Confidential Memorandum

To: Steve Hodgdon

From: [redacted]

Re: NAV Arbitrageurs in Seligman Funds

Date: November 6, 2002

Steve – I write this memo to bring to your attention an escalating problem that threatens the performance of our funds, and therefore our livelihood. It is the practice of NAV arbitrage by professional traders (usually hedge funds), which loots percentage points in total return from the funds these traders utilize. The controls we currently have in place are inadequate, and to make matters worse, are periodically overridden by sales management through the granting of exceptions to certain financial advisors who facilitate this business. I propose a solution herein, but first some background.

Mutual fund NAV arbitrage by professional traders has grown into its own industry in just the last two years. The practice threatens the future of fund companies that don't understand its effect on their long-term returns. In addition, it is a ticking time bomb for the entire mutual fund industry, set to go off the day the press realizes that fund companies routinely sell the returns earned by the shareholders of their funds to short-term traders.

Usually, these traders employ a global arbitrage strategy that exploits the stale prices of international securities used when a fund calculates its 4 pm NAV. There are also non-global strategies. Typically, the trader swoops into the fund for one or two days and takes profits that were meant for the long-term shareholders. The money never gets a chance to be invested in anything and the removal of these assets from the fund comes right off the fund's return. Five traders making 10 round trips per year of $1 million, at a 4% profit each trip, knocks 1% off the total return of a $200 million fund that year.

Acceptance of the above practice by mutual fund company leaders stems from ignorance of the practice's longer-term effects. Leaders of fund companies that are fully informed on this subject have put in place strict policies prohibiting this type of business, and grant no exceptions. Many fund companies have also instituted fair-value pricing of their international securities, the only real solution to the problem and one that is getting easier and cheaper to institute.

Seligman's handling of this issue has been inconsistent. The company has in place a labor-intensive effort at several levels to identify and eradicate NAV arbitrageurs from its funds. It works reasonably well and has without a doubt prevented the looting of several percentage points of return from some of our funds. This effort takes the coordination of at least a dozen individuals across several departments for at least some part of every day. Periodically, exceptions are granted by senior managers at Seligman to traders who approach them with what they see as compelling business propositions. The sums of money these traders typically propose bringing to Seligman are enough to undo the benefits of the everyday effort and more. As implied earlier, these managers would not make such exceptions if they had all the facts and were backed up by a consistent policy.

The solution to this problem is two-fold. First, we need a documented policy for the prevention of this kind of abuse. It would include a clear description of what kind of business we are talking about, what actions we will take to prevent these traders from entering our funds, and what actions we will take to eradicate them from our funds if they get in. It would clearly state that no exceptions would be made. I will gladly craft this policy should you so desire.

Second, we need to institute fair-value pricing of the international securities in our funds. This practice would eliminate the arbitrage opportunity completely and is the only good long-term solution. Many fund companies have begun doing so and the services that do this are becoming better and cheaper. This will require a buy-in from Brian Zino and legal, and probably Board approval. It is a process accepted and encouraged by the SEC. I have already begun preparing talking points that can be used in educating the necessary individuals and/or the Board.

I ask that we take action on the first part of the solution this week – it's that urgent. The second part will take a lot of preparation, but I will gladly spearhead that initiative. It is also imperative. Our company can ill-afford to forgo potentially billions of dollars in sales over the next few years, and the management fees associated with those sales, because we sold our hard-earned alpha to professional traders to raise a small fraction of that amount today. Our reputation is also at stake if we do not document our fervent support of the long-term shareholder long before this issue makes headlines.

Please let me know how you would like to proceed.

and not all of the mutual funds in the Seligman Group are available to residents of all states. Before making any exchange a shareholder should contact an authorized investment dealer or Seligman Data Corp. to obtain prospectuses of any of the mutual funds in the Seligman Group.

A broker/dealer of record will be able to effect exchanges on behalf of a shareholder only if the broker/dealer has entered into a Telephone Exchange Agreement with SFSI wherein the broker/dealer must agree to indemnify SFSI and the mutual funds in the Seligman Group from any loss or liability incurred as a result of the acceptance of telephone exchange orders.

Written confirmation of all exchanges will be forwarded to the shareholder to whom the exchanged shares are registered and a duplicate confirmation will be sent to the dealer of record listed on the account. SFSI reserves the right to reject a telephone exchange request. The Fund reserves the right to reject any telephone requests for transactions with a share value exceeding $250,000. Any rejected telephone exchange order may be processed by mail. For more information about telephone exchanges, including the procedure for electing such service and the circumstances under which shareholders may bear the risk of loss for a fraudulent transaction, see "Telephone Transactions" above.

Exchanges of shares are sales and may result in a gain or loss for Federal income tax purposes.

FURTHER INFORMATION ABOUT TRANSACTIONS IN THE FUND

Because excessive trading (including short-term, "market timing" trading) can hurt the Fund's performance, the Fund may refuse any exchange (1) from any shareholder account from which there have been two exchanges in the preceding three month period, or (2) where the exchanged shares equal in value the lesser of $1,000,000 or 1% of the Fund's net assets. The Fund may also refuse any exchange or purchase order from any shareholder account if the shareholder or the shareholder's broker/dealer has been advised that previous patterns of purchases and redemptions or exchanges have been considered excessive. Accounts under common ownership or control, including those with the same taxpayer ID number and those administered so as to redeem or purchase shares based upon certain predetermined market indicators, will be considered one account for this purpose. Additionally, the Fund reserves the right to refuse any order for the purchase of shares.

DIVIDENDS AND DISTRIBUTIONS

The Fund's net investment income, if any, is paid to shareholders in dividends in December. Payments vary in amount depending on income received from portfolio securities and the costs of operations. The Fund distributes substantially all of any taxable net long-term and short-term gain realized on investments to shareholders at least annually; such distributions will generally be taxable to shareholders in the year in which they are declared by the Fund if paid before February 1 of the following year.

Shareholders may elect: (1) to receive both dividends and gain distributions in shares; (2) to receive dividends in cash and gain distributions in shares; (3) to receive both dividends and gain distributions in cash. In the case of prototype retirement plans, dividends and gain distributions are reinvested in additional shares. Unless another election is made, dividends and capital gains distributions will be credited to shareholder accounts in additional shares. Shares acquired through a dividend or gain distribution and credited to a shareholder's account are not subject to an initial sales load or a CDSL. Dividends and gain distributions paid in shares are invested at the net asset value on the ex-dividend date. Shareholders may elect to change their dividend and gain distribution options by writing Seligman Data Corp. at the address listed below. If the shareholder has elected telephone services, changes may also be telephoned to Seligman Data Corp. between 8:00 a.m. and 5:30 p.m. Eastern

<PAGE>

Lynch, Edward

From: Lynch, Edward
Sent: Wednesday, July 07, 1999 3:51 PM
: [redacted]
c: [redacted]
Subject: TIMERS

[redacted] ***this is the meesage I intended to send to sales force -- why don't you deliver this message instead to the necessary wholesalers in whatever way you believe appropriate, but it's hammer time -- these guys need to be cut off!***

Timers, as you know, are not extended a warm welcome by J&W Seligman, nor by most other self-respecting firms in this business. We have a number of clients who are in gross violation of the limitations we established (by prospectus) to deter timing activities. We must address this situation immediately.

