

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE
13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)*

(AMENDMENT NO. 11)

Dynex Capital, Inc.

(Name of Issuer)

Common Stock, \$0.01 par value per share

(Title of Class of Securities)

26817Q506

(CUSIP Number)

with a copy to:

Michael R. Kelly	Stephen Fraidin
550 West C Street	Fried, Frank, Harris, Shriver &
San Diego, CA 92101	Jacobson
(619) 687-5000	One New York Plaza
	New York, NY 10004-1980
	(212) 859-8000

(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)

January 29, 2001

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box ☐.

Note: Schedules filed in paper format shall include a signed original and five copies of the Schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 26817Q506

1 NAME OF REPORTING PERSON/
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS

CALIFORNIA INVESTMENT FUND, LLC 33-0688954

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) ☒
(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) or 2(e) ☐

NOT APPLICABLE

6 CITIZENSHIP OR PLACE OF ORGANIZATION

CALIFORNIA

NUMBER OF 7 SOLE VOTING POWER

SHARES -0-

BENEFICIALLY 8 SHARED VOTING POWER

OWNED BY EACH 572,178

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON WITH -0-

10 SHARED DISPOSITIVE POWER

572,178

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

572,178

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) []
EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.00%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 26817Q506

1 NAME OF REPORTING PERSON/
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS

MICHAEL R. KELLY

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [x]

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) or 2(e) []

NOT APPLICABLE

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF 7 SOLE VOTING POWER

SHARES -0-

BENEFICIALLY 8 SHARED VOTING POWER

OWNED BY EACH 572,178

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON WITH -0-

10 SHARED DISPOSITIVE POWER

572,178

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5.00%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

CUSIP No. 26817Q506

1 NAME OF REPORTING PERSON/
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS

RICHARD KELLY

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) ☒

(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) or 2(e) ☐

NOT APPLICABLE

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5.00%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

This amendment amends and supplements Schedule 13D of California Investment Fund, LLC, dated April 3, 2000 and filed on April 4, 2000 with the Securities and Exchange Commission ("SEC"), Amendment No. 1 to Schedule 13D, dated September 12, 2000 and filed on September 13, 2000 with the SEC, Amendment No. 2 to Schedule 13D, dated October 3, 2000 and filed on October 3, 2000 with the SEC, Amendment No. 3 to Schedule 13D, dated October 17, 2000 and filed on October 17, 2000 with the SEC, Amendment No. 4 to Schedule 13D, dated October 24, 2000 and filed on October 24, 2000 with the SEC, Amendment No. 5 to Schedule 13D, dated October 30, 2000 and filed on October 30, 2000 with the SEC, Amendment No. 6 to Schedule 13D, dated November 8, 2000 and filed on November 8, 2000 with the SEC, Amendment No. 7 to Schedule 13D, dated December 12, 2000 and filed on December 12, 2000 with the SEC, Amendment No. 8 to Schedule 13D, dated December 21, 2000 and filed on December 21, 2000 with the SEC, Amendment No. 9 to Schedule 13D, dated December 27, 2000 and filed on December 27, 2000 with the SEC, and

Amendment No. 10 to Schedule 13D, dated January 5, 2001 and filed on January 5, 2001 with the SEC (together, the "Schedule 13D"). Except as amended by this amendment, there has been no change in the information previously reported on the Schedule 13D.

ITEM 4. Purpose of Transaction.

On November 7, 2000, California Investment Fund, LLC (the "Fund") and Dynex Capital, Inc. ("Dynex") entered into a definitive merger agreement (as amended, the "Merger Agreement") pursuant to which a newly formed subsidiary of the Fund will merge with and into Dynex and Dynex will become a wholly owned subsidiary of the Fund for a purchase price of \$90 million in cash for all of the equity of Dynex (the "Acquisition Transaction"). There can be no assurance that the Acquisition Transaction will be completed on the terms set forth in the Merger Agreement or otherwise. A copy of the Merger Agreement was attached as Exhibit B to the Fund's Amendment No. 6 to Schedule 13D filed on November 8, 2000 with the SEC, and is specifically incorporated herein by reference, and the description herein of such merger agreement is qualified in its entirety by reference to such agreement.

