securities is based on a traded market price and is considered to be a level 1 measurement.

The financial assets and liabilities held by the Company and its subsidiaries that were measured at fair value were as of December 31, 2020 and 2019 as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Investment in securities				
Equity securities	\$ 1,200,872	\$ —	\$ —	\$ 1,200,872
U.S. Treasury	3,288,237	—	—	3,288,237
Total assets at fair value	\$ 4,489,109	\$ —	\$ —	\$ 4,489,109
December 31, 2019				
Assets				
Investment in securities				
Equity securities	\$ 1,266,255	\$ —	\$ —	\$ 1,266,255
U.S. Treasury	3,124,206	—	—	3,124,206
Total assets at fair value	\$ 4,390,461	\$ —	\$ —	\$ 4,390,461

6. STOCK-BASED COMPENSATION

The Company has a long term stock incentive plan intended to facilitate the use of equity based incentives and rewards for officers, employees, directors, and consultants of the Company and its affiliates. On June 18, 2015 (“Effective Date”), the shareholders of the Company approved the 2015 Stock Incentive Plan (the “2015 Plan”). Awards under the 2015 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 2015 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 2015 Plan shall be (i) 15% of the number of outstanding shares of Tuxis 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 2015 Plan (other than pursuant to the 2015 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 1,133,477 and the total number of authorized shares of the Company common stock was 999,900,000.

The 2015 Plan replaced the Company’s former stock-based compensation plan, the 2011 Stock Incentive Plan (the “2011 Plan”). No future awards may be granted under the 2011 Plan, although any previously issued options granted under the 2011 Plan remain effective until either they expire, are forfeited, or are exercised. Under the 2011 Plan, the Board of Directors determined the terms and conditions of awards and the exercise price per share of common stock purchasable under a stock option grant could not be less than 110% of the fair market value on the date of grant. The 2011 Plan provided for the granting of a maximum 155,067 options to purchase common stock.

The Company’s stock options outstanding were vested and there was no unrecognized compensation expense as of December 31, 2020 and 2019, respectively. There were no options granted by the Company for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, there was no aggregate intrinsic value of outstanding options.

A summary of the stock options activity for the years ended December 31, 2020 and 2019 is as follows:

The following table summarizes non-vested stock option activity for 2020:

	<u>Shares Under Option</u>	<u>Weighted Average Exercise Price</u>
Balance, December 31, 2018	79,000	\$ 3.32
Exercised	<u>(2,000)</u>	\$ 1.65
Balance, December 31, 2019	77,000	\$ 3.36
Exercised	<u>(37,000)</u>	\$ 1.65
Balance, December 31, 2020	<u>40,000</u>	\$ 4.95

Stock options outstanding and exercisable at December 31, 2020 are as follows:

<u>Exercise Price</u>	<u>Options Outstanding</u>	<u>Weighted Average Remaining Contractual Life (in years)</u>	<u>Options Exercisable</u>	<u>Weighted Average Exercise Price of Exercisable Options</u>
\$4.95	40,000	2.1	40,000	\$4.95

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

7. INCOME TAXES

The Company had an effective tax rate of (3)% and 1% for the years ended December 31, 2021 and 2020, respectively.

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. The Company established a valuation allowance in the amount of \$396,408 and \$361,894 against its deferred tax assets as of December 31, 2020 and 2019, respectively.

As of December 31, 2020, the Company has federal net operating loss carryovers of approximately \$1.4 million which will not expire, but are subject to the amount available for use each year.

The utilization of net operating loss carryovers may be subject to limitations under provision of the Section 382 of the Internal Revenue Code of 1986, as amended (the "Code") and similar state provisions.

ASC 740-10, Accounting for Uncertain Tax Positions, requires that the Company recognize the impact of tax positions in the financial statements if the position is more likely than not to be sustained upon examination and on the technical merits of the position. The Company's policy is to recognize interest accrued related to unrecognized tax benefits and penalties as income tax expense. The Company has no material uncertain tax positions at December 31, 2020. Consequently, no interest or penalties have been accrued by the Company.

The Company is subject to taxation in the U.S. and various state jurisdictions. The Company is no longer subject to federal examination for years before 2017.

8. CAPITAL STOCK

As of December 31, 2020, the Company is authorized to issue 1,000,000,000 shares of \$0.01 par value common stock of which 1,246,929 is issued and outstanding. The Company also has 100,000 shares of Series A participating preferred stock, \$0.01 par value, authorized, of which none has been issued.