Please review the attached letter that will be sent to FAs identified by SDC as being in violation of our exchange policy. SDC's report is being made available to the internal desk today. You should check with your internal to see if you have clients who have been flagged. The letter will be sent out under the cover of [redacted] or [redacted], as appropriate, on Tuesday, July 13th. Once notified in the form of this letter, these FAs will be limited to the 2 round trips per three month period. Additional exchanges in any three month period will simply not be honored.

If for some reason you believe that the letter should not go out to your clients (perhaps you have notified them personally, or know of other extenuating and highly unusual circumstances surrounding their activities), please discuss with me directly. Generally speaking however, there will be no exceptions.

Thank you for your attention to this matter.

MarketTimers.doc

Lynch, Edward

From: Lynch, Edward
Sent: Wednesday, July 07, 1999 3:51 PM
To: [redacted]
Cc: [redacted]
Subject: TIMERS

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Thank you for your attention to this matter.

MarketTimers.doc

Unknown

From: Clark, John [JClark@SeligmanData.com]
Sent: Wednesday, January 17, 2001 5:03 PM
To: [redacted] Lynch, Edward; Hodgdon, Stephen; [redacted]
Cc: [redacted]
Subject: RE: Capital Stock Activity

Gentlemen, With regard to the e-mail from [redacted] concerning cash requirements for the International Fund, please note the following. I have attached for your review a listing of the market timing activity specifically detailing movement within the International Fund. There are several financial advisors that are timing money within our complex involving the International Fund however two in particular seem to represent the majority of the cash movement through timing activities. Please see the attached report which highlights those advisors in question. Currently our process for identifying and modifying the behavior of timers is that SDC notifies SAI monthly regarding all timing related activity. SAI then communicates a verbal reminder to the financial advisor that our fund policy limits frequent exchange activity. If the advisor in question remains on the report the following month, SAI then sends a written warning to the advisor. If the advisor continues the activity, the account is then frozen by SDC only upon notification from the appropriate SAI district manager. We will review the disposition of the advisors in question with Ed Lynch. If you have any questions, you may direct them to [redacted] who is responsible for coordinating timing related activity with SAI. John Clark

December 31st Timers.doc (45 K...

-----Original Message-----
From: [redacted]
Sent: Friday, January 12, 2001 5:27 PM
To: Zino, Brian; Hodgdon, Stephen; [redacted]
Subject: FW: Capital Stock Activity

we would appreciate your thoughts on this situation. as you can see, this is not fair to [redacted]

-----Original Message-----
From: [redacted]
Sent: Friday, January 12, 2001 3:39 PM
To: [redacted]
Subject: Capital Stock Activity

The international fund currently has cash of $11,440,409 (17.1% of assets) due to an inflow of $ 9,137,307 on 1/11/01, which I was notified of this afternoon. EAFE has risen 87bp over this period, costing us 15 bp of performance. (Calculated as EAFE return * uninvested cash.) This is the equivalent of having one of my portfolio's stocks underperform by 12% over this period.

After a long string of problems with money coming into and out of the fund, I had [redacted] run a report of all the capital stock activity from 11/01/00, the date of our new fiscal year. In less than three months, the fund as had inflows of $91,991,193 (138% of assets) and outflows of $80,991,653. By my reckoning, we've had 14 round trips of massive flows in and out meaning 28 trading days I have either been scrambling to get invested or raising liquidity. There were only 49 trading sessions over this period, so this is how I've spent about 60% of my time.

Given that we can not employ futures and our systems for notifying me of activity do not allow me to get invested on a timely basis, the execution costs are huge to our existing shareholders. Most studies of trading strategies suggest that trading activity costs about 100 basis points after commisions, bid-ask spread, fx cost, and market impact. Thus, I think so far, this activity has cost the fund about 140 bp.

While falling markets ought to have benefited the fund when flush with cash, my mandate to keep no more than 5% cash has led me to be temporarily levered due to redemptions in falling markets. Moreover, while I haven't proven it out (yet), the flippers seem to flock in on market up days and bolt on market down days.

I would appreciate any advice on how to manage this situation.

SELIGMAN ADVISORS, INC.

100 Park Avenue
New York, NY 10017

212-850-1864
800-221-7844

June 6, 2001

[redacted]

Dear [redacted]

I am writing concerning our exchange policy between Seligman funds. As stated in each fund Prospectus, we reserve the right to refuse an exchange request if there have been two exchanges from the same fund within any three-month period.

One of our main reasons for this policy is that excessive trading can hurt a fund's performance. Also, excessive trading generates increased fund expenses due to the additional administrative and portfolio management costs incurred.

Unfortunately, exchange activities in your client's accounts have reached the threshold noted above, and we are writing to ask you and your client's to adhere to the guidelines set forth in the prospectus. If this cannot be done, the next step will be to freeze your client's assets in a Seligman Cash Management Fund for a period of 90 days. After that time, your clients can adhere to the prospectus, or redeem their assets.

I hope you can appreciate the importance of these policies and I ask for your cooperation in this matter. If you have any questions, please call your Seligman Internal Sales Representative at 1-800-221-2783 any business day from 8:30 AM to 6:00 PM Eastern Time. They will be happy to assist you.

Sincerely,

Edward Lynch
Senior Vice President
National Sales Director

cc: [redacted]

SELIGMAN ADVISORS, INC.

100 Park Avenue
New York, NY 10017

212-850-1864
800-221-7844

February 13, 2002

[redacted]

Dear [redacted]

As I am sure you are aware, excessive trading activity is an important issue to the mutual fund industry. Excessive trading can hurt a fund's performance by forcing portfolio managers to make certain investment decisions based on liquidity factors, as opposed to sound investment judgment. Also, excessive trading generates increased fund expenses due to the additional administrative and portfolio management costs incurred. It is for these reasons that we at Seligman, along with most of the industry, have policies in place to discourage this type of trading activity among our shareholders.

As stated in each fund prospectus, we reserve the right to refuse an exchange request or any request to buy fund shares if there have been two exchanges from that same fund within any three-month period or if it is determined that a previous pattern of purchases and sales or exchanges have been excessive.

We wrote to you to remind you of our policy in the hope that your clients would refrain from such activity. Unfortunately, trading activities in your clients' accounts since that time have continued to exceed our limits. We realize how difficult it can be to persuade your clients to alter their investment activities. However, in the interest of our funds and their shareholders, we will not be able to accept purchases in your clients' accounts for a period of 90 days. At the end of that period, your clients will be able to invest in the funds, provided they abide by limitations set forth in our prospectuses.

We appreciate your support and cooperation in this matter. If you have any questions, please call your Seligman Internal Sales Representative at 1-800-221-2783.

Sincerely,

Edward Lynch
Senior Vice President
National Sales Director

cc: [redacted]

[redacted]

Lynch, Edward

From: Clark, John [JClark@SeligmanData.com]
Sent: Tuesday, November 26, 2002 6:04 PM
To: Lynch, Edward
Subject: FW: Weekly Timer Activity 11/18/02-11/22/02

Ed,

I spoke to Paul Guidone and Brian Zino about this relationship and I continue to feel very uncomfortable about the risks we are assuming in keeping it on our books. Based on my prior e-mails with you, I want to move immediately in getting this timing group out of the complex. They show absolutely no interest in adhering to our policies and with the risks we incur, this is going to come back and bite us. Quite possibly it could also result in a big loss to the firm. Couple this with the fact that we allow them to exchange into the global portfolios and lock in a profit based on almost certain movements in the foreign markets (far east especially), we are allowing what the regulators and watchdogs have been calling "unethical practices" which are done at the expense of fund shareholders. Call me if you want to discuss. We need to move ASAP on this one. Thanks...............John

-----Original Message-----
From: [redacted]
Sent: Tuesday, November 26, 2002 4:43 PM
To: [redacted] Lynch, Edward; [redacted]
Cc: Clark, John; Hodgdon, Stephen; [redacted]
Subject: FW: Weekly Timer Activity 11/18/02-11/22/02

Attached is the market timer report for the week ending November 22. Last week $22.9 million was exchanged by market timers versus $21.3 million the previous week. Of the $22.9 million, $21.1 million is represented by the advisor who has been granted an exception by SAI.

