

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file Number: 000-50587

**WRIGHT INVESTORS' SERVICE HOLDINGS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

\_\_\_\_\_  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-4005439

\_\_\_\_\_  
(IRS Employer Identification Number)

177 West Putnam Avenue, Greenwich, CT 06830

\_\_\_\_\_  
(Address of Principal Executive Offices, including Zip Code)

(914) 242-5700

\_\_\_\_\_  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.01 Par Value

\_\_\_\_\_  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, computed by reference to the price at which the common stock was last sold, or the average bid and asked price of such common stock, as of the last business day of the registrant's most recently completed second quarter, is \$15,000,000.

As of March 3, 2016, 19,169,273 shares of the registrant's common stock were outstanding.

Part III of this report incorporates certain information by reference from the registrant's proxy statement for the annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2015.

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## Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward looking statements. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. The words “may,” “will,” “anticipate,” “should,” “would,” “believe,” “contemplate,” “could,” “project,” “predict,” “expect,” “estimate,” “continue,” and “intend,” as well as other similar words and expressions of the future, are intended to identify forward-looking statements.

These forward-looking statements generally relate to our plans, objectives and expectations for future events and include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. These statements are based upon our opinions and estimates as of the date they are made. Although we believe that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements are subject to known and unknown risks and uncertainties that may be beyond our control, which could cause actual results, performance and achievements to differ materially from results, performance and achievements projected, expected, expressed or implied by the forward-looking statements. While we cannot assess the future impact that any of these differences could have on our business, financial condition, results of operations and cash flows or the market price of shares of our common stock, the differences could be significant. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report.

Factors that may cause actual results to differ from historical results or those results expressed or implied, include, but are not limited to, those listed below under Item 1A. “Risk Factors”, which include, without limitation, the risk that the expected benefits of the merger with The Winthrop Corporation that was completed on December 19, 2012 may not be achieved and may therefore make an investment in Wright Investors’ Service Holdings, Inc.’s securities less attractive to investors.

If this or other significant risks and uncertainties occur, or if our estimates or underlying assumptions prove inaccurate, actual results could differ materially. You are urged to consider all such risks and uncertainties. In light of the uncertainty inherent in such forward-looking statements, you should not consider their inclusion to be a representation that such forward-looking matters will be achieved.

Additional information concerning the factors that could cause actual results to differ materially from those in the forward-looking statements is contained in Item 1. “Business”, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and elsewhere in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission (the “SEC”). We undertake no obligation to publicly revise any forward-looking statements or cautionary factors, except as required by law.

## PART I

### Item 1. Business.

#### *General Development of Business*

Wright Investors' Service Holdings, Inc. (formerly National Patent Development Corporation) (the "Company", "Wright Holdings", "we" or "us") was incorporated on March 10, 1998 as a wholly-owned subsidiary of GP Strategies Corporation ("GP Strategies") and in November 2004, the Company's common stock was spun-off to holders of record of GP Strategies common stock and GP Strategies Class B capital stock. The Company's common stock is quoted on the OTC Bulletin Board and is traded under the symbol "WISH".

Historically, the Company owned a home improvement distribution business through its then wholly-owned subsidiary Five Star Products, Inc. ("Five Star Products"). The Company with a substantial portion of its assets consisting of cash and cash equivalents, also owned, and continues to own, certain non-strategic assets, primarily consisting of certain real estate. (each as described herein).

On January 15, 2010, we completed the sale (the "Five Star Sale") to The Merit Group, Inc. ("Merit") of all of the issued and outstanding stock (the "Five Star Stock") of our wholly-owned subsidiary, Five Star Products, the holding company and sole stockholder of Five Star Group, Inc. ("Five Star Group"), for cash pursuant to the terms and subject to the conditions of the Stock Purchase Agreement between the Company and Merit, dated as of November 24, 2009 (the "Five Star Stock Purchase Agreement"). As used herein, references to "Five Star" refer to Five Star Products or Five Star Group, or both, as the context requires.

#### *Nature of Our Business Following the Five Star Sale*

Our Board of Directors is considering strategic uses for the Five Star Sale proceeds including, without limitation, using such funds, together with other funds of the Company, to develop or acquire interests in one or more operating businesses. While we have focused our development or acquisition efforts on sectors in which our management has expertise, we do not wish to limit ourselves to, or to foreclose any opportunities in, any particular industry or sector.

On December 19, 2012, (the "Closing Date") the Company, completed the merger (the "Merger") of a wholly-owned subsidiary of the Company ("MergerSub") with and into The Winthrop Corporation, a Connecticut corporation ("Winthrop"), pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement") dated June 18, 2012. As more fully described below, substantially all of the Company's business operations are carried out through Winthrop and its subsidiaries, the Wright Companies.

Prior to this use, the Five Star Sale proceeds have been, and we anticipate will continue to be, invested in high-grade, short-term investments (such as cash and cash equivalents) consistent with the preservation of principal, maintenance of liquidity and avoidance of speculation, until such time as we need to utilize such funds, or any portion thereof, for the purposes described above. We have not distributed, and do not anticipate distributing, the proceeds of the Five Star Sale to our stockholders.

## Overview

The Company's assets currently consist of its 100% ownership interest in Winthrop and cash and cash equivalents, which were \$8,493,000 at December 31, 2015. The Company intends to use its remaining cash and cash equivalents to acquire interests in one or more operating businesses in the asset management space that it believes will be synergistic with Winthrop and to fund the Company's general and administrative expenses.

On the Closing Date of the Merger, 881,206 shares of Company Common Stock were issued by the Company as Merger Consideration to those holders of Winthrop Common Stock who elected to receive Company Common Stock as Merger Consideration and the Company paid cash totaling \$4,852,000 to those holders of Winthrop Common Stock who elected to receive cash as Merger Consideration. Winthrop received and provided to the Company the required consents to Advisory Contracts representing sufficient Winthrop revenues so that no purchase price adjustment occurred in accordance with the Merger Agreement.

In accordance with the Merger Agreement, on or before July 18, 2012, shareholders of Winthrop holding at least 92% of the outstanding voting power of Winthrop immediately prior to the Effective Time of the Merger (the "Support Agreement Securityholders") entered into the Support Agreement pursuant to which such Support Agreement Securityholders agreed to, among other things, indemnify the Company, in proportion to the percentage of the total Merger Consideration received by them, against all losses incurred with respect to or in connection with (i) the failure of any representation or warranty of Winthrop in the Merger Agreement or in other documents delivered pursuant to the terms of the Merger Agreement (collectively, the "Transaction Documents") to be true and correct; (ii) any failure by Winthrop to fully perform, fulfill or comply with any covenant of Winthrop set forth in the Transaction Documents; and (iii) the payment of certain pre-closing taxes. The indemnification obligations of the Support Agreement Securityholders are several and not joint and, with respect to breaches of representations and warranties (other than breaches of certain fundamental representations and warranties or claims arising from fraud or intentional misrepresentation), are capped at twenty-five percent (25%) of the Purchase Price. The obligations of the Support Agreement Securityholders for breaches of certain fundamental representations and warranties is capped at one hundred percent (100%) of the Purchase Price. The Support Agreement Securityholders are not required to indemnify the Company against losses from any individual claim or series of related claims in an amount of less than \$5,000, other than a claim arising from any breach or inaccuracy of any fundamental representations, fraud or intentional misrepresentation. In addition, the Support Agreement Securityholders are not required to indemnify the Company unless and until the aggregate amount of indemnifiable losses suffered by the Company exceeds \$20,000, at which time the Company will be entitled to indemnification for the amount of losses that exceeds such amount.

As of the Closing Date, the Company entered into the Investors' Rights Agreement with Peter M. Donovan, Theodore S. Roman, Amit S. Khandwala, and M. Anthony E. van Daalen (the "Key Winthrop Employees") and each former Winthrop shareholder who elected to receive Company Common Stock as Merger Consideration. The Investors' Rights Agreement provides that shares of Company Common Stock received as Merger Consideration will be subject to a three year transfer restriction and, for any such shares held by an employee of the Company who terminates such employment without "good reason" prior to the third anniversary of the Closing (December 19, 2015), a call right in favor of the Company at a purchase price per share equal to the fair market value of Company Common Stock as of the date of the notice of the exercise of the call right. In addition, the Investors' Rights Agreement provides for: (i) a right of first offer in favor of the Key Winthrop Employees in the event that the Company effects or agrees to a sale of Winthrop or all or substantially all of its business or assets prior to the fifth anniversary of the Closing, and (ii) certain demand and piggyback registration rights to be available following the third anniversary of the Closing with respect to the Company Common Stock held, or to be held upon the settlement date of each applicable holder's restricted stock unit agreement, by parties to the Investors' Rights Agreement.

On June 22, 2012, the Board of Trustees of each Winthrop-sponsored mutual fund approved the Management Change for each such fund and on September 13, 2012, the shareholders of each such Winthrop-sponsored mutual fund approved the Management Change for each such fund. In addition, prior to the closing date Winthrop received all other required regulatory approvals, including approval by the Financial Regulatory Authority, Inc. ("FINRA") relating to the change of control of Winthrop's broker-dealer subsidiary.

The Company owned and continues to own certain non-strategic assets, interests in land and flowage rights in undeveloped property in Killingly, Connecticut. The Company had a 19.9% interest in MXL carried at its cost of \$275,000. On February 3, 2014 MXL exercised its right to purchase the Company's 19.9% interest. The Company received \$994,000 for its 19.9% interest on March 26, 2014, resulting in a gain of \$719,000.

The Company monitors these investments for impairment by considering current factors, including the economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment, and records impairments in carrying values when necessary.

Substantially all of the Company's business operations are carried out through Winthrop and its subsidiaries, the Wright Companies, as described below.

## **The Winthrop Business**

### **Overview**

Winthrop, through its wholly-owned subsidiaries Wright Investors' Service, Inc. ("Wright"), Wright Investors' Service Distributors, Inc. ("WISDI") and Wright's wholly-owned subsidiary, Wright Private Asset Management, LLC ("WPAM") (collectively, the "Wright Companies"), offers investment management services, financial advisory services and investment research to large and small investors, both taxable and tax exempt. For more than 50 years, the Wright Companies have assisted institutions, plan sponsors, bank trust departments, trust companies and individual investors in achieving their financial objectives. The management approach is to invest assets prudently by balancing risk and return.

### **Investment Management Services**

At the center of the Wright Companies' investment process is the Wright Investment Committee. The Committee consists of a select group of senior investment professionals who are supported by an experienced staff. This staff provides multilevel analyses of the economy and investment environments. Their analysis includes a report and projection of corporate earnings and interest rates and an assessment of the impact of the economic forecasts on market sectors, individual securities and client portfolios.

Wright markets its investment management products and services to plan sponsors, trade unions, endowments, corporations, state and local governments, municipalities and foundations. The Wright products include equity, fixed income and balanced portfolios for various plan types, including defined benefit, annuity, self-directed and 401(k), health and welfare and education and training plans. In addition, Wright helps bank trust departments and trust companies satisfy part or all of their investment management functions. Wright delivers fiduciary level investment management services to these institutions' clients by providing active oversight of each account's asset allocation and security selection. Its offerings include investment management solutions utilizing individual securities or mutual funds. Mutual fund models developed by Wright utilize a combination of Wright Mutual Funds as well as mutual funds from other investment managers.

WPAM offers programs to support high net worth investors and other individual investors. WPAM manages a variety of accounts including: discretionary investment accounts, individual retirement accounts (IRAs), 401k plans and accounts for non-corporate fiduciaries, such as trustees, executors, guardians, personal representatives, attorneys and other professionals who are responsible for the assets of others and must manage those assets in accordance with the Prudent Investor Act. This investment process, developed and monitored by the Wright Investment Committee, and related investment strategies, are utilized to address the objectives of WPAM clients.

### **Wright-Managed Mutual Funds**

Wright, through its WISDI affiliate, offers a diversified family of mutual funds. Wright Mutual Funds are utilized by the Wright Companies and others to build or supplement managed investment portfolios designed to address clients' financial objectives. In December 2014, Wright closed its Total Return Bond Fund. Following is a brief description of the four Wright-managed mutual funds.

**Wright Major Blue Chip Fund (WQCEX).** The fund invests primarily in larger companies on the Approved Wright Investment List ("AWIL") which meet or exceed the fundamental standards of investment quality established by Wright, or are leaders in their industry, and which have a superior investment outlook. The fund's investment objective is long-term total return consisting of price appreciation plus income. The fund's benchmark is the S&P 500 index.

**Wright Selected Blue Chip Fund (WSBEX).** The fund invests primarily in mid-cap companies on AWIL which meet or exceed the fundamental standards of investment quality established by Wright, or are leaders in their industry, and which have a superior investment outlook. The fund's investment objective is long-term total return consisting of price appreciation plus income. The fund's benchmark is the S&P 400 index.

**Wright International Blue Chip Equities Fund (WIBCX).** The fund invests in well-established non-U.S. companies that meet strict quality standards. The fund may purchase equity securities traded on foreign exchanges or traded in the U.S. through American Depository Receipts (ADRs). The fund's investment objective is long-term total return consisting of price appreciation plus income. The fund's benchmark is the MSCI Developed World ex-U.S. Index.

**Wright Current Income Fund (WCIFX).** The fund invests in mortgage pass-through securities of the Government National Mortgage Association (GNMA) and may invest in other debt obligations issued or guaranteed by the U.S. government or any of its agencies. The fund's investment objective is a high level of current income consistent with moderate fluctuations of principle. The fund's benchmark is the Barclay's GNMA index.

## **Research Products**

Winthrop, doing business as Wright Investors' Service, was originally founded as a research organization in 1960. Winthrop develops and publishes investment research reports on over 35,000 companies worldwide along with its established investment commentaries on the economy and investment markets. The main components of Winthrop's research products consist of fundamental company data and the proprietary Wright Quality Ratings®. The Winthrop developed research products are marketed primarily to institutional investors. These reports are primarily distributed through investment industry distributors such as Thomson Reuters, CapitalIQ and FactSet Research Systems, and to Winthrop's own investment management clients.

The primary investment research products provided for sale and distribution by Winthrop to investors are:

1. **Wright Reports.** A comprehensive research report with up to ten years of fundamental information that is presented in a consistent (i.e. unified) format for over 35,000 companies in 63 countries.
2. **One-Page Report.** A concise company specific single page report with up to ten years of history that contains valuation ratios, earnings and dividends.
3. **Wright Industry Averages Reports.** Consolidated reports prepared on a Global and Regional basis for a select number of industries. Data for the companies that comprise the industry composites are extracted from the Wright Reports' data files for the underlying companies.
4. **CorporateInformation.com.** An online commercial website which offers subscription access to the entire universe of Wright Reports. A single company report can also be purchased on the website.
5. **Wright Fiduciary Lists.** Winthrop produces and markets, as part of Winthrop's Research Service, the AWIL and Supplemental List. AWIL consists of those domestic and international companies that meet Wright's investment quality standards. The Supplemental List contains other domestic and international companies that are fiduciary grade but fail to meet certain of Wright's AWIL standards. The research package, in addition to the fiduciary lists, includes economic and investment market reports plus access to the universe of companies contained in CorporateInformation.com. Also included is Winthrop's concise One-Page Report.
6. **Wright FIRST Investment Research Service.** Winthrop offers WrightFIRST as a valuable financial management service to Portfolio, Trust and Investment Professionals. WrightFIRST is uniquely designed to facilitate portfolio management, support compliance and regulatory reporting, and enhance business development and client servicing.



