

**AMERICAN EXPRESS FINANCIAL ADVISORS DISTRIBUTION FUND**  
**STATEMENT TO ELIGIBLE INVESTORS**

**INTRODUCTION**

You have received a distribution payment from a Fair Fund established by the U.S. Securities and Exchange Commission (“SEC”). Your payment has been calculated based on information contained in the records of Ameriprise Financial Services, Inc. (“Ameriprise Financial”). The distribution payment is intended by the SEC to restore the impaired value of your investment. If you have an active account with Ameriprise Financial, you have received an electronic distribution directly to your account at Ameriprise Financial. If you no longer have an active account with Ameriprise Financial, you have been sent a physical check to your last-known address as verified by an address validation system. If you have received a physical check, please note that you must negotiate your check or request a replacement check as described later in this statement within 90 days from the date of issuance of the check or your check will be void.

This statement provides you with information to help you determine the U.S. federal income tax consequences of the distribution payment if you are a citizen or resident of the U.S. for U.S. federal income tax purposes.

**YOU SHOULD NOT RELY ON THIS STATEMENT AS TAX ADVICE. PLEASE CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE DISTRIBUTION PAYMENT, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS.**

On Dec. 1, 2005, the SEC issued an Order instituting and simultaneously settling public administrative and cease-and-desist proceedings against American Express Financial Advisors Inc. (now known as Ameriprise Financial Services, Inc.) in *In the Matter of American Express Financial Advisors Inc.*, Admin. Proc. File No. 3-12115. As part of this proceeding, the SEC ordered Ameriprise Financial to pay \$30 million in disgorgement, prejudgment interest and civil penalties. The SEC’s Order also authorized and established a Fair Fund (the “American Express Financial Advisors Fair Fund”) for the purpose of distributing these monies to investors injured by the Ameriprise Financial revenue sharing agreements. According to the Order, the Fair Fund is to be distributed to these investors pursuant to a distribution plan (“Distribution Plan”) developed by Ameriprise Financial and acceptable to the SEC and Nelson S. Kibler, the Independent Distribution Consultant (the “IDC”).

On April 9, 2008, the SEC approved the Distribution Plan which provides for distribution to all eligible investors of their pro rata share of the Fair Fund based on information contained in the Ameriprise Financial records, including the amounts of the investors’ purchases and the dates of the purchases. The

distribution compensates investors who purchased shares of mutual funds from forty-four (44) Preferred Mutual Fund Families from Jan. 1, 2001, through Aug. 31, 2004. The forty-four (44) Preferred Mutual Fund Families are:

Revenue Sharing Fund Families		
AIM Family of Funds (including 529 Plans)	Evergreen Funds	Nuveen Mutual Funds
AllianceBernstein Inv	Federated Funds	Oppenheimer Funds
American Century Investments	Fidelity	Oppenheimer Funds 529
American Century 529 Plan	Fidelity Advisor Funds	Oppenheimer Legacy Funds
Calvert Group	(including 529 Plan)	Phoenix Funds
Colonial	Franklin Group of Funds	PIMCO Funds
Columbia Funds 529 Plan	Galaxy Funds	Pioneer Funds
Columbia Funds Group	Goldman Sachs Asset Mgmt	Putnam Funds (including 529 Plan)
Credit Suisse Asset Mgmt	INVESCO	Salomon Brothers Group
Crabbe Huson	Janus	Selected Funds
Davis Funds	Janus Adviser Funds	Stein Roe
Dreyfus Founders	Liberty Colonial	Strong Funds
Dreyfus Group	Liberty Funds Group	Van Kampen Funds (including 529 Plan)
Dreyfus Premier Funds	MFS Family of Funds (including 529 Plan)	Wells Fargo Advantage
Eaton Vance Group	Newport Pacific	Wells Fargo Funds

Prior to any distribution, the American Express Financial Advisors Fair Fund held a total of \$30 million (inclusive of disgorgement, penalties and prejudgment interest) plus accumulated interest.

