To determine how much of your Vanguard fund distributions is eligible for the various Massachusetts long-term capital gains tax rates, follow these steps:

**Step 1.** Fill in the long-term capital gains distribution amounts, by fund and by date of distribution, in Column 1 of the worksheet on pages 2 and 3. These amounts can be found on your year-end account statement.

**Step 2.** For each fund you received long-term capital gains distributions from in 2002, multiply the dollar amounts in Column 1 by the factors in Column 2, and then enter the products in Column 3. The dollar amounts in Column 3 are the amounts of your long-term capital gains distributions that qualify for the Class B rate.

**Step 3.** Multiply the dollar amounts in Column 1 by the factors in Column 4, and then enter the products in Column 5. The dollar amounts in Column 5 are the amounts of your long-term capital gains distributions that qualify for the Class C rate.

**Step 4.** Multiply the dollar amounts in Column 1 by the factors in Column 6, and then enter the products in Column 7. The dollar amounts in Column 7 are the amounts of your long-term capital gains distributions that qualify for the Class D rate.

**Step 5.** Multiply the dollar amounts in Column 1 by the factors in Column 8, and then enter the products in Column 9. The dollar amounts in Column 9 are the amounts of your long-term capital gains distributions that qualify for the Class E rate.

**Step 6.** Multiply the dollar amounts in Column 1 by the factors in Column 10, and then enter the products in Column 11. The dollar amounts in Column 11 are the amounts of your long-term capital gains distributions that qualify for the Class F rate.

**Step 7.** Multiply the dollar amounts in Column 1 by the factors in Column 12, and then enter the products in Column 13. The dollar amounts in Column 13 are the amounts of your long-term capital gains distributions that qualify for the Class G rate.

**Step 8.** Multiply the dollar amounts in Column 1 by the factors in Column 14, and then enter the products in Column 15. The dollar amounts in Column 15 are the amounts of your long-term capital gains distributions that qualify for the 5.3% rate.

**Step 9.** Total the dollar amounts listed in Column 3 (Class B), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column A (along with any Class B long-term capital gains distributions you may have from other sources).

**Step 10.** Total the dollar amounts listed in Column 5 (Class C), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column B (along with any Class C long-term capital gains distributions you may have from other sources).

**Step 11.** Total the dollar amounts listed in Column 7 (Class D), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column C (along with any Class D long-term capital gains distributions you may have from other sources).

**Step 12.** Total the dollar amounts listed in Column 9 (Class E), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column D (along with any Class E long-term capital gains distributions you may have from other sources).

**Step 13.** Total the dollar amounts listed in Column 11 (Class F), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column E (along with any Class F long-term capital gains distributions you may have from other sources).

**Step 14.** Total the dollar amounts listed in Column 13 (Class G), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column F (along with any Class G long-term capital gains distributions you may have from other sources).

**Step 15.** Total the dollar amounts listed in Column 15 (Subject to 5.3% Rate), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 2, Line 5 (along with any other gains realized on or after May 1, 2002, you may have from other sources).

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**Important Tax Information for 2002**

**Long-Term Capital Gains Worksheet for Residents of Massachusetts**

A recent change in Massachusetts law has established a single 5.3% rate for all long-term capital gains realized on or after May 1, 2002. (Because of this, Vanguard will not need to send you this type of worksheet for tax years 2003 and beyond.) Note that the long-term capital gains rate you are eligible for or subject to is dependent on when the fund sold the securities for a gain, not when that gain was distributed to you. This means some of your gains, even though paid to you on or after May 1, 2002, may be eligible for the lower rates if the securities were sold prior to that date.

The long-term capital gains distributions you received from Vanguard® funds in 2002 may be eligible for any number of the classes and tax rates listed below. Use the worksheet on pages 2 and 3 to determine the amounts to report on your Massachusetts income tax return; step-by-step instructions are provided on page 4.

For long-term capital gains realized between January 1, 2002, and April 30, 2002, report these gains in the following six classes (each of which is followed by the corresponding Massachusetts long-term capital gains tax rate):

- **Class B** represents property held more than one year but not more than two years (5%).
- **Class C** represents property held more than two years but not more than three years (4%).
- **Class D** represents property held more than three years but not more than four years (3%).
- **Class E** represents property held more than four years but not more than five years (2%).
- **Class F** represents property held more than five years but not more than six years (1%).
- **Class G** represents property held more than six years (0%).

For long-term capital gains realized on or after May 1, 2002. Report these gains at a rate of 5.3%.

To determine the dollar amount eligible for each class, multiply the amounts of the 2002 distributions you received from Vanguard funds (the amounts you received are listed on your 2002 year-end account statement) by the factors listed in the table for each fund and class. Then total the dollar amounts for each class, and enter those amounts on Schedule D of your Massachusetts income tax return.

Note: This worksheet helps you compute only the amount of your Vanguard fund distributions eligible for the different long-term capital gain tax rates. You may have income from other sources that is also eligible for or subject to these various tax rates.

