

## **SUMMARY OF RIGHTS TO PURCHASE PREFERRED SHARES**

On November 10, 2005, the Board of Directors of Bexil Corporation (the “Company”) declared a dividend distribution of one right for each of the Company’s outstanding shares of common stock, par value \$.01 per share (the “Common Shares”), to holders of record of the Common Shares at the close of business on November 21, 2005. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of preferred stock, par value \$.01 per share, of the Company (the “Preferred Shares”) or in certain circumstances, to receive cash, property, Common Shares or other securities, at a Purchase Price of \$67.50 per one one-thousandth of a Preferred Share, subject to adjustment (the “Rights”). The description and terms of the Rights are set forth in a Rights Agreement dated as of November 10, 2005 (the “Rights Agreement”) between the Company and American Stock Transfer & Trust Company, as Rights Agent (the “Rights Agent”).

### **DETACHMENT AND TRANSFER OF RIGHTS**

Initially, the Rights are not exercisable and will be attached to all certificates representing Common Shares then outstanding, and no separate Right Certificates will be distributed. The Rights will separate from the Common Shares, and the Distribution Date will occur, upon the earlier of (i) a public announcement that a person or group of affiliated or associated persons, has become an “Acquiring Person” (as such term is defined in the Rights Agreement) or (ii) ten (10) business days (or such later date as the Board may determine) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer that would result in the beneficial ownership by an Acquiring Person of ten percent (10%) or more of the outstanding Common Shares (the earlier of such dates being called the “Distribution Date”). In general, an “Acquiring Person” is a person, the affiliates or associates of such person, or a group, that has acquired beneficial ownership of ten percent (10%) or more of the outstanding Common Shares; *provided that* certain “Exempt Persons” as defined in the Rights Agreement may have greater beneficial ownership without becoming an “Acquiring Person.” In addition, certain inadvertent acquisitions will not trigger the occurrence of the Distribution Date.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), (i) the Rights will be evidenced by the Common Share certificates outstanding as of the Record Date, or by new Common Share certificates issued after the Record date that contain a notation incorporating the Rights Agreement by reference, (ii) the Rights will be transferable with and only with the such Common Share certificates and (iii) the surrender or transfer of any certificates for Common Shares outstanding (with or without a copy of this Summary of Rights or such notation) will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (“Right Certificates”) will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

### **EXERCISABILITY OF RIGHTS**

The Rights are not exercisable until the Distribution Date. The Rights will expire on November 21, 2015 (the “Final Expiration Date”), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case as described below. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. Although the distribution of the Rights should not be taxable to stockholders or to the Company, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Common Shares (or cash, property or other securities) of the Company or for common stock of the acquiring company as set forth below.

Except as otherwise determined by the Board of Directors, and except for shares of Common Stock issued upon exercise, conversion or exchange of then outstanding options, convertible or exchangeable securities or other contingent obligations to issue shares or pursuant to any employee benefit plan or arrangement, only Common Shares issued prior to the Distribution Date will be issued with Rights.

The Purchase Price payable, and the number of Preferred Shares, Common Shares or other securities or property issuable or payable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares, (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares or convertible securities at less than the then-current market price (as defined in the Rights Agreement) of the Preferred Stock or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular quarterly cash dividends paid out of earnings or retained earnings) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-thousandths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Shares or a stock dividend on the Common Shares payable in Common Shares, or subdivisions, consolidations or combinations of the Common Shares occurring, in any such case, prior to the Distribution Date. With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least one percent (1%) in such Purchase Price. No fractional Preferred Shares will be issued (other than fractions that are integral multiples of one one-thousandth of a Preferred Share) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

#### **TERMS OF PREFERRED SHARES**

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of \$15 per share or, if greater, an aggregate dividend of 1,000 times the dividend declared per Common Share. In the event of liquidation, the holders of the Preferred Shares will be entitled to a minimum preferential liquidation payment of \$1,000 per share, plus an amount equal to accrued and unpaid dividends, and such holders will be entitled to an aggregate payment of 1,000 times the payment made per Common Share. Each Preferred Share will have 1,000 votes, voting together with the Common Shares. In the event of any merger, consolidation or other transaction in which Common Shares are changed or exchanged, each Preferred Share will be entitled to receive 1,000 times the amount received per Common Share. These rights are protected by customary anti-dilution provisions. Because of the nature of the Preferred Shares' dividend, liquidation and voting rights, the value of one one-thousandth of a Preferred Share purchasable upon exercise of each Right should approximate the value of one Common Share.

#### **TRIGGER OF SECTION 11(a)(ii) AND SECTION 13 EVENTS**

In the event that any a Person becomes an Acquiring Person, unless the event causing the ten percent (10%) threshold to be crossed is a Permitted Offer (as defined in the Rights Agreement), then, promptly following the first occurrence of such event, each holder of a Right (except as provided in Section 7(e) of the Rights Agreement) shall thereafter have the right to receive, upon exercise of such Right, that number of Common Shares (or, in certain circumstances, cash, property or other securities of the Company) that equals the exercise price of the Right divided by fifty percent (50%) of the current market price (as defined in the Rights Agreement) per Common Share at the date of the occurrence of such event. However, Rights are not exercisable following such event until such time as the Rights are no longer redeemable by the Company as set forth below. Notwithstanding any of the foregoing, following the occurrence of such event, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person (or by certain related parties) will be null and void. The event summarized in this paragraph is referred to as a "Section 11(a)(ii) Event."