## **Competition**

The investment advisory, investment management and investment research industries are highly competitive. There are few barriers to entry for new firms, and consolidation within the industry continues to alter the competitive landscape. We continuously encounter competitors in the marketplace who offer similar investment strategies and services. Although no one company dominates the asset management industry, many companies are larger, better known and have greater resources than we do. We compete with a large number of global and U.S. investment advisers, commercial banks, broker/dealers, insurance companies and other financial institutions. Many of our competitors offer more investment strategies and services than we do and have substantially greater assets under management.

We compete primarily on the basis of investment philosophy, investment performance, range of investment strategies and features, reputation, quality of client service, fees charged, the level and type of compensation offered to key employees, and the manner in which investment strategies are marketed. We believe that our investment style, investment strategies, and distribution channels enable us to compete effectively in our industry. While we believe we will continue to be successful in growing our assets under management ("AUM"), it may be necessary to expend additional resources to compete effectively. Our competitive success will depend upon our ability to develop and market investment strategies, adopt or develop new technologies, and continue to expand our relationships with existing clients and attract new clients. Our ability to compete also depends on our ability to attract and retain key employees while managing our compensation and other costs.

## **Customers**

Our investment advisory client base consists of a large number of geographically diverse clients across many industries. We provide investment management services to a broad range of clients, including mutual funds, retirement plans, public pension funds, endowments, foundations, financial institutions and high net worth individuals. We strive to expand our client base by attracting new clients and earning additional business from our existing clients. As of December 31, 2015, no single client's assets managed by us represented more than 10% of our AUM.

Our client base for research services consists of individuals and companies who access our reports through various distributors or through our own website, [www.corporateinformation.com](http://www.corporateinformation.com). For the year ended December 31, 2015, approximately 75% of our research revenue has been derived from Thomson Reuters.

## **Intellectual Property**

We maintain a number of trademarks, copyrights, trade secrets and licenses to intellectual property owned by others. Our trademarks relate to our company names and certain products we provide and expire at various dates ranging from 2016 to 2020. Although in aggregate our intellectual property is important to our operations, we do not consider any single trademark, copyright, trade secret or license to be of material importance to any segment or to our business as a whole.

## Governmental Regulations

Our business is subject to various federal and state laws and regulations. Under these laws and regulations, agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict or prohibit an investment adviser from carrying on its business in the event the adviser fails to comply with such laws and regulations. Possible sanctions that may be imposed include civil and criminal liability, the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines.

Each of Winthrop, Wright and WPAM is registered as an investment adviser with the U.S. Securities and Exchange Commission (the "SEC"). As SEC registered investment advisers, Winthrop, Wright and WPAM are subject to the requirements of the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"), the SEC's regulations thereunder, and examination by the SEC. Requirements relate to, among other things, fiduciary duties to clients, engaging in transactions with clients, disclosure obligations, record keeping and reporting obligations, and general anti-fraud prohibitions. Moreover, in Wright's role as the investment advisor to mutual funds, Wright is subject to the requirements of the Investment Company Act of 1940, as amended (the "Investment Company Act"), the SEC's regulations thereunder, and examination by the SEC. The Investment Company Act regulates the relationship between a mutual fund and its investment adviser and imposes obligations, including detailed operational requirements for both the funds and their advisers, which are in addition to those imposed by the Investment Advisers Act. Additionally, an investment adviser's advisory agreement with a registered fund may be terminated by the fund on not more than 60 days' notice, and is subject to renewal annually by the fund's board after an initial two-year term.

Under the Investment Advisers Act, investment advisory agreements may not be assigned without the client's consent. Under the Investment Company Act, investment advisory agreements with registered funds, such as the funds that Wright advises, terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct assignment as well as assignments that may be deemed to occur, under certain circumstances, upon the transfer, directly or indirectly, of a controlling interest in Wright. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act and the Investment Company Act, ranging from fines and censures to termination of an investment adviser's registration. The failure of the Wright Companies, or the registered funds for which Wright serves as the investment adviser, to comply with the requirements of the SEC could have a material adverse effect on us.

To the extent that any of the Wright Companies is a "fiduciary" under the Employment Retirement Act of 1974, as amended ("ERISA") with respect to benefit plan clients, it is subject to the requirements of ERISA, and to regulations promulgated by the U.S. Department of Labor thereunder. ERISA and applicable provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients, and provide monetary penalties for violations of these prohibitions. Failure to comply with these requirements could have a material adverse effect on our business.

Our subsidiary, WISDI is registered as a broker/dealer with the SEC and is a member of FINRA. As a registered broker/dealer, WISDI is subject to the regulation by the SEC. However, much of the regulation of broker/dealers has been delegated to self-regulatory organizations, primarily FINRA. These self-regulatory organizations adopt rules, subject to approval by the SEC, which govern their members and conduct periodic examinations of member firms' operations. Broker/dealers are also subject to regulation by state securities commissions in the states in which they are registered.

Our trading activities for client accounts are regulated under the Exchange Act, as well as the rules of various U.S. and non-U.S. securities exchanges and self-regulatory organizations, including laws governing trading on inside information, market manipulation and a broad number of trading requirements (e.g., volume limitations and reporting obligations) and market regulation policies in the United States and abroad.

The preceding descriptions of the regulatory and statutory provisions applicable to us are not complete and are qualified in their entirety by reference to their respective statutory or regulatory provisions.

## **Regulatory Reform**

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) was signed into law in the United States. The DFA is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions in order to be implemented. The ultimate adoption of these regulations and decisions will determine the impact of the DFA on us. It is difficult to predict the ultimate effects that the DFA, or subsequent implementing regulations and decisions, will have upon our business and results of operations. The DFA and its regulations, other new laws or regulations, changes in rules promulgated by either the SEC or federal and state regulatory authorities or self-regulatory bodies, or changes in the interpretation or enforcement of existing laws and rules could materially and adversely impact the scope or profitability of our business.

## ***Employees***

At December 31, 2015, Winthrop employed 28 full-time employees, including 10 investment management, research and trading professionals, 11 marketing and client service professionals and 7 operations and business management professionals. None of our employees are subject to any collective bargaining agreements.

The Company employed a total of 4 employees at the corporate level as of December 31, 2015, of which all were full-time employees.

## **MXL Operations**

The Company operated a molder and precision coater of optical plastics business through its wholly-owned subsidiary MXL Industries until June 19, 2008, when MXL Industries disposed of substantially all of its assets and transferred certain liabilities and on the same date the Company purchased an interest of 19.9% in the business that was sold. The disposed operations specialize in manufacturing polycarbonate parts requiring adherence to strict optical quality specifications, and in the application of abrasion and fog resistant coatings to those parts.

On February 3, 2014 MXL exercised its right to purchase the Company’s 19.9% interest. The Company received \$994,000 for its 19.9% interest on March 26, 2014, resulting in a gain of \$719,000.

## **Connecticut Property**

The Company has interests in land and certain flowage rights in undeveloped property in Killingly, Connecticut with a carrying value of approximately \$355,000 which is reflected in the consolidated balance sheets and, which management believes is less than fair value.

## **Item 1A. Risk Factors.**

### ***Risks Related to our Business***

As an investment management firm, risk is an inherent part of our business. Global markets, by their nature, are prone to uncertainty and subject participants to a variety of risks. Our business, financial condition, operating results or non-operating results could be materially adversely affected, or our stock price could decline as a result of any of the following risks:

## **Risks Relating to Wright's Business and Competition**

**Our business revenue is dependent on fees earned from the management of client accounts and the distribution of financial and research products and services.**

A significant portion of our revenues is derived from fees generated from the investment management of client accounts. Client account terminations or increased investor redemptions would reduce the level of fees collected from the investment management services we provide. Investment management fees received may also decline over time due to factors such as: increased competition, renegotiation of investment advisory agreements and the introduction of new, lower-priced investment products and services. Changes in account market values or in the fee structure of asset management accounts could negatively affect our revenues and our business and financial condition. Asset management fees are typically based on the level of assets under management, which in turn are affected by the net inflows and outflows of client funds and changes in the market values of securities held. Below average investment performance could result in a loss of managed accounts (and associated fee revenue) and make it more difficult to attract new clients, thus further affecting our business and financial condition. Additionally, in periods of market declines, the level of assets under management may correspondingly decline, resulting in lower fee revenue.

A portion of our revenues is derived from the distribution of financial products, such as mutual funds. Changes in the investment performance, structure or amount of the fees paid by the sponsors of these products could directly affect our revenue and our business and financial condition. Poor service or performance of the financial products that we offer or competitive pressures on pricing of such services or products may result in the loss of accounts and related revenue. We must also monitor the pricing of our services and financial products in relation to our competitors. On a periodic basis there may be a need to adjust our fee structure in order to remain competitive. Competition from other financial services firms could adversely impact our business. The decrease in revenue that could result from any of the events described in this paragraph could have a material adverse effect on our business.

Revenues are also derived from the distribution of investment research directly and through several third parties who act as distributors of such research content. The fees paid by the end client are divided between Winthrop and the distributor. Existing agreements in place with third party distributors, primarily Thomson Reuters, allow for the renegotiation of the revenue split, which could result in a decline in revenue to Winthrop. See "Management's Discussion and Analysis- Revenue- Revenue from *Financial research and related data*." The underlying data we utilize to produce our financial research and related data is primarily obtained from a third-party, Worldscope/Disclosure LLC ("Worldscope"), which is owned by Thomson Reuters, which was at no cost to us through August 2014. The Company concluded negotiations with Thomson Reuters in July 2014 and commenced paying for the updates in August 2014 at the most favored vendor rate. The agreement expires in 2024.

**Our investment advisory contracts may be terminated or may not be renewed by clients, and clients may withdraw assets from our management.**

Separate account clients may terminate their investment advisory contracts with the Wright Companies or withdraw funds on short notice and investors in Wright's mutual funds may withdraw on a daily basis. The Wright Companies have, from time to time, lost separate accounts and could, in the future, lose accounts or significant assets due to various circumstances, such as adverse market conditions or poor performance.

Additionally, Wright manages its U.S. mutual funds under investment advisory agreements with the funds that must be renewed and approved by the funds' boards of trustees annually after an initial two-year term. A majority of the trustees of each such fund's board of trustees are independent from us. Consequently, there can be no assurance that the board of trustees of each fund managed by Wright will approve the fund's investment advisory agreement each year, or will not condition its approval on the terms of the investment advisory agreement being revised in a way that is adverse to Wright.

**We rely on outsourced service providers to perform key functions.**

We rely on outsourced service providers to perform certain key technology, processing-support and administrative functions. If we need to replace any of these service providers, we believe we have the resources to make such transitions with minimal disruption; however, it is difficult to accurately predict the expense and time that would be required

**We may be exposed to litigation and reputational risks due to misconduct or errors by our employees or advisors.**

Many aspects of our business involve substantial liability risks, arising from our normal course of operations. Risks associated with potential litigation are often difficult to assess or quantify. The existence and magnitude of potential claims often remain unknown for significant periods of time. We cannot dismiss the possibility of misconduct and errors committed by our employees and advisors. Precautions that we take to prevent and detect these activities may not be effective in all cases. There is also the possibility that employees may not fully understand our clients' needs or risk tolerances. Such failures, for example, may result in the recommendation or purchase of a portfolio of assets that is not suitable for the client. To the extent we fail to know a client's objectives or improperly advise it, we could be found liable for losses or unrealized gains anticipated by the client. Such occurrences could harm our reputation and profitability and result in financial loss (some or all of which is not covered by insurance policies). When clients retain us to manage assets or provide products or services on their behalf, they often specify guidelines or contractual requirements that we are required to observe in the provision of our services. A failure to comply with these guidelines or contractual requirements could result in damage to our reputation or in our clients seeking to recover losses, withdrawing their assets or terminating their contracts with us, any of which could cause Wright's revenues and earnings to decline. Misconduct and errors by our employees and our advisors could potentially result in legal violations by us, regulatory sanctions and serious reputational and/or financial harm. There cannot be complete assurance that misconduct and errors by our employees and advisors will not result in a material adverse effect on our business.

Maintaining our reputation is critical to the maintenance and acquisition of clients, fund investors and employees. Failure or perception of failure in dealing with reputational issues could seriously harm our business prospects. These issues include, but are not limited to, potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, record-keeping, sales and trading practices, and the proper identification of the legal, reputational, credit, liquidity, and market risks inherent in our products. Any negative publicity that may arise from any of such issues may also result in diminished business prospects.

**Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risks, including risks from conflicts of interest.**

We manage, monitor and control our operational, legal and regulatory risk through operational and compliance reporting systems, internal controls, management review processes and other mechanisms. There can, however, be no assurance that our procedures will be completely effective. Furthermore, our risk management methods may not effectively predict future risk exposures, which could be significantly greater than in the past. A failure to adequately manage our growth, or to effectively manage our risk, could materially and adversely affect our business and financial condition.

Our risk management processes include procedures and controls, currently in place, to address conflicts of interest that may arise in our business. The failure, real or perceived, to adequately address conflicts of interest could affect our reputation, the willingness of clients to transact business with us and/or give rise to litigation or regulatory actions. There can be no assurance that conflicts of interest that may arise will not cause material harm.

**Inadequacy or disruption of our disaster recovery plans and procedures in the event of a catastrophe could adversely affect our business.**

In the first quarter of 2015, the Company relocated its principal operations from Milford, Connecticut to Greenwich Connecticut. While we have a business continuity and disaster recovery plan, our operations could be adversely affected by hurricanes, snowstorms or other serious weather conditions, breach of security, loss of power, telecommunications failures, terrorist or other natural or man-made events that could affect the processing of transactions, communications and the ability of our associates to work effectively in our offices or elsewhere. A catastrophic event could have a direct material adverse effect on our business by adversely affecting our employees or facilities, or an indirect impact on our business by adversely affecting the financial markets or the overall economy. If our business continuity and disaster recovery plans and procedures were disrupted or unsuccessful in the event of a catastrophe, we could experience a material adverse interruption of our operations.

**Our businesses depend on technology.**

Our businesses rely extensively on electronic data processing and communications systems. The effective use of technology increases efficiency and enables the firm to reduce costs while providing service to our clients. Adapting or developing our technology systems to meet new regulatory requirements, client needs, and competitive threats is critical for our business. Introducing technological upgrades can be challenging, and there are significant technical and financial costs and risks related to the development or adoption of new technology, including that we may be unable to use new technologies effectively or modify our applications to meet changing industry standards.

Our continued success will depend, in part, upon our ability to successfully maintain and upgrade the capability of our systems. Our technology systems must keep pace with the needs of our clients and we must maintain a work environment that will allow us to attract and retain skilled information technology professionals. Failure of our systems, which could result from events beyond our control, or an inability to effectively upgrade those systems or implement new technology-driven products or services, could result in financial losses, liability to clients and damage to our reputation.

