

FOXBY CORP.
Form DEFR14A
August 24, 2012

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Foxyby Corp.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

FOXBY CORP.
11 Hanover Square
New York, NY 10005
www.FoxbyCorp.com

New York, NY
August 22, 2012

Dear Fellow Shareholders:

It is our pleasure to invite you to the Special Meeting (“Meeting”) of Shareholders of Foxby Corp. (the “Fund”) to be held at the Fund’s principal executive offices at 11 Hanover Square, 12th Floor, New York, New York 10005, on September 12, 2012 at 8:00 a.m. ET. At the meeting, shareholders are being asked to (i) approve a new investment management agreement between the Fund and Midas Management Corporation and increase the management fee under the agreement (“Proposal 1”); (ii) ratify the appointment of Tait, Weller & Baker LLP as the Fund’s independent registered auditors for the fiscal year ending December 31, 2012 (“Proposal 2”); and (iii) consider a non-binding shareholder proposal, if properly presented at the Meeting (“Proposal 3”).

As discussed in the Proxy Statement, the Fund’s prior investment management agreement with CEF Advisers, Inc. (“CEF Advisers”) terminated due to a change in control of CEF Advisers’ parent company, and CEF Advisers currently serves as the Fund’s investment manager pursuant to an interim investment management agreement. However, in order for the Fund to continue to receive services beyond the interim period, shareholders are being asked to approve a new agreement.

The new investment management agreement is between the Fund and Midas Management Corporation, an affiliate of CEF Advisers. The change in the investment manager providing the services is for corporate administrative reasons only. The same management operates Midas Management Corporation and CEF Advisers. Under the new investment management agreement, Midas Management Corporation would provide the same services to the Fund as the Fund received from CEF Advisers.

The new investment management agreement reflects two material changes: (i) a fee rate increase and (ii) a modification of the fee calculation methodology so that the management fee is calculated based on “managed assets” (which includes all Fund assets attributable to borrowing) rather than net assets. Under the new agreement, the management fee rate would increase to a monthly fee at the annual rate of 0.95% of the Fund’s “managed assets.” Under the prior investment management agreement the Fund paid a monthly fee at an annual rate of 0.50% of the Fund’s average daily net assets. Calculated as a percentage of average daily net assets, the fee rate under the new investment management agreement would also be 0.95%. However, because “managed assets” includes amounts borrowed, while “net assets” does not, a management fee based on managed assets rather than net assets would result in a higher fee to Midas Management if the Fund were to employ leverage because, in addition to the annual rate being higher, that higher rate would be applied to a broader asset base. The Fund’s Board of Directors believes that the fee increase is fair and reasonable given that the current management fee is materially below the average advisory/management fee of the Fund’s peer group of funds.

The Board of Directors of the Fund has considered the proposals and unanimously recommends that you vote “FOR” Proposals 1 and 2. The Board of Directors does not have a recommendation for voting on Proposal 3.

Formal notice of the Meeting appears on the next page and is followed by a brief overview of the proposals in “Question and Answer” format and the Proxy Statement for the Meeting. We hope you can attend the Meeting. Whether or not you are able to attend, it is important that your shares be represented at the Meeting. Accordingly, we ask that you please sign, date, and return the enclosed Proxy Card or vote via telephone or the Internet at your earliest convenience.

On behalf of the Board and the management of the Fund, I extend our appreciation for your continued support.

Sincerely,

Thomas B. Winmill
President

YOUR VOTE IS IMPORTANT

We consider the vote of each shareholder important, whatever the number of shares held. Please sign, date and return your proxies in the enclosed envelope or vote via telephone or the Internet at your earliest convenience. Delay may cause the Fund to incur additional expenses to solicit votes for the Meeting.

FOXBY CORP.
11 Hanover Square
New York, NY 10005
www.FoxbyCorp.com

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

August 22, 2012

To the Shareholders of
Foxby Corp.:

The Special Meeting (“Meeting”) of Shareholders of Foxby Corp. (“Fund”) will be held at the Fund’s principal executive offices at 11 Hanover Square, 12th Floor, New York, New York 10005, on September 12, 2012, at 8:00 a.m. ET, for the following purposes:

1. To approve a new investment management agreement between the Fund and Midas Management Corporation and increase the management fee under the agreement (“Proposal 1”);
2. To ratify the appointment of Tait, Weller & Baker LLP as the Fund’s independent registered auditors for the fiscal year ending December 31, 2012 (“Proposal 2”); and
3. To consider a non-binding shareholder proposal, if properly presented at the Meeting (“Proposal 3”).