On January 29, 2001, the Fund delivered to Dynex a letter (the "Response Letter"), a copy of which is attached hereto as Exhibit A and specifically incorporated herein by reference, and the description herein of the Response Letter is qualified in its entirety by reference to such Response Letter. The Response Letter responds to a letter, dated January 26, 2001, from Dynex to the Fund (the "January 26 Letter") which purports to terminate the Merger Agreement and to a letter, dated January 26, 2001, sent by Dynex to U.S. Trust Company, National Association (the "Escrow Deposit Request"). A copy of the January 26 Letter and the Escrow Deposit Request are attached hereto as Exhibits B and C, respectively, and are specifically incorporated herein by reference, and the description herein of such letters is qualified in its entirety by reference to such letters.

The Response Letter states that the Fund believes that Dynex has no proper basis for terminating the Merger Agreement and urges Dynex to promptly rescind any purported termination of the Merger Agreement. The Response Letter requests Dynex to take no action inconsistent with the consummation of the transactions contemplated by the Merger Agreement in accordance with its terms and reserves all rights of the Fund, including the right to sue and protect the interests of the Fund and Dynex's shareholders.

Depending on the outcome of the Acquisition Transaction, the Fund reserves the right to formulate other plans and/or make other proposals, and take such actions with respect to its investments in Dynex, including any or all of the actions set forth in paragraphs (a) through (j) of Item 4 of Schedule 13D and any other actions as it may determine.

Except as stated in this response to Item 4 and in furtherance of closing the Acquisition Transaction pursuant to the terms of the Merger Agreement, the Fund has no current plans or proposals with respect to Dynex or its securities of the types enumerated in paragraphs (a) through (j) of Item 4 of Schedule 13D.

ITEM 7. Material to be Filed as Exhibits.

- Exhibit A -- Letter, dated January 29, 2001, from California Investment Fund, LLC to Dynex Capital, Inc.
- Exhibit B -- Letter, dated January 26, 2001, from Dynex Capital, Inc. to California Investment Fund, LLC.
- Exhibit C -- Letter, dated January 26, 2001, from Dynex Capital, Inc. to U.S. Trust Company, National Association.

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this statement is true, complete and correct.

Date: January 30, 2001 California Investment Fund, LLC,
a California limited liability company

By: /s/ Michael R. Kelly

Michael R. Kelly
Its: Managing Member

Date: January 30, 2001

Michael R. Kelly

By: /s/ Michael R. Kelly

Michael R. Kelly, as an Individual

Date: January 30, 2001

Richard Kelly

By: /s/ Richard Kelly

Richard Kelly, as an Individual

Exhibit Index

Exhibit A -- Letter, dated January 29, 2001, from California
Investment Fund, LLC to Dynex Capital, Inc.

Exhibit B -- Letter, dated January 26, 2001, from Dynex Capital, Inc. to
California Investment Fund, LLC.

Exhibit C -- Letter, dated January 26, 2001, from Dynex Capital, Inc. to
U.S. Trust Company, National Association.

CALIFORNIA INVESTMENT FUND, LLC

January 29, 2001

VIA FACSIMILE AND CERTIFIED MAIL

The Board of Directors
Dynex Capital, Inc.
4551 Cox Road
Glen Allen, VA 23060

Dear Sirs:

We are in receipt of a letter from Stephen J. Benedetti dated January 26, 2001 purporting to terminate the Agreement and Plan of Merger dated November 7, 2000 (the "Merger Agreement"), as well as an Escrow Deposit Request Mr. Benedetti sent to U.S. Trust Company on the same date.

CIF believes that Dynex has no proper basis for terminating the Merger Agreement. We urge you to promptly rescind your purported termination of the Merger Agreement. Dynex's decision to rely upon technical details in purporting to terminate the Merger Agreement, when as Dynex well knows, CIF has been successfully moving forward toward the consummation of the transactions contemplated by the Merger Agreement in accordance with its terms, raises serious questions as to whether Dynex is fulfilling its obligation to deal with CIF in good faith and whether Dynex is acting in the best interests of its shareholders.

Dynex's wrongful termination of the Merger Agreement is also interfering with CIF's ability to document its agreement with the bondholders, and Dynex must therefore rescind that wrongful termination immediately or be held accountable for the resulting damages to CIF.

We further request that Dynex take no action inconsistent with the consummation of the transactions contemplated by the Merger Agreement, in accordance with the terms of that agreement. CIF reserves all its rights, including the right to sue to protect its and all other Dynex shareholders' interests.

