

Tuxis Corporation Announces Third Quarter 2022 Financial Results

MILLBROOK, NY – November 14, 2022 – Tuxis Corporation (Stock Symbol: [TUXS](#)) (“Tuxis” or the “Company”) today reported its financial results for the third quarter ended September 30, 2022.

The Company recorded a net loss of \$33,882 or \$0.03 per diluted share for the three months ended September 30, 2022, compared to a net loss of \$71,085 or \$0.06 per diluted share for the three months ended September 30, 2021. The Company recorded a net loss of \$289,672 or \$0.23 per diluted share for the nine months ended September 30, 2022, compared to net income of \$166,576 or \$0.13 per share for the nine months ended September 30, 2021.

The Company’s book value per share at September 30, 2022, was \$6.00 (shareholders’ equity of \$7,441,865 divided by 1,240,038 shares issued and outstanding).

The limited information above in this press release is not adequate for making an informed investment judgment, and we urge stockholders and investors to read the Company’s unaudited quarterly report for the quarterly period ended September 30, 2022, which is available at www.Tuxis.com, appended to the copy of this press release, and at www.otcmarkets.com under the Company’s stock symbol.

About Tuxis Corporation

The objective of Tuxis Corporation, a holding company, is to increase value over time for the benefit of its shareholders. The Company engages through subsidiaries primarily in real estate development and management. To learn more about Tuxis Corporation please visit www.tuxis.com.

Cautionary Note Regarding Forward Looking Statements

Certain information presented in this press release may contain “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Forward looking statements include statements concerning the Company’s plans, including its plans as to the use of the proceeds from the sale, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, and other information that is not historical information. In some cases, forward looking statements can be identified by terminology such as “believes,” “expects,” “estimates,” “may,” “will,” “should,” “anticipates” or “intends,” or the negative of such terms or other comparable terminology, or by discussions of strategy. All forward-looking statements by the Company involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the Company’s actual results to be materially different from those expressed or implied by such statements, including negative impacts from the COVID-19 pandemic on the economy, the broader financial markets, the Company's financial condition, and results of operations and cash flows. The Company may also make additional forward looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by the Company or on its behalf, are also expressly qualified by these cautionary statements. All forward-looking statements, including without limitation, the Company’s examination of historical operating trends and estimates of future earnings, are based upon the Company’s current expectations and various assumptions. The Company’s expectations, beliefs and projections are expressed in good faith, but there can be no assurance that the Company’s expectations, beliefs and projections will result or be achieved. All forward looking statements apply only as of the date made. The Company undertakes no obligation to publicly update or revise forward looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

The Company views book value per share, a non-GAAP financial measure, as an important indicator of financial performance. Presented in conjunction with other financial information, the combined presentation can enhance an investor's understanding of the Company's underlying financial condition and results from operations. The definition of book value as presented in this press release is shareholders' equity divided by currently issued and outstanding shares.

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TUXIS CORPORATION

Unaudited Quarterly Report

For the quarterly period ended September 30, 2022

TUXIS CORPORATION

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TUXIS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 444,411	\$ 789,239
Investment in securities	1,754,941	1,707,025
Due from affiliates	7,062	1,598
Interest receivable	874	701
Refundable income taxes	2,820	6,814
Prepaid expenses	16,674	22,959
Assets held for sale	2,194,590	2,194,590
Total current assets	<u>4,421,372</u>	<u>4,722,926</u>
Property and equipment, net	3,024,808	3,014,808
Other assets	1,230	1,230
	<u>3,026,038</u>	<u>3,016,038</u>
Total assets	<u>\$ 7,447,410</u>	<u>\$ 7,738,964</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,545	\$ 2,995
Total liabilities	5,545	2,995
Commitments and Contingencies		
Shareholders' equity		
Common stock, \$0.01 par value; shares authorized, issued and outstanding at September 30, 2022 and December 31, 2021: 1,000,000,000 and 1,240,038 and 1,000,100,000 and 1,241,441, respectively	12,400	12,414
Series A participating preferred stock, \$0.01 par value, 100,000 shares authorized, -0- shares issued and outstanding	—	—
Additional paid in capital	10,460,233	10,464,651
Notes receivable for common stock issued	(64,030)	(64,030)
Accumulated deficit	<u>(2,966,738)</u>	<u>(2,677,066)</u>
Total shareholders' equity	<u>7,441,865</u>	<u>7,735,969</u>
Total liabilities and shareholders' equity	<u>\$ 7,447,410</u>	<u>\$ 7,738,964</u>