The Board of Directors, including all of the Independent Directors, unanimously recommends that you vote “FOR” Proposals 1 and 2. The Board of Directors does not have a recommendation for voting on Proposal 3.

The proposals are discussed in the Proxy Statement attached to this Notice. Each shareholder is invited to attend the Meeting in person. Only holders of record at the close of business on July 31, 2012, are entitled to receive notice of, and to vote at, the Meeting.

JOHN F. RAMIREZ
Secretary

Important Notice regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to Be Held on September 12, 2012: This Notice of Special Meeting of Shareholders, Proxy Statement and form of proxy card are available on the Fund’s website at www.FoxbyCorp.com.

YOUR VOTE IS IMPORTANT.

IF YOU CANNOT BE PRESENT AT THE MEETING, WE URGE YOU TO COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD OR AUTHORIZE PROXIES VIA TELEPHONE OR THE INTERNET. THE PROXY CARD SHOULD BE RETURNED IN THE ENCLOSED ENVELOPE, WHICH NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES. INSTRUCTIONS FOR THE PROPER EXECUTION OF PROXIES ARE SET FORTH ON THE INSIDE COVER. WE ASK YOUR COOPERATION IN COMPLETING AND RETURNING YOUR PROXY PROMPTLY. THE ENCLOSED PROXY IS BEING SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE FUND.

INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and may avoid the time and expense to the Fund involved in validating your vote if you fail to sign your proxy card properly.

1. Individual Accounts: Sign your name exactly as it appears in the registration on the proxy card.
2. Joint Accounts: Each party should sign, and the names of the parties signing should conform exactly to the names shown in the registration.
3. All Other Accounts: The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

| Registration | Valid Signature |
|---|---|
| Corporate Accounts | |
| (1) ABC Corp. | ABC Corp., by [title of authorized officer] |
| (2) ABC Corp., c/o John Doe Treasurer | John Doe |
| (3) ABC Corp. Profit Sharing Plan | John Doe, Trustee |
| Trust Accounts | |
| (1) ABC Trust | Jane B. Doe, Trustee |
| (2) Jane B. Doe, Trustee, u/t/d 12/28/78 | Jane B. Doe |
| Custodian or Estate Accounts | |
| (1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA or UTMA | John B. Smith |
| (2) Estate of John Doe, John B. Smith, Jr., Executor John B. Smith, Jr., Executor | |

QUESTIONS AND ANSWERS REGARDING THE PROPOSALS

While we strongly encourage you to read the full text of the Proxy Statement, we also are providing the following brief overview of the proposals in “Question and Answer” format. If you have any questions about the proposals or how to vote your shares, please call AST Fund Solutions toll free at 1-877-283-0323.

Question: What proposals will be acted upon at the Meeting?

A. At the Meeting, you will be asked to (i) approve a new investment management agreement (the “New Management Agreement”) between the Fund and Midas Management Corporation (“Midas Management”) and increase the management fee under the agreement (“Proposal 1”); (ii) ratify the appointment of Tait, Weller & Baker LLP as the Fund’s independent registered auditors for the fiscal year ending December 31, 2012 (“Proposal 2”); and (iii) consider a non-binding shareholder proposal, if properly presented at the Meeting (“Proposal 3”). Under the New Management Agreement, Midas Management would provide the same services to the Fund that CEF Advisers, Inc. (“CEF Advisers”) did under the prior investment management agreement with the Fund (the “Prior Management Agreement”).

Question: Why are shareholders being asked to approve the New Management Agreement?

A. You are being asked to approve the New Management Agreement so that the Fund can continue to receive investment management services. On May 15, 2012, Bassett S. Winmill, the Fund’s portfolio manager and the owner 100% of the voting stock (“voting stock”) of the parent company of CEF Advisers, Winmill & Co. Incorporated (“Winco”), passed away. In connection with his death, Mr. Winmill’s ownership interest in the voting stock, among other assets, was transferred (the “Transfer”) to a trust, the Winmill Family Trust (the “Trust”). The Winmill Family Trust owns all of the voting stock of Winco. Pursuant to the trust agreement governing the Trust (“Trust Agreement”), Thomas B. Winmill and Mark C. Winmill, Bassett Winmill’s sons, were designated individual trustees of the Trust with sole authority to vote the voting stock on behalf of the Trust.

