

# Petroleum & Resources Corporation

Seven St. Paul Street  
Baltimore, MD 21202

November 12, 2009

## **IMPORTANT NOTICE** **Please Read Carefully**

*To our Stockholders:*

The Board of Directors today declared (i) a dividend of \$0.06 per share from net investment income for the year 2009 and (ii) a distribution of \$0.98 per share from undistributed net capital gains realized during the year 2009, of which \$0.14 was short-term and \$0.84 was long-term, both payable December 28, 2009, to stockholders of record at the close of business November 20, 2009.

### **Options to Receive Stock or Cash**

Each stockholder may elect to receive the income dividend and the capital gain distribution in one of three different ways, as follows:

#### ***Option 1***

You may elect to receive full shares of stock for the combined total income dividend and capital gain distribution of \$1.04 per share. Any balance of less than one full share will be paid in cash.

A stockholder exercising Option 1 whose combined total dividend and capital gain distribution amounts to less than the value of one share of stock will receive only cash.

#### ***Option 2***

You may elect to receive full shares of stock for the capital gain distribution of \$0.98 per share. The income dividend and any balance of the capital gain distribution of less than one full share will be paid in cash.

A stockholder exercising Option 2 whose total capital gain distribution amounts to less than the value of one share will receive only cash.

#### ***Option 3***

You may elect to receive both the income dividend and the capital gain distribution in cash.

#### ***Automatic Reinvestment (Investors Choice)***

**No option card is enclosed for stockholders whose dividends are automatically reinvested.** The total payment will be used for the purchase of stock and, if applicable, will include a fractional share. **There will be no service charge for the December 28, 2009 reinvestment.** You will receive a confirmation of shares credited to your account 10 to 12 days after the date of the distribution.

**Since the capital gain distribution reflects the realization of increased value of your investment, rather than dividend income, an election to receive that distribution in shares will tend to maintain your capital invested in the Corporation, and an election to receive cash will tend to reduce that investment. Option 1 provides a method for stockholders who wish to build up their holdings in the Corporation's stock.**

## **How to Exercise Your Option**

Determine the option you wish to exercise and clearly mark the box indicating such option on the enclosed card. Then sign and mail this card in the enclosed postage paid envelope so that it will be received by American Stock Transfer & Trust Company, New York, NY 10269 not later than **December 9, 2009**.

**Please note that your option card must be received by American Stock Transfer & Trust Company by the close of business December 9, 2009. If it is *NOT* received by American Stock Transfer & Trust Company by December 9, 2009, or if it is received but none of the boxes is clearly marked, you will automatically receive payment under Option 2.**

## **Method of Computation**

The number of additional shares to be issued to a stockholder electing Option 1 or 2 will be determined by dividing the total dollar amount of their combined dividend and capital gain distribution under Option 1, or the total dollar amount of their capital gain distribution under Option 2, by the value per share of the Corporation's stock on December 9, 2009. The "value per share" on that date for this purpose shall be the **lower** of (1) the "fair market value" on that date, which shall be the **mean** between the high and low sales prices on the New York Stock Exchange or, if there are no sales, then the **mean** between the closing bid and asked quotation for such day, or (2) the net asset value per share determined as of the close of business on December 9, 2009. In no event shall the "value per share" for this purpose be less than 95 per cent of the "fair market value" on December 9, 2009. In the event that the New York Stock Exchange should be closed on December 9, 2009, prices from the next preceding day on which the New York Stock Exchange shall have been open will be used in this computation.

The number of shares that will be outstanding after these payments are made cannot be established until the price at which shares will be issued has been determined, as described in the preceding paragraph, and the elections of the stockholders have been tabulated.

As of the close of business October 30, 2009, the net asset value of the Corporation's stock, as computed by the Corporation, was \$26.58 per share and the closing price on the New York Stock Exchange was \$23.62 per share. Therefore, on that date the market price represented a discount of 11.1 per cent from the net asset value. If the net asset value and market price of the stock on the computation date should be the same as on October 30, 2009, after provision for the payments announced herein, and assuming that shareholders elect to take 52 per cent of the total payment (the approximate average over the past five years) in stock, the net asset value per share would be reduced by less than one per cent.

## **Important — Federal Income Tax Information — Note Carefully**

Both the income dividend and the capital gain distribution which you will receive are subject to Federal income taxes, whether received in stock or cash.

**Accordingly, the dividend of \$0.06 per share from net investment income plus \$0.14 per share from short-term capital gain (total \$0.20 per share) should be reported in your Federal income tax return for the calendar year 2009 as dividend income, whether received in stock or cash.**

**The long-term capital gain distribution of \$0.84 per share, whether received in stock or cash, should be reported in your Federal income tax return for the calendar year 2009 as long-term capital gain realized in 2009 regardless of how long you have owned your Petroleum & Resources Corporation stock.** The long-term capital gain distribution is taxable at the capital gain tax rates. Stockholders should consult their tax advisors for their individual tax rates.

If you exercise Option 1 or 2, your cost basis per share for federal tax purposes of the shares you receive will generally be an amount equal to the amount you would have received had you taken the dividend or capital gain distribution in cash divided by the number of shares that you receive.

If you have any questions, please contact the Shareholder Relations Department at American Stock Transfer & Trust Company at 866-723-8330. If you have any further questions, please communicate with the Office of the Secretary, Petroleum & Resources Corporation, Seven St. Paul Street, Baltimore, MD 21202 (410-752-5900 or 800-638-2479) or by e-mail to: [contact@peteres.com](mailto:contact@peteres.com).

By order of the Board of Directors,

DOUGLAS G. OBER,  
*Chairman, President & CEO*

**MAIL YOUR OPTION CARD EARLY IN ORDER TO GUARD AGAINST MAIL DELAY.**  
**THE OPTION CARD MUST BE RECEIVED BY AMERICAN STOCK TRANSFER & TRUST COMPANY**  
**NO LATER THAN THE CLOSE OF BUSINESS ON DECEMBER 9, 2009.**