Our operations rely on the secure processing, storage and transmission of confidential and other information. While we take protective measures and endeavor to modify our systems as circumstances warrant, the computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service (“DDOS”) attacks, computer viruses and other malicious code and other disruptive events that could impact security and/or continuity of service. The occurrence of one or more of these events could compromise our own or our clients’ or counterparties’ confidential and other information processed, stored in and transmitted through our computer systems and networks. It is also possible that these occurrences could cause interruptions or malfunctions in our own, our clients’, our counterparties’ or third parties’ operations or systems. We may need to expend significant resources to analyze and strengthen our protective systems and safeguards against existing and developing threats. Additionally we may be subject to litigation and financial loss some or all of which is not covered by insurance policies as a result of one or more of these events.

### **Growth of our business could increase our costs and subject us to regulatory risks.**

We may incur significant expenses related to the organic growth of our existing businesses or due to the integration of strategic acquisitions or investments that might arise from time to time. Our overall profitability would be negatively affected if the expenditures associated with such growth do not generate sufficient revenue to offset these costs.

Organizational growth may also create a need for additional compliance, documentation, risk management and internal control procedures. We may need to hire additional personnel to monitor such procedures. If our personnel or such procedures are not adequate to appropriately monitor business growth, we could be exposed to a material loss or possible regulatory sanctions.

### **We face intense competition.**

We are engaged in a highly competitive industry. We compete on the basis of a number of factors, including the ability of our investment professionals and associates to perform, the quality of our products and services, and our reputation in various markets. To remain competitive, our future success also depends in part on our ability to develop and enhance our products and services. Additionally, the adoption of new internet, networking and telecommunication technologies could require us to incur substantial expenditures to enhance or adapt our products, services or infrastructure. An inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on profitability.

Over time there has been substantial consolidation and convergence among companies in the financial services industry which has significantly increased the capital base and geographic reach of our competitors. Our ability to develop and retain our client base depends on the reputation, judgment, business generation capabilities and skills of our employees. Competition for personnel within the financial services industry is intense. There can be no assurance that we will be successful in our efforts to recruit and retain required personnel. As competition for skilled professionals in the industry increases, we may have to devote significantly more resources to attract and retain qualified personnel. This investment could have an adverse effect on our profitability, liquidity and financial condition. Additionally, our success is dependent in large part upon the services of several senior executives. If any of our senior executives should terminate their employment and we are unable to find suitable replacements promptly, our business and operational results may be detrimentally impacted.

### **Legal and Regulatory Risks**

#### **Failure to comply with capital requirements could subject us to suspension, revocation or fines by the SEC, FINRA or other regulators.**

Our subsidiary, WISDI, is registered as a broker-dealer under the Exchange Act and is subject to regulation by FINRA, the SEC and various state agencies. Among other regulations, WISDI is subject to the SEC's net capital rule, which requires a broker-dealer to maintain a minimum level of net capital. The particular level varies depending upon the nature of the activity undertaken by a firm. At December 31, 2015, WISDI exceeded its minimum net capital requirement. The net capital rule is designed to enforce minimum standards regarding the general financial condition and liquidity of a broker-dealer. In computing net capital, various adjustments are made to net worth which excludes assets not readily convertible into cash. The rule also requires that certain assets, such as a broker-dealer's position in securities, be valued in a conservative manner to avoid over-inflation of the broker-dealer's net capital. A significant operating loss or any charge against net capital could adversely affect the ability of our broker-dealer to expand, or depending on the magnitude of the loss or charge, maintain its then present level of business. FINRA may enter the offices of a broker-dealer at any time, without notice, and calculate the firm's net capital. If the calculation reveals a net capital deficiency, FINRA may immediately restrict or suspend some or all of the broker-dealer's activities. Our broker-dealer subsidiary may not be able to maintain adequate net capital, or its net capital may fall below requirements established by the SEC and subject us to disciplinary action in the form of fines, censure, suspension, expulsion or the termination of business altogether. Under certain circumstances, the net capital rule may limit our ability to make withdrawals of capital and receive dividends from WISDI.

**We operate in a highly regulated industry and our failure to comply with regulatory requirements could subject us to penalties and sanctions which could adversely affect our business and financial condition.**

The securities industry is subject to extensive regulation. Investment advisors and broker-dealers are subject to regulations covering all aspects of the securities business including, but not limited to, sales and trading methods, use and safekeeping of customers' funds and securities, anti-money laundering efforts, record keeping and the conduct of directors, officers and employees. If laws or regulations are violated, we could be subject to one or more of the following: civil liability, criminal liability, sanctions which could include the revocation of our subsidiaries' investment adviser and broker-dealer registrations, the revocation of employee licenses, censures, fines or a temporary suspension or permanent bar from conducting business. Even if laws or regulations are not violated, the applicable regulatory and self-regulatory agencies (such as the SEC and FINRA) may investigate possible violations, which could divert management and monetary resources. Any of those events could have a material adverse effect on our business, financial condition and prospects.

Changes in federal, state or foreign tax laws, or the interpretation or enforcement of existing laws and regulations, could adversely impact operational results. Regulatory actions brought against us may result in judgments, settlements, fines, penalties or other liabilities and could lead to litigation by our clients. These occurrences could have a material adverse effect on our business, financial condition and results of operation or cause us serious reputational harm.

**Changes in regulations resulting from either the Dodd-Frank Act or any new regulations may adversely affect our business.**

Significant developments in the investment markets and economy over the past several years have led to new legislation and numerous proposals for changes in the regulation of the financial services industry. These proposals include the implementation of substantial additional legislation and regulatory controls in the U.S. and abroad. The Dodd-Frank Act enacted sweeping changes in the supervision and regulation of the financial services industry. These changes were designed to provide for greater oversight of financial industry participants, reduce risk in banking practices and in securities and derivatives trading, enhance public company corporate governance practices and executive compensation disclosures, and provide for greater protection of individual consumers and investors. Certain elements of the Dodd-Frank Act became effective immediately in 2010, while the details of many of the other provisions are subject to additional study and final rule writing by various regulatory agencies. The ultimate impact that the Dodd-Frank Act will have on the Wright Companies, the financial industry and the economy cannot be known until all such rules and regulations called for under the Dodd-Frank Act have been finalized and implemented.

The Dodd-Frank Act may impact the manner in which we market our products and services, manage our business and its operations and interact with regulators. The provisions of this Act when fully implemented could materially impact our results of operations, financial condition and liquidity. The Dodd-Frank Act and other new laws and regulations can be expected to place greater compliance and administrative burdens on the Wright Companies, which likely would increase our expenses without increasing revenues and could adversely impact our business operations. In addition, new regulations could require the Wright funds to reduce the level of certain mutual fund fees paid to Wright or WISDI or require us to bear additional expenses, which would affect our operating results. Further, adverse results of regulatory investigations of mutual fund, investment advisory and financial services firms could tarnish the reputation of the financial services industry generally and mutual funds and investment advisers more specifically, causing investors to avoid further fund investments or redeem their account balances. Redemptions would decrease the assets under management by the Wright Companies, which would reduce our advisory revenues and net income.



**Failure to comply with restrictions imposed under ERISA and Internal Revenue Code with respect to certain plans could result in penalties against us.**

To the extent that a client is an employee benefit plan that is subject to the fiduciary requirements of Title I of ERISA or a plan or individual retirement account (IRA) that is subject to Section 4975 of the Internal Revenue Code we are subject to the requirements and restrictions imposed by such laws. In particular, to the extent that we act as a fiduciary to such benefit plans and IRAs, we must perform our fiduciary duties for them in accordance with the strict requirements of ERISA and the Internal Revenue Code and must avoid certain transactions that are prohibited under those laws. Our failure to comply with these requirements could subject us to significant liabilities and excise taxes that could have a material adverse effect on our business.

**The soundness of other financial institutions and intermediaries could adversely affect us.**

We face the risk of operational failure, termination or capacity constraints of any of the broker-dealers or other financial intermediaries that we use to facilitate our securities transactions or that maintain custody of our clients' assets. As a result of the consolidation over the years by financial intermediaries, our reliance on certain financial institutions has increased. This increased dependence could impair our ability to locate adequate and cost-effective alternatives should the need arise. The failure, termination or constraints imposed by these intermediaries could adversely affect our ability to execute transactions, service our clients and manage our risk exposure.

Our ability to engage in routine trading and funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Most financial services institutions are interrelated as a result of trading, clearing, funding, counterparty or other relationships. We have exposure to many investment industry counterparties, through which we routinely execute transactions. These counterparties include: brokers and dealers, commercial banks, mutual funds and others. Consequently, defaults, rumors or disparaging questions about the financial condition of, one or more financial services institutions, or the financial services industry generally, could lead to losses or defaults by us or related institutions. Many of these transactions expose us to credit risk in the event of default or acquisition of our counterparties or clients.

**Risks Related to the Company**

***Risks Related to Strategic Acquisitions and the Integration of Acquired Operations for Wright Holdings***

**We may be unable to successfully integrate additional acquired businesses into our existing business and operations, which may adversely affect our cash flows, liquidity and results of operations.**

The Company intends to acquire interests in one or more operating businesses in the asset management space that it believes will be synergistic with Winthrop. This strategy may not be effective, and failure to successfully develop and implement this strategy may decrease earnings and harm the Company's competitive position in the investment management industry. We may not be able to find suitable businesses to acquire at acceptable prices, and we may not be able to successfully integrate or realize the intended benefits from any such acquisitions. In addition, we may issue our stock as consideration for such acquisitions, which could cause the market price for our common stock to decline.

**We may be adversely affected if the firms we acquire do not perform as expected.**

Even if we successfully complete acquisitions in the asset management space and successfully integrate the acquired businesses, we may be adversely affected if the acquired firms do not perform as expected. The firms we acquire may perform below expectations after the acquisition for various reasons, including the loss of key clients, employees and/or financial advisors after the acquisition closing, general economic factors, the cultural incompatibility of an acquired firm's management team with us and legislative or regulatory changes that affect the products in which a firm specializes. The failure of firms to perform as expected at the time of acquisition may have an adverse effect on our earnings and revenue growth rates, and may result in impairment charges and/or generate losses or charges to earnings.

**We face numerous risks and uncertainties as we expand our business.**

We may seek to expand our business through strategic acquisitions. As we expand our business, there can be no assurance that our financial controls, the level and knowledge of our personnel, our operational abilities, our legal and compliance controls and our other corporate support systems will be adequate to manage our business and our growth. The ineffectiveness of any of these controls or systems could adversely affect our business and prospects. In addition, as we acquire new businesses, we face numerous risks and uncertainties integrating their controls and systems into ours, including financial controls, accounting and data processing systems, management controls and other operations. A failure to integrate these systems and controls, and inefficient integration of these systems and controls, could adversely affect our business, cash flows and results of operations.

***Risks Related to Owning Wright Holdings Stock***

A large portion of our common stock is held by a small group of large shareholders. Future sales of our common stock in the public market by the Company or its large stockholders could adversely affect the trading price of our common stock.

As of December 31, 2015, Bedford Oak Advisors, LLC and GAMCO Investors, Inc. beneficially owned 27.2% and 12.2% of the Company's common stock, respectively. Bedford Oak Advisors, LLC is controlled by Mr. Harvey P. Eisen, the Company's Chairman and Chief Executive Officer. Mr. Eisen beneficially owned at such date 36.3% of the Company's common stock, which amount includes the 27.2% beneficially owned by Bedford Oak Advisors, LLC. The Company has entered into Investor Rights Agreements with former Winthrop stockholders that received shares of our common stock in connection with the Winthrop transaction. The Investor Rights Agreement is a registration rights agreement, which include both customary demand and "piggyback" registration provisions, allow the respective stockholders to cause us to file one or more registration statements for the resale of their respective shares of the Company's common stock and cooperate in certain underwritten offerings. Sales by us or our large stockholders of a substantial number of shares of our common stock in the public market pursuant to registration rights or otherwise, or the perception that these sales might occur, could cause the market price of our common stock to decline.

**Our common stock is thinly traded, which can cause volatility in its price.**

Our stock is thinly traded due to our small market capitalization and the high level of ownership of our common stock by a small group of shareholders. Thinly traded stock can be more susceptible to market volatility. This market volatility could significantly affect the market price of our common stock without regard to our operating performance.

### **Possible additional issuances of our stock will cause dilution.**

At December 31, 2015 we had outstanding 19,155,752 shares of our common stock, which includes 596,513 Restricted Stock Units (“RSUs”) which became fully vested without restrictions on December 19, 2015 and were issued in the first quarter of 2016. In addition the Company has 11,701, RSUs which will become fully vested without post-vesting restrictions on sale in February 2016, and options to purchase a total of 3,250,000 shares of common stock, which were all exercisable. In addition, there are 200,000 RSUs of which zero were vested at December 31, 2015. We are authorized to issue up to 30,000,000 shares of common stock and are therefore able to issue additional shares without being required under corporate law to obtain shareholder approval. If we issue additional shares, or if our existing shareholders exercise their outstanding options, our other shareholders may find their holdings drastically diluted, which if it occurs, means they would own a smaller percentage of our Company.

### **We have agreed to restrictions and adopted policies that could have possible anti-takeover effects and reduce the value of our stock.**

Several provisions of our Certificate of Incorporation and Bylaws could deter or delay unsolicited changes in control of the Company. These include provisions limiting the stockholders’ powers to amend the Bylaws and to remove directors; prohibiting the stockholders from increasing the size of the Board of Directors or from filling vacancies on the Board of Directors (unless there are no directors then in office); and prohibiting stockholders from calling special meetings of stockholders or acting by written consent instead of at a meeting of stockholders. Our Board of Directors has the authority, without further action by the stockholders, to fix the rights and preferences of and issue preferred stock. These provisions and others that could be adopted in the future could deter unsolicited takeovers or delay or prevent changes in control or management of the Company including transactions in which stockholders might otherwise receive a premium for their shares over the then current market prices. These provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

### **Item 1B. Unresolved Staff Comments.**

None.

### **Item 2. Properties.**

Subsidiaries of Winthrop leased an office facility in Milford, CT under an operating lease expiring in 2017, which, in addition to the minimum lease payments, require payment of electricity and property taxes. The total annual lease cost is approximately \$90,000. Effective March 31, 2014, Winthrop had the right to terminate the lease upon 8 months’ notice.

On July 1, 2014, Winthrop, pursuant to the terms of its Milford facility lease, gave eight months’ notice to their landlord of their intention to terminate their lease in Milford, Connecticut. In August 2014, the Company entered into a five year sublease in Greenwich, Connecticut for 10,000 square feet. The current annual rent for the new sublease, which expires on September 30, 2019 is \$230,000, subject to 3% annual increases. The Company moved all their operations, including the corporate office in Mount Kisco, New York to the new Greenwich, Connecticut facility in the first quarter of 2015.

