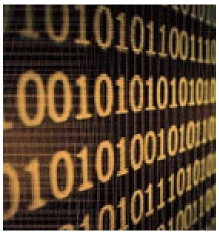
FATCA SOLUTIONS FOR INVESTMENT FUNDS



Non-U.S. financial institutions and U.S. withholding agents, including investment funds, face new U.S. tax regulations imposing increased obligations for client due diligence, withholding and reporting. As a global fund administrator, custodian and transfer agent, Northern Trust offers solutions designed to help investment funds meet these new requirements.

The Foreign Account Tax Compliance Act (FATCA) seeks to reduce tax evasion by U.S. citizens and residents, inducing "foreign financial institutions" (FFIs) to report U.S. owners of offshore accounts to the Internal Revenue Service (IRS). FATCA imposes a 30% withholding tax on U.S.-source payments made to FFIs, including banks, brokers, custodians and investment funds, that fail to comply with FATCA.

This document outlines key FATCA requirements affecting investment managers/funds and Northern Trust solutions. Please note that this document (dated 28 March 2013) is subject to modification as further details of the FATCA rules and regulations and relevant intergovernmental agreements signed with non-U.S. jurisdictions to facilitate the implementation of FATCA (IGAs) are released.

CERTIFYING CUSTODY ACCOUNT COMPLIANCE

Northern Trust Solutions

Northern Trust will collect from each custody account holder an IRS Form W-9 or W-8 providing their certification of FATCA compliant status. Account holders that do not provide this documentation will be subject to FATCA withholding on U.S.-source income.

FATCA Requirements

FFIs must provide evidence of FATCA compliance or, beginning 1 January 2014, suffer 30% withholding on all U.S.-source dividends and interest. FFIs have several options to meet this requirement.

- Enter into a full FFI agreement with the IRS to become a Participating FFI.
- Satisfy one of the sets of requirements to be treated as deemed compliant. FFIs that comply with requirements of an IGA in their country of residence will be treated as deemed compliant.
- Fall into one of the categories of entities treated as a non-financial foreign entity (NFFE) and comply with NFFE requirements.
- Fall into one of the categories of beneficial owners exempt from FATCA withholding.

Fund managers/funds will be responsible for:

- Completing an entity analysis to evaluate which legal entities have FATCA obligations and which do not;
- Signing FFI agreements and/or registering with the IRS as required; and
- Completing Form W-8 or W-9, with required certifications of their FATCA status.

EVALUATING FATCA STATUS OF INVESTORS

Northern Trust Solutions

The U.S. regulations and the IGAs specify that an FFI may delegate FATCA operations to a third party. As a fund administrator and transfer agent, Northern Trust will offer the following services to our fund clients ***for whom we provide both AML/KYC and maintain the investor record.*** *We will charge for these services.*

AML/KYC

As part of the new investor take-on process, we review account information, including searching AML/KYC information for the specified FATCA U.S. indicia.

We expect that AML/KYC requirements for new account holders will expand to include additional data elements. Required data fields for individuals are expected to include:

- A self-certification indicating clearly whether the account holder is or is not a U.S. citizen or U.S. resident
- For non-U.S. citizens, a non-U.S. passport or other government-issued identification showing the account holder's citizenship in a country other than the United States.

Tax document collection, retention

- Collect required tax documentation from new investors as part of the investor take-on process.
- Receive documentation in hard copy format. We are investigating the possibility of enabling investors to complete tax documentation online through a Web-based form. Tax documentation will likely vary depending on whether the investor is an individual or an institution, and whether the fund is domiciled in an IGA country. We may need to apply different standards in different jurisdictions.
- Tax documentation for entities is expected to include sufficient information to identify whether the account holder is:
  — A Specified U.S. Person
  — An IGA Partner Jurisdiction Financial Institution
  — A participating FFI, a deemed-compliant FFI, or an exempt beneficial owner, an active NFFE, excepted NFFE or passive NFFE

Tax documentation review

- Review the tax document for internal consistency.
- Check the tax documentation and FATCA classification for consistency with other information collected in the account opening process.
- Check the FATCA GIIN against list of FFIs on the IRS Web site. Tax documentation will likely vary depending on whether the investor is an individual or an institution and whether the fund is domiciled in an IGA country. We may need to apply different standards in different jurisdictions.

Record each investor's FATCA compliance status

as supported by investor documentation.

