



January 24, 2017

To Our Stockholders:

During the year ended December 31, 2016, CYS Investments, Inc. (NYSE:CYS) (EIN 20-4072657) (the “Company”) made distributions to its common stockholders (CUSIP#s 12673A108 and 23281A307). The distributions comprised of ordinary income and return of capital, and are described on a per share basis in the table below:

**Distributions for 2016**

Record Date	Payable Date	Distribution Rate Per Share	Ordinary Dividend Rate	Return of Capital Rate (a)(b)
3/22/2016	4/13/2016	\$0.26	\$0.19	\$0.07
6/22/2016	7/13/2016	\$0.25	\$0.18	\$0.07
9/22/2016	10/12/2016	\$0.25	\$0.18	\$0.07
12/22/2016	12/30/2016	\$0.25	\$0.18	\$0.07

- (a) The return of capital per share for the distributions.
- (b) The Company determined its earnings and profits (“E&P”) for federal income tax purposes for the year ended December 31, 2016. The Company then compared its E&P to its total distributions to ascertain the components of taxable dividends and return of capital included within the distributions outlined above.

The return of capital component of the distribution reduces the recipient’s adjusted basis in their common shares. The return of capital component of the distribution should not result in a recognized loss. (See Internal Revenue Code Sections 301, 312, 316, 1001, and 1012)

Please note this information statement has been provided to you pursuant to Internal Revenue Code Regulation Section 1.6045B-1(b) instead of a copy of Form 8937. This information statement should not serve as tax advice. Accordingly, Stockholders are urged to seek their own tax experts, counsel, and advisors, to compile and complete their tax filings.

The Company files its own Form 8937 with the Internal Revenue Service that reports the same information as above. Additionally, Stockholders should expect to receive Form 1099-DIV for the 2016 calendar year, which will provide further details on distributions for federal income tax purposes.

Very truly yours,

Richard E. Cleary  
Chief Operating Officer

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