Effective June 1, 2010, the Company relocated its headquarters to the offices of Bedford Oak Advisors, LLC (“Bedford Oak”) in Mount Kisco, New York. The Company was subleasing a portion of the space and had access to various administrative support services on a month-to-month basis at the rate of approximately \$19,700 per month. As a result of the Merger Agreement with Winthrop, the Company transitioned from a “shell company” as defined in Rule 12b-2 of the Exchange Act, into an operating company. As a result, on October 31, 2012 the Company’s Audit Committee approved an increase to approximately \$40,700 (effective as of September 1, 2012) in the monthly sublease and administrative support services rate, which increased rate the Company believed was necessary to provide for the increased personnel and space requirements necessary for an operating company. On May 13, 2014, the Company’s Audit Committee approved a decrease to approximately \$27,600 per month (effective as of June 1, 2014) in the monthly sublease and administrative support services rate, which decreased rate is part of the Company’s effort to control and reduce costs. The Company moved out of the Mount Kisco, NY location in March 2015. In March 2015, the Audit Committee approved the elimination of the monthly sublease and administrative support services fee effective March 31, 2015. See “Certain Relationships and Related Transactions, and Director Independence” below.

### **Item 3. Legal Proceedings.**

On or about May 17, 2011, the Merit Group, Inc. (“Merit”) filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of South Carolina. On or about December 14, 2011, the Official Committee of Unsecured Creditors of TMG Liquidation Company (formerly known as The Merit Group, Inc.) filed in that court an adversary proceeding against the Company (the “Avoidance Action”) now captioned *CohnResnick LLP, as Plan Administrator v. National Patent Development Corp. (In re TMG Liquidation Co.)*. The Avoidance Action sought, among other things, to avoid and recover the consideration paid by Merit to the Company for the purchase of Five Star Products, Inc. (“Five Star”) from the Company under the Stock Purchase Agreement, dated November 24, 2009 (the “Agreement”), as a constructive fraudulent transfer under sections 548, 550, and 551 of the Bankruptcy Code.

On August 2, 2013, the Company entered into a Settlement Agreement and Release (the “Settlement Agreement”) with CohnResnick LLP (the “Plan Administrator”) to settle the Avoidance Action. Under the terms of the Settlement Agreement, the Plan Administrator was required to file with the Bankruptcy Court, no later than August 9, 2013, a motion to approve the Settlement Agreement (the “Settlement Motion”) and a proposed order approving relief to be requested in the Settlement Motion (the “Proposed Order”). Pursuant to the Settlement Agreement, the Company agreed to make a settlement payment of \$2,375,000 (the “Settlement Payment”) to the Plan Administrator conditioned upon the entry of an order (the “Approval Order”) by the Bankruptcy Court approving the Settlement Motion, that is in a form acceptable to the Company and in substantially the same form as the Proposed Order. The Bankruptcy Court entered an order approving the Settlement Agreement on September 4, 2013, and the Settlement Agreement required the Company to make the Settlement Payment within fifteen days of the Approval Order becoming a final, non-appealable order (a “Final Order”). On October 3, 2013, the Company made a payment of \$2,375,000 to the Plan Administrator pursuant to the terms of the Settlement Agreement.

The Settlement Agreement also provides for general mutual releases by each of the parties, including a general release in favor of the Company and its affiliates, and the Company’s and its affiliates’ officers, directors, employees, agents, and professionals. The mutual releases became effective upon entry of the Final Order and receipt of the Settlement Payment by the Plan Administrator. In addition, pursuant to the terms of the Settlement Agreement, on October 9, 2013 the Plan Administrator made the requisite filings to dismiss, with prejudice, the Avoidance Action and a second pending adversary complaint against the Company. Upon entry of the Final Order by the Bankruptcy Court, the Company resolved all claims and causes of action that have been or could have been asserted against it by the Plan Administrator.

As a result of entering into the Settlement Agreement, during the second quarter ended June 30, 2013, the Company recorded a loss in discontinued operations of \$2,375,000 in connection with the Avoidance Action. In April 2014, the Company agreed to a settlement of its insurance claim related to this matter, and received a net payment of \$525,000, which was recorded as income in discontinued operations in 2014.

On September 26, 2014, the Connecticut Department of Energy and Environmental Protection (“DEEP”) issued two Orders requiring the investigation and repair of two dams in which the Company and its subsidiaries have certain ownership interests. The first Order requires that the Company investigate and make specified repairs to the ACME Pond Dam located in Killingly, Connecticut. The second Order, as subsequently revised by DEEP on October 10, 2014, requires that the Company investigate and make specified repairs to the Killingly Pond Dam located in Killingly, Connecticut. The Company has administratively appealed and contested the allegations in both Orders. As the administrative appeal of both Orders is in its early stages, it is not possible at this time to evaluate the likelihood of, or to estimate the range of loss from, an unfavorable outcome.

#### **Indemnification of Directors and Officers**

Section 145 of the Delaware General Corporation Law (the “DGCL”) provides, generally, that a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (except actions by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. A corporation may similarly indemnify such person for expenses actually and reasonably incurred by such person in connection with the defense or settlement of any action or suit by or in the right of the corporation, *provided* that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, in the case of claims, issues and matters as to which such person shall have been adjudged liable to the corporation, *provided* that a court shall have determined, upon application, that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

The Company's certificate of incorporation and bylaws provide that, subject to limited exceptions and requirements, the Company is required to indemnify its directors and officers, and each person serving at the request of the Company as a director, officer, incorporator, partner, manager or trustee of another entity, to the fullest extent permitted by the DGCL. The Company's bylaws also provide that, subject to limited exceptions and requirements, the Company is required to advance to such persons expenses (including attorney's fees) incurred by them in defending and preparing for the defense of any proceeding or investigation in respect of which indemnification may be available.

Section 102(b)(7) of the DGCL provides, generally, that the certificate of incorporation of a corporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision may not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of Title 8 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. No such provision may eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision became effective. The Company's certificate of incorporation contains such a provision limiting the personal liability of the Company's directors to the extent permitted by the DGCL.

**Item 4. Mine Safety Disclosures**

None.

**PART II**

**Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.**

The following table presents the high and low bid and asked prices for the Company's common stock for 2015 and 2014. The Company's common stock, \$0.01 par value, is quoted on the OTC Bulletin Board. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	<u>Quarter</u>	<u>High</u>	<u>Low</u>
2015	First	\$ 2.00	\$ 1.45
	Second	\$ 2.00	\$ 1.52
	Third	\$ 1.65	\$ 1.31
	Fourth	\$ 2.00	\$ 1.25
2014	First	\$ 2.25	\$ 1.80
	Second	\$ 2.00	\$ 1.60
	Third	\$ 1.90	\$ 1.72
	Fourth	\$ 1.74	\$ 1.05

The number of stockholders of record of the Company's common stock as of March 8, 2015 was 794 and the closing price on the OTC Bulletin Board of such common stock on that date was \$1.43 per share.

The Company did not declare or pay any cash dividends on its common stock in 2015 or 2014. The Company currently intends to retain future earnings to finance the growth and development of its business and does not intend to pay cash dividends in the foreseeable future.

**Issuer Purchases of Equity Securities**

The Board of Directors authorized the Company to repurchase up to 5,000,000 outstanding shares of common stock from time to time either in open market or privately negotiated transactions. At December 31, 2015 and 2014, the Company had repurchased an aggregate of 1,791,971 and 1,791,821 shares of its common stock, respectively, and a total of 3,208,029 shares, remained available for repurchase at December 31, 2015 pursuant to the 5,000,000 share repurchase plans. The Company repurchased 150 shares of common stock during the year ended December 31, 2015.

**Item 6. Selected Financial Data.**

Not required.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **General Overview**

On January 15, 2010, we completed the Five Star Sale, in which we sold to Merit all of the issued and outstanding shares of Five Star stock for cash pursuant to the terms and subject to the conditions of the Five Star Stock Purchase Agreement (see Note 3 to the Consolidated Financial Statements). See "Item 1. Business – General Development of Business".

Upon the consummation of the Five Star Sale, we became a "shell company", as defined in Rule 12b-2 of the Exchange Act. On December 19, 2012 (the "Closing Date") the Company, completed the acquisition of Winthrop, an investment management, financial advisory and investment research firm, pursuant to the Merger Agreement dated June 18, 2012. In accordance with the Merger Agreement, a wholly-owned newly formed subsidiary of the Company, was merged with and into Winthrop and Winthrop became a wholly-owned subsidiary of the Company (see Note 1 to the Consolidated Financial Statements).

As a result of the completion of the Merger described above, the Company is no longer a "shell company" as that term is defined in Rule 405 under the Securities Act, and Rule 12b-2 under the Exchange Act. As more fully described below, substantially all of the Company's business operations are carried out through Winthrop and its subsidiaries, the Wright Companies.

On the Closing Date, 881,206 shares of the Company's Common Stock were issued by the Company as merger consideration to those holders of Winthrop Common Stock who elected to receive Company Common Stock as merger consideration and the Company paid cash totaling \$4,852,000 to those holders of Winthrop Common Stock who elected to receive cash as merger consideration. Pursuant to the Merger Agreement and an Investors' Rights Agreement, holders of Winthrop Common Stock who elected to receive Company Common Stock as merger consideration were subject to a three-year transfer restriction on such Company Common Stock. Further, the Company agreed to pay contingent consideration in cash to a holder of Winthrop common stock who received 852,228 shares of Company Common Stock to the extent that such shares have a value of less than \$1,900,000 on the expiration of the three year period based on the average closing price of the Company's Common Stock for the ten trading days prior to such date. The contingent cash consideration paid in December 2015 was \$236,000.

Pursuant to the Merger Agreement, the Company has entered into employment agreements with four key Winthrop employees having initial terms of five years for one employee and three years for three employees which provide for compensation in the form of base salary, various bonuses and restricted stock units, representing Company Common Stock ("RSUs"). The employment agreements provide for automatic annual renewals unless notice of non-renewal is given at least six months prior to the applicable employment period. On June 16, 2015, the three key executives with three year contracts were informed that their contracts would not be automatically renewed. See Notes 14 and 16(b) to the Consolidated Financial Statements.

### ***Legal Proceedings***

On or about May 17, 2011, the Merit Group, Inc. ("Merit") filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of South Carolina. On or about December 14, 2011, the Official Committee of Unsecured Creditors of TMG Liquidation Company (formerly known as The Merit Group, Inc.) filed in that court an adversary proceeding against the Company (the "Avoidance Action") now captioned *CohnResnick LLP, as Plan Administrator v. National Patent Development Corp. (In re TMG Liquidation Co.)*. The Avoidance Action sought, among other things, to avoid and recover the consideration paid by Merit to the Company for the purchase of Five Star Products, Inc. ("Five Star") from the Company under the Stock Purchase Agreement, dated November 24, 2009 (the "Agreement"), as a constructive fraudulent transfer under sections 548, 550, and 551 of the Bankruptcy Code.

On August 2, 2013, the Company entered into a Settlement Agreement and Release (the “Settlement Agreement”) with CohnReznick LLP (the “Plan Administrator”) to settle the Avoidance Action. Under the terms of the Settlement Agreement, the Plan Administrator was required to file with the Bankruptcy Court, no later than August 9, 2013, a motion to approve the Settlement Agreement (the “Settlement Motion”) and a proposed order approving relief to be requested in the Settlement Motion (the “Proposed Order”). Pursuant to the Settlement Agreement, the Company agreed to make a settlement payment of \$2,375,000 (the “Settlement Payment”) to the Plan Administrator conditioned upon the entry of an order (the “Approval Order”) by the Bankruptcy Court approving the Settlement Motion, that is in a form acceptable to the Company and in substantially the same form as the Proposed Order. The Bankruptcy Court entered an order approving the Settlement Agreement on September 4, 2013, and the Settlement Agreement required the Company to make the Settlement Payment within fifteen days of the Approval Order becoming a final, non-appealable order (a “Final Order”). On October 3, 2013, the Company made a payment of \$2,375,000 to the Plan Administrator pursuant to the terms of the Settlement Agreement.

The Settlement Agreement also provides for general mutual releases by each of the parties, including a general release in favor of the Company and its affiliates, and the Company’s and its affiliates’ officers, directors, employees, agents, and professionals. The mutual releases became effective upon entry of the Final Order and receipt of the Settlement Payment by the Plan Administrator. In addition, pursuant to the terms of the Settlement Agreement, on October 9, 2013 the Plan Administrator made the requisite filings to dismiss, with prejudice, the Avoidance Action and a second pending adversary complaint against the Company. Upon entry of the Final Order by the Bankruptcy Court, the Company resolved all claims and causes of action that have been or could have been asserted against it by the Plan Administrator.

As a result of entering into the Settlement Agreement, during the second quarter ended June 30, 2013, the Company recorded a loss in discontinued operations of \$2,375,000 in connection with the Avoidance Action. In April 2014, the Company agreed to a settlement of its insurance claim related to this matter, and received a net payment of \$525,000, which was recorded as income in discontinued operations in 2014.

On September 26, 2014, the Connecticut Department of Energy and Environmental Protection (“DEEP”) issued two Orders requiring the investigation and repair of two dams in which the Company and its subsidiaries have certain ownership interests. The first Order requires that the Company investigate and make specified repairs to the ACME Pond Dam located in Killingly, Connecticut. The second Order, as subsequently revised by DEEP on October 10, 2014, requires that the Company investigate and make specified repairs to the Killingly Pond Dam located in Killingly, Connecticut. The Company has administratively appealed and contested the allegations in both Orders. As the administrative appeal of both Orders is in its early stages, it is not possible at this time to evaluate the likelihood of, or to estimate the range of loss from, an unfavorable outcome.

## ***Investments***

### **Investment in undeveloped lands**

The Company owns certain non-strategic assets, including an investment and interests in land and flowage rights in undeveloped property in Killingly, Connecticut.

The Company monitors this investment for impairment by considering current factors, including the economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment, and records impairments in carrying values when necessary.

### **Investment in MXL Operation**

The Company had a 19.9% interest in MXL carried at its cost of \$275,000. On February 3, 2014 MXL exercised its right to purchase the Company’s 19.9% interest. The Company received \$994,000 for its 19.9% interest on March 26, 2014, resulting in a gain of \$719,000.

### **Management discussion of critical accounting policies**

The following discussion and analysis of the financial condition and results of operations are based on the consolidated financial statements and notes to consolidated financial statements contained in this report that have been prepared in accordance with the rules and regulations of the SEC and include all the disclosures normally required in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosures of contingent assets and liabilities. We base these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Certain of our accounting policies require higher degrees of judgment than others in their application. These include stock based compensation and accounting for income taxes which are summarized below.

#### ***Employees' stock based compensation.***

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is generally the vesting period. The valuation provisions of ASC 718 apply to new grants and to grants that were outstanding as of the effective date of ASC 718 and are subsequently modified. See Note 14 to the Consolidated Financial Statements for further information regarding our stock-based compensation assumptions and expense.

#### ***Income taxes***

Income taxes are provided for based on the asset and liability method of accounting. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is provided when it is more likely than not that some portion of deferred tax assets will not be realized. We have provided a full valuation allowance against our deferred tax assets. The valuation allowance increased by approximately \$998,000 and \$1,109,000 respectively, during the years ended December 31, 2015 and 2014 due to increases of net operating loss carryforwards and other deferred tax assets.

#### ***Intangible Assets***

Intangible assets, which were recorded in connection with the acquisition of Winthrop, are amortized over their estimated useful lives, on a straight-line basis. Intangible assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses the recoverability of its intangible assets by determining whether the unamortized balance can be recovered over the assets' remaining life through undiscounted forecasted cash flows. If undiscounted forecasted cash flows indicate that the unamortized amounts will not be recovered, an adjustment will be made to reduce such amounts to fair value determined based on forecasted future cash flows discounted at a rate commensurate with the risk associated with achieving such cash flows. Future cash flows are based on trends of historical performance and the Company's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. No impairment of intangible assets was recognized at December 31, 2015 or 2014.