See notes to unaudited consolidated financial statements.

TUXIS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	\$ —	\$ —	\$ —	\$ —
Expenses				
Compensation and benefits	86,469	57,595	239,186	180,794
General and administrative	33,843	26,083	109,412	77,923
Professional services	18,014	4,080	47,720	19,755
	<u>138,326</u>	<u>87,758</u>	<u>396,318</u>	<u>278,472</u>
Other income				
Dividends, interest, and other	22,102	36,631	62,450	109,922
Unrealized gain (loss) on investment securities	68,880	(18,332)	47,916	340,302
Gain on PPP loan forgiveness	17,992	—	17,992	—
	<u>108,974</u>	<u>18,299</u>	<u>128,358</u>	<u>450,224</u>
Income (loss) before income taxes	(29,352)	(69,459)	(267,960)	171,752
Income tax expense	4,530	1,626	21,712	5,176
Net income (loss)	<u>\$ (33,882)</u>	<u>\$ (71,085)</u>	<u>\$ (289,672)</u>	<u>\$ 166,576</u>
Net income (loss) per share				
Basic	\$ (0.03)	\$ (0.06)	\$ (0.23)	\$ 0.13
Diluted	\$ (0.03)	\$ (0.06)	\$ (0.23)	\$ 0.13
Weighted average shares outstanding				
Basic	1,240,038	1,242,639	1,240,136	1,243,269
Diluted	1,240,038	1,242,639	1,240,136	1,243,269
Other comprehensive income (loss)				
Unrealized loss on investment securities	—	\$ (18,918)	—	\$ (122,567)
Comprehensive income (loss)	<u>\$ (33,882)</u>	<u>\$ (90,003)</u>	<u>\$ (289,672)</u>	<u>\$ 44,009</u>

See notes to unaudited consolidated financial statements.

TUXIS CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Notes</u>	<u>Accumulated Deficit</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Par Value</u>		<u>for Common Stock Issued</u>		
Balance at December 31, 2021	1,241,441	\$ 12,414	\$ 10,464,651	\$ (64,030)	\$ (2,677,066)	\$ 7,735,969
Net loss	—	—	—	—	(147,272)	(147,272)
Common stock repurchases	(1,403)	(14)	(4,418)	—	—	(4,432)
Balance at March 31, 2022	1,240,038	12,400	10,460,233	(64,030)	(2,824,338)	7,584,265
Net loss	—	—	—	—	(108,518)	(108,518)
Balance at June 30, 2022	1,240,038	12,400	10,460,233	(64,030)	(2,932,856)	7,475,747
Net loss	—	—	—	—	(33,882)	(33,882)
Balance at September 30, 2022	1,240,038	\$ 12,400	\$ 10,460,233	\$ (64,030)	\$ (2,966,738)	\$ 7,441,865

See notes to unaudited consolidated financial statements.