The American Express Financial Advisors Fair Fund is a Qualified Settlement Fund (“QSF”) under the Internal Revenue Code. Damasco & Associates LLP was appointed as the Tax Administrator for the QSF. Damasco & Associates LLP has participated in the preparation of this Statement, but is not providing services or advice to you or any other eligible investor receiving a distribution payment. Damasco & Associates LLP has obtained Private Letter Rulings (“PLRs”) that provide guidance to Fair Funds similar to the American Express Financial Advisors Fair Fund QSF. These PLRs address the tax reporting obligations of similar Fair Funds in making a distribution to investors.<sup>1</sup> The PLRs do not address your tax compliance obligations as an investor receiving a distribution payment.

Some eligible investors may be subject to special tax rules, including, without limitation, if you are a non-U.S. investor, if you hold your shares in a tax qualified retirement plan or an individual retirement account (“IRA”) (except as specifically discussed below), or if you are a tax-qualified retirement plan. This statement does not address the tax consequences under any state, local or non-U.S. tax laws, or the alternative minimum tax provisions of the Internal Revenue Code.

<sup>1</sup> The Tax Administrator obtained the following PLRs for similar Fair Funds: 200645008, 200645017, 200646010, 200701001, 200702006, 200702008, 200702009, 200702010, 200702011, 200702012, 200702048, 200703008, 200703009, 200703010, 200703034, 200712004, 200712005, 200722004 and 200722025. You may obtain copies of these PLRs from the IRS website at [www.irs.gov](http://www.irs.gov).

## **THE DISTRIBUTION PAYMENT**

Pursuant to the Distribution Plan, “The methods of calculation of each Eligible Customer’s share of the FAIR Fund are intended . . . to result in a payment to each Eligible Client that restores the impaired value of the Eligible Client’s investment in a Revenue Share Fund . . . The methods of calculation are intended to estimate the impaired value that each Eligible Client has suffered and make a payment to such client in that amount.”

The distribution payment you receive from the American Express Financial Advisors Fair Fund is comprised of two (2) components, which have different tax consequences (discussed below). One component of your distribution payment is an amount that is intended to compensate you for the impaired value of your investment. The other component of your distribution payment is prejudgment interest.

### **A. Component compensating you for the impaired value of your investment**

89.2% of your payment is intended to compensate you for the impaired value of your investment. This component is not income to you up to the amount of your basis in your investment. You must adjust your basis downward by the amount of the payment. (Generally, your basis is the amount you paid for your shares). If the amount of this payment exceeds your tax basis in your investment, then the excess is includable in your income as capital gain. Any such capital gain is long-term capital gain, unless you disposed of your investment before holding it for longer than one year.

Example 1: You have a basis of \$100 in your shares. The component of your distribution payment that is compensation for the impaired value of your mutual fund investment is \$10. You do not have gross income as a result of this component of your distribution BUT your basis is reduced to \$90 for purposes of determining gain or loss in the future (\$100 basis less \$10 distribution = \$90).

Example 2: You have a basis of \$400 in your shares. The component of your distribution payment that is compensation for the impaired value of your mutual fund investment is \$1,000. You apply \$400 of this component to reduce your basis to zero for purposes of determining gain or loss in the future AND you include the remaining \$600 in income as taxable gain on your investment.

Example 3: You have sold all of your shares in the mutual fund to which the distribution relates and the component of your distribution payment that is compensation for the impaired value of your mutual fund

investment is \$1,000. Generally, you will include the \$1,000 in income as additional taxable gain from your shares. If you have sold only a portion of your shares in the mutual fund, you should make a reasonable allocation of the distribution between the shares you have sold and the shares you retain. The portion allocated to the sold shares is treated as described in this Example 3 and the portion allocated to the retained shares is treated as described in Examples 1 and 2.

If you do not have reasonable access to records indicating the tax basis of your investment, then you should assume that your tax basis is zero and that the entire component of your distribution payment that is compensation for the impaired value of your mutual fund is includable in your income as capital gain. Any such capital gain is long-term capital gain, unless you disposed of your investment before holding it for longer than one year.