#### ***Goodwill***

Goodwill, which was recorded in connection with the acquisition of Winthrop, is not subject to amortization and is tested for impairment annually on December 31, or more frequently if events or changes in circumstances indicate that the asset may be impaired. The impairment test consists of a comparison of the fair value of the reporting unit with its carrying amount, underlying goodwill. Fair value was calculated based upon future cash flows discounted at a rate commensurate with the risk involved, market based comparables and recent transactions within the financial services industry. If the carrying amount of the reporting unit exceeds its fair value then an analysis will be performed to compare the implied fair value of goodwill with the carrying amount of goodwill. An impairment loss will be recognized in an amount equal to the excess of the carrying amount over the implied fair value. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis. No impairment of goodwill was recognized at December 31, 2015 or 2014.



## Results of Operations

### *Year ended December 31, 2015 compared to the year ended December 31, 2014*

For the year ended December 31, 2015, the Company had a loss from continuing operations before income taxes of \$2,394,000 compared to a loss from continuing operations before income taxes of \$2,727,000 for the year ended December 31, 2014. Discontinued operations in 2014 reflect income related to recovery under an insurance claim of a portion of a settlement paid by the Company in a prior year in connection with the sale of Five Star on January 5, 2010.

The reduced loss of \$333,000 was primarily the result of reduced Compensation and benefits of \$306,000 and reduced Other operating expenses of \$253,000, as well as increased revenues of \$205,000. In addition the Company recorded income of \$336,000 on the final settlement of the liability for contingent consideration (see Note 5 to the Consolidated Financial Statements). The reduced loss from continuing operations was offset by the \$719,000 gain realized on the sale of the Company's 19.9% interest in MXL in March 2014. Included in Winthrop's operating loss for the years ended December 31, 2015 and 2014 are the following; (i) amortization of intangibles of \$637,000, (ii) stay and retention bonuses of \$135,000 and \$133,000 and (iii) compensation expense of \$252,000 and \$295,000 for the years ended December 31, 2015 and 2014, respectively, related to RSU's issued to Winthrop employees.

The Company's management utilizes Adjusted EBITDA to measure performance of its operating segment. See Note 18 to Consolidated Financial Statements for Adjusted EBITDA of the operating segment and a reconciliation of Loss from continuing operations before income taxes.

### *Assets Under Management (AUM)*

Winthrop earns revenue primarily by charging fees based upon AUM. At December 31, 2015 and 2014, AUM was \$1.45 billion. For the year ended December 31, 2015 the Company had deposits of \$208 million and increased market value of \$7 million, offset by redemptions and withdrawals of \$216 million.

### **Revenue**

Winthrop markets its investment management products and services to plan sponsors, trade unions, endowments, corporations, state and local governments, municipalities and foundations. The Winthrop products include equity, fixed income and balanced portfolios for various plan types, including defined benefit, annuity, self-directed and 401(k), health and welfare and education and training plans. In addition, Winthrop helps bank trust departments and trust companies satisfy part or all of their investment management functions. Winthrop delivers fiduciary level investment management services to these institutions' clients by providing active oversight of each account's asset allocation and security selection. Its offerings include investment management solutions utilizing individual securities or mutual funds. Mutual fund models developed by Winthrop utilize a combination of Wright Mutual Funds as well as mutual funds from other investment managers.

WPAM offers programs to support high net worth investors and other individual investors. WPAM manages a variety of accounts including: discretionary investment accounts, individual retirement accounts (IRAs), 401k plans and accounts for non-corporate fiduciaries, such as trustees, executors, guardians, personal representatives, attorneys and other professionals who are responsible for the assets of others and must manage those assets in accordance with the Prudent Investor Act. This investment process, developed and monitored by the Wright Investment Committee, and related investment strategies, are utilized to address the objectives of WPAM clients.

Winthrop, through its WISDI affiliate, offers a diversified family of mutual funds. Wright Mutual Funds are utilized by the Wright Companies and others to build or supplement managed investment portfolios designed to address clients' financial objectives.

Revenue from *Investment Management Services* was \$2,453,000 for the year ended December 31, 2015 as compared to \$2,600,000 for the year ended December 31, 2014. Within this category, Winthrop primarily bills clients based on AUM values as of calendar quarters. Revenues are primarily from fees from; (i) Taft-Hartley clients, (ii) Personal Investment Managed Accounts, and (iii) other client serviced accounts.

Revenue from *Other investment advisory services* was \$2,839,000 for the year ended December 31, 2015 as compared to \$2,600,000 for the year ended December 31, 2014. Other investment advisory service revenue includes: (i) revenue from Mutual Funds; (ii) fees from services provided to Bank Trust Departments; and (iii) investment income. Revenue from Mutual Funds includes distribution fees for both Winthrop-sponsored mutual funds as well as other mutual funds and investment management fees from Winthrop-sponsored mutual funds.

Revenue from the sale of *Financial research information and related data* was \$733,000 for the year ended December 31, 2015 as compared to \$620,000 for the year ended December 31, 2014. Revenues are also derived from the distribution of investment research directly and through several third parties who act as distributors of such research content. The fees paid by the end client are divided between Winthrop and the distributor. Existing agreements in place with third party distributors, primarily Thomson Reuters, allow for the renegotiation of the revenue split, which could result in a decline in revenue to Winthrop. In addition, the underlying data we utilize to produce our financial research and related data is primarily obtained from a third-party, Worldscope (currently owned by Thomson Reuters), which was at no cost to us through August 2014. The Company concluded negotiations with Thomson Reuters in July 2014 and commenced paying for the updates in August 2014 at the most favored vendor rate. The agreement expires in 2024.

### **Compensation and benefits**

For the year ended December 31, 2015, Compensation and benefits were \$4,802,000 as compared to \$5,108,000 for the year ended December 31, 2014.

The reduced Compensation and benefits of \$306,000 were primarily the result of reduced costs of \$300,000 at Winthrop resulting from reduced staff levels. Included in Winthrop's Compensation and benefits for the years ended December 31, 2015 and 2014 are the following; (i) stay and retention bonuses of \$135,000 and \$133,000, respectively, and (ii) compensation expense of \$252,000 and \$295,000 for the years ended December 31, 2015 and 2014, respectively, related to RSU's issued to Winthrop employees.

### **Other operating expenses**

For the year ended December 31, 2015, Other operating expenses were \$3,783,000 as compared to \$4,036,000 for the year ended December 31, 2014.

The reduced Other Operating expenses of \$253,000 for the year ended December 31, 2015, were the result of reduced costs at both the corporate and Winthrop levels. The reduced corporate costs are the result of reduced facility costs related to the move to the Company's new Greenwich, Connecticut headquarters, as well as reduced professional fees, partially offset by increased maintenance and legal costs related to the Company's properties in Killingly CT, as well as increased travel and promotion costs. The decrease in Winthrop's operating expenses was primarily due to reduced travel and promotion and professional fees, partially offset by increased outside information services. Included in Winthrop's Other operating expenses for the years ended December 31, 2015 and 2014 is amortization of intangibles of \$637,000.

### **Income taxes**

For the year ended December 31, 2015, the income tax expense related to continuing operations of \$27,000 substantially represents minimum state income taxes.

For the year ended December 31, 2014, the income tax benefit related to continuing operations of \$172,000 substantially represents a combined federal and state benefit of \$210,000 utilizing the loss from continuing operations against income from discontinued operations, offset by minimum state taxes of \$38,000. In addition, for the year ended December 31, 2014, the Company recorded income tax expense of \$210,000 attributable to income from discontinued operations.

No tax benefit has been recorded in relation to the pre-tax loss from continuing operations for the year ended December 31, 2015 or for the pre-tax loss from continuing operations for the year ended December 31, 2014 in excess of the amount utilized to offset income from discontinued operations, due to a full valuation allowance to offset any deferred tax asset primarily related to net operating loss carry forwards attributable to the loss.

### **Financial condition, liquidity and capital resources**

#### ***Liquidity and Capital Resources***

At December 31, 2015, the Company had cash and cash equivalents totaling \$8,493,000, which it intends to use to acquire interests in one or more operating businesses and to fund the Company's general and administrative expenses. The Company believes that its working capital is sufficient to support its operating requirements for at least the next 15 months ended March 31, 2017.

The decrease in cash and cash equivalents of \$2,670,000 for the year ended December 31, 2015 was the result of \$1,690,000 used in operations, \$352,000 used by investing activities and \$628,000 used in financing activities.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Not required.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**Index to the Consolidated Financial Statements**

**Financial Statements of Wright Investors' Service Holdings, Inc.**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of  
Wright Investors' Service Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Wright Investors' Service Holdings, Inc. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wright Investors' Service Holdings, Inc. as of December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ EisnerAmper, LLP

New York, New York  
March 24, 2016

**WRIGHT INVESTORS' SERVICE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)

	<b>Years Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues</b>		
Investment management services	\$ 2,453	\$ 2,600
Other investment advisory services	2,839	2,600
Financial research and related data	733	620
	<b>6,025</b>	<b>5,820</b>
<b>Expenses</b>		
Compensation and benefits	4,802	5,108
Other operating	3,783	4,036
	<b>8,585</b>	<b>9,144</b>
Operating loss	(2,560)	(3,324)
Investment and other expense, net	(170)	(56)
Gain on sale of investment in MXL	-	719
Change in fair value of liability for contingent consideration	336	(66)
Loss from continuing operations before income taxes	(2,394)	(2,727)
Income tax (expense) benefit	(27)	172
Loss from continuing operations	(2,421)	(2,555)
Income from discontinued operations, net of taxes	-	315
Net loss	<b>\$ (2,421)</b>	<b>\$ (2,240)</b>
Basic and diluted loss per share		
Continuing operations	\$ (0.13)	\$ (0.14)
Discontinued operations	-	0.02
Net loss	<b>\$ (0.13)</b>	<b>\$ (0.12)</b>

See accompanying notes to consolidated financial statements.

**WRIGHT INVESTORS' SERVICE HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share amounts)

	December 31,	
	2015	2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,493	\$ 11,163
Short-term investments	157	154
Accounts receivable	326	336
Prepaid income taxes	37	12
Prepaid expenses and other current assets	456	451
Total current assets	9,469	12,116
Property and equipment, net	44	40
Intangible assets, net	2,644	3,281
Goodwill	3,364	3,364
Investment in LLC	287	-
Investment in undeveloped land	355	355
Other assets	120	108
Total assets	\$ 16,283	\$ 19,264
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,030	\$ 1,116
Deferred revenue	-	12
Liability for contingent consideration	-	572
Current portion of officers retirement bonus liability	200	160
Total current liabilities	1,230	1,860
Officers retirement bonus liability, net of current portion	714	698
<b>Total liabilities</b>	<b>1,944</b>	<b>2,558</b>
<b>Stockholders' equity</b>		
Preferred stock, par value \$0.01 per share, authorized 10,000,000 shares; none issued		
Common stock, par value \$0.01 per share, authorized 30,000,000 shares; issued 19,720,971 in 2015 (including 596,513 shares issuable for vested restricted stock units) and 19,059,198 in 2014; outstanding 19,155,752 in 2015 and 18,494,129 in 2014	197	191
Additional paid-in capital	33,488	33,440
Accumulated deficit	(17,987)	(15,566)
Treasury stock, at cost (565,219 in 2015 and 565,069 shares in 2014)	(1,359)	(1,359)
<b>Total stockholders' equity</b>	<b>14,339</b>	<b>16,706</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 16,283</b>	<b>\$ 19,264</b>

See accompanying notes to consolidated financial statements.

**WRIGHT INVESTORS' SERVICE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands, except per share amounts)

	<b>Years Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (2,421)	\$ (2,240)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	652	659
Change in liability for contingent consideration	(336)	66
Decrease in value of warrant	108	-
Equity based compensation, including issuance of stock to directors	446	330
Equity in income of LLC	(74)	-
Gain on sale of investment in MXL	-	(719)
Changes in other operating items:		
Accounts receivable	10	(14)
Short-term investments	(3)	(22)
Deferred revenue	(12)	(2)
Officers retirement bonus liability	56	(44)
Prepaid income tax	(25)	4
Prepaid expenses and other current assets	(5)	(116)
Accounts payable and accrued expenses	(86)	(286)
<b>Net cash used in operating activities</b>	<b>(1,690)</b>	<b>(2,384)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investment in MXL	-	994
Investment in LLC	(333)	-
Additions to property and equipment	(19)	(13)
<b>Net cash provided by (used in) investing activities</b>	<b>(352)</b>	<b>981</b>
<b>Cash flows from financing activities</b>		
Payment of liability for contingent consideration	(236)	-
Repurchase of fully vested restricted stock units	(392)	-
<b>Net cash used in financing activities</b>	<b>(628)</b>	<b>-</b>
Net decrease in cash and cash equivalents	(2,670)	(1,403)
Cash and cash equivalents at the beginning of the year	11,163	12,566
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 8,493</b>	<b>\$ 11,163</b>
<b>Supplemental disclosures of cash flow information</b>		
Net cash paid during the year for		
Income taxes	\$ 35	\$ 31

See accompanying notes to consolidated financial statements.

**WRIGHT INVESTORS' SERVICE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

(in thousands, except share data)

	Common stock		Additional	Accumulated	Treasury	Total
	shares	amount	paid -in capital	deficit	stock , at cost	stock- holders equity
<b>Balance at December 31, 2013</b>	<b>19,040,416</b>	<b>\$ 190</b>	<b>\$ 33,111</b>	<b>\$ (13,326)</b>	<b>\$ (1,359)</b>	<b>\$ 18,616</b>
Net loss	-	-	-	(2,240)	-	(2,240)
Equity based compensation expense	-	-	298	-	-	298
Issuance of common stock to directors	18,782	1	31	-	-	32
<b>Balance at December 31, 2014</b>	<b>19,059,198</b>	<b>191</b>	<b>33,440</b>	<b>(15,566)</b>	<b>(1,359)</b>	<b>16,706</b>
Net loss	-	-	-	(2,421)	-	(2,421)
Equity based compensation expense	-	-	344	-	-	344
Repurchase of vested restricted stock units	-	-	(392)	-	-	(392)
Shares issuable for vested restricted stock units	596,513	5	(5)	-	-	-
Issuance of common stock to directors	65,260	1	101	-	-	102
<b>Balance at December 31, 2015</b>	<b>19,720,971</b>	<b>\$ 197</b>	<b>\$ 33,488</b>	<b>\$ (17,987)</b>	<b>\$ (1,359)</b>	<b>\$ 14,339</b>

See accompanying notes to consolidated financial statements.