Of the remaining $1.8 million no assets were frozen.

If you have any questions, I can be reached at [redacted]

[redacted]

Total Identified Timing Advisors as of 11/22:	11
Total Monitored Accounts as of 11/22:	12
Accounts frozen last week:	0
Assets in frozen accounts:	$0
New Advisors this week:	3
New accounts this week:	3
Assets in new accounts:	$3,715,851

112202 Market Timing Report.xl...

[redacted]

Confidential Treatment
Requested By
J. & W. Seligman & Co. Incorporated
Item No. LC1860

From: [redacted]
Sent: Wednesday, June 13, 2001 10:28 AM
To: [redacted]
Cc: [redacted] Lynch, Edward
Subject: Market Timing

[redacted]

I just sent you last weeks timer report. [redacted] from Prudential is on the exception list as you know. Since being granted an exception on March 27th he has completed 13 round trips over the last 60+ days. Year-to-date, he has completed 21 roundtrips.

This individual only has $64K in non-timer assets. His timer accounts should be frozen, now. Please let me know when we can proceed and freeze his accounts.

Thanks.

[redacted]

Tracking:	Recipient	Read
	[redacted]	Read: 6/13/2001 10:36 AM
	[redacted]	Read: 6/13/2001 11:36 AM
	Lynch, Edward	Deleted: 6/14/2001 9:03 AM
	Clark, John	Read: 6/13/2001 12:57 PM
	[redacted]	Read: 6/13/2001 12:31 PM
	[redacted]	Read: 6/13/2001 10:33 AM
	[redacted]	

[redacted]

** TOTAL PAGE.01 **

Advisors Granted SAI Exceptions to Timing Policy from April 2001 through September 2003

Advisor	Firm	ESP	Funds Timed	Maximum Timed Assets	Current Assets	Date Exception Granted	Date Assets Frozen or Liquidated	Total RT's From Cash Mgmt During Exception Period
Chicago Escrow*	McDonald Investments Inc.	[redacted]	C & I - A $40 C & I - D $20M Global Smaller - D $5M Global Tech - D $10M Global Growth - D $5M	$ 84,150,712	$19,036,279 *	10/8/02	9/11/03	32 from Cash-D 80 from Cash A
[redacted]	Prudential Securities	[redacted]	Growth - A Capital - A C & I - A Global Tech - A	$ 3,709,823	$ -	7/16/03	9/9/03	2
[redacted]	Prudential Securities	[redacted]	Capital - A Global Growth - A	$ 1,111,569	$ -	3/27/01	6/1/01	7
[redacted]	Merrill Lynch	[redacted]	High Yield	$ 1,572,963	$ -	7/23/01	10/15/02	10
[redacted]	Merrill Lynch	[redacted]	High Yield	$ 1,018,699	$ -	7/23/01	10/15/02	9
[redacted]	UBS PaineWebber	[redacted]	Capital - A C & I - A Global Tech - A	$ 2,384,449	$ -	12/4/01	4/23/02	7
[redacted]	UBS PaineWebber	[redacted]	Global Smaller - A Global Tech - A Global Growth - A International - A Emerging Mkts - A	$ 1,052,486	$ -	7/24/01	4/2/02	2
[redacted]	[redacted]	[redacted]	Capital - A C & I - A Global Smaller - A Global Tech - A International - A	$ 18,821,351	$ 5,930	3/19/01	2/15/02	8
[redacted]	Salomon Smith Barney	[redacted]	Global Tech - A	$ 10,963,417	$ 18,200	11/16/01	12/18/01	8
[redacted]	Salomon Smith Barney	OH / Western PA	Common Stock - A C & I - A	$ 7,552,801	$ -	3/30/01	5/11/01	2

** Note - ALL Chicago Escrow assets have been frozen.*

Advisors Granted SAI Exceptions to Timing Policy from April 2001 through September 2003

Assets were Frozen or liquidated

Advisor	Firm	ESP	Funds # of ~~Timed~~ Accounts	Maximum Timed Assets	Current Assets A	Date Exception Granted	Date ~~Exception Rescinded~~ (~~Freeze or Liq~~)	Total RT's From Cash Mgmt During Exception Period	$ Amount Exchanged During Exception Period
Chicago Escrow	McDonald Investments Inc.	[redacted]	2	$ 84,160,712	$ 19,036,279	10/8/02	9/11/03	25	$ 1,957,810,698
[redacted]	Prudential Securities	[redacted]	3	$ 1,523,959	$ 1,523,959	7/15/03	*	1	$ 1,483,497
[redacted]	Prudential Securities	[redacted]	1	$ 547,613	$ 547,613	7/15/03	*	1	$ 533,070
[redacted]	[redacted]	[redacted]	1	$ 1,890,746	$ 1,890,746	7/15/03	*	(2)	$ 1,674,264
[redacted]	Prudential Securities	[redacted]	2	$ 3,709,823	$ - B	7/16/03	9/9/03	2	$ 14,884,303
[redacted]	Merrill Lynch	[redacted]	1	$ 1,572,963	$ -	7/23/01	10/15/02	10	$ 15,730,000
[redacted]	Merrill Lynch	[redacted]	1	$ 1,018,699	$ -	7/23/01	10/15/02	9	$ 9,165,000
[redacted]	UBS PaineWebber	[redacted]	4	$ 2,384,449	$ -	12/4/01	4/23/02	7	$ 12,236,578
[redacted]	UBS PaineWebber	[redacted]	1	$ 1,052,488	$ -	7/24/01	4/2/02	[illegible]	$ 7,147,599
[redacted]	[redacted]	[redacted]	1	$ 18,821,351	$ 5,930	3/30/01	[illegible] ?	[illegible]	$ 36,437,376
[redacted]	Salomon Smith Barney	[redacted]	2	$ 10,963,417	$ 18,200	11/16/01	12/18/01	8	$ 35,475,000
~~Please Supply~~ - SC2	[redacted]	[redacted]	3	$ -	$ -	7/30/01	8/17/01	? 0	$ -
[redacted]	Painewebber Inc	[redacted]	[illegible]	$ -	$ -	3/30/01	7/6/01	[illegible]	$ -
[redacted]	Prudential Securities	[redacted]	1	$ 1,111,569	$ -	3/27/01	6/1/01	7	$ 6,518,000
[redacted]	Prudential Securities	[redacted]	2	$ 7,633,370		3/27/01	6/8/01	? [illegible]	$ -
[redacted]	Salomon Smith Barney	N/A	5	$ 7,552,801	$ -	3/30/01	5/11/01	2	$ 6,895,000

A) all Chicago Escrow money is frozen

B) the exception granted was to let him back in under the terms of 2 maximum roundtrips in the quarter

Confidential Treatment
Requested By
J. & W. Seligman & Co. Incorporated
Item No. BK-2

Advisors Granted SAI Exceptions to Timing P[redacted]olicy for Week of 7/21/03 - 7/25/03

Advisor	Firm	ESP	# of Timed Accounts	Total # of Accts	Timed Assets	Non-[redacted]Timed As[redacted]ets	Exchange Value of Timed Accounts this Week	Date of Exception	RT's Within Last 90 Days in Actively Timed Accts	Total RT's Since Exception	$ Amount Exchanged Since Being Granted an Exception
Chicago Escrow*	McDonald Investments Inc.	[redacted]	2	2	$ 47,474,743	$ -	$ 47,471,818	10/8/02	8	22	$ 1,350,097,735
[redacted]*	Prudential Securities	[redacted]	3	3	$ 1,483,500	$ -	$ -	7/15/03	3	1	$ 1,483,487
[redacted]**	Prudential Securities	[redacted]	1	1	$ 533,074	$ -	$ -	7/15/03	3	1	$ 533,070
[redacted]**	[redacted]	[redacted]	1	1	$ 1,840,427	$ -	$ -	7/15/03	2	2	$ 3,674,284
[redacted]	Prudential Securities	[redacted]	2	2	$ 3,709,823	$ -	$ 7,397,116	7/16/03	3	1	$ 11,188,298

Chicago Escrow had 1RT in all funds last week.