The Transfer has been treated as constituting a “change in control” of CEF Advisers under the Investment Company Act of 1940, as amended (the “1940 Act”) and thus resulted in the assignment and termination of the Prior Management Agreement. The Fund is currently being managed by CEF Advisers pursuant to an interim investment management agreement approved by the Board. However, in order for the Fund to continue to receive investment management services beyond the interim period, shareholders of the Fund are being asked to approve the New Management Agreement. Further information on the reasons for this proposal and about the Trust arrangement is contained in “Background” in the Proxy Statement.

Question: Why is the Board recommending the change from CEF Advisers to Midas Management? Will the services provided to the Fund change?

A. No. The change from CEF Advisers to Midas Management is for corporate administrative reasons only. Both Midas Management and CEF Advisers are wholly owned subsidiaries of Winco. The same management operates both Midas Management and CEF Advisers. Under the New Management Agreement, Midas Management would provide the same services to the Fund as the Fund received from CEF Advisers, and the same personnel who were previously responsible for the Fund’s day-to-day management will continue to be responsible, with the exception of Mr. Bassett Winmill.

Question: How does the New Management Agreement differ from the Prior Management Agreement?

A.

The New Management Agreement reflects two material changes to the Prior Management Agreement: (i) a fee rate increase and (ii) a modification of the fee calculation methodology so that the management fee is calculated based on “managed assets” rather than net assets. Under the New Management Agreement, the management fee rate would increase to an annual rate, payable monthly, 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. Managed assets include all Fund assets attributable to borrowing.

Under the Prior Management Agreement the Fund paid an annual rate of 0.50% of the Fund's average daily net assets. Calculated as a percentage of average daily net assets, the fee rate under the New Management Agreement would also be 0.95%. However, because "managed assets" includes amounts borrowed, while "net assets" does not, a management fee based on managed assets rather than net assets would result in a higher fee to Midas Management if the Fund were to employ leverage because, in addition to the annual rate being higher, that higher rate would be applied to a broader asset base. For instance, if the Fund borrows an amount representing 331/3% (which is the maximum amount permitted by the 1940 Act) of the Fund's total assets (including the proceeds of such borrowing, but not reflecting the amount of the liability of the borrowing) its management fee under the New Management Agreement would be 1.27% of its net assets. If the New Management Agreement is approved by shareholders, and the Fund employs leverage, Midas Management could be viewed as having an economic incentive to utilize leverage because the use of leverage would increase the Fund's managed assets and hence the fee paid by the Fund to Midas Management. While the Fund currently does not employ leverage, it reserves the right to adjust leverage from time to time up to the maximum permitted under the 1940 Act. The Fund may obtain leverage through borrowings, the issuance of short term debt securities, the issuance of shares of preferred stock, derivative transactions, loans of portfolio securities, and when-issued, delayed delivery and forward commitment transactions.

The New Management Agreement also clarifies that the Fund is responsible for the cost of certain reports and statistical data requested or approved by the Board of Directors of the Fund and modifies the procedures for the payment of certain Fund expenses. Please see "Summary of the Terms of the New and Prior Management Agreements" in the Proxy Statement for a comparison of the material terms of both agreements.

Question: Why is the Board recommending an increase in the management fee?

A. In light of the fact that the management fee for the Fund is materially below the average advisory/management fee of the Fund's peer group of funds selected by an independent data service, the Board determined that the proposed management fee is fair and reasonable to the Fund.

Question: Why is the Board recommending a change to the way the management fee is calculated?

A. The Board believes that it is appropriate to compensate the investment manager for the effort and resources necessary to manage any Fund assets attributable to borrowing.

Question: How does the Board recommend that I vote?

A. After careful consideration of the proposals, the Board, including all those Directors who are not "interested persons" (as defined in the 1940 Act) of the Fund, unanimously approved Proposals 1 and 2 and recommends that you vote in favor of these proposals. The reasons for the Board's recommendations are discussed in "Evaluation by the Fund's Board" in the Proxy Statement. The Board does not have a recommendation for voting on Proposal 3.