**Additional Information**

- If you have questions about the information provided in this tax update, call our Investor Information Department at 1-800-662-7447. Note, however, that our associates cannot provide tax advice; if your tax situation is complex or if you are uncertain about the interpretation of a specific rule, we recommend that you seek advice from a qualified tax professional.
- To request a copy of your year-end fund account statement, call us at 1-800-662-2739 or access your statement anytime by logging on to www.vanguard.com.
- You can also find a wide array of general tax-preparation data and tools in the Tax Services area of our website.
The following example shows how an investor who received a $200 long-term capital gains distribution from Vanguard Fund A would calculate the amount of the distribution that would qualify for each class and tax rate to be reported on the investor’s Massachusetts income tax return:

### Vanguard 2002 Long-Term Capital Gains Distributions Worksheet for Residents of Massachusetts

#### Vanguard Fund Name | Fund Number
--- | ---
California Intermediate-Term Tax-Exempt Fund | 0100
California Long-Term Tax-Exempt Fund | 0075
Energy Fund | 0051
Florida Long-Term Tax-Exempt Fund | 0018
Global Equity Fund | 0129
Health Care Fund | 0052
Insured Long-Term Tax-Exempt Fund | 0084
Intermediate-Term Bond Index Fund | 0043
Intermediate-Term Tax-Exempt Fund | 0042
Intermediate-Term Treasury Fund | 0036
Long-Term Tax-Exempt Fund | 0043
Long-Term Treasury Fund | 0083
Mid-Cap Index Fund | 0059
New Jersey Long-Term Tax-Exempt Fund | 0014
New York Long-Term Tax-Exempt Fund | 0076
Ohio Long-Term Tax-Exempt Fund | 0097
Pennsylvania Long-Term Tax-Exempt Fund | 0077
Short-Term Bond Index Fund | 0132
Short-Term Treasury Fund | 0032
Small-Cap Value Index Fund | 0080
Total Bond Market Index Fund | 0084

| Vanguard Fund Name | Fund Number
--- | ---
Long-Term Capital Gain Distribution (From Your Year-End Account Statement) | Column 1
Portion of the Distribution | Column 2
Portion of the Distribution | Column 3
Portion of the Distribution | Column 4
Portion of the Distribution | Column 5
Portion of the Distribution | Column 6
Portion of the Distribution | Column 7
Portion of the Distribution | Column 8
Portion of the Distribution | Column 9
Portion of the Distribution | Column 10
Portion of the Distribution | Column 11
Portion of the Distribution | Column 12
Portion of the Distribution | Column 13
Portion of the Distribution | Column 14
Portion of the Distribution | Column 15

| Month and Year of Distribution | Long-Term Capital Gain Distribution (From Year-End Account Statement) | Portion of the Distribution | Eligible for Class B Rate | Eligible for Class C Rate | Eligible for Class D Rate | Eligible for Class E Rate | Eligible for Class F Rate | Eligible for Class G Rate | Subject to 5.3% Rate |
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
3/2002 | 0.000 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
12/2002 | 0.000 | $200.00 | $200.00 | $200.00 | $200.00 | $200.00 | $200.00 | $200.00 | $200.00 | $200.00 |

*Although the fund numbers shown are for Investor Shares, this information applies to all share classes in a fund (including Investor, Admiral®, Institutional, and VIPER® Shares).
How to Use This Worksheet

To determine how much of your Vanguard fund distributions is eligible for the various Massachusetts long-term capital gains tax rates, follow these steps:

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Step 4. Multiply the dollar amounts in Column 1 by the factors in Column 6, and then enter the products in Column 7. The dollar amounts in Column 7 are the amounts of your long-term capital gains distributions that qualify for the Class D rate.

Step 5. Multiply the dollar amounts in Column 1 by the factors in Column 8, and then enter the products in Column 9. The dollar amounts in Column 9 are the amounts of your long-term capital gains distributions that qualify for the Class E rate.

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Step 8. Multiply the dollar amounts in Column 1 by the factors in Column 14, and then enter the products in Column 15. The dollar amounts in Column 15 are the amounts of your long-term capital gains distributions that qualify for the 5.3% rate.

Step 9. Total the dollar amounts listed in Column 3 (Class B), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column A (along with any Class B long-term capital gains distributions you may have from other sources).

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Step 11. Total the dollar amounts listed in Column 7 (Class D), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column C (along with any Class D long-term capital gains distributions you may have from other sources).

Step 12. Total the dollar amounts listed in Column 9 (Class E), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column D (along with any Class E long-term capital gains distributions you may have from other sources).

Step 13. Total the dollar amounts listed in Column 11 (Class F), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column E (along with any Class F long-term capital gains distributions you may have from other sources).

Step 14. Total the dollar amounts listed in Column 13 (Class G), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 1, Line 5, Column F (along with any Class G long-term capital gains distributions you may have from other sources).

Step 15. Total the dollar amounts listed in Column 15 (Subject to 5.3% Rate), and then enter the sum on your Massachusetts income tax return, Schedule D, Part 2, Line 5 (along with any other gains realized on or after May 1, 2002, you may have from other sources).

Important Tax Information for 2002

Long-Term Capital Gains Worksheet for Residents of Massachusetts

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• Class F represents property held more than five years but not more than six years (1%).
• Class G represents property held more than six years (0%).

For long-term capital gains realized on or after May 1, 2002, Report these gains at a rate of 5.3%.

To determine the dollar amount eligible for each class, multiply the amounts of the 2002 distributions you received from Vanguard funds (the amounts you received are listed on your 2002 year-end account statement) by the factors listed in the table for each fund and class. Then total the dollar amounts for each class, and enter those amounts on Schedule D of your Massachusetts income tax return.

Note: This worksheet helps you compute only the amount of your Vanguard fund distributions eligible for the different long-term capital gain tax rates. You may have income from other sources that is also eligible for or subject to these various tax rates.

Additional Information

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• To request a copy of your year-end fund account statement, call us at 1-800-662-2739 or access your statement anytime by logging on to www.vanguard.com.
• You can also find a wide array of general tax—preparation data and tools in the Tax Services area of our website.