

2013 TAX GUIDE

A COMPREHENSIVE REFERENCE GUIDE TO YOUR 2013 TAX INFORMATION STATEMENT



This comprehensive and informative guide is a tool to assist you or your tax professional with the preparation of your tax returns. It contains examples, explanations and illustrations from IRS schedules to help you understand your Tax Information Statement.

If your account was transferred to our firm during 2013, your Tax Information Statement only reports investment activity that occurred since you began doing business with us.

We hope you will find this reference guide to be a useful and effective tool in the preparation of your 2013 tax returns.

These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Please contact your tax professional to discuss the appropriate federal, foreign, state and local tax treatment of transactions (including all items of income, deductions, credits, gains and/or losses). This guide and the Tax Information Statement referenced herein are solely intended to assist in accumulating data to prepare income tax returns and should not be construed, or relied upon as tax advice. All amounts and transactions displayed in this guide are for illustration only, and do not represent actual transactions. Accordingly, no guidance should be inferred as to any specific transaction from the illustrations in this guide.

[Read Before You File](#)

If you held a mutual fund, real estate investment trust (REIT), widely held fixed investment trust (WHFIT), widely held mortgage trust (WHMT) or unit investment trust (UIT) in 2013, we may send you a revised Tax Information Statement. Please be aware that some issuers may not make their final distribution information available until after January 31, 2014. See page 4 for more information.

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IMPORTANT INFORMATION FOR PREPARING YOUR 2013 INCOME TAX RETURN

Before preparing your tax return, please note the following important information. This guide has been tailored for use by individual U.S. taxpayers (who file IRS Form 1040 and are “investors” for tax purposes and not “traders” or “dealers” in securities for whom special tax rules may apply) and describes how and where to report certain transactions on your federal income tax return. Your tax professional can provide further advice as to federal, foreign, state and local tax reporting requirements.

> SEPARATE ACCOUNTS

We send tax statements when information is finalized by securities issuers. If information is pending from issuers, you and members of your household may receive tax statement(s) at different times. Tax statement mailings will occur by January 31, February 18, February 28 and March 17, depending on when final information for your account is received from issuers. If you have any questions, please visit mytaxhandbook.com.

> TRANSFERRED ACCOUNTS

If your account was transferred to us during 2013, your Tax Information Statement only includes activity (including income accruals) during the time you conducted business with us. Your former financial organization should provide IRS Form 1099 for activity that occurred before your account was transferred.

> IRS PUBLICATIONS

IRS publications can be obtained from your local IRS office by calling the IRS Forms Distribution Center at (800) TAX-FORM [(800) 829-3676], or visiting the IRS website at irs.gov. For example, the following IRS publications can provide useful tax information related to reporting securities transactions: *Publication 550, Investment Income and Expenses*; *Publication 938, Real Estate Mortgage Investment Conduits (REMICs) Reporting Information (and Other Collateralized Debt Obligations [CDOs])*; and *Publication 1212, Guide to Original Issue Discount (OID) Instruments*.

> CORRECTIONS

Please review your Tax Information Statement. If the statement is incorrect, contact your advisor. If necessary, the correct information will be promptly provided to the IRS and we will mail a revised Tax Information Statement to you.

> YOUR TAX INFORMATION STATEMENT IS A SUBSTITUTE FOR THE FOLLOWING IRS FORMS:

(More information can be found on the pages noted)

Form	Title	Pages
- 1099-B	Proceeds from Broker and Barter Exchange Transactions	14-21
- 1099-INT	Interest Income	22-24
- 1099-DIV	Dividends and Distributions	25-30
- 1099-DIV	Capital Gain Distributions	31
- 1099-OID	Original Issue Discount	33-35
- 1099-MISC	Miscellaneous Income	36

> RETIREMENT ACCOUNT DISTRIBUTIONS - PERSHING SUBSTITUTE FORM

- 1099-R	Retirement Account Distributions	Page 47
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> DUPLICATE TAX FORMS

If you request a duplicate Tax Information Statement, we will mail it to the address of record for your account.