**WRIGHT INVESTORS' SERVICE HOLDINGS, INC.**  
**Notes to Consolidated Financial Statements**

**1. Description of activities**

On December 19, 2012 (the "Closing Date"), National Patent Development Corporation, which changed its name on February 4, 2013 to Wright Investors' Service Holdings, Inc. (hereinafter referred to as the "Company" or "Wright Holdings"), completed the acquisition of The Winthrop Corporation, a Connecticut corporation ("Winthrop") pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement") dated June 18, 2012. Winthrop, through its wholly-owned subsidiaries Wright Investors' Service, Inc. ("Wright"), Wright Investors' Service Distributors, Inc. ("WISDI") and Wright's wholly-owned subsidiary, Wright Private Asset Management, LLC ("WPAM") (collectively, the "Wright Companies"), offers investment management services, financial advisory services and investment research to large and small investors, both taxable and tax exempt. WISDI is a registered broker dealer with the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities and Exchange Commission. In accordance with the Merger Agreement, a wholly-owned newly formed subsidiary of the Company, was merged with and into Winthrop and Winthrop became a wholly-owned subsidiary of the Company.

**2. Summary of significant accounting policies**

***Principles of consolidation.***

The consolidated financial statements include the accounts of the Company and its subsidiaries all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

***Cash and cash equivalents***

Cash equivalents represent short-term, highly liquid investments, which are readily convertible to cash and have maturities of three months or less at time of purchase. Cash equivalents, which are carried at cost plus accrued interest, which approximates fair value, consist of an investment in a money market fund which invests in treasury bills and amounted to approximately \$7,833,000, and \$10,985,000 at December 31, 2015 and 2014, respectively.

Cash equivalents are classified within level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

***Short-term investments***

Short term investments are recorded at fair value, with related unrealized gains and losses recognized in operations. Fair values are based on listed market prices, where available. If listed market prices are not available or if the liquidation of our positions would reasonably be expected to impact market prices, fair value is determined based on other relevant factors, including dealer price quotations. See Note 6.

***Basic and diluted loss per share***

Basic and diluted loss per share for the years ended December 31, 2015 and 2014, respectively, is calculated based on 19,250,000 and 19,101,000 weighted average outstanding shares of common stock including common shares underlying vested RSUs. Options for 3,250,000 shares of common stock in 2015 and 2014, and unvested RSUs for 204,000 and 207,000 shares of common stock in 2015 and 2014, respectively, were not included in the diluted computation as their effect would be anti-dilutive since the Company has losses from continuing operations for both years.

### ***Employees' stock based compensation***

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is generally the vesting period. See Note 14.

### ***Income taxes***

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to carryforwards and to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The accounting for uncertain tax positions guidance requires that the Company recognize the financial statement benefit of a tax position only after determining that the Company would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties on uncertain tax positions as interest and other expenses, respectively.

### ***Concentrations of credit risk***

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments. The Company places its cash investments with high quality financial institutions.

### ***Property and equipment***

Property and equipment are carried at cost, net of allowance for depreciation. Depreciation is provided on a straight-line basis over estimated useful lives of 3 to 7 years for equipment and furniture.

### ***Intangible Assets***

Intangible assets, which were recorded in connection with the acquisition of Winthrop, are amortized over their estimated useful lives, on a straight-line basis. Intangible assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses the recoverability of its intangible assets by determining whether the unamortized balance can be recovered over the assets' remaining life through undiscounted forecasted cash flows. If undiscounted forecasted cash flows indicate that the unamortized amounts will not be recovered, an adjustment will be made to reduce such amounts to fair value determined based on forecasted future cash flows discounted at a rate commensurate with the risk associated with achieving such cash flows. Future cash flows are based on trends of historical performance and the Company's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. No impairment of intangible assets was recognized at December 31, 2015 or 2014.

### ***Goodwill***

Goodwill, which was recorded in connection with the acquisition of Winthrop, is not subject to amortization and is tested for impairment annually on December 31, or more frequently if events or changes in circumstances indicate that the asset may be impaired. The impairment test consists of a comparison of the fair value of the reporting unit, which consists of The Wright Companies operating segment, with its carrying amount, including goodwill. Fair value was calculated based upon future cash flows discounted at a rate commensurate with the risk involved, market based comparables and recent transactions within the financial services industry. Future cash flows are based on projection of adjusted EBITDA of the operating segment (see Note 18). If the carrying amount of the reporting unit exceeds its fair value then an analysis will be performed to compare the implied fair value of goodwill with the carrying amount of goodwill. An impairment loss will be recognized in an amount equal to the excess of the carrying amount over the implied fair value. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis. No impairment of goodwill was recognized at December 31, 2015 or 2014. There were no changes in the carrying value of goodwill during 2015 or 2014.

### ***Revenue recognition***

Revenue from investment advisory services and investment management services are recognized over the period in which the service is performed. Accordingly, the amount of such revenue billed as of the balance sheet date relating to periods after the balance sheet date is accounted for as deferred revenue. Revenue from research reports is recognized monthly upon the downloading of reports by institutional and other investors from investment industry distributors.

### **3. Discontinued Operation**

During the year ended December 31, 2014, the Company agreed to a settlement of its insurance claim related to a loss in connection with the litigation related to the sale of a former subsidiary, and received a net payment of \$525,000, which has been credited to discontinued operations (See Note 16(a)). See Note 10 with respect to \$210,000 of tax expense charged to discontinued operations in 2014.

### **4. Sale of MXL investment**

The Company held a 19.9% equity investment in a privately-held company, MXL, which is engaged in the plastic molding and precision coating businesses. On February 3, 2014, MXL exercised its right to purchase the Company's 19.9% interest for \$994,000, resulting in a gain of \$719,000 for the year ended December 31, 2014.

### **5. Liability for contingent consideration**

In connection with the Company's acquisition of Winthrop on December 19, 2012, the Company agreed to pay contingent consideration in cash to a holder of Winthrop common stock who received 852,228 shares of Company Common Stock to the extent that such shares had a value of less than \$1,900,000 on the expiration of the three year period based on the average closing price of the Company's Common Stock for the ten trading days prior to such date.

A liability was recognized for an estimate of the acquisition date fair value of the acquisition-related contingent consideration which may be paid. The fair value was calculated by utilizing a lattice model, which takes into account the potential for the Company's stock price per share being less than \$2.23 per share at the end of the 3 year lock-up period. The fair value measurement was based on significant unobservable inputs that were supported by little market activity and reflect the Company's own assumptions. Key assumptions included expected volatility (50% at December 31, 2014) in the Company's Common Stock and the risk free interest rate (0.25 % at December 31, 2014) during the then remainder of the three year lock up period. Changes in the fair value of the contingent consideration subsequent to the acquisition date were recognized in earnings prior to the liability being settled. The fair value of the liability was \$572,000 on December 31, 2014 (Level 3 under the fair value hierarchy-see Note 6). In December 2015, the Company paid \$236,000 to settle the contingent consideration liability and recognized income of \$336,000 for the reduction in the fair value of the liability during 2015. Based on the fair value of the liability at September 30, 2015, the Company recognized a gain of \$532,000 (unaudited) for the fourth quarter ended December 31, 2015. The Company recognized expense of \$66,000 for the change in the value for the year ended December 31, 2014.

### **6. Short-term investments:**

The Financial Accounting Standards Board has issued authoritative accounting guidance that defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. The guidance clarifies that fair value should be based on assumptions that market participants would use when pricing an asset or liability. The three levels of fair value hierarchy are described below:

- **Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- **Level 2** – Quoted prices in active markets for similar assets and liabilities or quoted prices in less active, dealer or broker markets;
- **Level 3** – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

Marketable securities at December 31, 2015 and 2014 consist of (in thousands):

	<u>December 31, 2015</u>		
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Estimated Fair Value</u>
Mutual funds	\$ 91	\$ 66	\$ 157
	<u>\$ 91</u>	<u>\$ 66</u>	<u>\$ 157</u>

  

	<u>December 31, 2014</u>		
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Estimated Fair Value</u>
Mutual funds	\$ 91	\$ 63	\$ 154
	<u>\$ 91</u>	<u>\$ 63</u>	<u>\$ 154</u>

Short-term investments in mutual funds managed by a subsidiary of Winthrop, which are classified as a level 1, are stated at the net asset value of the funds. The Company liquidated these investments in the first quarter of 2016 for a total of \$148,000 and recognized a loss of \$9,000.

## 7. Investment in LLC

The Company entered into a Limited Liability Company Agreement dated April 28, 2015 by and among EGS, LLC, a newly formed Delaware limited liability company (“EGS”) and the members named therein. The Company invested \$333,333 and acquired 333,333 Units, representing a 33.33% Membership Interest in EGS. In addition to the Company, EGS has two other members, one of whom is Marshall Geller, a member of the Company’s Board of Directors. The EGS transaction, as well as Mr. Geller’s participation in the transaction, received the prior approval of the Company’s Audit Committee. Mr. Geller is the Managing Member of the LLC and also invested \$333,333 and acquired 333,333 Units, representing a 33.33% Membership Interest in EGS.

EGS entered into a Note Purchase Agreement effective April 28, 2015 with Merriman Holdings, Inc. (“Merriman”), a publically traded company, pursuant to which EGS purchased from Merriman for an aggregate purchase price of \$1,000,000 (i) a one-year Senior Secured Note in the original principal amount of \$1,000,000, at 12% interest, payable quarterly, in arrears (the “Note”) and (ii) a Common Stock Purchase Warrant which expires in five years to purchase 500,000 shares of Merriman common stock at \$1.00 per share (the “Warrants”). EGS distributed the Warrants to its members and the Company received 166,666 Warrants which expire in five years. The investment in EGS is being accounted for under the equity method. Under this method, the Company records its share of EGS’s earnings (losses) in the statement of operations with equivalent amount of increases (decreases) to the investment. At April 28, 2015, the Company valued the Warrants at their fair value, of \$120,000, using the Black Scholes model, and recorded their value as a reduction in the investment in EGS. The Company recorded approximately \$74,000 as its share of EGS’s net income for the year ended December 31, 2015 which is included in Investment and other expense, net in the Consolidated Statements of Operations. At December 31, 2015, the carrying value of the investment in EGS was \$287,000. The Warrant which permits a cashless exercise, qualifies as a derivative, and is recorded at fair value (based on observable inputs) with change in such value included in earnings. At December 31, 2015, the value of the Warrant (a Level 2 Security) was \$12,000, which is included in Other Assets in the Consolidated Balance Sheet. The decrease in the value of the Warrant of \$108,000 is included in Interest expense and other, net in the Consolidated Statement of Operations. Such reduction reflects the decrease in the price of Merriman’s common stock as measured for the period ended December 31, 2015.

On July 20, 2015, a fourth member joined EGS and invested \$333,333, and received a 25% Membership Interest in EGS. EGS advanced the funds to Merriman and increased its investment in the Note and in addition, received 166,666 additional Warrants which it distributed to its new member. This transaction reduced the Company’s interest in EGS to 25%, and changed the expiration date of the Note to July 20, 2016, and extended the exercise date of the warrant to five years from that date.

Merriman is a financial services holding company that provides capital markets advisory and research, corporate and investment banking services through its wholly-owned principal operating subsidiary, Merriman Capital, Inc. (“MC”). The Note is secured by 99.998% of the capital stock of MC. Marshall Geller also received 166,666 Warrants with an exercise price of \$1.00 per share that expire in five years.

The Note, pursuant to the terms of an Intercreditor Agreement entered into with Merriman’s current debt holders, is senior to all of Merriman’s debt.

## 8. Accounts receivable

Winthrop and its subsidiaries continuously monitor the creditworthiness of customers and establish an allowance for uncollectible accounts based on specific customer related collection issues. As of December 31, 2015 and 2014, there was no allowance for uncollectible accounts.

## 9. Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of the following (in thousands):

	December 31,	
	2015	2014
Accrued professional fees	\$ 328	\$ 323
Accrued compensation and related expenses	193	322
Other	509	471
	<u>\$ 1,030</u>	<u>\$ 1,116</u>

## 10. Income taxes

The components of income tax expense (benefit) are as follows (in thousands):

	Year Ended December 31,	
	2015	2014
<b><u>Continuing operations:</u></b>		
<u>Current</u>		
Federal	\$ -	\$ (179)
State and local	27	7
<b>Total current</b>	<u>27</u>	<u>(172)</u>
<b><u>Discontinued operations:</u></b>		
<u>Current</u>		
Federal	\$ -	\$ 179
State and local	-	31
<b>Total current</b>	<u>-</u>	<u>210</u>
<b>Total income tax expense</b>	<u>\$ 27</u>	<u>\$ 38</u>

For the year ended December 31, 2015, current income tax expense related to continuing operations substantially represents minimum state income taxes.

For the year ended December 31, 2014, current income tax benefit related to continuing operations substantially represents a benefit from utilizing the loss from continuing operations against income from discontinued operations, offset by minimum state taxes.

The difference between the benefit for income taxes computed at the statutory rate and the reported amount of tax expense (benefit) from continuing operations is as follows:

	Year ended December 31,	
	2015	2014
Federal income tax rate	(34.0)%	(34.0)%
State income tax (net of federal effect)	(4.7)	(4.9)
Change in valuation allowance	41.9	38.6
Loss utilized against discontinued operations	-	(6.4)
Non-deductible expenses	2.7	0.6
Non-taxable income	(4.8)	-
<b>Effective tax rate</b>	<b>1.1%</b>	<b>(6.1)%</b>

The deferred tax assets and liabilities are summarized as follows (in thousands):

	December 31,	
	2015	2014
<i>Deferred tax assets:</i>		
Net operating loss carryforwards	\$ 8,325	\$ 7,076
Equity-based compensation	1,237	1,593
Tax credit carryforwards	148	148
Accrued compensation	369	418
Accrued liabilities & other	113	193
<b>Gross deferred tax assets</b>	<b>10,192</b>	<b>9,428</b>
Less: valuation allowance	(9,138)	(8,140)
<b>Deferred tax assets after valuation allowance</b>	<b>1,054</b>	<b>1,288</b>
<i>Deferred tax liabilities:</i>		
Intangible assets	(1,043)	(1,278)
Other	(11)	(10)
<b>Deferred tax liabilities</b>	<b>(1,054)</b>	<b>(1,288)</b>
<b>Net Deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

A valuation allowance is provided when it is more likely than not that some portion of deferred tax assets will not be realized. The valuation allowance increased by approximately \$998,000 and \$1,109,000 respectively, during the years ended December 31, 2015 and 2014 principally due to increases of net operating loss carryforwards.

The Company files a consolidated federal tax return with its subsidiaries. As of December 31, 2015, the Company has a federal net operating loss carryforward of approximately \$19.9 million, which expires from 2030 through 2035, and various state and local net operating loss carryforwards totaling approximately \$29.3 million, which expire between 2016 and 2035. Approximately \$1.3 million of the federal net operating loss carryforward and \$8.5 million of the state net operating loss carryforward were acquired from Winthrop. The acquired federal net operating loss carryforward is limited in its utilization by Section 382 of the Internal Revenue Code due to an ownership change.

The 2012 through 2015 tax years remain open for examination by the Internal Revenue Service. For state tax purposes, the 2011 through 2015 tax years remain open for examination by the tax authorities under a four year statute of limitations.

## 11. Property and equipment:

Property and equipment consists of the following (in thousands):

	December 31,	
	2015	2014
Computer software	\$ 2	\$ 2
Computer equipment	108	94
Office furniture and equipment	45	40
Leasehold improvements	1	1
	<u>156</u>	<u>137</u>
Less accumulated depreciation and amortization	(112)	(97)
	<u>\$ 44</u>	<u>\$ 40</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$15,000 and \$22,000, respectively.

