## How JGTRRA Dividend Changes May Impact Your Margin Account

JGTRRA, the Jobs and Growth Tax Relief Reconciliation Act of 2003, which was signed into law by President Bush on May 28, 2003, reduces the federal tax rate to a maximum of 15% for "qualified dividends" paid to individual shareholders (5% for taxpayers in the two bottom ordinary income tax brackets).

Unfortunately, when you have a margin account with a margin loan balance and your shares are on loan over a record date, you receive a "substitute payment" rather than a qualified dividend. These substitute payments are taxed as ordinary income (at federal rates as high as 35%).

To reduce any potential negative impact this may have on you, our clearing firm, National Financial Services LLC (NFS), may, where appropriate, try to take steps to reduce the number of instances when margin account holders with margin loan balances may receive substitute payments by refraining from loaning dividend-paying stocks over record dates as well as by recalling certain