Please note: This guide is not intended to provide legal, tax, accounting or financial advice or services. We suggest you consult your tax professional to discuss the appropriate federal, foreign, state and local tax treatment of your investments and transactions. This guide and your Tax Information Statement are solely intended to assist you in accumulating data to prepare your income tax returns and should not be construed or relied upon as tax advice. All amounts and transactions displayed in this guide are only illustrations and do not represent actual investments or transactions. Accordingly, no guidance should be inferred as to any specific transaction from the illustrations in this guide.

NEW MAILING SCHEDULE: TAX INFORMATION STATEMENT/FORMS 1099

Depending on the holdings in your account, Pershing LLC (Pershing), which provides tax reporting services on behalf of your financial organization, will begin mailing tax information statements/Forms 1099 by January 31, 2014.¹ Please refer to the illustration and information below for additional details.

SAMPLE STATEMENT

Pershing®
A BNY MELLON COMPANY™

Account Number: 123-456789

2013 PENDING 1099 NOTICE
As of 02/18/2014

Recipient's Name and Address:
[Barcode]
JOHN Q. PUBLIC
1234 TOWNLINE STREET
APT. #1234
SOMEWHERE, CA 00000-0000

Your Financial Advisor Is:
ROBERT "CONTACT" ADVISOR
1234 STREET
BOX 1234
SOMEWHERE, CA 00000-0000
IP: 123

PAYER INFORMATION:
PERSHING LLC
Federal Identification
Number: 13-2741729

Your 2013 IRS 1099 Tax Form(s) Are Pending Final Information

Pershing works closely with your financial organization to provide tax reporting for your account. Your 1099 form(s) will be mailed by February 28, 2014, or by March 17, 2014, depending on when we receive final tax information from the issuers of the investments listed below. There is no further action required by you. We will distribute your 1099 form(s) once the issuers have provided all of the required information.

CUSIP	Description	CUSIP	Description	CUSIP	Description
123ABC456	ABC FUND	123DEF456	DEF FUND	123JKL456	WHFIT
123MNO456	MNO FUND	123VWX456	VWX FUND		

We look forward to providing your tax information as soon as it becomes available. If you have questions, please refer to the Tax Guide located on mytaxhandbook.com for more information.

> PHASE ONE: JANUARY 31

Forms 1099 will be mailed for accounts with no pending income reclassifications from issuers. Generally, this includes accounts holding simple debt or equity-only investments.

> PHASE TWO: FEBRUARY 18

Forms 1099 will be mailed for accounts for which income reclassifications were received after January 31. If you hold positions for which issuers have not provided final tax information, you will receive a special Pending 1099 Notice (sample above), which will identify the holdings impacting the mail date for your Forms 1099 and the anticipated mail date of your Forms 1099. If you have already received your Forms 1099, you will not receive this notice.

> PHASE THREE: FEBRUARY 28²

Forms 1099 will be mailed for accounts for which income reclassifications were received after February 18. Generally, this includes mutual funds, UITs, REITs and certain equities.

> PHASE FOUR: MARCH 17³

Forms 1099 will be mailed for all remaining accounts, including those holding certain complex, nonequity securities, such as REMICs, WHFITs and some UITs.

Please note: Enrolling in electronic delivery (e-delivery) will provide faster access to your tax statements. Please contact your advisor or visit pershing.com/go_paperless.html for more information.

> CORRECTED FORMS 1099 WILL BE MAILED AS NEEDED

You may receive a corrected tax information statement/Forms 1099. There are several reasons this may occur—for example, if issuers of securities held in your account provide updated or additional information after your 1099 forms are mailed to you. The IRS requires financial organizations to send corrected forms with revised information as needed.

¹ Financial organizations, like Pershing, are responsible for Form 1099 reporting and must rely on issuers of securities for your tax information.

² Pershing's annual practice is to request and obtain an extension from the IRS to the February 15 date on which we are required to mail IRS Forms 1099 (B, DIV, INT, OID and MISC). In anticipation of obtaining this extension—and since February 15, 2014, falls on a Saturday and the Presidents' Day holiday is observed on Monday, February 17—this phase of the mailing will occur on February 18.

