

THE DEPOSITORY TRUST COMPANY

IMPORTANT

B#: 2387

DATE: December 19, 1997

TO: All Participants

FROM: Bill Salva, Director, Product Management

ATTENTION: Managing Partner/Officer, Cashier, Operations and Dividend Managers

SUBJECT: Expansion of DTC's Canadian Foreign Tax Withholding Service

Revenue Canada, the tax authority of Canada, has notified DTC that United States Individual Retirement Accounts (IRAs) are eligible for tax-exempt treaty benefits at source through DTC's Elective Dividend System ("EDS").

Effective Thursday, January 8, 1998, Participants will be able to use the EDS function over the Participant Terminal System (PTS) to elect the tax exempt rate (0%) for dividends on Canadian Securities on behalf of U.S. IRA beneficial owners. Previously, DTC paid its Participants at the unfavorable rate (25%) for IRA beneficial holders. In order to collect the additional 25% tax-exempt refund, Participants were required to file a reclaim with Revenue Canada after the payable date.

Unlike other tax-exempt entities, Revenue Canada does not assign nor require a unique control number to elect 100% of the dividend for an IRA account over EDS. *However, to facilitate EDS processing, Participants must enter the identifier "IRA001" (when electing the tax-exempt rate for the aggregate shares beneficially owned by IRAs) each time the EDS system prompts the user for a control number.*

Although there is no immediate paperwork required, the DTC Participant must be able to provide Revenue Canada with Supporting Documentation upon audit. For an IRA, Supporting Documentation includes hard-copy or electronic images of each IRA's IRS approved Trust

Account and Custodial Account documents (including the IRS' approval thereof if not on IRS Forms 5305 and 5305A) and the IRA's record date position with respect to that Canadian security.

IRAs have been exempt from Canadian withholding tax since January 1, 1996 under the third protocol of the Canada/U.S. tax treaty. Participants may still claim the 25% refund for IRA beneficial owners on Canadian securities with payable dates on or after January 1, 1996. Reclaims must be filed within two years from the end of the calendar year in which the withholding tax was paid to Revenue Canada. For example, if excess non-resident withholding tax for an IRA account is withheld in December 1996 and remitted to Revenue Canada in January 1997, it will be refunded if the reclaim form is received by Revenue Canada by December 31, 1999. However, a refund of a payment made in October 1996 will only be made if the reclaim form is received by December 31, 1998.

DTC and the Canadian Depository for Securities (CDS) are currently working together to establish a simplified procedure for these retrospective reclaims. A subsequent notice will be issued to Participants detailing this procedure.

Questions about this notice should be directed to Matthew McLean, (212) 855-5306 of DTC's Product Management Department or Joseph Ranieri, (212) 855-4520 of DTC's Stock Dividend Department, or your Participant Services representative.