These are specific accts that have been granted a timing exception. These reps are using a High Yield Bon[redacted] Investment model that does not exchange as frequently as typical timing activity.

As a point of reference, in 1999 we began the year with $ 308 million in assets identified as timing money and during that year, $ 255 million liquidated from the Seligman Funds. In 2000 we began the year with $ 202 million in timing assets and we liquidated $ 137 million during the year.

We begin 2001 with $ 101 million in timing assets. More than $ 10 million reside in accounts that are presently frozen. Please note, these numbers only include accounts that have assets greater than $ 250 thousand with more than 6 roundtrip exchanges in a quarter. When we lower the identification threshold to three roundtrip exchanges in a quarter, it will significantly increase the amount of assets identified as timing money.

In order to rectify the continuance of this practice within our complex, we will have to shorten the cycle for notification and hold to stricter standards for freezing the accounts. Recent statistics indicate that more than $ 60 billion in timing assets exist in the fund industry today. Some fund groups have attacked the problem by placing 1% exchange fees on timing accounts although systemic changes required to implement fees in Transfer Agent Systems can be substantive. Other fund groups have chosen to monitor more aggressively and have implemented enhanced tracking systems to do so..

If you want some background articles on timing related issues, click on the icons attached. If anyone requires additional information, please give me a call. John

Ignites.html (8 KB)   Ignites (2).html (7 KB)

fyi

-----Original Message-----
From: [redacted]
Sent: Tuesday, January 23, 2001 6:56 AM
To: [redacted]
Subject: FW: A/C 2005G

FYI, still churning and burning. State street reports show $25 million cash, or 29% of NAV.

[redacted]

-----Original Message-----
From: [redacted]
Sent: Monday, January 22, 2001 11:02 AM
To: [redacted]
Subject: A/C 2005G

Please be advised that there was a cap stock activity posted on 1/19/01 in the amount of $17,789,611 in the Seligman International Growth Fund A/C 2005G. Thx

[redacted]

Message to Shareholders

January 31, 2005

In response to recent developments regarding disruptive and illegal trading practices in the mutual fund industry, the following discussion has been prepared to provide shareholders with important information.

For purposes of this material, J. & W. Seligman & Co. Incorporated and its affiliates and related parties are referred to as "Seligman" or the "Manager," and the Seligman registered investment companies are referred to as the "Seligman Funds."

Q1. Have any Seligman employees engaged in improper trading?

A. The Manager has conducted an internal review of employee trading in shares of the Seligman Funds and has not found improper trading activity by Seligman employees.

Q2. Does Seligman have any policies relating to employee investment in the Seligman Funds?

A. A majority of Seligman employees invest in the Seligman Funds, either directly or through the Seligman 401(k) plans. Trading by employees is monitored by the Manager's legal department and is subject to the Manager's Code of Ethics. In addition, unlike many 401(k) plans that permit daily trading, the Seligman 401 (k) plans permit only weekly trading activity. All Seligman employees have been informed that excessive trading with respect to the Seligman Funds, or trading in the Seligman Funds based upon inside information, is inappropriate and may, in certain cases, be illegal. Employees who engage in inappropriate trading will be subject to disciplinary action, which may include termination of employment.

Q3. Has Seligman engaged in improper disclosure of a Fund's portfolio holdings?

A. The Manager has found no improprieties relating to the disclosure of a Fund's portfolio holdings. The Manager has not disclosed and does not disclose a Fund's portfolio holdings prior to public dissemination, unless such disclosure is made for legitimate business purposes and only if the Manager believes that such disclosure will not be detrimental to a Fund's interest.

Q4. What is Seligman's policy with regard to receipt of late trades (i.e., after 4:00 pm Eastern Time)?

A. Seligman does not accept late trades directly from Fund shareholders or prospective shareholders. The large majority of mutual fund trades submitted to Seligman are from broker-dealer firms and other financial intermediaries on behalf of their clients. These intermediaries have an obligation to ensure that trades submitted to the Seligman Funds after 4:00 pm on a trading day for that day's net asset value were, in fact, received by those entities by 4:00 pm on that day. This applies to all trades from intermediaries, including those that are transmitted electronically to Seligman after the market closes. Although the Seligman Funds and the Manager, like other mutual fund groups, cannot determine the time at which orders received through financial intermediaries were placed, the Manager expects mutual fund trades submitted to Seligman by financial intermediaries to comply with all applicable laws and regulations. Seligman has contacted every financial intermediary that offers, sells, or purchases shares of the Seligman Funds in order to remind all of them of their responsibility to have reasonable policies and procedures to ensure that they comply with their legal and contractual obligations. The Manager has found no instances of Fund shareholders engaging in late trading directly with the Seligman Funds. Seligman will cooperate with and support any governmental or regulatory investigation to identify and hold accountable any financial intermediary that has submitted orders in violation of applicable laws or regulations.

Q5. What is Seligman's policy regarding market timing?

A. Seligman has policies and procedures in place to restrict trades that, in its judgment, could prove disruptive in the management of portfolios of the Seligman Funds. As part of the Manager's procedures, the Manager frequently rejects trades, issues warning letters, and prohibits accounts from making further exchanges. Since September 2003, when the first proceedings relating to trading practices within the mutual fund industry were publicly announced, Seligman has taken additional steps to strengthen its policies and procedures.

Q6. Has Seligman conducted an internal review relating to market timing?

A. The Manager has completed its internal review. As of September 2003, the Manager had one arrangement that permitted frequent trading. This arrangement was in the process of being closed down by the Manager before the first proceedings relating to trading practices within the mutual fund industry were publicly announced. Based on a review of the Manager's records for 2001 through 2003, the Manager identified three other arrangements that had permitted frequent trading in the Seligman Funds. All three had already been terminated prior to the end of September 2002. The results of the Manager's internal review were presented to the Independent Directors of the Seligman Funds. In order to resolve matters with the Independent Directors relating to the four arrangements, the Manager has paid approximately $75,000 to Seligman Global Growth Fund, $300,000 to Seligman Global Smaller Companies Fund and $1.6 million to Seligman Global Technology Fund in recognition that these global investment funds presented some potential for time zone arbitrage. The amounts paid by the Manager represented less than 1/2 of 1% of each such Fund's net asset value as of the date such payments were made. In addition, with respect to Seligman Communications and Information Fund and notwithstanding that time zone arbitrage opportunities did not exist, the Manager, at the request of the Independent Directors, has agreed to waive a portion of its management fee, amounting to five basis points (0.05%) per annum, for that Fund for a period of two years commencing on June 1, 2004.