Services specifically related to pre-existing investors

High-level initial impact analysis of the investor record

Analyze the current investor record, distinguishing account holders by:

- Individuals versus entities
- Greater or less than FATCA thresholds (>$50,000 for individuals, >$250,000 for entities)
- Country of address
- Investor type

One-time compliance review

- Solicit evidence of FATCA compliance from all pre-existing investors as required, taking into account minimum thresholds, if agreed.
- Review tax documentation collected, as required.
- Conduct an electronic data search for U.S. indicia.
- Collect documentation required to treat accounts with U.S. indicia as documented U.S. accounts or to "cure" U.S. indicia and treat as non-U.S. accounts.
- Perform enhanced due diligence as required for high-value individual accounts.

Ongoing investor due diligence

- Respond to reported changes in investor circumstances that could change the investor's status.
- Perform annual checks of GIIN numbers against the IRS Web site.
- Re-solicit expiring tax forms, if required.

Withholding

- Determine withholding amounts.
- Withhold tax on non-compliant investors and remit to the IRS. Withholding rules will vary depending on whether the fund is domiciled in an IGA country. *This service would not necessarily be available for a flow-through fund (i.e., treated as a partnership under U.S. law) where the fund administrator is not the withholding agent.*

Pass-thru payments

Foreign pass-thru payment withholding has been deferred until 2017 at the earliest; requirements around pass-thru payment withholding are not yet fully defined.

Reporting

- Provide required reporting on U.S. investors, recalcitrant investors and non-participating FFIs to tax authorities.
- Provide reporting to investors.
- Report to the fund as needed.
- Reporting requirements are expected to vary depending on whether the fund is domiciled in an IGA country. *This service would not necessarily be available for a flow-through fund (i.e., treated as a partnership under U.S. law) where the tax advisor, not the fund administrator, usually prepares the tax reporting.*

FATCA Requirements

Under FATCA requirements, FFIs must perform due diligence on account holders, report U.S. and non-compliant account holders and withhold on non-compliant account holders.

While the IGAs place less burdensome compliance obligations on financial institutions in those jurisdictions, all non-U.S. funds will need to gather evidence of FATCA compliance from all account holders and report on selected account holders. Responsibilities include:

- Register with the IRS and obtain a FATCA global intermediary identification number (GIIN).
- Identify, verify and record the FATCA compliance status of each account holder, including account holders that are individuals or entities that are themselves FFIs or NFFEs.
- If the fund is a flow-through entity (treated as a partnership under U.S. law), provide information as required to allow the payor of U.S.-source income to apply FATCA withholding to the portion of income paid to the fund that is allocable to underlying investors subject to FATCA withholding.
- Report all U.S. account holders that are "specified U.S. persons" and the U.S. ownership, if any, of account holders that are passive NFFEs, and report certain aggregate information regarding non-compliant account holders. Note that FFIs in Model 1 IGA countries will report to their local authority; other FFIs will report to the U.S. IRS.

In addition, most non-U.S. funds domiciled in non-IGA countries must:

- Enter into an FFI agreement with the IRS whereby they agree to meet FATCA requirements;
- Apply FATCA withholding on withholdable payments to noncompliant account holders;
- Obtain waivers where required by local law to comply with reporting requirements; where such waivers are not obtained, close accounts;
- Adopt a compliance program and designate a responsible officer to periodically certify to the IRS its compliance with obligations of the FFI agreement.

U.S. funds will be required to:

- Identify, verify and record the FATCA compliance status of each non-U.S. institutional account holder, including account holders that are FFIs or NFFEs.
- Report to the IRS on non-compliant account holders.
- Apply FATCA withholding on withholdable payments to noncompliant account holders.

The fund is expected to retain responsibility for:

- FATCA compliance of the fund
- Signing agreements and registering, as required
- Responsible officer certification of compliance, as required
- Additional investment manager reviews as required for determining FATCA thresholds
- Additional investment manager reviews as required to verify the fund has no additional information that would invalidate the transfer agent's reported FATCA compliance status

FOR MORE INFORMATION

To learn more about Northern Trust's FATCA solutions, please contact your relationship manager.

IRS CIRCULAR 230 NOTICE: To the extent that this message or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

Some of the rules under FATCA and the IGAs discussed herein constitute preliminary guidance only, and may change significantly before they are finalised. Foreign financial institutions should engage their own tax and legal advisors regarding the applicability of FATCA to their individual facts and circumstances and their potential obligations under the FATCA rules.

Northern Trust

Q 53194 (3/13)