**The QSF will not issue a Form 1099 to you for your payment representing compensation restoring the value of your mutual fund investment. The IRS has ruled in similar cases that Fair Funds are not required to report these payments. Nevertheless, you should consult with your tax advisor as to how to report any gross income, such as that described in Example 2.<sup>2</sup>**

B. Prejudgment interest component

10.8% of your distribution payment constitutes prejudgment interest. The prejudgment interest component is taxable interest income to you. However, pursuant to the Internal Revenue Code and IRS regulations, you will receive a Form 1099-INT reporting this interest only if the prejudgment interest component of your distribution payment equals or exceeds \$600.

**SPECIAL ISSUES FOR INVESTMENTS HELD IN IRA OR TAX-QUALIFIED RETIREMENT PLANS**

The Distribution Plan provides that if you have a current and active account with Ameriprise Financial, you will receive a credit to your account that will appear on your next statement accompanied by a disclosure of the payment. In this case, even if your investment is held in an IRA, the special issues referenced below are not applicable to you.

A. Distributions to IRA Accounts

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<sup>2</sup> There may be some circumstances in which the QSF will issue information returns and will report payments to the IRS. These circumstances are beyond the scope of this Statement to Investors and are addressed in the PLR obtained on behalf of the QSF.

**Please follow the applicable instructions below if you received a check that is associated with an IRA.<sup>3</sup>**

*1. For Checks Made Payable to the Custodian, Mailed to the Investor*

If you held some or all of your mutual fund shares through an IRA, in most cases the distribution check will have been made payable to your IRA custodian but mailed directly to you. You should deposit the check in your IRA account. If the check is cashed or deposited in any account other than an account eligible to receive the check, it may be subject to a 10% penalty and taxed as ordinary income in the year of receipt.

If your IRA custodian has changed or you no longer hold your IRA, please contact the Ameriprise Financial dedicated customer service representative at (800) 862-7919, Option 2 with that information. You may be able to transfer the payment to another custodian, or roll the payment over to another IRA or eligible account. Please consult with your tax advisor because the rules related to transfers and rollovers are complicated and failure to comply with those rules could subject the payment to income tax and a 10% penalty.

*2. For Checks Made Payable to You, Mailed to You*

If the distribution check was made payable to you (as opposed to the custodian of your IRA) because of the way your account was registered in the records obtained for the distribution, please contact the Ameriprise Financial dedicated customer service representative at (800) 862-7919, Option 2 immediately to get a replacement distribution check made payable to the custodian of your IRA. If you cash the check, or deposit it in any account other than an account eligible to receive the check, it may be subject to a 10% penalty and taxed as ordinary income in the year of receipt.

Additional information on this topic is available on the IRS Web Site [www.irs.gov](http://www.irs.gov), Tax Topic 451 and Publication Number 590.

**B. Distributions to Tax-Qualified Retirement Plans**

*1. Checks Mailed to Your Retirement Plan*

If you held some or all of your mutual fund shares through a tax-qualified retirement plan, in most cases the distribution check was made payable and

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<sup>3</sup> As a general rule, distribution payments from the American Express Financial Advisors Fair Fund received as a result of the investment held by your IRA do not constitute a “contribution” to your IRA for purposes of determining your maximum yearly contribution to your IRA.

mailed to your tax-qualified retirement plan.<sup>4</sup> Plan fiduciaries are responsible for allocating these funds. Please contact your plan fiduciary if you have questions.

## *2. Checks Mailed to You*

In limited instances, the distribution check was mailed to you and made payable to either (i) your retirement plan or (ii) you because of the way your account was registered in the records obtained for the distribution.