## 12. Intangible Assets

Intangible assets subject to amortization consisted of the following (in thousands):

<u>Intangible</u>	Estimated useful life	December 31, 2015		
		Gross carrying amount	Accumulated Amortization	Net carrying amount
Investment Management and Advisory Contracts	9 years	\$ 3,181	\$ 1,072	\$ 2,109
Trademarks	10 years	433	131	302
Proprietary Software and Technology	4 years	960	727	233
		<u>\$ 4,574</u>	<u>\$ 1,930</u>	<u>\$ 2,644</u>

<u>Intangible</u>	Estimated useful life	December 31, 2014		
		Gross carrying amount	Accumulated Amortization	Net carrying amount
Investment Management and Advisory Contracts	9 years	\$ 3,181	\$ 718	\$ 2,463
Trademarks	10 years	433	88	345
Proprietary Software and Technology	4 years	960	487	473
		<u>\$ 4,574</u>	<u>\$ 1,293</u>	<u>\$ 3,281</u>

Amortization expense amounted to \$637,000 for each of the years ended December 31, 2015 and 2014. The weighted-average amortization period for total amortizable intangibles at December 31, 2015 is 5 years. Estimated amortization expense for each of the five succeeding years and thereafter is as follows (in thousands):

<b>Year ending December 31,</b>	
2016	\$630
2017	397
2018	397
2019	397
2020	397
2020-2023	<u>426</u>
	<u>\$2,644</u>

### **13. Capital Stock**

The Company's Board of Directors, without any vote or action by the holders of common stock, is authorized to issue preferred stock from time to time in one or more series and to determine the number of shares and to fix the powers, designations, preferences and relative, participating, optional or other special rights of any series of preferred stock.

The Board of Directors authorized the Company to repurchase up to 5,000,000 outstanding shares of common stock from time to time either in open market or privately negotiated transactions. At December 31, 2015, the Company had repurchased 1,791,971 shares of its common stock (of which 150 shares were purchased in 2015 at a cost of \$200) and a total of 3,208,029 shares, remained available for repurchase.

### **14. Incentive stock plans and stock based compensation**

#### **Common stock options**

The Company had initially adopted a stock-based compensation plan for employees and non-employee members of its Board of Directors in November 2003 which was subsequently amended in March 2007 (the "2003 Plan"). In December 2007, the Company adopted the National Patent Development Corporation 2007 Incentive Stock Plan (the "2007 NPDC Plan"). The plans provide for up to 3,500,000 and 7,500,000 awards for shares under the 2003 Plan and 2007 NPDC Plan, respectively, in form of discretionary grants of stock options, restricted stock shares, restricted stock units (RSUs) and other stock-based awards to employees, directors and outside service providers. The Company's plans are administered by the Compensation Committee of the Board of Directors, which consists solely of non-employee directors. The term of any option granted under the plans will not exceed ten years from the date of grant and, in the case of incentive stock options granted to a 10% or greater holder of total voting stock of the Company, three years from the date of grant. The exercise price of any option granted under the plans may not be less than the fair market value of the common stock on the date of grant or, in the case of incentive stock options granted to a 10% or greater holder of total voting stock, 110% of such fair market value. As of December 31, 2015, the number of shares reserved and available for award under the 2007 NPDC Plan is 6,241,786 and under the 2003 Plan is 700,000.

During the year ended December 31, 2015, there was no option activity. No compensation expense related to option grants was recorded for the years ended December 31, 2015 and 2014. As of December 31, 2015 there were outstanding options to acquire 3,250,000 common shares, all of which were vested and exercisable, having a weighted average exercise price of \$2.31 per share, a weighted average contractual term of 1.6 years and an aggregate intrinsic value of \$284,000.



### Restricted stock units

As a result of the Winthrop acquisition, the Company issued a total of 849,280 RSUs on the Closing Date to be settled in shares of Company common stock as follows:

- a) 479,280 RSUs were granted to four key executives of Winthrop, which vested as of the Closing Date and are subject to post-vesting restrictions on sale for three years. The RSUs were valued at the closing price of the Company's common stock of \$2.52, less a 20% discount for post vesting restrictions on sale, or \$2.02 per share. The total value of these RSUs of \$966,000, were accounted for as compensation and charged to retention bonus expense on the closing date.
- b) 370,000 RSUs were granted to four key executives, which vested equally over three years, with the first third vesting one year from the Closing Date. The RSUs were valued based on the closing price of the Company's common stock on the Closing Date of \$2.52, less an average discount of 11% for post-vesting restrictions on sale until the three year anniversary of the grant date, or an average price per share of \$2.25. The Company recorded compensation expense of \$252,000 and \$277,000 for each of the years ended December 31, 2015 and 2014 related to these RSUs.

At December 19, 2015, the above RSUs were fully vested. In December 2015, the Company repurchased 252,767 RSUs for a total cost of \$369,000. The remaining 596,513 RSUs were settled by the issuance of 596,513 common shares in the first quarter of 2016. Such issuable shares are included in the outstanding common shares at December 31, 2015 in the accompanying financial statements.

In addition, the following RSUs were granted to employees of the Company:

- c) 17,738 RSUs were granted to certain employees on February 4, 2013, which vest equally over three years, with the first third vesting on February 4, 2014 and the second third vesting on February 4, 2015. At December 31, 2015, 11,701 of the RSU's were still outstanding. The RSUs are valued based on the closing price of the Company's common stock on February 4, 2013 of \$2.40, less an average discount of 11% for post-vesting restrictions on sale until the three year anniversary of the grant date, or an average price per share of \$2.25. The Company recorded compensation expense of \$11,000 for each of the years ended December 31, 2015 and 2014 related to these RSUs. The total unrecognized compensation expense related to these unvested RSUs at December 31, 2015 is \$1,000, which will be recognized over the remaining vesting period of approximately 0.2 years.
- d) 30,000 RSUs were granted to an employee on June 10, 2014, which will vest on the third anniversary of the individual's employment, assuming the individual is still employed at that time. The RSUs were valued based on the closing price of the Company's common stock on June 10, 2014 of \$1.90. The Company recorded compensation expense of \$11,000 for the year ended December 31, 2014 related to these RSUs. In the first quarter of 2015, the individual was no longer employed by the Company and the above RSUs were cancelled and \$11,000 of expense was reversed.
- e) 100,000 RSUs were issued on each of January 19, 2015 and March 31, 2015, to two newly appointed directors of the Company. The RSUs will vest equally over 3 years, with the first third vesting in January and March 2016, respectively. The RSUs are valued based on the closing price of the Company's common stock on January 19, 2015 and March 31, 2015 of \$1.70 and \$1.85, respectively, less an average discount of 8% for post-vesting restrictions on sale until the three year anniversary of the grant date, or an average price per share of \$1.56 and \$1.70, respectively. The Company recorded compensation expense of \$92,000 for the year ended December 31, 2015 related to these RSUs. The total unrecognized compensation expense related to these unvested RSUs at December 31, 2015 is \$233,000, which will be recognized over the remaining vesting period of approximately 2 years.

### **15. Retirement plans**

- a) The Company maintains a 401(k) Savings Plan (the "Plan"), for full time employees who have completed at least one hour of service coincident with the first day of each month. The Plan permits pre-tax contributions by participants. Effective January 15, 2013, the employees of Winthrop and its subsidiaries were eligible to participate in the Plan, and the Company ceased matching the participants contributions.

- b) Winthrop maintains an officer retirement bonus plan (the “Bonus Plan”) that is an unfunded deferred compensation program providing retirement benefits equal to 10% of annual compensation, as defined, to those officers upon their retirement. Effective December 1, 1999, the Plan was frozen so that no additional benefits will be earned. The present value of the obligation under the Bonus Plan at December 31, 2015 is \$914,000, of which \$200,000 is estimated to be payable over the next twelve months. The liability is payable to individual retired employees at the rate of \$50,000 per year in equal monthly amounts commencing upon retirement. The liability was recorded at \$885,000 at the date of acquisition, representing its estimated fair value computed based on its present value, utilizing a discount rate of 14%, which was estimated to be the acquired company’s weighted average cost of capital on such date from the perspective of a market participant. The calculated discount of \$1,027,000 at the date of acquisition is being amortized as interest expense over the period the obligation is outstanding by use of the effective interest method. For the years ended December 31, 2015 and 2014, interest expense, (included in Investment and other expense, net) amounted to \$148,000 and \$92,000, respectively. At December 31, 2015, and 2014 the present value of the obligation under the Bonus Plan was \$914,000, and \$858,000, respectively, net of discount of \$606,000 and \$756,000, respectively. During 2014, one employee left Winthrop and accordingly forfeited their retirement bonus, and in addition there were certain changes to previously expected retirement dates. The effect of the departure and changes in 2014 resulted in a \$36,000 decrease to the liability at the date of departure or change in expected retirement date, and a corresponding credit to Compensation and benefits in the Consolidated Statement of Operations.

## 16. Commitments, Contingencies and Other

- (a) On or about May 17, 2011, the Merit Group, Inc. (“Merit”) filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of South Carolina. On or about December 14, 2011, the Official Committee of Unsecured Creditors of TMG Liquidation Company (formerly known as The Merit Group, Inc.) filed in that court an adversary proceeding against the Company (the “Avoidance Action”) now captioned *CohnResnick LLP, as Plan Administrator v. National Patent Development Corp. (In re TMG Liquidation Co.)*. The Avoidance Action sought, among other things, to avoid and recover the consideration paid by Merit to the Company for the purchase of Five Star Products, Inc. (“Five Star”) from the Company under the Stock Purchase Agreement, dated November 24, 2009 (the “Agreement”), as a constructive fraudulent transfer under sections 548, 550, and 551 of the Bankruptcy Code.

On August 2, 2013, the Company entered into a Settlement Agreement and Release (the “Settlement Agreement”) with CohnResnick LLP (the “Plan Administrator”) to settle the Avoidance Action. Under the terms of the Settlement Agreement, the Plan Administrator was required to file with the Bankruptcy Court, no later than August 9, 2013, a motion to approve the Settlement Agreement (the “Settlement Motion”) and a proposed order approving relief to be requested in the Settlement Motion (the “Proposed Order”). Pursuant to the Settlement Agreement, the Company agreed to make a settlement payment of \$2,375,000 (the “Settlement Payment”) to the Plan Administrator conditioned upon the entry of an order (the “Approval Order”) by the Bankruptcy Court approving the Settlement Motion, that is in a form acceptable to the Company and in substantially the same form as the Proposed Order. The Bankruptcy Court entered an order approving the Settlement Agreement on September 4, 2013, and the Settlement Agreement required the Company to make the Settlement Payment within fifteen days of the Approval Order becoming a final, non-appealable order (a “Final Order”). On October 3, 2013, the Company made a payment of \$2,375,000 to the Plan Administrator pursuant to the terms of the Settlement Agreement.

The Settlement Agreement also provides for general mutual releases by each of the parties, including a general release in favor of the Company and its affiliates, and the Company’s and its affiliates’ officers, directors, employees, agents, and professionals. The mutual releases became effective upon entry of the Final Order and receipt of the Settlement Payment by the Plan Administrator. In addition, pursuant to the terms of the Settlement Agreement, on October 9, 2013 the Plan Administrator made the requisite filings to dismiss, with prejudice, the Avoidance Action and a second pending adversary complaint against the Company. Upon entry of the Final Order by the Bankruptcy Court, the Company resolved all claims and causes of action that have been or could have been asserted against it by the Plan Administrator.

As a result of entering into the Settlement Agreement, during the year ended December 31, 2013, the Company recorded a loss in discontinued operations of \$2,375,000 in connection with the Avoidance Action. In April 2014, the Company agreed to a settlement of its insurance claim related to this matter, and received a net payment of \$525,000, which was recorded as income in discontinued operations during the year ended December 31, 2014.

- (b) Pursuant to his Employment Agreement, Mr. Peter Donovan serves as Chief Executive Officer of Winthrop, commencing upon the Closing Date. Mr. Donovan’s Employment Agreement provides for a term of five years, with automatic annual renewals unless notice of non-renewal is given at least six months prior to the applicable employment period. Mr. Donovan is receiving an annual base salary of \$300,000, subject to increases at the discretion of the Compensation Committee of Winthrop’s Board of Directors. During the initial term of Mr. Donovan’s Employment Agreement but subsequent to the third anniversary of the Closing Date, in the sole discretion of the Board of Directors of Winthrop, Mr. Donovan will assume

the position of Executive Chairman of Winthrop in lieu of his position as Chief Executive Officer, with such authority, duties and responsibilities as are commensurate with his position as Executive Chairman and such other duties and responsibilities as may reasonably be assigned to him by the Chief Executive Officer of the Company. Effective December 19, 2015, pursuant to the terms and conditions of his Employment Agreement, Mr. Donovan assumed the position of Executive Chairman of Winthrop in lieu of the position of Chief Executive Officer of Winthrop. As Executive Chairman, Mr. Donovan is receiving an annual base salary of \$200,000.

Under their respective Employment Agreements, the three other key executives were serving as Senior Managing Directors of Winthrop. Their Employment Agreements each provide for a term of three years, with automatic annual renewals unless notice of non-renewal is given at least six months prior to the applicable employment period. On June 16, 2015, the other three key executives were informed that their contracts would not be automatically renewed. Each of the three key executives is receiving an annual base salary of \$250,000. In addition to their base salaries, each of the other three key executives are entitled to receive a "Stay/Client Retention Bonus" of \$114,000. The Stay/Client Retention Bonus was payable in equal installments on the Closing Date and first, second and third anniversaries of the Closing Date. Two of the executives elected to receive the Stay/Client Retention Bonus in RSUs, valued at \$2.00 per RSU (a total of 114,000 RSUs) which vested in equal annual installments on the first, second and third anniversaries of the Closing and one elected to receive cash payable in four equal installments of \$28,500, the first paid and expensed on the Closing Date. In the first quarter of 2016, one of the three key executives was no longer employed by the Company.

- (c) On July 1, 2014, Winthrop, pursuant to the terms of its Milford Connecticut facility lease, gave eight months' notice to their landlord to terminate their lease in Milford, Connecticut. In August 2014, the Company entered into a five year sublease in Greenwich, Connecticut for 10,000 square feet. At December 31, 2015, annual future rent for the Greenwich space, which expires on September 30, 2019 aggregated \$939,000 payable as follows; \$240,000 (2016), \$248,000 (2017), \$255,000 (2018), and \$196,000 (through September 30, 2019). Rent expense charged to operations related to the facilities aggregated \$225,000 and \$165,000 in 2015 and 2014, respectively. The rent expense in 2015 and 2014 included deferred rent of \$65,000 and \$68,000, respectively, due to straight lining the amounts payable over the lease term commencing in August 2014 upon the Company gaining access to the premises. The Company also moved their corporate office from Mount Kisco, New York (see Note 17) to the new Greenwich facility in March 2015, which resulted in a consolidation of the Company's corporate headquarters to Greenwich, Connecticut.
- (d) On September 26, 2014, the Connecticut Department of Energy and Environmental Protection ("DEEP") issued two Orders requiring the investigation and repair of two dams in which the Company and its subsidiaries have certain ownership interests. The first Order requires that the Company investigate and make specified repairs to the ACME Pond Dam located in Killingly, Connecticut. The second Order, as subsequently revised by DEEP on October 10, 2014, requires that the Company investigate and make specified repairs to the Killingly Pond Dam located in Killingly, Connecticut. These two properties are included in Investment in undeveloped land in the Consolidated Balance Sheets. The Company has administratively appealed and contested the allegations in both Orders. As the administrative appeal of both Orders is in its early stages, it is not possible at this time to evaluate the likelihood of, or to estimate the range of loss from, an unfavorable outcome.