Question: What happens if the New Management Agreement is not approved?

A. If shareholders of the Fund do not approve the New Management Agreement, CEF Advisers will cease to serve as the Fund's investment manager under the interim investment management agreement after October 12, 2012 and the Board will meet to consider appropriate action for the Fund.

Question: What number should I call if I have questions?

A. We will be pleased to answer your questions about this proxy solicitation. Please call the Fund's proxy solicitor, AST Fund Solutions, toll free at 1-877-283-0323 with any questions.

Question: How do I vote?

A. You may use the enclosed postage-paid envelope to mail your proxy card or you may attend the Meeting in person. You may also vote by phone by calling AST Fund Solutions toll free at 1-877-283-0323 or via the Internet.

If you are a record holder of the Fund's shares and plan to attend the Meeting in person, in order to gain admission you must show valid photographic identification, such as your driver's license or passport.

If you hold your shares of the Fund through a bank, broker, or other nominee, and plan to attend the Meeting in person, in order to gain admission you must show valid photographic identification, such as your driver's license or passport, and satisfactory proof of ownership of shares in the Fund, such as your voting instruction form or a letter from your bank, broker, or other nominee's statement indicating ownership as of the Record Date.

THE BOARD OF DIRECTORS, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" PROPOSALS 1 AND 2.

THE BOARD OF DIRECTORS DOES NOT HAVE A RECOMMENDATION FOR VOTING ON PROPOSAL 3.

SPECIAL MEETING OF SHAREHOLDERS
OF

FOXBY CORP.
11 Hanover Square
New York, NY 10005
www.FoxbyCorp.com

PROXY STATEMENT

August 22, 2012

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of Foxby Corp., a Maryland corporation (“Fund”), to be voted at the Special Meeting of Shareholders of the Fund to be held at the Fund’s principal executive offices at 11 Hanover Square, 12th Floor, New York, New York 10005, on September 12, 2012 at 8:00 a.m. ET, and at any adjournments or postponements thereof (the “Meeting”).

The Board has fixed the close of business on July 31, 2012 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting (the “Record Date”). On the Record Date, 2,610,050 shares of the Fund were outstanding. Each outstanding share is entitled to one vote and each fractional share is entitled to a proportionate fractional vote on the matters to be voted on at the Meeting. All properly executed and timely received proxies will be voted at the Meeting in accordance with the directions marked thereon or otherwise provided therein. If you properly execute and return your proxy but do not indicate any voting instructions, your shares will be voted “FOR” Proposals 1 and 2, and “AGAINST” Proposal 3. Any shareholder may revoke a proxy at any time prior to the exercise thereof by giving written notice to the Secretary of the Fund at 11 Hanover Square, 12th Floor, New York, New York 10005, by signing another proxy of a later date, or by personally voting at the Meeting.

Paper copies of our proxy materials are being sent to registered shareholders, that is, those whose shares are registered directly in shareholders’ names with the Fund’s transfer agent, IST Shareholder Services. “Street name” shareholders, those whose shares are held in the name of a bank, broker or other nominee on the shareholders’ behalf, are being sent a Notice of Internet Availability of Proxy Materials. Street name shareholders must request paper copies of our proxy materials. It is estimated that proxy materials, or a Notice of Internet Availability of Proxy Materials, will be mailed to shareholders as of the Record Date on or about August 24, 2012.

The Fund will furnish to shareholders upon request, without charge, copies of its 2011 Annual Report for the period ended December 31, 2011. The Fund’s Semi-Annual Report to Shareholders, containing unaudited financial statements for the period ended June 30, 2012, will be mailed to shareholders when available. Requests for such Annual Report or Semi-Annual Report should be directed to the Fund at 11 Hanover Square, New York, New York 10005, or by telephone toll-free at 1-800-757-5755. Such Annual Report and Semi-Annual Report are not to be regarded as proxy soliciting material.

