

SOURCE CAPITAL, INC.

DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASE PLAN

A Dividend Reinvestment and Direct Stock Purchase Plan (“Plan”) is available to all record holders of Common Stock of Source Capital, Inc. (“Company”). The Plan offers a simple, convenient and cost-effective way to purchase shares of Common Stock directly from the Company, a way to increase your holdings in the Company by reinvesting dividends (including capital gains distributions) paid on your Common shares, and an opportunity to purchase additional shares by making optional cash investments. You do not have to be a current shareholder of the Company to participate in the Plan. You can purchase your first shares of Source Capital, Inc. Common Stock through the Plan by making an initial investment of \$250 or more. American Stock Transfer & Trust Company, LLC (“AST” or the “Administrator”), a registered transfer agent, administers both Plans.

DESCRIPTION OF PLAN

The Plan permits you to reinvest dividends (including capital gains distributions) paid on your Common shares to acquire additional shares of Common Stock and to purchase additional shares by making optional cash investments. If your shares are registered in a name other than your own and you want to participate, you must become a shareholder of record by having all or part of your Common shares transferred to your name. You may also purchase shares directly through the Plan by submitting a completed Enrollment Form and making an initial investment of at least \$250. Existing registered shareholders may join the Plan at any time by enrolling online or by completing an Authorization Card and returning it to the Administrator. See “Enrollment and Communications.”

If the Administrator receives your authorization on or before the record date established for payment of a particular dividend, reinvestment begins with that dividend payment. If the authorization is received after the record date established for a particular dividend, the reinvestment begins with the next succeeding dividend. Once in the Plan, you remain a participant until you withdraw by notifying the Administrator. Dividend payment dates are normally the 15th of March, June, September and December. The record date for determining shareholders eligible to receive dividends is normally the Friday preceding the payment date by approximately three weeks.

OPTIONAL CASH INVESTMENTS

Once you are enrolled, the Plan permits you on a voluntary basis to send in cash payments of not less than \$100 each up to a total of \$7,500 per month to purchase additional shares of the Company's Common Stock. You may also elect to have funds electronically withdrawn from your checking or savings account each month. Direct debit of cash will be performed on the 10th of each month. You may elect this option by submitting a written authorization form or by enrolling online at the Administrator's website.

Your cash payment in any one month will be aggregated with the funds of the other participants and invested in additional shares of Common Stock through open market purchases once each month on or after the Investment Date but in no event later than 30 days after receipt. Under no circumstances will interest be paid on your funds held by the Administrator. Accordingly, any optional cash payments which a participant wishes to make must be sent so as to reach the Administrator not less than 1 day prior to an Investment Date. Funds received less than 1 day prior to the Investment Date will be held for the next month's investment. Your plan account is credited with the number of shares, including fractions computed to three decimal places ("fractional shares"), equal to the amount to be invested divided by the average purchase price per share of all shares purchased on the open market by the Administrator under the Plan with respect to each Investment Date (including a per-share commission of \$0.05 and a transaction fee of \$5.00). Cash dividends payable on all shares credited to your Plan account will be automatically reinvested in additional shares pursuant to the terms of the Plan. You may withdraw a cash payment by written notice received by the Administrator not less than 48 hours before the Investment Date.

The Investment Date is that date in each month when optional cash payments, and, when applicable, dividends are reinvested under the Plan. There is only one Investment Date in each calendar month which is normally the fifteenth calendar day of the month. If an Investment Date falls on a day on which the New York Stock Exchange is closed, the Investment Date will be the next following trading day.

ADVANTAGES

By participating in the Plan you reinvest dividends in shares of Common Stock at, or up to a 5% discount from, market price. If outstanding shares are purchased, the purchase price includes trading fees. Since all purchases are consolidated, however, your pro rata share of such fees is likely to be lower than for individual purchases.

Participants in the Plan avoid cumbersome safekeeping requirements and recordkeeping costs through the free safekeeping service and reporting provisions of the Plan. The Company bears all costs of administering the Plan except commissions when shares are purchased in the open market; however, it reserves the right to amend the Plan to institute a service charge after giving advance notice to participants.

Furthermore, since funds designated for optional cash purchase are consolidated with the funds of other participants in the Plan for the open market purchase of shares, your pro rata share of commissions is likely to be lower than for individual purchases. You pay only a transaction fee of \$5.00 per transaction and your proportionate share of the commissions which is \$0.05 per share. For many shareholders, the Plan offers an inexpensive way to invest in shares of the Company's Common Stock.

REINVESTMENT OF DIVIDENDS

The number of shares purchased for your account depends on the amount of your dividends and the purchase price at which shares are acquired. Your Plan account is credited with the number of shares, including fractions computed to three decimal places ("fractional shares"), equal to the amount of your dividend, divided by the average purchase price per share of all shares purchased with the given

distribution including any discount if applicable. The purchase price includes applicable trading fees and any other purchase costs.