9. RELATED PARTIES

Certain officers of the Company also serve as officers and/or directors of Winmill & Co. Incorporated (“Winco”), Bexil Corporation (“Bexil”), Global Self Storage, Inc. (“SELF”), and their affiliates (collectively with Tuxis, the “Affiliates”). As of December 31, 2020, Winco owned approximately 19%, 27%, and 2%, respectively, of the outstanding common stock of the Company, Bexil, and SELF. Pursuant to an arrangement between a professional employer organization (“PEO”) and the Affiliates, the PEO provides payroll, benefits, compliance, and related services for employees of the Affiliates in accordance with applicable rules and regulations of the Internal Revenue Service, and in connection therewith Midas Management Corporation (“MMC”), a subsidiary of Winco, acts as a conduit payer of compensation and benefits to Affiliate employees including those who are concurrently employed. 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 \$15,555 and \$16,109 for the years ended December 31, 2020 and 2019, respectively. The Company had reimbursements payable to MMC and Winco for compensation, benefits, rent, and overhead of \$1,470 and a receivable of \$26,883 as of December 31, 2020 and 2019, respectively.

The Company owns approximately 3% of the shares of SELF with a carrying value of \$1,200,872 and \$1,266,255 as of December 31, 2020 and 2019, respectively, and received distributions on such shares of \$77,214 and \$76,564 for the years ended December 31, 2020 and 2019, respectively.

The Company has accepted promissory notes from directors, officers, and employees in connection with their exercise of stock options to purchase the common stock of the Company. The notes have original maturities of five years and bear interest at 1.15% - 1.84% per annum payable semiannually. The notes, as well as accrued interest thereon, may be prepaid in part or in full at any time or from time to time without penalty. In the event of default in the payment of principal or interest, the full principal amount and any accrued and unpaid interest shall be immediately due and payable. The outstanding principal balance was \$98,164 and \$37,484, as of December 31, 2020 and 2019, respectively. As of December 31, 2020, \$37,484 and \$60,680 of principal on the notes matures in 2024 and 2025, respectively. The Company earned interest income on the notes of \$1,233 and \$659 for the years ended December 31, 2020 and 2019, respectively.

On May 19, 2020, MMC (the “Borrower”) entered into a Paycheck Protection Program Term Note (“PPP Note”) with Customers Bank (“Lender”) on behalf of itself and the Affiliates under the Paycheck Protection Program (the “Program”) of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the U.S. Small Business Administration (“SBA”). The Borrower received total proceeds of \$486,602 on the PPP Note, on which interest accrues at the rate per annum of 1.00%. In accordance with the requirements of the CARES Act, the Affiliates used the proceeds from the PPP Note for payroll and other eligible costs. On March 1, 2021, the Borrower was informed by the Lender that it had completed its review of the Borrower’s Loan forgiveness application, and intended to submit to the SBA its decision that the entire amount of the PPP Note be forgiven. The Borrower is required to begin repaying any amounts not forgiven at the later of (a) 10 months following the Borrower’s covered period (June 2021), or (b) when the SBA remits any amounts forgiven to the Lender.

During the period from May 19, 2020 through the six-month anniversary of the date of the PPP Note (the “Deferral Expiration Date”), neither principal nor interest was due and payable. On the Deferral Expiration Date, the outstanding principal of the PPP Note or the amount that is not forgiven under the Program converted to an amortizing term loan. Additionally, on December 19, 2020 and continuing to the 19th day of each month thereafter until May 19, 2022 equal installments of principal shall be due and payable, each in an amount determined by the Lender (the “Monthly Principal Amount”). Interest is payable at the same time as the Monthly Principal Amount. Any outstanding principal and accrued interest not forgiven shall be due and payable in full on May 19, 2022. The Company expects to contribute to the interest payable on the PPP Note in proportion to its share of payroll and other eligible costs used in the original calculation of the loan request.

On October 8, 2021, the Borrower received the SBA’s final loan review decision which denied forgiveness of the loan in full. The Borrower intends to file an appeal petition with the SBA’s Office of Hearings and Appeals within the 30 calendar day period after receipt of the final loan review decision. Timely filing of the appeal will extend the loan deferment period.

For the year ended December 31, 2020, the PPP Note was not material to the Company’s financial statements.

10. EMPLOYEE BENEFIT PLAN

The Affiliates participate in a 401(k) retirement savings plan for substantially all qualified employees. A matching expense based upon a percentage of contributions to the plan by eligible employees is incurred and allocated among the Affiliates. The matching expense is

accrued and funded on a current basis and may not exceed the amount permitted as a deductible expense under the Code. The Company's allocated matching expense under the plan was \$5,063 and \$4,625 for the years ended December 31, 2020 and 2019, respectively.