Q7. Does Seligman disclose its internal market timing control procedures?

A. Seligman's market timing control procedures are proprietary. The Manager believes that disclosing these procedures will reduce their effectiveness.

Q8. What new practices are being considered to prevent market timing abuses?

A. Like other members of the mutual fund industry, Seligman is considering numerous options, including the implementation of redemption fees. Seligman also has contacted every financial intermediary that offers, sells, or purchases shares of the Seligman Funds in order to inform all of them that they must have reasonable policies and procedures to ensure that they do not knowingly permit or facilitate excessive trading of the Seligman Funds or knowingly use or facilitate any methods designed to disguise such trading in the Seligman Funds.

Q9. Is Seligman involved with any federal or state investigation relating to market timing or late trading?

A. The SEC, the NASD and the Attorney General of the State of New York are reviewing the matters discussed herein. In addition, the Manager has responded to information requests from other federal and state governmental authorities relating to investigations of unaffiliated third parties. As always, the Manager will continue to cooperate fully with the SEC and other authorities.

Q10. Does Seligman have any market timing arrangements at the current time?

A. Market timing arrangements in the Seligman Funds have been prohibited. In addition, Seligman has strengthened existing controls to discourage and help prevent market timing.

Q11. Have any other matters come to Seligman's attention in the course of its internal inquiry?

A. The Manager has also reviewed its practice of placing some of the Seligman Funds' orders to buy and sell portfolio securities with brokerage firms in recognition of their sales of the Seligman Funds. At the time such orders were placed, the practice was permissible when done properly; however, the Manager believes that it may have violated applicable requirements for certain of such orders as a result of compensation arrangements the Manager had with certain brokerage firms. The Manager discontinued this practice entirely in October 2003 and has reported these matters to the Independent Directors of the Seligman Funds. The Manager is confident that the execution of all such orders was consistent with its best execution obligations and that the Seligman Funds did not pay higher brokerage commissions in connection with those orders than they would otherwise have paid for comparable transactions. Nonetheless, in order to resolve matters with the Independent Directors, the Manager has made payments to each of twenty-four funds in an amount equal to the commissions paid by each such fund during the period from 1998 through 2003 to certain brokerage firms in recognition of sales of fund shares. Amounts paid by the Manager to the affected funds (which in the aggregate, including interest, equaled approximately $1.7 million) represented at the time of payment less than $0.01 per share for each such fund. The Manager has also responded fully to information requests from the SEC and the NASD relating to Seligman's use of revenue sharing and fund portfolio brokerage commissions and will continue to provide additional information if, and as, requested.

Q12. Have any employees been disciplined in connection with the Manager's overall internal review?

A. One employee has left Seligman.

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From: Clark, John
Sent: Tuesday, July 29, 2003 2:06 PM
To: Zino, Brian

BTZ......as a follow up to yesterday's meeting, attached is a chart summarizing the market timers that SAI has granted exceptions to after speaking with our portfolio managers. There are currently 5 timers being granted exceptions to our policy.
1) Chicago Escrow is one account and they have $47 million in assets with us. (They previously had $80 million but they were told we could not handle all of it from a portfolio management standpoint by Ed Lynch). This is a McDonald and Co relationship brought in (10/18/02) under the guise of a portal to increased managed money from McDonald which has not come to fruition. They have exchanged more than $1.3 billion in 22 round trips since 10/18. As per your direction, [redacted] will talk with Ed to finalize the timing for severing this relationship ASAP.
2) The other 4 timing accounts were authorized by SAI on 7/15/03 and have $5.5 million collectively amongst 4 separate financial advisors. These accounts do not represent a large dollar amount for the funds in question but will present the same headaches for us in terms of potential errors and "as of" adjustments that could result. These were discussed between SAI and Portfolio Management prior to bringing the money in. I question the soundness of this decision (each has done 3 roundtrips since 7/15) and we will monitor the situation closely. I still feel we should never have taken it in. With 4 "exceptions" to the policy granted in one week, it seems as if we are encouraging our wholesalers to be less discriminating with the business they bring in.
We are looking into how we can institute a procedure to manually enact a redemption fee (1% or 2%) for accounts with redemptions exceeding a certain dollar threshold. I will get back to you ASAP with a proposed solution and we can also discuss it with SAI. John

072503 Market Timing Report at ...

John H. Clark
J. & W. Seligman & Co. Incorporated
100 Park Avenue
New York, NY 10017-5591

Assets Timed by Fund at Seligman
Week of 7/21/03 - 7/25/03

Week Ending July 25, 2003

Fund	Fund Size All Classes	Total Identified Timing $	Trans. Value of Assets Timed This Week*	Trans. Value as % of Fund	Assets Frozen	Assets Liquidated
Growth	$ 504,000,000	$ 3,791,182	$ -	0.00	$ -	N/A
Capital	$ 559,200,000	$ 3,717,347	$ -	0.00	$ -	N/A
C & I	$ 3,787,500,000	$ 32,270,855	$ 35,845,413	0.95	$ -	N/A
Global Smaller	$ 166,500,000	$ 5,347,054	$ 5,138,654	3.09	$ 154,697	N/A
Global Tech	$ 491,800,000	$ 15,808,271	$ 11,954,352	2.43	$ -	N/A
Global Growth	$ 63,300,000	$ 2,021,031	$ 2,021,031	3.19	$ 35,819	N/A
High Yield	$ 796,900,000	$ 3,853,699	$ -	0.00	$ -	N/A
US Govt	$ 174,500,000	$ 2,484,524	$ -	0.00	$ 234,705	N/A
International	$ 41,400,000	$ 2,055,883	$ 521,161	1.28	$ 27,306	N/A
Emerging Mkts	$ 51,700,000	$ 327,052	$ 249,693	0.48	$ 249,693	N/A
Total	$ 6,636,800,000	$ 71,676,898	$ 55,830,304	0.84	$ 702,220	$ 1,050,372

Note: Trans. Value of Assets Timed This Week includes the activity in Assets Frozen

Note: Due to continuous timing violations by regular timers, we have frozen all funds in accounts in violation. This may explain values of zero in the assets frozen column.

Weekly Average June 2003

Fund	Avg Fund Size All Classes	Avg Total Identified Timing $	Avg Trans. Value of Assets Timed Per Week*	Trans. Value as % of Fund	Avg Assets Frozen	Avg Assets Liquidated
Growth	$ 493,300,000	$ 2,072,942	$ 2,072,942	0.42	$ -	N/A
C & I	$ 3,805,275,000	$ 34,883,200	$ 29,456,394	0.77	$ -	N/A
Frontier	$ 113,200,000	$ 368,322	$ 288,197	0.25	$ 288,197	N/A
Global Smaller	$ 161,525,000	$ 6,111,987	$ 5,186,028	3.21	$ 200,662	N/A
Global Tech	$ 489,500,000	$ 11,878,042	$ 11,847,529	2.42	$ 241,125	N/A
Global Growth	$ 64,725,000	$ 2,164,838	$ 2,016,866	3.12	$ 184,484	N/A
High Yield	$ 819,700,000	$ 1,312,125	$ -	0.00	$ 1,713,677	N/A
US Govt	$ 187,925,000	$ 1,297,467	$ 260,448	0.14	$ 243,098	N/A
International	$ 40,750,000	$ 2,992,530	$ 365,916	0.90	$ 278,723	N/A
Emerging Mkts	$ 45,600,000	$ 709,336	$ 245,882	0.54	$ 245,882	N/A
Total	$ 6,221,500,000	$ 63,790,789	$ 51,740,202	0.83	$ 3,395,848	$ 1,140,700

Note: Trans. Value of Assets Timed This Week includes the activity in Assets Frozen

Note: Due to continuous timing violations by regular timers, we have frozen all funds in accounts in violation. This may explain values of zero in the assets frozen column.

