



SOURCE CAPITAL, INC. FEDERAL INCOME TAX INFORMATION

(Unaudited)

Calendar 2016

Cash Dividends and Distributions:

<u>Record Date</u>	<u>Payable Date</u>	<u>Amount Paid Per Share</u>	<u>(1) Ordinary Income Dividends</u>	<u>(2) Long-Term Capital Gain Distributions</u>
02/19/2016	03/15/2016	\$0.41	\$0.1879	\$0.2221
02/19/2016*	03/15/2016	33.65	0.0000	33.6500
05/20/2016	06/15/2016	0.41	0.1879	0.2221
08/26/2016	09/15/2016	0.41	0.1879	0.2221
11/25/2016	12/15/2016	0.35	0.1604	0.1896
TOTAL		<u>\$35.23</u>	<u>\$0.7241</u>	<u>\$34.5059</u>

*Special long-term capital gains distribution.

The amounts in column (1) are to be included as dividend income on your tax return and 100% of these amounts are Qualified Dividend Income.

In accordance with the provisions of the Internal Revenue Code, the amounts in column (2) are long-term capital gain distributions.

A Form 1099 has been mailed to all shareholders of record on dividend record dates setting forth the specific amounts to be included in their 2016 tax returns. For corporate shareholders, 42.76% of the amount in column (1) qualifies for the 70% corporate dividends received deduction. Source Capital did not elect to retain any undistributed long-term capital gains for the year ended year ended December 31, 2016. Therefore, Common shareholders will not receive a Form 2439 for 2016.

Notice to Dividend Reinvestment Plan Participants:

When additional shares are issued by Source Capital under the Automatic Reinvestment Plan at a discount from the market price, a participant in the Plan is treated for federal income tax purposes as having received a taxable distribution equal to the market value of the shares purchased. In effect, the discount from market price at which shares are purchased is added to the amount of the cash distribution to determine the total value of the taxable distribution. Such value also becomes the participant's tax basis for the shares purchased under the Plan.

For the year ended year ended December 31, 2016 none of the distributions paid was reinvested at a discount from the market price.

State Tax Information:

1.96% of the amounts reported in column (1) were derived from U.S. Treasury Securities.