³ Pershing's 30-day extension to the mailing requirement will accommodate this phase of the mailing. Since March 15 falls on a weekend, the mailing will occur on the next business day.

COST BASIS REPORTING

In 2013, cost basis regulations remain in effect for stocks and mutual fund shares. In addition, you are required to provide the cost basis (including all gain and/or loss information) for all covered (reportable) and noncovered investments disposed of by sale, exchange or redemption in the tax filing for the tax year in which the disposition occurs.

Securities are generally considered covered (meaning that brokers are required to track and report the cost basis when securities are disposed) under the cost basis rules if they are acquired on or after their applicable January 1 effective date, and noncovered if they are acquired before their covered effective date. Please note the following IRS timetable for cost basis reporting:

- **January 1, 2011**—Stock in a corporation
- **January 1, 2012**—Mutual fund shares, including eligible DRP shares and ETFs that are treated like mutual funds
- **January 1, 2014**—Simple debt instruments (bonds) and options
- **January 1, 2016**—More complex debt instruments, including bonds with more than one rate, convertible bonds, stripped bonds or stripped coupons, payment-in-kind (PIK) bonds, foreign debt, foreign currency debt, some private issues and physical certificates

Please note: Transfer statement reporting for simple debt and options is delayed to 2015. Transfer statement reporting for more complex debt, including, but not limited to, REMICs, WHFITs and UITs, is delayed until 2017.

> IMPORTANCE OF EARLY PLANNING—REVIEW BOND ELECTIONS BEFORE 2014 TAX SEASON

Beginning January 1, 2014, the new tax rules require financial organizations to report the original or adjusted purchase price (cost basis) to investors and the IRS when debt instruments deemed simple (e.g., bonds, where a yield can be easily calculated) and options are sold, exchanged or redeemed. As a result, if you hold these covered simple debt instruments (bonds) or options, there will be important changes when you file your 2014 federal income tax return. For the first time, you will see these investments reported as covered securities on your Form 1099-B for the 2014 tax year.

Purchases of these instruments on or after January 1, 2014, will be deemed covered and reported to the IRS. As a result, financial organizations, including Pershing, are required to accommodate your elections for the treatment of bond premiums and discounts. To select these elections and override the IRS defaults, your investment account settings must be changed. Please review the elections described below with a tax professional, and then update your account as appropriate.

> DEFAULT DEBT ELECTION CHANGES AS OF JANUARY 1, 2014

For debt instruments, there are four taxpayer elections on how to treat market premium and discount specified by the IRS that can be used to properly set up your accounts. The following methods can be used either as a select or default disposition method. Please review the full list below:

Election	Description
Bond Premium (per U.S. Treasury regulations §1.171 and §1.171-4)	This election allows you to amortize the premium on taxable bonds and apply the premium as an offset to interest income. The IRS instructed financial organizations to assume you have made this election. You can choose not to make this election and take the interest income at time of disposal.
Current Inclusion (per U.S. Treasury regulation §1.278[b])	This election allows you to report accrued market discount annually as income and allows the financial organization to adjust the cost basis for the accruals. The default is to not report the market discount income annually.
Constant Yield (per U.S. Treasury regulation §1.276[b][2])	This election allows you to use the constant yield method when calculating accruals. The default is to calculate market discount accruals using the ratable or straight line method.
Original Issue Discount (OID) (per U.S. Treasury regulation §1.272-3)	This is an election to include in gross income all interest that accrues on taxable bonds by using the constant yield method. The default is that the taxpayer has not made this election. Also, if you elect OID, then you are also electing current inclusion and constant yield for discount bonds and to amortize taxable bond premiums.

For more information about tax and cost basis reporting, please visit mytaxhandbook.com. A sample of a 1099 document is also available on mytaxhandbook.com. No login or registration is required to access the information on the website.