As of the Record Date, the Fund is not aware of any person or “group” (as that term is used in Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) owning beneficially or of record more than 5% of the Fund’s outstanding shares, except as follows:

| Name and Address of Owner (1) | Amount and Nature of Ownership | Percentage of Outstanding Shares |
|-------------------------------|--------------------------------|----------------------------------|
| Midas Securities Group, Inc. | 638,588 (2) | 24.47% |
| Winmill & Co. Incorporated | 638,588 (3) | 24.47% |
| Winmill Family Trust | 638,588 (4) | 24.47% |
| Thomas B. Winmill | 638,788 (5) | 24.47% |
| Mark C. Winmill | 638,588 (6) | 24.47% |

(1) The address of each person is 11 Hanover Square, New York, NY 10005.

(2) Midas Securities Group, Inc. (“Midas Securities Group”) has beneficial ownership of these shares and has sole voting and investment power over these shares.

(3) Winmill & Co. Incorporated (“Winco”) owns all of the outstanding shares of Midas Securities Group and may be deemed to have indirect beneficial ownership of the 638,588 shares owned by Midas Securities Group.

(4) The Winmill Family Trust (the “Trust”) owns all of the outstanding voting stock of Winco.

(5) Thomas B. Winmill is a co-trustee of the Trust and may be deemed to have indirect beneficial ownership of the 638,588 shares owned by Midas Securities Group as a result of his status as a controlling person of the Trust, Winco, and Midas Securities Group. Mr. Thomas Winmill disclaims beneficial ownership of these shares.

(6) Mark C. Winmill is a co-trustee of the Trust and may be deemed to have indirect beneficial ownership of the 638,588 shares owned by Midas Securities Group as a result of his status as a controlling person of the Trust, Winco, and Midas Securities Group. Mr. Mark Winmill disclaims beneficial ownership of these shares.

Midas Securities Group owns 24.47% of the outstanding shares of the Fund as shown above. The 24.47% beneficial ownership reported by Midas Securities Group, Winco, Winmill Family Trust, Thomas B. Winmill, and Mark C. Winmill represents record or beneficial ownership in the same Fund shares. Messrs. Thomas Winmill and Mark Winmill may be deemed to beneficially own the shares of the Fund owned by Midas Securities Group by virtue of their role as co-trustees of the Trust. Midas Securities Group intends to vote its shares of the Fund in favor of Proposals 1 and 2, and against Proposal 3. As of the Record Date, the officers and directors of the Fund (other than Mr. Thomas Winmill) own in the aggregate less than 1% of the outstanding shares of the Fund.

A quorum for the Meeting will consist of the presence in person or by proxy of the holders of not less than one-third of the votes entitled to be cast at the Meeting. Whether or not a quorum is present at the Meeting, the chairman of the Meeting shall have the power to adjourn the Meeting from time to time to a date not more than 120 days after the Record Date without further notice other than announcement at the Meeting. Abstentions and broker non-votes will not have an impact on the chairman’s determination to adjourn the Meeting. At such adjourned Meeting at which a quorum is present, any business may be transacted which might have been transacted at the Meeting as originally notified.

Properly executed proxies may contain instructions to abstain from voting (an “abstention”) or may represent a broker “non-vote” (which is a proxy from a broker or nominee indicating that the broker or nominee has not received instructions from the beneficial owner or other persons entitled to vote shares on a particular matter with respect to which the broker or nominee does not have discretionary power to vote). The shares represented by abstentions or broker non-votes will be considered present at the Meeting for purposes of determining the existence of a quorum for

the transaction of business. The proposal in this Proxy Statement to approve a new investment management agreement for the Fund is a matter to be determined by the vote of a majority of outstanding voting securities (as defined under the Investment Company Act of 1940, as amended (the “1940 Act”)); thus abstentions and broker non-votes will have the same effect as a vote against the proposal. As provided in the Fund’s Bylaws, the proposal in this Proxy Statement to ratify the appointment of the Fund’s independent registered auditors is a matter to be determined by the affirmative vote of a majority of the votes cast at the Meeting. As provided in the Fund’s Charter, the non-binding shareholder proposal in this Proxy Statement is a matter to be determined by the vote of at least two-thirds of the Fund’s outstanding shares. Because the shareholder proposal is a non-binding resolution, the Fund will not be required to take the requested action if the proposal is approved; however, if such proposal is approved, the Fund will further evaluate the proposal.