TUXIS CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

	Common Stock		Additional Paid in Capital	Notes Receivable for Common Stock Issued	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Equity
	Shares	Par Value					
Balance at December 31, 2020, as restated	1,246,929	\$ 12,470	\$ 10,482,812	\$ (98,164)	\$ 231,872	\$ (3,018,932)	\$ 7,610,058
Net income	—	—	—	—	—	153,224	153,224
Unrealized loss on investment securities	—	—	—	—	(86,370)	—	(86,370)
Common stock repurchases	(3,873)	(39)	(13,513)	—	—	—	(13,552)
Balance at March 31, 2021	1,243,056	12,431	10,469,299	(98,164)	145,502	(2,865,708)	7,663,360
Net income	—	—	—	—	—	84,437	84,437
Unrealized gain on investment securities	—	—	—	—	9,109	—	9,109
Common stock repurchases	(417)	(5)	(1,666)	—	—	—	(1,671)
Balance at June 30, 2021	1,242,639	12,426	10,467,633	(98,164)	154,611	(2,781,271)	7,755,235
Net loss	—	—	—	—	—	(71,085)	(71,085)
Unrealized loss on investment securities	—	—	—	—	(18,918)	—	(18,918)
Balance at September 30, 2021	1,242,639	\$ 12,426	\$ 10,467,633	\$ (98,164)	\$ 135,693	\$ (2,852,356)	\$ 7,665,232

See notes to unaudited consolidated financial statements.

TUXIS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
Net (loss) income	\$ (289,672)	\$ 166,576
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities		
Unrealized gain on investment securities	(47,916)	(340,302)
Gain on PPP loan forgiveness	(17,992)	—
Changes in operating assets and liabilities:		
Dividends and interest receivable	(173)	(16,629)
Due from affiliates	(5,464)	—
Refundable income taxes	3,994	399
Prepaid expenses	6,285	2,154
Other assets	—	2
Due to affiliates	—	13,461
Accounts payable and accrued expenses	2,550	187
Net cash used in operating activities	(348,388)	(174,152)
Cash flows from investing activities		
Real estate development	(10,000)	—
Net cash used in investing activities	(10,000)	—
Cash flows from financing activities		
Proceeds received on PPP loan forgiveness	17,992	—
Common stock repurchases	(4,432)	(15,223)
Net cash provided by (used in) financing activities	13,560	(15,223)
Net decrease in cash and cash equivalents	(344,828)	(189,375)
Cash and cash equivalents, beginning of period	789,239	906,255
Cash and cash equivalents, end of period	\$ 444,411	\$ 716,880
Supplemental disclosure:		
Income taxes paid	\$ 21,712	\$ 3,117

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 subsidiaries Tuxis Lima LLC and Winmark Properties I LLC. These unaudited interim 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.

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 earnings per share since the effect would have been anti-dilutive under the treasury stock method. Excluded from the computation of diluted net income (loss) per common share were common stock from outstanding stock option awards of 40,000 and 40,000 shares for the three months ended September 30, 2022 and 2021, respectively, and 40,000 and 40,000 shares for the nine months ended September 30, 2022 and 2021, respectively.

The following table sets forth the computation of basic and diluted earnings per share:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ (33,882)	\$ (71,085)	\$ (289,672)	\$ 166,576
Weighted average shares outstanding:				
Average number of common shares outstanding - basic	1,240,038	1,242,639	1,240,136	1,243,269
Shares related to dilutive stock options	—	—	—	—
Average number of common shares outstanding - diluted	1,240,038	1,242,639	1,240,136	1,243,269
Net income (loss) per share				
Basic	\$ (0.03)	\$ (0.06)	\$ (0.23)	\$ 0.13
Diluted	\$ (0.03)	\$ (0.06)	\$ (0.23)	\$ 0.13

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 (2019 – 2021) or expected to be taken in the Company's 2022 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 Unaudited 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.

Real Estate Assets

Property and equipment are 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 are 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.

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.

Acquisition costs are accounted for in accordance with Accounting Standard Update ("ASU") No. 2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business, which was adopted on January 1, 2018, and are generally capitalized for acquisitions that qualify as asset acquisitions. When properties are acquired, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values. Allocations to land, building and improvements, and equipment are recorded based upon their respective fair values as estimated by management.