Enhanced 2013 1099 Form and Tax Information Statement

Several enhancements have been made to your 2013 tax information statement, which includes the 2013 substitute Form 1099-B. Depending on your investments, you may notice the following changes:

- Separation of reportable and non-reportable proceeds (e.g., options) and cost basis information
- A new Table of Contents, for larger tax statements

Other Important Information About Changes to Your 2013 Form 1099-B

The IRS required modifications to Form 1099-B to accommodate required cost basis reporting information for 2013 tax reporting. Please review the following, which summarizes this important information.

- Short-term and long-term transactions are separated in your 1099-B form in a format comparable to the Form 8949, for dispositions of covered securities.
- Noncovered securities transactions will also be displayed separately from covered securities transactions and boxes 1b, 1c, 3 and 5 will be left blank or footnoted as nonreportable.
- The new 1099-B format will simplify the process of recording or transcribing each transaction from the 1099-B to IRS Form 8949.

If your financial organization subscribes to our Tax and Year-End Statement (TYES), the date of acquisition, cost or other basis, type of gain or loss (long term or short term) and whether any loss is disallowed due to a wash sale for both covered and noncovered securities transactions will be displayed when available.

Please note: Such detail for noncovered transactions are not reported to the IRS.

Below is a list of the six Form 1099-B sections and the corresponding information for Form 8949:

Form 1099-B Section	Corresponding Form 8949 Part and Box
1. Short-Term Transactions for Which Basis Is Reported to the IRS: Covered (Box 6b)	1. Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less and Box (A)
2. Long-Term Transactions for Which Basis Is Reported to the IRS: Covered (Box 6b)	2. Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year and Box (D)
3. Short-Term Transactions for Which Basis Is Not Reported to the IRS: Noncovered (Box 6a)	3. Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less and Box (B)
4. Long-Term Transactions for Which Basis Is Not Reported to the IRS: Noncovered (Box 6a)	4. Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year and Box (E)
5. Transactions for Which Basis Is Not Reported to the IRS and for Which Short- or Long-Term Determination is Unknown (to Broker): Noncovered (Box 6a)	5. Part I and Box (B) (Short- Term) or Part II and Box (E) (Long-Term)—As appropriate
6. Income Tax Withholding—Gross Proceeds	6. Withholding is reported to the IRS but not on Form 8949: Rather, it is reported on line 62 of Form 1040

Below is a list of the boxes on Form 1099-B, which will report information for covered securities transactions (and noncovered securities transactions, as noted), and the corresponding columns on Form 8949:

Form 1099-B Box	Corresponding Form 8949 Column
Box 1e—Quantity and Box 8 Description	(a) Description of property
Box 1b—Date of Acquisition	(b) Date acquired
Box 1a—Date of Sale or Exchange	(c) Date sold or disposed
Box 2a—Gross Proceeds (Less Commissions and Option Premiums)	(d) Proceeds
Box 3—Cost or Other Basis	(e) Cost or other basis
Box 5—Wash Sale Loss Wash Sale Loss Disallowed	(g) Adjustments to gain or loss and column (f) Code, if any, for column (h)*

* Enter the amount of the nondeductible loss as a positive number in column (g) and enter code W in column (f). Note that columns (h) and (f) are also used for purposes other than wash sales. For more information about these columns, please see Instructions for Form 8949, Sales and Other Dispositions of Capital Assets.

IRS Form 1099-B

Below is an example of what the 1099-B will look like on your 2013 tax statement:

SAMPLE STATEMENT

2013 Form 1099-B PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS OMB No. 1545-0715							
(For individuals, report details on Form 1040 Schedule D Line 1b, 2, 8b or 9)							
This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.							
Disposition Transaction	Disposition Method	Quantity (Box 1e)	Date of Acquisition (Box 1b)	Date of Sale or Exchange (Box 1a)	Gross Proceeds Less Commissions and Fees (Box 2a)	Cost or Other Basis (Box 3)	Realized Gain or (Loss)
Short-Term Transactions for Which Basis Is Reported to the IRS—Report on Form 8949, Part I, with Box A checked							
Covered (Box 6b)							
Description (Box 8): ABC FUND CUSIP: 123456ABC							
Sale	FIRST IN FIRST OUT	100	01/01/2013	06/01/2013	1,000.00	1,200.00	200.00 W
Sale	FIRST IN FIRST OUT	200	01/02/2013	06/02/2013	2,000.00	1,600.00	400.00
Security Total					3,000.00	2,800.00	400.00
Description (Box 8): GLOBAL INCOME FUND CUSIP: 123456GIF							
Sale	FIRST IN FIRST OUT	26.823	04/20/2013	09/07/2013	274.66	264.21	10.45
Sale	FIRST IN FIRST OUT	0.020	04/29/2013	09/07/2013	0.20	0.20	0.00
Sale	FIRST IN FIRST OUT	0.062	05/31/2013	09/07/2013	0.63	0.62	0.01
Sale	FIRST IN FIRST OUT	0.056	06/30/2013	09/07/2013	0.57	0.56	0.01
Sale	FIRST IN FIRST OUT	2.028	07/29/2013	09/07/2013	20.77	20.44	0.33
Sale	FIRST IN FIRST OUT	0.055	07/29/2013	09/07/2013	0.56	0.55	0.01
Sale Date Total					297.39	286.58	10.81
Sale	FIRST IN FIRST OUT	4.965	08/22/2013	10/07/2013	50.84	50.79	0.05
Sale	FIRST IN FIRST OUT	0.052	08/31/2013	10/08/2013	0.55	0.53	0.02
Security Total					348.78	337.90	10.88
Short-Term Covered Total					3,348.78	3,137.90	410.88
Transactions for Which Basis Is Not Reported to the IRS and for Which Short- or Long-Term Determination is Unknown (to Broker) – You must determine short or long term based on your records and report on Form 8949, Part I, with Box B checked, or on Form 8949, Part II, with Box B checked, as appropriate							
Noncovered (Box 6a)							
Description (Box 8): ABC FUND CUSIP: 123456ABC							
Sale	FIRST IN FIRST OUT	100		06/01/2013	1,000.00		
Sale	FIRST IN FIRST OUT	225		06/02/2013	2,000.00		
Security Total					3,000.00		
Other Noncovered Total					3,000.00		
Total					6,348.78	3,137.90	410.88

1. COVERED

For covered securities transactions (identified in Box 6b), the 1099-B will report the Date of Sale or Exchange (Box 1a), Date of Acquisition (Box 1b), Quantity (Box 1e), Gross Proceeds (Box 2a), Cost or Other Basis (Box 3), Wash Sale Loss Disallowed (Box 5), Description (Box 8) and whether the gain or loss is short term or long term (Box 1c).

2. NONCOVERED

For noncovered securities transactions (Box 6a), the 1099-B will report the Date of Sale or Exchange (Box 1a), Quantity (Box 1e), Gross Proceeds (Box 2a), Description (Box 8). The date of acquisition, cost or other basis, type of gain or loss, and whether any loss is disallowed due to a wash sale are intentionally left blank and will not be reported to the IRS. Also, noncovered securities transactions are grouped by the Date of Sale or Exchange, regardless of the holding period. Taxpayers are responsible for reporting cost basis and resulting gain or loss realized upon disposition of a noncovered asset.

Please note: If your financial organization subscribes to our TYES, the date of acquisition, cost or other basis, type of gain or loss and whether any loss is disallowed due to a wash sale for both covered and noncovered securities transactions will be displayed when available. Such detail for noncovered transactions is not reported to the IRS.

3. EXAMPLE: COVERED VERSUS NONCOVERED

As of January 1, 2011, the regulations have distinguished between covered and noncovered securities. As a result of these changes, your security sale may be broken down and reported in one or more sections

of the 1099-B. As an example, you sold 425 shares of ABC FUND on June 2, 2013, of which you acquired 200 shares in 2013 and 225 shares prior to 2012 and the basis was not provided. The sale of the 200 shares acquired in 2012 will be treated as a Short-Term Transactions for Which Basis Is Reported to the IRS: Covered (Box 6b). The sale of the 225 shares acquired prior to 2012 will be treated as a Long-Term Transactions for Which Basis Is Not Reported to the IRS: Noncovered (Box 6a).