Purchases are made promptly after receipt of funds by the Administrator, and not later than 30 days from receipt, except when restricted under applicable federal securities laws. Pending investment, your funds are held in a non-interest bearing account. You become the owner of the shares purchased for you under the Plan on the purchase date.

On the business day preceding the purchase (“Valuation Date”), the Administrator determines whether shares are available at a market price per share (including purchase costs) which is lower than the net asset value per share. The Company’s net asset value per share is computed each day that the New York Stock Exchange (“NYSE”) is open. The Company furnishes net asset value per share to the Administrator. Market price is determined on the basis of the last sale price on the NYSE, or if no shares are traded that day, such other market quotations the Administrator deems appropriate. If the Administrator determines that shares are available at less than per share net asset value, it purchases such shares. Such purchase may be made on the NYSE, or in negotiated transactions, and may be at such times, in such amounts, and on such terms as to price, delivery and otherwise, as the Administrator may determine.

To the extent the Administrator determines that outstanding shares are not available for purchase at less than per share net asset value, the Administrator elects to purchase authorized but unissued shares from the Company. Such shares are purchased at a price per share equal to the higher of (1) the net asset value per share as of Valuation Date, or (2) 95% of the closing price on the dividend payment date. No brokerage costs, underwriting expenses or similar charges apply to the acquisition of unissued shares from the Company.

TAXATION

Under current federal income tax law, you are treated as receiving distributions of an amount equal to the fair market value, determined as of the payment date, of the shares purchased under the Plan if the shares are purchased from the Company. Such value may exceed the amount of the cash distribution that would have been paid. If outstanding shares are purchased in the open market, the taxable distribution equals the cash distribution that would have been paid. In either event, the cost basis in the shares received equals the amount recognized as a taxable distribution. You should consult your own tax adviser to determine particular tax consequences, including various state tax consequences, which may result from participation in the Plan and a subsequent disposal of shares acquired pursuant to the Plan.

REPORTS TO PARTICIPANTS

As soon as practicable after each Investment Date, the Administrator mails you a statement indicating the amount invested, the purchase price per share (including commissions), the Administrator’s transaction fee (for optional cash purchases only), the number of shares acquired, and the total number of shares accumulated in your Plan account. These statements provide a record of the cost of purchases under the Plan and should be retained for tax purposes. In addition, you receive copies of the Company’s annual and quarterly reports to shareholders, proxy statements and information for income tax reporting purposes.

SAFEKEEPING OF SHARES

Unless requested, certificates for shares purchased under the Plan will not be issued. All shares purchased are held by the Administrator or its nominee for the benefit of participants. The number of shares purchased for your Plan account is shown on your statement of account. This feature protects against loss, theft or destruction of stock certificates. You may also deposit any or all common share

certificates of Source Capital held by you with the Administrator for safekeeping. The Administrator provides this service to participants at no charge. If you wish to use this service, you should complete the transaction request form attached to the bottom of your reinvestment statement and return it to the Administrator with the certificate or certificates. Delivery of certificates is at the risk of the shareholder and, for delivery by mail, insured registered mail with return receipt is recommended. The receipt of any shares delivered for safekeeping will be shown on your account statement.

Certificates for any specific number of whole shares credited to your Plan account are issued after receipt of your request. Any remaining full and fractional shares continue to be credited to your Plan account. Certificates representing fractional shares cannot be issued. If you request a certificate, you will continue to participate in the Plan unless you request termination.

VOLUNTARY PARTICIPATION

The Plan is entirely voluntary and you may terminate your participation in the Plan by notifying the Administrator. To be effective for any given dividend, the Administrator must receive the notice to terminate three business days prior to the payment date for such dividend. Upon termination, you receive certificates for the full shares credited to your Plan account. If you elect to receive cash, the Administrator sells such shares and delivers a check for the proceeds, less the \$0.05 per share commission and the Administrator's transaction fee of \$15.00. In every case of termination, fractional shares credited to a terminating Plan account are paid in cash at the then-current market price, less any commission and transaction fee.

ENROLLMENT AND COMMUNICATIONS

You may enroll in the Plan online at the Administrator's website or by signing an Authorization Card and returning it to the Administrator. You should carefully read the Terms and Conditions of the Plan and retain it for your records. All communications regarding the Plan should be made directly to the Administrator through the following:

INTERNET

You can obtain information about your Source Capital, Inc. account online at the internet address below. To gain access, you will need your Social Security number and your AST ten (10) digit account number. You may also apply for a personal identification number, or PIN, online. If you applied for a PIN and have forgotten what your PIN is, you can call 1-800-279-1241 to have it reset.

www.amstock.com

TELEPHONE

The Administrator may be contacted at the following toll-free number within the United States and Canada:

1-800-279-1241

An automated voice response system is available 24 hours a day, 7 days a week. Customer service representatives are available from 8:00 a.m. to 8:00 p.m., Eastern Time, Monday through Friday (except holidays).