Repairs and maintenance costs are charged to expense as incurred. Major replacements and betterments that improve or extend the life of the asset are capitalized and depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the estimated useful lives of the buildings and improvements, which are generally between 5 and 39 years.

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 AND ASSETS HELD FOR SALE

The carrying value of the Company's real estate assets and assets held for consisted of the following:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Assets held for sale		
Land and land improvements	\$ 2,194,590	\$ 2,194,590
Real estate under development		
Land	\$ 301,481	\$ 301,481
Building	2,723,327	2,713,327
	\$ 3,024,808	\$ 3,014,808
Less: accumulated depreciation	—	—
Total real estate assets	<u>\$ 3,024,808</u>	<u>\$ 3,014,808</u>

There was no depreciation expense for the three and nine months ended September 30, 2022 and 2021, respectively.

4. INVESTMENTS IN SECURITIES

Investments in securities consisted of the following:

<u>September 30, 2022</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	\$ 475,189	\$ —	\$ 1,754,941
Total investment in securities	<u>\$ 1,279,752</u>	<u>\$ 475,189</u>	<u>\$ —</u>	<u>\$ 1,754,941</u>

<u>December 31, 2021</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	\$ 427,273	\$ —	\$ 1,707,025
Total investment in securities	<u>\$ 1,279,752</u>	<u>\$ 427,273</u>	<u>\$ —</u>	<u>\$ 1,707,025</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. The value of the real estate investment trust equities is based on a traded market price and is considered to be a level 1 measurement.

The following table presents the assets and liabilities carried at fair value measured on a recurring basis:

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investment in securities				
Equity securities	\$ 1,754,941	\$ —	\$ —	\$ 1,754,941
Total assets at fair value	<u>\$ 1,754,941</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,754,941</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investment in securities				
Equity securities	\$ 1,707,025	\$ —	\$ —	\$ 1,707,025
Total assets at fair value	<u>\$ 1,707,025</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,707,025</u>

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 September 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 September 30, 2022. There were no options granted by the Company for the three and nine months ended September 30, 2022 and 2021 and the year ended December 31, 2021, respectively. As of September 30, 2022, there was no aggregate intrinsic value of outstanding options.

A summary of the stock options activity for the nine months ended September 30, 2022 are as follows:

	<u>Shares Under Option</u>	<u>Weighted Average Exercise Price</u>
Balance, December 31, 2021	40,000	\$ 4.95
Activity	<u>—</u>	\$ —
Balance, September 30, 2022	<u>40,000</u>	\$ 4.95

Stock options outstanding and exercisable as of September 30, 2022 are as follows:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$4.95	40,000	0.4	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 a statutory tax rate of 21% and an effective tax rate of (8)% and 3% for the nine months ended September 30, 2022 and 2021, respectively.

The differences between the 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 full valuation allowance against its deferred tax assets as of December 31, 2021.

As of December 31, 2021, the Company has federal net operating loss carryovers of approximately \$1,655,000 which will not expire.

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, 2021. 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 2019.

8. CAPITAL STOCK

As of September 30, 2022, the Company is authorized to issue 1,000,000,000 shares of \$0.01 par value common stock of which 1,240,038 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 September 30, 2022, Winco owned approximately 19%, 30%, and 1%, 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. The aggregate compensation and benefits accrued and paid by the Company to MMC were \$83,066 and \$56,388 for the three months ended September

30, 2022 and 2021, respectively, and \$236,907 and \$181,446 for the nine months ended September 30, 2022 and 2021, respectively. Expenses for various concurrently used administrative and support functions incurred by the Affiliates are allocated at cost among them. The aggregate administrative and support function expenses accrued and paid by the Company to Winco was \$1,922 and \$3,767 for the three months ended September 30, 2022 and 2021, respectively, and \$4,726 and \$11,109 for the nine months ended September 30, 2022 and 2021, respectively. The Company had a net receivable from MMC and Winco for compensation, benefits, and administrative support function expenses of \$7,062 as of September 30, 2022 and a net receivable of \$1,598 as of December 31, 2021.