For example, at an exercise price of \$67.50 per Right, each Right not owned by an Acquiring Person (or by certain related parties) following a Section 11(a)(ii) Event would entitle its holder to purchase for \$67.50 such number of Common Shares (or other consideration, as noted above) as equals \$67.50 divided by one-half of the current market price (as defined in the Rights Agreement) of the Common Shares. Assuming that the current market price per share of the Common Shares is \$22.50 at such time, the holder of each valid Right would be entitled to purchase six Common Shares, having a market value of  $6 \times \$22.50$ , or \$135, for \$67.50.

In the event that, at any time after any Person becomes an Acquiring Person, (i) the Company is consolidated with, or merged with or into, another entity and the Company is not the surviving entity of such consolidation or merger (other than a consolidation or merger that follows a Permitted Offer) or if the Company is the surviving entity, but its outstanding Common Shares are changed or exchanged for stock or securities (of any other person) or cash or any other property, or (ii) more than fifty percent (50%) of the Company's assets or earning power is sold or transferred, each holder of a Right (except Rights that previously have been voided as set forth above) shall thereafter have the right to receive, upon exercise, that number of shares of common stock of the acquiring company which equals the exercise price of the Right divided by fifty percent (50%) of the current market price (as defined in the Rights Agreement) of such common stock at the date of the occurrence of the event. The events summarized in this paragraph are referred to as "Section 13 Events." A Section 11(a)(ii) Event and Section 13 Events are collectively referred to as "Triggering Events."

For example, at an exercise price of \$67.50 per Right, each valid Right following a Section 13 Event would entitle its holder to purchase for \$67.50 such number of common stock of the acquiring company as equals \$67.50 divided by one-half of the current market price (as defined in the Rights Agreement) of such common stock. Assuming that such common stock had a current market price of \$22.50 at such time, the holder of each valid Right would be entitled to purchase six shares of common stock of the acquiring company, having a market value of  $6 \times \$22.50$ , or \$135, for \$67.50.

#### **REDEMPTION AND EXCHANGE OF RIGHTS**

At any time after a person becomes an Acquiring Person and prior to the acquisition by such person or group of fifty percent (50%) or more of the outstanding Common Shares, the Company's Board of Directors may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one Common Share, or one one-thousandth of a Preferred Share (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

At any time until ten (10) business days following the Shares Acquisition Date, the Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (payable in cash, Common Stock or other consideration deemed appropriate by the Company's Board of Directors). In the event that Continuing Directors no longer comprise a majority of the Board (a "Section 23(a) Event"), then for the maximum period allowed under Maryland law following the first occurrence of a Section 23(a) Event, the rights cannot be redeemed unless there are Continuing Directors and a majority of the Continuing Directors concur with the Board of Directors' decision to redeem the rights. Immediately upon the action of the Company's Board of Directors ordering redemption of the Rights (with, where required, the concurrence of the Continuing Directors), the Rights will terminate and the only right of the holders of Rights will be to receive the \$.01 per Right redemption price. The term "Continuing Directors" means any member of the Board of Directors of the Company who was a member of the Board of Directors prior to the date of the Rights Agreement, and any person who is subsequently elected to the Board of Directors if such person is recommended or approved by a majority of the Continuing Directors, but shall not include an Acquiring Person, or an affiliate or associate of an Acquiring Person, or any representative of the foregoing entities.

#### **AMENDMENT OF RIGHTS**

Any provision of the Rights Agreement may be amended by the Board of Directors of the Company prior to the Distribution Date. Thereafter, the provisions of the Rights Agreement may be amended by the

Board of Directors only in order to cure any ambiguity, defect or inconsistency, to make changes that do not adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person and certain other related parties) or to shorten or lengthen any time period under the Rights Agreement. For the maximum period permitted under Maryland law following the first occurrence of a Section 23(a) Event, the Rights Agreement can be amended only if there are Continuing Directors and a majority of the Continuing Directors concur with the amendment. Notwithstanding the foregoing, after such time as the Rights are not redeemable, the Rights Agreement may only be amended to cure any ambiguity, defect or inconsistency.

#### **AUTHORIZED SHARES**

As of November 10, 2005, there were 879,591 Common Shares outstanding and no Common Shares in the Company's treasury. Each Common Share outstanding at the close of business on the Record Date will receive one Right. So long as the Rights are attached to the Common Shares, one additional Right (as such number may be adjusted pursuant to the provisions of the Rights Agreement) shall be deemed to be delivered for each Common Share issued or transferred by the Company in the future. One hundred thousand (100,000) Preferred Shares are initially reserved for issuance upon exercise of the Rights.

#### **ADDITIONAL INFORMATION**

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Current Report on Form 8-K dated November 14, 2005. A copy of the Rights Agreement is available free of charge from the Company or the Rights Agent. This summary description of the Rights is not intended to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.