WRITTEN INQUIRIES

You may also write the Administrator at the following address:

American Stock Transfer and Trust Company, LLC
Attn: Shareholder Relations Department
6201 15th Avenue
Brooklyn, New York 11219

You may also make transactions by contacting the Administrator at the following address:

American Stock Transfer and Trust Company, LLC Attn: Plan Administration Department
P.O. Box 922
Wall Street Station
New York, New York 10269-0560

Be sure to include your name, address, daytime phone number and a reference to Source Capital, Inc. on all correspondence.

SOURCE CAPITAL, INC.

DIVIDEND REINVESTMENT PLAN
(as amended October 30, 2013)

TERMS AND CONDITIONS

1. In order to participate in the Dividend Reinvestment and Direct Stock Purchase Plan (the "Plan"), a record holder of shares of common stock of Source Capital, Inc. must submit authorization to American Stock Transfer & Trust Company, LLC (the "Administrator").
2. Source Capital pays over promptly to the Administrator all cash distributions (including income dividends, capital gains distributions and payments, if any, from capital) paid on shares of common stock participating in the Plan, including distributions paid on any full or fractional share interest acquired under the Plan. The Administrator, as agent for the participants, applies such funds to the purchase of shares of common stock for each participant. Under the Economic Emergency Stabilization Act, passed by Congress in 2008, you must reinvest a minimum of 10% of your dividends or capital gains distributions each payment period.

The Administrator determines whether shares of common stock are available at a market price per share (including trading fees and any other costs of purchase) on the business day preceding the purchase (the "Valuation Date") which is lower than the net asset value per share, as furnished to the Administrator by Source Capital, as of the Valuation Date. Market price shall be determined on the basis of the closing sales price on the New York Stock Exchange, or if no shares are traded that day, such other market quotations deemed appropriate by the Administrator, which ordinarily shall be the mean between the most recent bid and the asked prices on the New York Stock Exchange. If the Administrator determines that shares are available at such price, it purchases such shares as are available at less than net asset value per share. Such purchase may be made on the New York Stock Exchange, or in negotiated transactions, and may be at such times, in such amounts, and on such terms as to price, delivery and otherwise, as the Administrator may determine.

To the extent the Administrator determines that outstanding shares are not available at less than per share net asset value, the Administrator elects to purchase authorized but unissued shares from Source Capital. Such shares are purchased at a per share price equal to the net asset value per share as of the Valuation Date, or at a price equal to 95% of the per share market price on the Valuation Date, whichever is higher. No

brokerage costs, underwriting expenses or similar charges attend the acquisition of shares from Source Capital.

3. As Administrator for the shareholder (“Participant”), American Stock Transfer & Trust Company, LLC (“Administrator”), after deducting a transaction fee of \$5.00 per investment as specified in Item 17 below, will apply all optional cash payments of not less than \$100 each up to a total of \$7,500 per month, as the Participant may elect, received from the Participant for such purpose to the purchase of full and fractional shares of Common Stock of Source Capital, Inc. (“Company”) for Participant’s Plan Account. Such purchases may be made on the New York Stock Exchange, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Administrator in its sole discretion may determine.
4. In making purchases for the Participant’s Plan Account, the Administrator may commingle cash payments with those of other Participants. In the case of each purchase, the price at which the Administrator shall be deemed to have acquired shares for the Participant’s Plan Account shall be the average price (including commissions and the transaction fee specified in Item 17 below) of all outstanding shares purchased by it, as Administrator for Participants in the Cash Investment Plan (“Plan”), and as Administrator for Participants in the Automatic Reinvestment Plan, with the aggregate funds of all Participants used for such purchase. Neither the Administrator nor the Company shall have responsibility for any change in the value of the Company’s Common Stock acquired for a Participant’s Plan Account. The Administrator shall make every effort to invest cash payments within 30 days of receipt except where necessary to comply with Rule 10b-6 under the Securities Exchange Act of 1934 or other applicable provisions of the federal securities laws. Pending investment, Participant’s funds held by the Administrator will not bear interest. It is understood that, in any event, the Administrator shall have no liability in connection with such inability to purchase shares or the timing of any purchases. A Participant may withdraw his or her entire cash payment by written notice received by the Administrator not less than 48 hours before such payment is to be invested.
5. A statement indicating the cash distribution invested, the number of shares purchased, the price per share, and total shares accumulated in the Participant’s account (the “Plan Account”) is mailed to each Participant as soon as practicable after completion of each investment for a Participant’s account.
6. Distributions paid on the shares accumulated in the Plan are included in the Form 1099-DIV information return sent annually to each shareholder. When applicable, proceeds received from sales transactions are included in the Form 1099-B information return sent annually to each shareholder.