Weekly Average May 2003

Fund	Avg Fund Size All Classes	Avg Total Identified Timing $	Avg Trans. Value of Assets Timed Per Week*	Trans. Value as % of Fund	Avg Assets Frozen	Avg Assets Liquidated
C & I	$ 3,580,075,000	$ 35,417,311	$ 25,782,318	0.72	$ 200,784	N/A
Frontier	$ 113,000,000	$ 296,273	$ -	0.00	$ -	N/A
Global Smaller	$ 154,625,000	$ 7,054,829	$ 3,604,709	2.33	$ 870,058	N/A
Global Tech	$ 467,275,000	$ 12,068,131	$ 5,815,978	1.24	$ 182,668	N/A
Global Growth	$ 62,950,000	$ 2,683,871	$ 1,600,029	2.54	$ 471,641	N/A
High Yield	$ 799,300,000	$ 3,939,866	$ 4,079,732	0.51	$ 3,800,000	N/A
US Govt	$ 194,400,000	$ 723,060	$ 260,159	0.13	$ 185,074	N/A
International	$ 38,800,000	$ 2,963,587	$ 790,772	2.04	$ 504,699	N/A
Emerging Mkts	$ 40,550,000	$ 1,172,320	$ 388,690	0.96	$ 283,391	N/A
Total	$ 5,450,975,000	$ 66,319,228	$ 42,322,387	0.78	$ 6,498,318	$ 1,097,657

Note: Trans. Value of Assets Timed This Week includes the activity in Assets Frozen

Note: Due to continuous timing violations by regular timers, we have frozen all funds in accounts in violation. This may explain values of zero in the assets frozen column.

Timing Activity 7/21/03 - 7/25/03

DSD	ESP	Advisor	Firm	Fund	Account #	$ Amt Timed 7/21/03-7/25/03	RT 7/21/03 - 7/25/03	RT w/in last 90 days	2003 RT as of 7/25/03	2003 $ Amt Timed
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	International	1 @ $49,403	$ -	0	3	13	$ 642,239
	Timing assets as of Friday:		$0 - Liq 5/22		$ Amt Timed this week:	$ -				$ 642,239
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	International	2 @ $45,951	$ -	0	3	15	$ 640,085
	Timing assets as of Friday:		$0 - Liq 5/22		$ Amt Timed this week:	$ -				$ 640,085
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	International	7 @ $123,397	$ -	0	3	10	$ 951,947
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	Emerging Mkts	6 @ $77,359	$ -	0	3	9	$ 634,668
	Timing assets as of Friday:		$0 - Liq 5/21		$ Amt Timed this week:	$ -				$ 1,586,615
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	International	1 @ $22,558	$ -	0	3	16	$ 360,928
	Timing assets as of Friday.		$0 - Liq 5/21		$ Amt Timed this week:	$ -				$ 360,928
[redacted]	[redacted]	[redacted]	Raymond James Financial	International	1 @ $249,114	$ -	0	2	2	$ 498,228
	Timing assets as of Friday:		$0 - Liq 7/11		$ Amt Timed this week:	$ -				$ 498,228
[redacted]	[redacted]	[redacted]	1717 Capital Management	C & I	1 @ $24,000	$ -	0	2	3	$ 72,000
	Timing assets as of Friday:		$39,336		$ Amt Timed this week:	$ -				$ 72,000
Lynch	[redacted]	Please Supply - 007	Bear Stearns	International	1 @ $237,032	$ 237,032	1	2	2	$ 474,064
	Timing assets as of Friday:		$237,032		$ Amt Timed this week:	$ 237,032				$ 474,064
Lynch	[redacted]	Chicago Escrow*	McDonald Investments	C & I	2 @ $28,548,297	$ 28,548,297	1	8	18	$ 465,038,508
Lynch	[redacted]	Chicago Escrow*	McDonald Investments	Global Smaller	1 @ $4,983,957	$ 4,983,957	1	6	16	$ 79,743,312
Lynch	[redacted]	Chicago Escrow*	McDonald Investments	Global Tech	1 @ $11,954,352	$ 11,954,352	1	6	16	$ 191,269,632
Lynch	[redacted]	Chicago Escrow*	McDonald Investments	Global Growth	1 @ $1,985,212	$ 1,985,212	1	8	16	$ 31,763,392
	Timing assets as of Friday:		$47,474,743		$ Amt Timed this week:	$ 47,471,818				$ 767,814,844
[redacted]	[redacted]	[redacted]	Sterne Agee & Leach	US Govt	1 @ $260,548	$ -	0	3	3	$ 781,644
[redacted]	[redacted]	[redacted]	Sterne Agee & Leach	International	1 @ $256,823	$ 256,823	1	3	3	$ 770,469
	Timing assets as of Friday:		$265,232		$ Amt Timed this week:	$ 256,823				$ 1,552,113
[redacted]	[redacted]	[redacted]	Bear Stearns	High Yield	1 @ $1,837,142	$ -	0	2	2	$ 3,674,284
	Timing assets as of Friday.		$1,840,427		$ Amt Timed this week	$ -				$ 3,674,284
[redacted]	[redacted]	Please Supply - P03	Jeffries & Company	Global Smaller	2 @ $208,400	$ -	0	5	5	$ 991,886
[redacted]	[redacted]	Please Supply - P03	Jeffries & Company	Global Tech	1 @ $51,137	$ -	0	4	4	$ 204,548
	Timing assets as of Friday:		$0 - Liq 6/4		$ Amt Timed this week	$ -				$ 1,196,434
[redacted]	[redacted]	[redacted]	UBS Financial Services	US Govt	1 @ $260,448	$ -	0	3	4	$ 1,041,792
	Timing assets as of Friday:		$0 - Liq 6/6		$ Amt Timed this week.	$ -				$ 1,041,792
[redacted]	[redacted]	[redacted]	UBS Financial Services	US Govt	1 @ $234,360	$ -	0	2	2	$ 468,720
[redacted]	[redacted]	[redacted]	UBS Financial Services	International	1 @ $239,921	$ -	0	3	3	$ 719,763
	Timing assets as of Friday:		$0 - Liq 6/30		$ Amt Timed this week	$ -				$ 1,188,483
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	International	1 @ $481,413	$ -	0	2	2	$ 962,826
	Timing assets as of Friday:		$0 - Liq 7/21		$ Amt Timed this week	$ -				$ 962,826
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	High Yield	3 @ $1,483,487	$ -	0	2	5	$ 7,417,435
	Timing assets as of Friday:		$1,483,500		$ Amt Timed this week	$ -				$ 7,417,435

