

MEMO# 19696

February 8, 2006

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

©2006 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. [19696] February 8, 2006 TO: TAX MEMBERS No. 5-06 INTERNATIONAL MEMBERS No. 4-06 OPERATIONS COMMITTEE No. 5-06 BROKER/DEALER ADVISORY COMMITTEE No. 5-06 BANK AND TRUST ADVISORY COMMITTEE No. 5-06 TRANSFER AGENT ADVISORY COMMITTEE No. 9-06 SMALL FUNDS COMMITTEE No. 3-06 RE: REVISED PROCEDURE FOR PROVIDING FOREIGN SHAREHOLDER TAX WITHHOLDING AND REPORTING INFORMATION TO INTERMEDIARIES The Depository Trust Company ("DTC") has amended its procedure for ensuring that intermediaries receive relevant information (pursuant to 2004 tax law changes)¹ regarding the tax consequences of certain distributions made by U.S. funds to foreign shareholders. As we previously informed you,² 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.³

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 See Institute Memorandum (19471) 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 and Small Funds Committee No. 36-05, dated December 13, 2005. ³ Under the first change, 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. Under the second change, 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.

² The specific change relates to the DTC e-mail address to which such tax information must be sent for posting on DTC's website. Under the new procedure, the notice content must be provided by e-mail to dividenddomestictax@dtcc.com in PDF form. The other DTC

requirements remain the same. • 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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