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

All costs of soliciting proxies for the Meeting will be borne by the Fund. The Fund has retained AST Fund Solutions to assist in the solicitation of proxies for a fee of \$2,500, plus reimbursement for out-of-pocket expenses. Banks, brokerage houses, and other custodians will be requested on behalf of the Fund to forward solicitation material to the beneficial owners of Fund shares to obtain authorizations for the execution of proxies, and the Fund will reimburse them for any reasonable expenses they incur. In addition, some of the officers of the Fund and persons affiliated with CEF Advisers, Inc., the Fund's investment manager, may, without remuneration, solicit proxies personally or by telephone or electronic communications.

PROPOSAL 1

TO APPROVE A NEW INVESTMENT MANAGEMENT AGREEMENT BETWEEN THE FUND AND MIDAS MANAGEMENT CORPORATION AND INCREASE THE MANAGEMENT FEE UNDER THE AGREEMENT

Background

Shareholders are being asked to approve a new investment management agreement (the "New Management Agreement") between the Fund and Midas Management Corporation ("Midas Management"). Under the New Management Agreement, Midas Management, an affiliate of CEF Advisers Inc. ("CEF Advisers"), would provide the same services that CEF Advisers provided under the prior investment management agreement with the Fund (the "Prior Management Agreement").

Shareholder approval of the New Management Agreement is being requested in connection with the automatic termination of the Prior Management Agreement by operation of federal securities law. On May 15, 2012, Bassett S. Winmill, the Fund's portfolio manager and the owner of 100% of the voting stock (the "voting stock") of Winmill & Co. Incorporated ("Winco"), the parent company of CEF Advisers, passed away. In connection with his death, Mr. Winmill's ownership interest in the voting stock, among other assets, was transferred (the "Transfer") to a trust, the Winmill Family Trust (the "Trust"). The Winmill Family Trust owns all of the voting stock of Winco. Pursuant to the trust agreement governing the Trust ("Trust Agreement") Thomas B. Winmill and Mark C. Winmill, Bassett Winmill's sons, were designated individual trustees of the Trust and Christiana Trust was designated administrative trustee. As individual trustees, Thomas Winmill and Mark Winmill have sole authority to vote the voting stock on behalf of the Trust. Christiana Trust does not have the right to vote such shares.

The trustees have the responsibility to manage the affairs of the Trust, which includes: managing the Trust property (subject to the limitation that the only business that may be held as part of the Trust be interests in Winco, its businesses, subsidiaries and affiliates, and any successor entities thereto); distributing income to its beneficiaries; retaining, voting (by the individual trustees only and within certain limitations), and continuing the ownership by the Trust of the voting stock of Winco; and complying with the Trust Agreement's dispositive provisions upon the occurrence of specific events. Each trustee's role as trustee of the Trust, other than the administrative trustee, is contingent on his or her service as a director of Winco and should a trustee resign from the board of Winco, he or she will be deemed to have immediately resigned as trustee of the Trust. Each male (or if none, female, and thereafter male and female) descendent of Bassett Winmill shall become an additional individual trustee upon his or her written acceptance who has: (a) attained the age of twenty-one years; (b) received a bachelor's degree or its equivalent after having successfully completed a program of study at an accredited college or university; and (c) received a graduate degree or its equivalent after having successfully completed a program of study consisting of at least two years at an

accredited university in the United States.

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The Trust is for the benefit of Bassett Winmill's spouse, Sarah J. Winmill, and upon her death, for the benefit of his daughter, S. Starr Winmill, and upon her death, for the benefit of his female issue per stirpes, and then to his issue, per stirpes. The Trust shall terminate at such time as there are no descendants of Bassett Winmill serving on the board of directors of Winco, whereupon the entire trust as it then exists shall be paid over to the Thanksgiving Foundation, a charitable organization, for such uses and purposes as its board of trustees or other governing body may determine. A significant change to this trust arrangement in the future may potentially result in a change of control of the Fund's investment adviser and therefore in the assignment and termination of the Fund's investment management agreement. Accordingly, if such a change were to occur in the future, the Fund may be required to solicit shareholders' approval of a new investment management agreement, which would result in additional costs to the Fund.