Confidential Treatment
Requested by J. & W. Seligman
& Co. Incorporated

Timing Activity 7/21/03 - 7/25/03

DSD	ESP	Advisor	Firm	Fund	Account #	$ Amt Timed 7/21/03-7/25/03	RT 7/21/03 - 7/25/03	RT w/in last 90 days	2003 RT as of 7/25/03	2003 $ Amt Timed
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	High Yield	1 @ $533,070	$ -	0	3	4	$ 2,132,280
	Timing assets as of Friday:		$533,074	$ Amt Timed this week:		$ -				$ 2,132,280
[redacted]	[redacted]	[redacted]	Citigroup Global Markets	International	1 @ $322,965	$ -	0	3	3	$ 968,895
	Timing assets as of Friday:		$322,965	$ Amt Timed this week:		$ -				$ 968,895
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	Growth	2 @ $3,791,182	$ -	0	3	3	$ 11,373,546
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	Capital	2 @ $3,717,347	$ -	0	2	2	$ 7,434,694
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	C & I	2 @ $3,698,558	$ 7,397,116	2	4	4	$ 14,794,232
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	Global Tech	2 @ $3,802,782	$ -	0	2	2	$ 7,605,564
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	US Govt	1 @ $1,494,463	$ -	0	2	2	$ 2,988,926
	Timing assets as of Friday:		$3,698,588	$ Amt Timed this week:		$ 7,397,116				$ 44,196,962
[redacted]	[redacted]	[redacted]	Sterne Agee & Leach	US Govt	1 @ $234,705	$ -	0	1	1	$ 234,705
[redacted]	[redacted]	[redacted]	Sterne Agee & Leach	Emerging Mkts	1 @ $249,693	$ 249,693	1	2	2	$ 499,386
	Timing assets as of Friday:		$249,693	$ Amt Timed this week:		$ 249,693				$ 734,091
[redacted]	[redacted]	[redacted]	Prudential Div of Wachovia	Global Smaller	1 @ $154,697	$ 154,697	1	2	2	$ 309,394
	Timing assets as of Friday:		$154,820	$ Amt Timed this week:		$ 154,697				$ 309,394
[redacted]	[redacted]	[redacted]	Fahnestock	International	1 @ $27,306	$ 27,306	1	2	2	$ 54,612
	Timing assets as of Friday:		$27,325	$ Amt Timed this week:		$ 27,306				$ 54,612
[redacted]	[redacted]	[redacted]	Fahnestock	Global Growth	7 @ $35,819	$ 35,819	1	2	2	$ 71,638
	Timing assets as of Friday:		$35,977	$ Amt Timed this week:		$ 35,819				$ 71,638

**Chicago Escrow was granted an exception on October 8, 2002. He had 1 RT in all funds last week.*

Preexisting Active Timing Advisors Are Displayed in Black Text
All New Active Timing Advisors Are Displayed in Blue Text
Totals Are Displayed in Red Text
Frozen Timing Advisors Are Displayed in shaded text

Advisors Granted SAI Exceptions to Timing Policy for Week of 7/21/03 - 7/25/03

Advisor	Firm	ESP	# of Timed Accounts	Total # of Accts	Timed Assets	Non-Timed Assets	Exchange Value of Timed Accounts this Week	Date of Exception	RT's Within Last 90 Days in Actively Timed Accts	Total RT's Since Exception	$ Amount Exchanged Since Being Granted an Exception
Chicago Escrow*	McDonald Investments Inc.	[redacted]	2	2	$ 47,474,743	$ -	$ 47,471,818	10/8/02	8	22	$ 1,350,097,735
[redacted]	Prudential Securities	[redacted]	3	3	$ 1,483,500	$ -	$ -	7/15/03	3	1	$ 1,483,487
[redacted]	Prudential Securities	[redacted]	1	1	$ 533,074	$ -	$ -	7/15/03	3	1	$ 533,070
[redacted]	[redacted]	[redacted]	1	1	$ 1,840,427	$ -	$ -	7/15/03	2	2	$ 3,674,284
[redacted]	Prudential Securities	[redacted]	2	2	$ 3,709,823	$ -	$ 7,397,116	7/16/03	3	1	$ 11,188,298

Chicago Escrow had 1RT in all funds last week.

These are specific accts that have been granted a timing exception. These reps are using a High Yield Bond Investment model that does not exchange as frequently as typical timing activity.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JUDGE WOOD

J. & W. SELIGMAN & CO. INCORPORATED, et ano,	05 CV 7781
Plaintiffs,	No. 05 Civ.
v.	**COMPLAINT**
ELIOT SPITZER, ATTORNEY GENERAL OF THE STATE OF NEW YORK,	
Defendant.	

Plaintiffs J. & W. Seligman & Co. Incorporated ("Seligman") and Brian T. Zino allege:

SUMMARY OF THE ACTION

1. This is an action to enjoin a state attorney general from involving himself in a matter reserved by Congress to the Securities and Exchange Commission under the Investment Company Act of 1940.

2. Section 36(b) of the Investment Company Act of 1940 provides, in pertinent part:

> For purposes of this subsection, the investment adviser of a registered investment company shall be deemed to have a fiduciary duty with respect to the receipt of compensation for services, or of payments of a material nature, paid by such registered investment company, or by the security holders thereof, to such investment adviser or any affiliated person of such investment adviser. An action may be brought under this subsection **by the Commission**

> [i.e. the SEC], or by a security holder of such registered investment company on behalf of such company, against such investment adviser, or any affiliated person ... for breach of fiduciary duty in respect of such compensation ...

Despite this clear federal law entrusting regulatory oversight of this subject matter to the SEC, Defendant, a state official, has commenced inquiries into the "compensation for services" (i.e. the advisory fees) of Seligman. Defendant has done so by way of subpoenas and by threats to bring enforcement proceedings against Seligman for allegedly "excessive" advisory fees.

3. Since the enactment of § 36(b) of the Investment Company Act by Congress in 1970, to the best of Plaintiffs' knowledge and belief, not one single case has ever been brought on the subject of advisory fees by any state attorney general. Such cases are the province of investors in the Funds or the SEC, the sole regulator of this narrow and highly specific subject. To allow Defendant to involve himself in or bring an action on this subject matter would open the door to 50 different state attorneys general doing the same thing, thus defeating the carefully conceived and comprehensive federal regulatory scheme enacted by Congress in § 36(b) of the Investment Company Act.

4. This action presents a purely legal issue regarding the primacy and exclusive role of the SEC as the regulator charged by Congress with regulatory oversight of investment company advisory fees. Plaintiffs do not challenge the authority of the Defendant over other areas of investigation, only over advisory fees. Indeed, Plaintiffs have complied with, and will continue to comply with, subpoenas on subject matter within the proper investigatory province of Defendant. Plaintiffs are respectful of Defendant and the work he has done in the public interest, but believe that, in this instance, he has exceeded his authority and intruded himself into an area assigned by Congress to the SEC.

THE FACTS AND THE VIOLATION

The Original Investigation

9. In February 2004, the Defendant, acting together with the SEC, commenced an investigation of Seligman, stimulated by a voluntary public disclosure by Seligman that, in 2002, it had entered into a short-lived arrangement with a Chicago-based brokerage firm to permit a limited amount of frequent trading in certain of the mutual funds managed by Seligman. The arrangement was terminated by Seligman in 2003. Seligman, as noted, voluntarily made public disclosure of the arrangement, initiated settlement discussions with the independent directors of the Seligman Funds and, as a result thereof, made restitution to the four Funds affected by, or which may have been affected by the arrangement.

10. Notwithstanding this self-reporting and voluntary recompense — unique in the mutual fund industry — the investigation continued for well over a year. Seligman cooperatively produced documents and witnesses to testify on all aspects of the investigation.