## **17. Related party transactions**

Effective June 1, 2010, the Company relocated its headquarters to the offices of Bedford Oak in Mount Kisco, New York. Bedford Oak is controlled by Harvey P. Eisen, Chairman, Chief Executive Officer and a director of the Company. The Company had been subleasing a portion of the Bedford Oak space and had access to various administrative support services on a month-to-month basis. On October 31, 2012, the Company's Audit Committee approved an increase to approximately \$40,700 per month (effective as of September 1, 2012) in the monthly sublease and administrative support services rate, which increased rate the Company believed, was necessary to provide for the increased personnel and space requirements necessary for an operating company.

On May 13, 2014, the Company's Audit Committee approved a decrease to approximately \$27,600 per month (effective as of June 1, 2014) in the monthly sublease and administrative support services rate, which decreased rate was part of the Company's effort to control and reduce costs. In March 2015, the Audit Committee approved the elimination of the monthly sublease and administrative support services fee effective March 31, 2015. Operating expenses for the year ended December 31, 2015 and 2014, includes \$83,000 and \$397,000, respectively, related to the sublease arrangement with Bedford Oak. See Note 16 (c) for a description and the terms of the Company's sublease transaction for its new corporate headquarters.

Wright acts as an investment advisor, its subsidiary acts as a principal underwriter and one officer of Winthrop is also an officer for a family of mutual funds from which investment management and distribution fees are earned based on the net asset values of the respective funds. Such fees, which are included in Other investment advisory services, amounted to \$871,000 and \$794,000 for the years ended December 31, 2015 and 2014, respectively.

## 18. Segment information

The Company through its wholly-owned subsidiary has one operating segment which is engaged in the investment management and financial advisory business and derives its revenue from investment management services, other investment advisory services and financial research.

The Company's corporate operations are not considered an operating segment and the Company does not allocate corporate expense for management and administrative services or income and expense related to other corporate activity to its operating segment to measure its operations. The Company's management utilizes adjusted EBITDA to measure segment performance. Adjusted EBITDA is a measure defined as EBITDA before corporate expense, equity based compensation, , amortization of stay and retention bonuses, relocation and severance costs and non-operating income (expense). EBITDA is a measure defined as earnings (loss) before interest, taxes, depreciation and amortization

Adjusted EBITDA is a non-GAAP measure and should not be construed as an alternative to operating loss or net loss as an indicator of the Company's performance, or as an alternative to cash used in operating activities, or as a measure of liquidity, or as any other measure determined in accordance with GAAP.

Following is a reconciliation of adjusted EBITDA of the operating segment to loss from continuing operations before income taxes (in thousands):

	<u>Year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
<b>Adjusted EBITDA of operating segment (income/(loss))</b>	<b>\$ 366</b>	<b>\$ (335)</b>
<u>Other operating expenses:</u>		
Corporate	(1,629)	(1,833)
Depreciation and amortization	(652)	(659)
Equity based compensation	(446)	(330)
Amortization of stay and retention bonuses	(135)	(133)
Relocation and severance costs	(64)	(34)
Operating loss	<u>(2,560)</u>	<u>(3,324)</u>
<u>Non- operating income (expense):</u>		
Interest expense and other, net	(170)	(56)
Gain on sale of investment in MXL	-	719
Change in fair value of contingent consideration	<u>336</u>	<u>(66)</u>
Loss from continuing operations before income taxes	<u>\$ (2,394)</u>	<u>\$ (2,727)</u>

Following is a summary of the Company's total assets (in thousands):

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Operating segment	\$ 7,125	\$ 7,601
Corporate (1)	9,158	11,663
	<u>\$ 16,283</u>	<u>\$ 19,264</u>

(1) Consists principally of cash and cash equivalents

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

### **Item 9A. Controls and Procedures.**

#### *(a) Evaluation of Disclosure Controls and Procedures*

We carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2015 were effective.

The Company's principal executive officer and principal financial officer have also concluded that there have not been any changes in the Company's internal control over financial reporting during the quarter ended December 31, 2015 that have materially effected or are reasonably likely to materially effect, the Company's internal control over financial reporting.

#### *(b) Management's Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Our internal control processes and procedures are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements in accordance with United States generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that reasonably allow us to record, process, summarize, and report information and financial data within prescribed time periods and in accordance with Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of internal control over financial reporting as of December 31, 2015 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)* ("COSO Framework"). Based upon our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2015.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

### **Item 9B. Other Information**

None

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this item is incorporated by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the Company's fiscal year end of December 31, 2015, for its annual stockholders' meeting for 2015 (the "Proxy Statement") under the captions "Directors and Executive Officers", "Corporate Governance", "Compliance with Section 16(a) of the Exchange Act", "Code of Ethics" and "Audit Committee."

### **Item 11. Executive Compensation.**

The information required by this item is incorporated by reference to the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders under the caption "Executive Compensation."

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Additional information required by this item is incorporated by reference to the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders under the caption "Stock Ownership of Management and Principal Stockholders".

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

This information required by this item is incorporated by reference to the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders under the captions "Certain Transactions with Management" and "Director Independence".

### **Item 14. Principal Accounting Fees and Services.**

The information regarding principal accountant fees and services and the Company's pre-approval policies and procedures for audit and non-audit services provided by the Company's independent accountants is incorporated by reference to the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders under the caption "Principal Accountant Fees and Services."

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a)(1) The following financial statements are included in Part II, Item 7. Financial Statements and Supplementary Data:

	<b>Page</b>
Financial Statements of Wright Investors' Service Holdings, Inc.:	
Report of Independent Registered Public Accounting Firm .....	25
Consolidated Statements of Operations - Years ended December 31, 2015 and 2014 .....	26
Consolidated Balance Sheets - December 31, 2015 and 2014 .....	27
Consolidated Statements of Cash Flows - Years ended December 31, 2015 and 2014 .....	28
Consolidated Statements of Changes in Stockholders' Equity – Years ended December 31, 2015 and 2014 .....	29
Notes to Consolidated Financial Statements.....	30

(a)(2) Schedules have been omitted because they are not required or are not applicable, or the required information has been included in the financial statements or the notes thereto.

(a)(3) See accompanying Index to Exhibits.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### WRIGHT INVESTORS' SERVICE HOLDINGS, INC

Date: March 24, 2016

By: /s/ HARVEY P. EISEN  
Name: Harvey P. Eisen  
Title: Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ HARVEY P. EISEN</u> Harvey P. Eisen	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 24, 2016
<u>/s/ LAWRENCE G. SCHAFRAN</u> Lawrence G. Schafran	Director	March 24, 2016
<u>/s/ RICHARD C. PFENNIGER Jr.</u> Richard C. Penniger Jr.	Director	March 24, 2016
<u>/s/ MARSHALL S. GELLER</u> Marshall S. Geller	Director	March 24, 2016
<u>/s/ PETER M. DONOVAN</u> Peter M. Donovan	Director	March 24, 2016
<u>/s/ IRA J. SOBOTKO</u> Ira J. Sobotko	Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 2016



## EXHIBIT INDEX

The following exhibits are filed with this report:

- 2.1 Agreement and Plan of Merger, dated June 18, 2012, by and among National Patent Development Corporation, NPT Advisors Inc., The Winthrop Corporation, and Peter M. Donovan as the securityholders' Representative. Incorporated herein by reference to Exhibit 2.1 of the Registrant's Form 8-K filed on June 19, 2012.
- 3(i) Articles of Incorporation of National Patent Development Corporation. Incorporated herein by reference to Exhibit 3.1 of the Registrant's Form S-1, Registration No. 333-118568.
- 3(ii) Bylaws of National Patent Development Corporation. Incorporated herein by reference to Exhibit 3.2 of the Registrant's Form S-1, Registration No. 333-118568.
- 4.1 Form of certificate representing shares of common stock, par value \$0.01 per share, of National Patent Development Corporation. Incorporated herein by reference to Exhibit 4.1 of the Registrant's Form S-1, Registration No. 333-118568.
- 9.1 Form of Investors' Rights Agreement. Incorporated herein by reference to Exhibit 9.1 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.1 Employment Agreement entered into on June 18, 2012 between the Company and Peter M. Donovan. Incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2012 filed on August 14, 2012.
- 10.2 Employment Agreement entered into on June 18, 2012 between the Company and Amit S. Khandwala. Incorporated herein by reference to Exhibit 10.2 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2012 filed on August 14, 2012.
- 10.3 Employment Agreement entered into on June 18, 2012 between the Company and Theodore S. Roman. Incorporated herein by reference to Exhibit 10.3 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2012 filed on August 14, 2012.
- 10.4 Employment Agreement entered into on June 18, 2012 between the Company and Anthony E. van Daalen. Incorporated herein by reference to Exhibit 10.4 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2012 filed on August 14, 2012.
- 10.5 Non-Competition and Non-Solicitation Agreement entered into on June 18, 2012 between the Company and Peter M. Donovan. Incorporated herein by reference to Exhibit 10.5 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2012 filed on August 14, 2012.
- 10.6 Non-Competition and Non-Solicitation Agreement entered into on June 18, 2012 between the Company and Amit S. Khandwala. Incorporated herein by reference to Exhibit 10.6 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2012 filed on August 14, 2012.
- 10.7 Non-Competition and Non-Solicitation Agreement entered into on June 18, 2012 between the Company and Theodore S. Roman. Incorporated herein by reference to Exhibit 10.7 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2012 filed on August 14, 2012.
- 10.8 Non-Competition and Non-Solicitation Agreement entered into on June 18, 2012 between the Company and Anthony E. van Daalen. Incorporated herein by reference to Exhibit 10.8 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2012 filed on August 14, 2012.
- 10.9 Form of Restricted Stock Unit Agreement. Incorporated herein by reference to Exhibit 10.9 of the Registrant's Form 8-K filed on December 22, 2012.

- 10.10 Form of Support Agreement. Incorporated herein by reference to Exhibit 10.10 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.11 Lease between The Winthrop Corporation, Tenant and 440 Wheelers Farms Road, L.L.C., Landlord dated July 16, 1999, as amended. Incorporated herein by reference to Exhibit 10.11 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.12 Side Letter Agreement between The Winthrop Corporation, Tenant and 440 Wheelers Farms Road, L.L.C., Landlord, dated July 16, 1999. Incorporated herein by reference to Exhibit 12 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.13 Amendment between The Winthrop Corporation, Tenant and 440 Wheelers Farms Road, L.L.C., Landlord, dated January 7, 2000. Incorporated herein by reference to Exhibit 10.13 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.14 Premises and Relocation Lease Amendment between The Winthrop Corporation, Tenant and 440 Wheelers Farms Road, L.L.C., Landlord, dated October 8, 2003. Incorporated herein by reference to Exhibit 10.14 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.15 \*\* Agreement Upon Withdrawal by the Winthrop Corporation from Worldscope /Disclosure LLC dated as of June 1, 2012. Incorporated herein by reference to Exhibit 10.15 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.16 Agreement of Lease between SOVA Merritt LLC, Landlord and the Winthrop Corporation dated March 17, 2008. Incorporated herein by reference to Exhibit 10.16 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.17 Modification of Amendment to Security Agreement Dated March, 2005 between The Winthrop Corporation and Merritt Acquisitions LLC, as successor in interest to 440 Wheelers Farm Road, LLC. Incorporated herein by reference to Exhibit 10.17 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.18 Distribution Agreement between Thomson Reuters (Markets) LLC and Wright Investors' Service, dated November 30, 2009. Incorporated herein by reference to Exhibit 10.18 of the Registrant's Form 8-K filed on December 22, 2012.
- 10.19 Settlement Agreement and Release, between Cohn Reznick LLP, in its capacity as Plan Administrator, and Wright Investors' Service Holdings, Inc. Incorporated herein by reference to Exhibit 10.1 of the Registrant's 8-K filed on August 2, 2013.
- 10.20 Amendment No. 1 to Agreement Upon Withdrawal by The Winthrop Corporation From Worldscope/Disclosure LLC. Incorporated herein by reference to Exhibit 10.20 to the Registrant's Form 10-Q for the quarter ended June 30, 2014 filed on August 12, 2014.
- 10.21 Sublease between Coldwell Banker Real Estate Services LLC (sublessor) And Wright Investors' Service Holdings, Inc. (sublessee) At 177 West Putman Avenue, Greenwich Connecticut. Incorporated herein by reference to Exhibit 10.21 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 as filed on November 12, 2014.
- 10.22 Limited Liability Company Agreement for EGS, LLC effective April 28, 2015
- 10.23 Note Purchase Agreement Between EGS, LLC and Merriman Holdings, Inc., effective April 28, 2015
- 10.24 Note Purchase Agreement Between EGS, LLC and Merriman Holdings, Inc., effective July 16, 2015
- 14 Code of Business Conduct and Ethics for Chief Executive Officer and Senior Financial Officers of the Registrant and its subsidiaries. Incorporated herein by reference to Exhibit 14.1 to the Registrant's Form 10-K for the year ended December 31, 2004 filed on April 15, 2005

21	Subsidiaries of the Registrant*
31.1	* Certification of the principal executive officer of the Registrant, pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	* Certification of the principal financial officer of the Registrant, pursuant to Securities Exchange Act Rule 13a-14(a)
32	* Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, signed by the principal executive officer and the principal financial officer of the Registrant
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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\*Filed within

**SUBSIDIARIES OF THE REGISTRANT**

<b>Name of Subsidiary</b>	<b>Other Names Under Which Subsidiary Conducts Business</b>	<b>State or Other Jurisdiction of Incorporation or Organization</b>
NPDV Resources, Inc.	N/A	Delaware
Chestnut Hill Reservoir Company	N/A	Connecticut
The Winthrop Corporation	N/A	Connecticut

**CERTIFICATIONS**

I, Harvey P. Eisen, certify that:

1. I have reviewed this annual report on Form 10-K of Wright Investors' Service Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(e) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2016

/s/ HARVEY P. EISEN

Name: Harvey P. Eisen  
Title: Chairman, President and  
Chief Executive Officer

**CERTIFICATIONS**

I, Ira J. Sobotko, certify that:

1. I have reviewed this annual report on Form 10-K of Wright Investors' Service Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(e) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2016

/s/ IRA J. SOBOTKO

Name: Ira J. Sobotko  
Title: Vice President, Chief Financial Officer,  
Secretary and Treasurer

**CERTIFICATIONS PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Annual Report on Form 10-K of Wright Investors' Service Holdings, Inc. (the "Company") for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. (section) 1350, as adopted pursuant to (section) 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HARVEY P. EISEN

Name: Harvey P. Eisen  
Title: Chairman, President and  
Chief Executive Officer  
Date: March 24, 2016

/s/ IRA J. SOBOTKO

Name: Ira J. Sobotko  
Title: Vice President, Chief Financial Officer  
Secretary and Treasurer  
Date: March 24, 2016