**Please follow the applicable instructions below if you received a check that is associated with a tax-qualified retirement plan.<sup>5</sup>**

### *a. For a Check Made Payable to YOUR Retirement Plan, Mailed to YOU*

In some instances the check payable to your tax-qualified retirement plan was mailed to you because your address was the address of record. If you received a check made payable to your tax-qualified retirement plan, please follow the directions in i. or ii. below.

i. If you are still a participant in the tax-qualified retirement plan, contact your retirement plan trustee/administrator to coordinate the deposit of the check to your retirement plan.

ii. If you are no longer a participant in the tax-qualified retirement plan to which the distribution is directed, please contact the retirement plan trustee/administrator of your former tax-qualified retirement plan to determine the appropriate course of action. If you have difficulty making contact with your former plan trustee/administrator, consult your tax advisor or contact the Ameriprise Financial dedicated customer service representative at (800) 862-7919, Option 2.

### *b. For a Check Made Payable to YOU and Mailed to YOU*

Distributions with respect to investments held by a tax qualified plan should not be payable to individual investors. If you received such a check, this is an error likely due to the data available for the distribution. If you received a distribution check made payable to you in connection with an investment held by your tax-

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<sup>4</sup> As a general rule, distribution payments from the American Express Financial Advisors Fair Fund received as a result of the investment held by your tax-qualified retirement plan do not constitute a "contribution" to your plan for purposes of determining your maximum yearly contribution to your plan or for purposes of determining your employer's contributions to your plan.

<sup>5</sup> Many types of plans are eligible to accept rollover contributions (and the recently enacted Pension Protection Act of 2006 expanded the list of permissible recipient plans). More information on the Pension Protection Act of 2006 can be found on the IRS Web Site [www.irs.gov](http://www.irs.gov). Contact your tax advisor to determine the types of plans to which you may make a rollover contribution.

qualified retirement plan, please contact the Ameriprise Financial dedicated customer service representative at (800) 862-7919, Option 2.

Additional information on this topic is available on the IRS Web Site [www.irs.gov](http://www.irs.gov) Tax Topic 558.

### C. Distributions to “529 Plans”

**Please follow the applicable instructions below if you received a check that is associated with a “529 Plan.”<sup>6</sup>**

#### *1. For Checks Payable to the Custodian but Mailed to the Investor*

a. If you held some or all of your mutual fund shares through a “529 Plan,” in most cases the distribution check will have been made payable to your “529 Plan” custodian but mailed directly to you. You may choose to forward the check to your custodian with a letter of instruction or, to review your options, contact the Ameriprise Financial dedicated customer service representative at (800) 862-7919, Option 2. You should deposit the check in your “529 Plan” account. You should instruct your “529 Plan” custodian that the payments should be treated in the same manner as a non-taxable transfer or rollover of assets. Caution: If the check is cashed or deposited in any account other than an account eligible to receive the check, it may be subject to a 10% penalty and taxed as ordinary income in the year of receipt.

b. If your “529 Plan” custodian has changed, you may be able to transfer the payment to another custodian, or roll the payment over to another “529 Plan.” Please contact the Ameriprise Financial dedicated customer service representative at (800) 862-7919, Option 2 to review your options. Caution: Please consult with your tax advisor because the rules related to transfers and rollovers are complicated and failure to comply with those rules could subject the payment to income tax and a 10% penalty.

c. If you no longer hold your “529 Plan,” please contact the Ameriprise Financial dedicated customer service representative at (800) 862-7919, Option 2 to review your options.

#### *2. For Checks Payable to the Investor and Mailed to the Investor*

If the distribution check was made payable to you (as opposed to the custodian of your “529 Plan”) because of the way your account was registered in the records

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<sup>6</sup> As a general rule, distribution payments from the American Express Financial Advisors Fair Fund received as a result of the investment held by your “529 Plan” do not constitute a “contribution” to your “529 Plan.”

obtained for the distribution, please contact the Ameriprise Financial dedicated customer service representative at (800) 862-7919, Option 2 to receive instructions to get a replacement distribution check made payable to the custodian of your "529 Plan." Caution: If you cash the check, or deposit it in any account other than an account eligible to receive the check, it may be subject to a 10% penalty and taxed as ordinary income in the year of receipt.

Additional information on this topic is available on the IRS Web Site [www.irs.gov](http://www.irs.gov), Tax Topic 313.