7. Any stock dividends or shares issued pursuant to a stock split on shares credited to a Participant's Plan Account will be added to the Participant's Plan Account. In a rights offering, warrants representing rights on all shares held of record by each Participant and all full shares credited to the Participant's Plan Account, will be mailed directly to the Participant in the same manner as to shareholders who are not participating in the Plan. Transaction processing may be either curtailed or suspended until the completion of any stock dividend, stock split, or corporate action.
8. No certificates will be issued for shares in the Participant's Plan Account unless a request is sent to the Administrator. Upon request, the Administrator will send the Participant certificates for any full shares already credited to the Participant's Plan Account. Such requests shall be handled by the Administrator without charge to the Participant. No certificate for a fractional share will be issued.
9. Participation in the Plan may be terminated by a Participant at any time by notice to that effect to the Administrator. To be effective for any given distribution, the notice to terminate must be received by the Administrator three business days before the payment date for such distribution. If the notice to terminate is received less than three business days prior to the payment date then that dividend will be reinvested; however, all subsequent dividends will be paid out in cash on all balances. The Plan or a shareholder's individual participation in the Plan may be terminated by Source Capital at any time after it mails a notice of intention to terminate to the Participant. If for any reason a Participant's account balance falls below one full share, the Administrator reserves the right to terminate the individual Participant's participation in the plan.

Upon termination, a Participant receives certificates for the full shares credited to his or her Plan Account. If a Participant elects cash, the Administrator sells such shares and delivers a check for the proceeds, less the commission and the Administrator's transaction fee. In every case of termination, a fractional share interest credited to a terminating Plan Account is paid in cash at the then-current market price.

10. A Participant has the right to vote all shares purchased for such Participant under the Plan. Proxies sent to a Participant include the number of shares held for the Participant under the Plan.
11. Recordkeeping functions under the Plan are provided by American Stock Transfer & Trust Company, LLC, which also acts as transfer agent for shares of common stock of Source Capital.
12. Neither the Administrator, nor Source Capital, nor the Transfer Agent shall be liable hereunder for any act done in good faith, or for any omission to act, including, without limitation, any claims of liability (1) arising out of failure to terminate the Participant's

account upon such Participant's death prior to receipt of notice in writing of such death and (2) with respect to the prices at which shares are purchased or sold for the Participant's account and the times such purchases or sales are made.

13. The Participant shall have no right to draw checks or drafts against the Participant's Plan Account or to give instructions to the Administrator in respect to any shares held therein or any cash held in the Plan except as expressly provided herein.
14. If the Participant's funds submitted for optional cash purchase, whether by check or by direct debit via the Internet, are returned as unpaid, any funds pending investment will be removed from the Participant's account. If the Participant's funds have already been invested, then the shares purchased will be sold to satisfy the return of unpaid funds. If the proceeds from the sale are not sufficient to cover the return of unpaid funds, then additional shares will be sold from the Participant's account. In addition, there is a \$25.00 fee for the return of unpaid funds. Shares will be sold from the Participant's account sufficient to cover the return fee.
15. The Participant agrees to notify the Administrator promptly of any change of address. Notices to the Participant may be given by letter addressed to the Participant at the last address of record with the Administrator.
16. These Terms and Conditions may be amended or supplemented by the Company by mailing an appropriate notice at least 30 days prior to the effective date thereof to the Participant's last address of record. The amendment or supplement shall conclusively be deemed to be accepted by the Participant unless prior to the effective date thereof the Administrator receives notice of the termination or participation in the Plan. Any such amendment may include the appointment by the Administrator in its stead and place a successor Administrator under these Terms and Conditions provided such successor is a bank or trust company organized under the laws of the United States or any State thereof.
17. The costs of administering the dividend reinvestment portion of the Plan are borne by Source Capital. However, Source Capital reserves the right to amend the Plan to institute a service charge after advance notice to Participants.

The fee for the Administrator's service under the Plan will be \$5.00 for each optional cash purchase of shares for a Plan Account. This charge will be applied separately to each purchase and will be separate and apart from any other transaction fee which may be applicable including the \$0.05 per share commission. The Administrator may also charge for additional services performed at the request of the Participant and not provided for herein.

18. The Terms and Conditions and the Authorization Card, which is a part of these Terms and Conditions, shall be governed by and construed in accordance with the laws of the State of New York and applicable Rules and Regulations of the Securities and Exchange Commission. These Terms and Conditions cannot be changed orally.