Very truly yours,
California Investment Fund, LLC

/s/ Michael R. Kelly

Michael R. Kelly
Managing Member

cc: Elizabeth R. Hughes, Esq.

550 WEST C STREET/10TH FLOOR
SAN DIEGO, CALIFORNIA 92101-3531
TEL 619-687-5000/FAX 619-687-5010

EXHIBIT B

DYNEX

DYNEX CAPITAL, INC.
4551 COX ROAD, SUITE 300
GLEN ALLEN, VIRGINIA 23060
804-217-5800
FAX 804-217-5860

January 26, 2001

VIA FACSIMILE AND CERTIFIED MAIL

California Investment Fund, LLC
550 West C Street
10th Floor
San Diego, CA 92101

Attention: Michael R. Kelly, Managing Member

RE: MERGER AGREEMENT DATED NOVEMBER 7, 2000

Dear Mr. Kelly:

Reference is made to the Agreement and Plan of Merger dated November 7, 2000, as amended ("Merger Agreement") between California Investment Fund, LLC ("CIF"), DCI Acquisition Corporation and Dynex Capital, Inc. ("Dynex") and to the letter dated December 22, 2000 between Dynex and CIF (the "December 22nd Letter"). Dynex hereby notifies you that Dynex is terminating the Merger Agreement for CIF's breaches of its obligations under numbered paragraphs 2 and 3 of the December 22nd Letter and pursuant to Section 7(a)(vii) of the Merger Agreement.

Very truly yours,
DYNEX CAPITAL, INC.

By: /s/ Stephen J. Benedetti

Stephen J. Benedetti
Vice President, Treasurer

cc: Stephen Fraidin, Esquire

EXHIBIT C

DYNEX

DYNEX CAPITAL, INC.
4551 COX ROAD, SUITE 300
GLEN ALLEN, VIRGINIA 23060
804-217-5800
FAX 804-217-5860

January 26, 2001

BY CERTIFIED MAIL - RETURN RECEIPT
REQUESTED & BY FACSIMILE: (213) 488-1370

U.S. Trust Company, National Association
515 South Flower Street
Suite 2700
Los Angeles, CA 90071

Attention: Corporate Trust Division

Re: Escrow Agreement dated as of November 7, 2000 by and among
California Investment Fund, LLC, Dynex Capital, Inc. and U.S.
Trust Company, National Association

Dear Sir or Madam:

This is to notify you that Dynex Capital, Inc. ("Dynex") has terminated the Agreement and Plan of Merger dated as of November 7, 2000 by and among California Investment Fund, LLC ("CIF"), DCI Acquisition Corporation and Dynex, as amended (the "Merger Agreement") pursuant to Sections 7(a)(vii) of the Merger Agreement as a result of the failure of CIF to satisfy the condition set forth in Section 6(b)(iii) of the Merger Agreement. This letter is the Escrow Deposit Request of Dynex.

CIF is in breach of its obligations under Section 5(e) Merger Agreement because the letter addressed to Dynex from Fremont Investment & Loan dated December 19, 2000 is neither a "commitment" to provide financing nor is it from a financing source "capable of financing the transactions contemplated by" the Merger Agreement. In addition, CIF is in breach of its obligations under numbered paragraphs 2 and 3 in the attached letter dated December 22, 2000 between Dynex and CIF. Dynex represents and warrants that it is asserting a Claim pursuant to Section 4(a)(ii) of the captioned Escrow Agreement (the "Escrow Agreement") for the Escrow Shares and the full amount of the Escrow Fund, as a result of the Material Breach. Please disburse to Dynex the Escrow Shares and the full amount of the Escrow Fund. Capitalized terms used but not otherwise defined in this letter shall have the meanings ascribed to such terms in the Escrow Agreement.

Thank you for your immediate attention to this matter.

DYNEX CAPITAL, INC.

By: /s/ Stephen J. Benedetti

Stephen J. Benedetti,
Vice President

cc: California Investment Fund, LLC
(by certified mail - return receipt requested & by facsimile)
Stephen Fraidin, Esq.
(by certified mail - return receipt requested & by facsimile)
Ray LaSoya, Esq. (by facsimile)
Elizabeth R. Hughes, Esq. (by facsimile)