12. STOCKHOLDER RIGHTS PLAN

The Board of Directors has adopted a stockholder rights plan. To implement the rights plan, the Board of Directors declared a dividend distribution of one right for each outstanding share of Tuxis common stock, par value \$.01 per share, to holders of record of the shares of common stock at the close of business on November 3, 2005. Each right entitles the registered holder to purchase from Tuxis one one-thousandth of a share of preferred stock, par value \$.01 per share. The rights were distributed as a non-taxable dividend and were set to expire on November 3, 2015, however the stockholder rights plan was amended to extend the expiration of such rights to November 3, 2025. The rights are evidenced by the underlying Tuxis 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 acquires or commences a tender offer for 10% or more of Tuxis' common stock. If a person or group acquires or commences a tender offer for 10% or more of Tuxis' common stock, each holder of a right, except the acquirer, will be entitled, subject to Tuxis' right to redeem or exchange the right, to exercise, at an exercise price of \$40.50, the right for one one-thousandth of a share of Tuxis' newly-created Series A Participating Preferred Stock, or the number of shares of Tuxis common stock equal to the holder's number of rights multiplied by the exercise price and divided by 50% of the market price of Tuxis' common stock on the date of the occurrence of such an event. Tuxis' 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 Tuxis' common stock.

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

13. RISKS AND UNCERTAINTIES

COVID-19

The outbreak of the novel coronavirus pandemic ("COVID-19") around the globe continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving and many countries, including the United States, have reacted by, among other things, instituting quarantines, mandating certain business and school closures, restricting travel, issuing "shelter-in-place" and/or "stay-at-home" orders, and imposing various restrictions on business operations. While some of these restrictions have been relaxed or phased out, many of these or similar restrictions remain in place and continue to be implemented, and additional restrictions may be considered. Such actions are creating significant disruption in global supply chains, and adversely impacting many industries, such as transportation, hospitality, and entertainment. The disruption caused by COVID-19 significantly reduced economic activity in most of the United States resulting in a significant increase in unemployment claims. COVID-19 has had a continued and prolonged adverse impact on economic and market conditions and has triggered a period of economic slowdown which could have a material adverse effect on the Company's results and financial condition. The full impact of COVID-19 on the financial markets, the global economy, and consequently on the Company's financial condition and results of operations is uncertain and cannot be predicted at the current time as it depends on several factors beyond the control of the Company including, but not limited to (i) the uncertainty around the severity and duration of the outbreak, (ii) the effectiveness of the United States public health response, (iii) the pandemic's impact on the U.S. and global economies, (iv) the timing, scope and effectiveness of additional governmental responses to the pandemic, (v) the timing and speed of economic recovery, including the availability of a treatment or vaccination for COVID-19, and (vi) the negative impact on the financial markets.

Credit Risk

Credit risk - 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. Neither the Company nor its subsidiaries have experienced any losses in such accounts and the Company believes they are not exposed to any significant credit risk.

14. COMMITMENTS AND CONTINGENCIES

The Company enters into contracts that contain a variety of representations and warranties and which may provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as it involves future claims that may be made against the Company under circumstances that have not occurred.

As of July 8, 2020, the Company was no longer obligated pursuant to a Death Benefit Agreement (the "DBA") among the Company and certain of its affiliates and a deceased employee, Mr. Bassett S. Winmill, for payments to the employee's wife by the Company and certain of its affiliates. The Company recorded a gain from the removal of the estimated liability under the DBA in the amount of \$109,709 for the year ended December 31, 2020.

On October 8, 2021, the Borrower received the SBA's final loan review decision which denied forgiveness of the loan in full. The Borrower intends to file an appeal petition with the SBA's Office of Hearings and Appeals within the 30 calendar day period after receipt of the final loan review decision. Timely filing of the appeal will extend the loan deferment period.

DIRECTORS

SUSAN E. PARKER
TIMOTHY E. TAFT
MARK C. WINMILL, Chairman

OFFICERS

MARK C. WINMILL
President, Chief Executive Officer and Chairman of the Board

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

DONALD KLIMOSKI II, ESQ.
General Counsel, Secretary, and Chief Compliance Officer

COE ELDREDGE
Vice President, Real Estate

ROBERT J. MATHERS
Vice President, Operations

RUSSELL KAMERMAN, ESQ.
Assistant General Counsel, Assistant Secretary, and Assistant
Chief Compliance Officer

EXECUTIVE OFFICES

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