The Transfer has been treated as constituting a "change in control" of CEF Advisers under the 1940 Act and thus resulted in the assignment and termination of the Prior Management Agreement. To avoid interruption of management services to the Fund, at a meeting held on May 25, 2012, the Board, including a majority of the Directors of the Fund who are not interested persons (as defined under the 1940 Act) of the Fund or CEF Advisers or its affiliates (the "Independent Directors"), approved an interim investment management agreement with CEF Advisers (the "Interim Management Agreement"). CEF Advisers is currently managing the Fund pursuant to the Interim Management Agreement which, pursuant to 1940 Act rules, allows CEF Advisers to continue performing investment management services for the Fund for a maximum of 150 days following termination of the Prior Management Agreement. The Interim Management Agreement is identical to the Prior Management Agreement except with respect to certain provisions required by law regarding effectiveness, duration, and termination. The Fund pays the same fees under the Interim Management Agreement as it paid under the Prior Management Agreement. The 1940 Act requires that advisory agreements, other than certain interim agreements, be approved by a vote of a majority of the outstanding shares of a fund. To satisfy this requirement, the Board is now soliciting shareholder approval of the New Management Agreement prior to the expiration of the 150-day duration of the Interim Management Agreement on October 12, 2012.

Midas Management and CEF Advisers

CEF Advisers located at 11 Hanover Square, New York, NY 10005 is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). CEF Advisers has served as the investment manager of the Fund since 2002. CEF Advisers does not act as investment manager for other investment companies. CEF Advisers is a wholly-owned subsidiary of Winco. As discussed above, the voting stock of Winco was transferred to the Trust of which Thomas Winmill and Mark Winmill are co-trustees. As a result, the Trust, Thomas Winmill and Mark Winmill may also be deemed to be control entities of CEF Advisers in addition to Winco, the parent company of CEF Advisers. Each of the control entities of CEF Advisers has the same address as CEF Advisers.

Midas Management located at 11 Hanover Square, New York, NY 10005 is registered as an investment adviser under the Advisers Act. Midas Management is also a wholly-owned subsidiary of Winco. Management of Midas Management is the same as the management of CEF Advisers. The names, titles, and principal occupations during the past five years of the principal executive officers and directors of Midas Management are set forth in Appendix B.

Midas Management serves as investment manager to three open-end investment companies, Midas Perpetual Portfolio, Inc., Midas Fund, Inc. and Midas Magic, Inc. ("Midas Magic"). Midas Magic seeks capital appreciation, which is similar to the Fund's non-fundamental investment objective of total return. Midas Magic had total assets of \$15,701,864 as of June 30, 2012 and pays Midas Management a management fee, payable monthly, based on the average daily net assets of the Fund at the annual rate of 1% on the first \$10 million, 7/8 of 1% from \$10 million to \$30 million, 3/4 of 1% from \$30 million to \$150 million, 5/8 of 1% from \$150 million to \$500 million, and 1/2 of 1% over \$500 million.

Material Differences between the New and Prior Management Agreements

The New Management Agreement is between the Fund and Midas Management. The change in the investment manager providing the services is for corporate administrative reasons only. Under the New Management Agreement, Midas Management would provide the same services to the Fund as it received from CEF Advisers under the Prior Management Agreement.

The New Management Agreement reflects two material changes to the Prior Management Agreement: (i) a fee rate increase and (ii) a modification of the fee calculation methodology so that the management fee is calculated based on “managed assets” rather than net assets. Under the New Management Agreement, the management fee rate would increase to an annual rate of 0.95%, payable monthly, 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. Managed assets include all Fund assets attributable to borrowing.

Under the Prior Management Agreement the Fund paid an annual rate of 0.50% of the Fund’s average daily net assets. Calculated as a percentage of average daily net assets, the fee rate under the new investment management agreement would also be 0.95%. However, because “managed assets” includes amounts borrowed, while “net assets” does not, a management fee based on managed assets rather than net assets would result in a higher fee to Midas Management if the Fund were to employ leverage because, in addition to the annual rate being higher, that higher rate would be applied to a broader asset base. For instance, if the Fund borrows an amount representing 33 1/3% (which is the maximum amount permitted by the 1940 Act) of the Fund’s total assets (including the proceeds of such borrowing, but not reflecting the amount of the liability of the borrowing) its management fee under the New Management Agreement would be 1.27% of its net assets. If the New Management Agreement is approve