The Company leases office space from SELF under a rental agreement. The terms of occupancy are month to month and automatically renew unless terminated by either party on thirty days' written notice. The Company incurred rental expense of \$1,500 and \$1,500 for the three months ended September 31, 2022 and 2021, respectively, and \$4,500 and \$3,000 for the nine months ended September 30, 2022 and 2021, respectively.

The Company owns approximately 3% of the shares of SELF with a carrying value of \$1,754,941 and \$1,707,025 as of September 30, 2022 and December 31, 2021, respectively, and received distributions on such shares of \$21,712 and \$19,466 for the three months ended September 30, 2022 and 2021, respectively, \$60,644 and \$58,398 for the nine months ended September 30, 2022, and 2021, 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 \$64,030 and \$64,030 as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, \$31,230 and \$32,800 of principal on the notes matures in 2024 and 2025, respectively. The Company earned interest income on the notes of \$240 and \$322 for the three months ended September 30, 2022 and 2021, respectively, and \$711 and \$954 for the nine months ended September 30, 2022 and 2021, respectively.

On May 19, 2020, MMC (the "Borrower") entered into a Paycheck Protection Program Term Note ("PPP Note") with Customers Bank 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 (the "SBA"). The Borrower received total proceeds of \$486,602 from the PPP Note of which \$17,992 was attributable to the Company under the SBA's loan determination formula. In accordance with the requirements of the CARES Act, the Affiliates used the proceeds from the PPP Note primarily for payroll and other eligible costs. Interest accrues on the PPP Note at the rate per annum of 1.00%. In March 2021, the Borrower applied to Customers Bank for forgiveness of the amount due on the PPP Note in an amount equal to the sum of payroll and other eligible costs incurred during the Covered Period, as defined therein, following disbursement under the PPP Note. On April 5, 2022, the Borrower was granted forgiveness of the entire PPP Note and any accrued interest.

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 \$1,727 and \$853 for the three months ended September 30, 2022 and 2021, respectively, and \$9,429 and \$5,770 for the nine months ended September 30, 2022, respectively.

11. 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.

12. RISKS AND UNCERTAINTIES

General Market Risks

The Company's portfolio and the success of its investment activities are affected by global and national economic, political and market conditions generally and also by the local economic conditions where its assets are located. Certain external events such as public health crises, including the novel coronavirus ("COVID-19") and its variants, natural disasters and geopolitical events, including the ongoing conflict between Russia, Belarus and Ukraine, have led to increased financial and credit market volatility and disruptions, leading to record inflationary pressure, rising interest rates, supply chain issues, labor shortages and recessionary concerns. Additionally, in response to recent inflationary pressure, the U.S. Federal Reserve and other global central banks have raised interest rates in 2022 and have indicated likely further interest rate increases. The full impact of such external events on the financial and credit markets and consequently on the Company's financial conditions and results of operations is uncertain and cannot be fully predicted. The Company will continue to monitor these events and will adjust its operations as necessary.

Credit Risk

The Company maintains cash and cash equivalents in accounts with various financial institutions, and at times, account balances may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

13. 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.

14. RESTATEMENT

The Company is restating its opening retained earnings to reflect changes to the basis of Assets held for sale on the consolidated balance sheet. The cumulative effect of restating the 2020 beginning accumulated deficit balance is as follows:

Accumulated deficit at December 31, 2020, as previously reported	\$ (2,410,777)
Recording effect of reclassification	<u>(608,155)</u>
Accumulated deficit at December 31, 2020, as restated	<u><u>\$ (3,018,932)</u></u>

**TUXIS CORPORATION
CORPORATE INFORMATION**

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

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

LOUIS SOULIOS
Vice President of Finance

ROBERT J. MATHERS
Vice President, Operations

EXECUTIVE OFFICES

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