

MEMO# 19471

December 13, 2005

PROCEDURE FOR PROVIDING FOREIGN SHAREHOLDER TAX WITHHOLDING AND REPORTING INFORMATION TO INTERMEDIARIES

©2005 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [19471] December 13, 2005 TO: TAX MEMBERS No. 33-05 INTERNATIONAL MEMBERS No. 34-05 OPERATIONS COMMITTEE No. 29-05 BROKER/DEALER ADVISORY COMMITTEE No. 36-05 BANK AND TRUST ADVISORY COMMITTEE No. 20-05 TRANSFER AGENT ADVISORY COMMITTEE No. 66-05 SMALL FUNDS COMMITTEE No. 36-05 RE: PROCEDURE FOR PROVIDING FOREIGN SHAREHOLDER TAX WITHHOLDING AND REPORTING INFORMATION TO INTERMEDIARIES The Institute has been working with the Securities Industry Association ("SIA") and the Depository Trust Company ("DTC") to ensure that intermediaries receive relevant information regarding the tax consequences (including withholding tax treatment) of certain distributions made by U.S. funds to foreign shareholders. This tax information relates to two changes enacted last year by Congress.¹ First, funds may elect to designate distributions of short-term capital gains and/or qualified interest income as exempt from U.S. withholding tax when paid to foreign shareholders. This "flow-through" provision applies to dividends paid by electing funds with respect to taxable years of the funds beginning after December 31, 2004. Second, foreign shareholders in U.S. funds that invest indirectly in real estate sometimes may be required to treat certain portions of a fund's capital gain distribution as so-called "FIRPTA gain;" these gains, among other things, are subject to U.S. withholding tax. These "FIRPTA" changes also generally apply to taxable years of funds beginning after December 31, 2004. We are pleased to inform you that DTC has agreed to make available its "Important Notice" procedure to funds that provide DTC with information regarding distributions to foreign shareholders; these distributions may be exempt from U.S. withholding tax under the "flow-through" rules or subject to U.S. withholding tax under the "FIRPTA" rules. This ¹ See Institute Memorandum (18115) to Tax Members No. 42-04, International Members No. 55-04 and Accounting Treasurers Members No. 35-04, dated October 19, 2004. ² information will be posted on DTC's website for the use of its participants. Funds will not be charged for providing this information to DTC. The following requirements have been established by DTC for any fund providing information ("notice content") for dissemination under the Important Notice procedure: • The notice content must be provided by e-mail (dividend_domestic_tax@dtcc.com) in PDF form. • The notice content must be provided using letter-size (8-1/2 by 11 inch) format; either portrait or landscape presentation is acceptable. • The notice content must be provided on company letterhead or equivalent so

as to clearly show attribution to the source organization. • The notice content must include (for each relevant fund) all pertinent information -- including CUSIP, record date, payable date, and the portion of each distribution attributable to qualified interest income, short-term capital gains, and/or FIRPTA gains. • Contact information for one or more persons at the fund complex also must be provided. • DTC will add a cover sheet to the notice content for posting on the DTC website. Under no circumstances will DTC alter the notice content provided or review it for accuracy, errors, omissions, etc. • Any questions for DTC regarding this Important Notice procedure should be directed to Sean Bollers at (212-855-4706) or Anthony Capizzi (at 212-855-4703). Keith Lawson Senior Counsel - Tax Law

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