11. In March 2005, negotiations to settle the matter were initiated by Defendant and the SEC. After several months of negotiations, in mid-August 2005 tentative agreement was reached, both with Defendant and the SEC, on the financial terms of a settlement. However, Defendant then sought to impose operating conditions on Seligman which were unacceptable to Seligman and which were not requested or required by the SEC. The SEC had already issued its new, comprehensive corporate governance rules for investment companies, with which Seligman was in full compliance. The Defendant's conditions would have effectively involved turning control of the negotiation of advisory fees over to an outsider, and subjecting the advisory fee negotiation process at Seligman to oversight and control by Defendant in perpetuity. These conditions, and others sought by Defendant, are inconsistent with the carefully calibrated

statutory scheme for setting advisory fees enacted by Congress in the Investment Company Act. See e.g. §§ 10, 15 and 36(b).

12. During the week of August 22, 2005, Seligman candidly advised Defendant that, although it would reluctantly meet the monetary demands of Defendant, it could not live with the other conditions Defendant sought to impose.

13. Defendant then threatened that, if Seligman did not accept its required conditions, Defendant would expand its investigation from frequent trading to what it termed "excessive" advisory fees. Defendant also threatened to subpoena the independent directors and pursue actions against individuals — unnamed — at Seligman. Seligman pointed out to Defendant that, in its view, Defendant had no authority to involve himself in the subject matter of allegedly "excessive" advisory fees, since, under the statute, that is the regulatory province of the SEC, and only the SEC. Seligman also pointed out to Defendant that, in the several months of negotiations, the SEC staff had repeatedly said that they were not seeking a reduction in the advisory fee rates of Seligman. Defendant, however, was not to be deterred.

__The Offending Subpoenas__

14. On Friday, August 26, 2005, Defendant issued a bevy of subpoenas to the independent directors of the Seligman Funds, to the Funds themselves, to the principal shareholder of Seligman and to the President of Seligman. These subpoenas were, it would seem, a pressure tactic by Defendant to compel Seligman to yield to Defendant's unacceptable conditions of settlement. The subpoenas, in addition to seeking extensive materials already provided on the subject of the investigation, i.e. frequent trading, now changed the entire thrust of the investigation, and sought seven years' worth of documents directed to the advisory fee negotiations between Seligman and the independent directors of the Seligman Funds, a subject

reserved by Congress to the SEC. (We note, in passing, that the seven-year demand conflicts squarely with the one-year limitation enacted by Congress on damages for excessive advisory fees. See § 36(b)(4) of the Investment Company Act). A copy of the pertinent portion of the subpoenas, items 10-12, is annexed hereto as Exhibit A.

15. Seligman commits considerable resources to ensuring its compliance with applicable federal laws and regulations, including particularly the Investment Company Act of 1940. Seligman undergoes continuous regulation, supervision, examination, and monitoring by the SEC, and is subject to the SEC's enforcement jurisdiction with respect to this very subject matter, i.e. advisory fees. By seeking books, records and documents relating to this subject matter and otherwise seeking to exercise power over Seligman in this area, the Defendant threatens to do violence to the regulatory scheme created by Congress, and further threatens to drastically increase — and if not enjoined will drastically increase — the compliance burden faced by Seligman in a manner contrary to federal law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs J. & W. Seligman & Co. Incorporated and Brian T. Zino demand judgment against Defendant Eliot Spitzer, in his official capacity as Attorney General of the State of New York:

A. Enjoining the Defendant, his agents, and all persons acting in concert with them from (1) investigating, requesting or issuing subpoenas for information concerning allegedly "excessive" advisory fees paid to Seligman, and (2) enforcing or otherwise pursuing production of items 10-12 of Exhibit A, and (3) using any such information in any enforcement proceeding against Seligman or any person associated with Seligman, and (4) otherwise exercising powers delegated by Congress to the SEC under § 36(b) of the Investment Company Act of 1940.

B. Granting Plaintiffs such other and further relief, including costs, as this Court may deem just and proper.

Dated: New York, New York
September 2, 2005

POLLACK & KAMINSKY

By: Daniel A. Pollack

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Attorneys for Plaintiffs

EXHIBIT A

SUBPOENA
THE PEOPLE OF THE STATE OF NEW YORK

GREETING

TO: **BRIAN T. ZINO**
c/o Daniel A. Pollack, Esq., Pollack & Kaminsky
114 West 47th Street, New York, New York 10036
Telephone: 212-575-4700; Facsimile: 212-575-6560

WE HEREBY COMMAND YOU, pursuant to General Business Law § 352 and Executive Law § 63(12), that, all business and excuses being laid aside, you deliver and turn over to the Attorney General of the State of New York, or a designated Assistant Attorney General, on the 12th day of September, 2005, at 10:00 a.m. or any agreed upon adjourned date or time, at 120 Broadway, 23rd Floor, Room 23A48, New York, New York 10271, all documents and information requested in the attached Schedules in accordance with the instructions and definitions contained therein.

PLEASE TAKE NOTICE that the Attorney General deems the documents and information requested by this Subpoena to be relevant and material to an investigation and inquiry undertaken in the public interest.

PLEASE TAKE FURTHER NOTICE that your failure to deliver the documents and information requested in the attached Schedules on the date, time and place stated above or on any agreed upon adjourned date or time, may subject you to prosecution for a misdemeanor or civil remedies pursuant to General Business Law § 352(4) and/or other statutes.

WITNESS, Honorable Eliot Spitzer, Attorney General of the State of New York, this 29th day of August, Two Thousand Five.

R. Verle Johnson Jr.

R. VERLE JOHNSON
Assistant Attorney General
New York State Attorney General's Office
120 Broadway, 23rd Floor
New York, New York 10271
Telephone: (212) 416-8207

10. For the period January 1, 1998, to December 31, 2004, all documents relating to any information obtained by the Board pursuant to the requirements of Section 15 (c) of the Investment Company Act of 1940 (the "1940 Act") (15 USC § 80a-15(c)), or otherwise, for the purpose of evaluating the terms of the management agreement between JWS and each of the Seligman Funds (the "Management Agreement"), the continuance of which was approved at any meeting of the Board held during the period January 1, 1998, to December 31, 2004.

11. For the period January 1, 1998, to December 31, 2004, all documents concerning the Board's evaluation of the information referred to in Schedule B.10, above, and the Board's determination to continue the Management Agreement, including but not limited to documents concerning the following factors listed in the Statements of Additional Information for the Seligman Funds:

a. comparative performance information versus other similar investment companies and certain indices;
b. the nature and quality of investment services and administrative services rendered by JWS;
c. payments received by JWS from all sources involving both the Seligman Fund and all other Seligman investment companies;
d. the costs borne by, and profitability of, JWS and its affiliates in providing services of all types to the Seligman Fund and to all other Seligman investment companies;
e. comparative fee an expense data versus other similar investment companies;
f. JWS's policies and practices regarding allocation of portfolio transactions and soft dollars;
g. portfolio turnover of the Seligman Fund compared to other similar investment companies;
h. JWS's willingness to consider and, when desirable, implement organizational and operational changes designed to improve investment results; and
i. fall-out benefits which JWS and its affiliates receive from managing the Seligman Fund.

12. All documents relating to any discussion at any meeting of the Board during the period January 1, 1998, to December 31, 2004, on whether or not to continue the Management Agreement, including but not limited to minutes of the meeting, drafts of minutes, notes taken by any person attending the meeting, and any other documents showing that the Board and each of the directors on the Board determined (as stated in the Statements of Additional Information for the Seligman Funds) that the "overall arrangements between the Fund and [JWS], as reflected under the Management Agreement, were fair and reasonable . . . ."