Frequently Asked Questions: Form 1099-B

Q. What necessitated the changes to Form 1099-B?

A. For 2013 tax return reporting purposes, the IRS requires filers of Form 1099-B to sort information within specific categories to assist taxpayers with the preparation of their tax returns. As a reminder, the IRS introduced a new form for use in 2011—Form 8949—as an intermediary step to reporting Sales and Other Dispositions of Capital Assets prior to reporting them on Schedule D of Form 1040. The illustration on page 19 of this document provides a basic example of how you would use the information received on your 2013 1099-B forms in order to complete one or more IRS 8949 forms.

Please note: For certain transactions, investors should report the results on IRS 4797 forms (Sales of Business Property) or 6781 (Gains and Losses from Section 1256 Contracts and Straddles) for 2013 rather than on Form 8949 prior to final reporting on Schedule D of Form 1040. Please see your Form 1099-B instructions for more information.

IRS Form 8949—Sales and Other Dispositions of Capital Assets

You will be required to record gain and loss information on one or more 8949 forms based on the information displayed on your Form(s) 1099-B. For your convenience, the transactions are grouped by holding period (short term or long term) in a format comparable to the Form 8949, for dispositions of covered securities on the Form 1099-B, as well as for noncovered securities transactions for TYES subscribers. This presentation of the data should assist with the completion of your 8949 forms.

Please see page 19 of this guide for more information regarding IRS Form 8949 and its use in the completion of Schedule D (Form 1040).

SAMPLE FORM

Form **8949**

Department of the Treasury
Internal Revenue Service

Name(s) shown on return

Sales and Other Dispositions of Capital Assets

► Information about Form 8949 and its separate instructions is at www.irs.gov/form8949.

► File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.

OMB No. 1545-0074

2013

Attachment
Sequence No. **12A**

Most brokers issue their own substitute statement instead of using Form 1099-B. They also may provide basis information (usually your cost) to you on the statement even if it is not reported to the IRS. Before you check Box A, B, or C below, determine whether you received any statement(s) and, if so, the transactions for which basis was reported to the IRS. Brokers are required to report basis to the IRS for most stock you bought in 2011 or later.

Part I **Short-Term.** Transactions involving capital assets you held one year or less are short term. For long-term transactions, see page 2.
Note. You may aggregate all short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the total directly on Schedule D, line 1a; you are not required to report these transactions on Form 8949 (see instructions).
You must check Box A, B, or C below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.
☐ **(A)** Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see **Note** above)
☐ **(B)** Short-term transactions reported on Form(s) 1099-B showing basis was **not** reported to the IRS
☐ **(C)** Short-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see Column (e) in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.	(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
					(f) Code(s) from instructions	(g) Amount of adjustment	

Wash Sales

Generally, a wash sale occurs when a covered or noncovered security is disposed of at a loss and an identical or a substantially identical security is purchased or acquired within the 30-day period before or after the sale.

- > **IRS FORM 1099-B BOX 5: WASH SALE LOSS DISALLOWED**
A loss on the sale of a covered security is reported as disallowed when broker wash sale rule applies. This occurs when you re-purchase the identical security, as determined by CUSIP® number, in the same investment account within the 30-day period preceding or following the date of the original loss.
- > **HOLDING PERIOD ADJUSTMENT FOR A WASH SALE REPURCHASE**
The number of days added to a lot holding period as a result of a wash sale may be displayed under Date of Acquisition for the sale of the repurchased lot. Note that this will only be displayed if the repurchased lot was disposed of in 2013.

Wash Sale Example

You acquired 100 shares of ABC FUND for \$1,200. You sell the 100 shares for \$1,000 and within 30 days from the sale date repurchase the same stock for \$800. Because you repurchased the identical stock, you cannot deduct the loss of \$200 on the sale. That loss is disallowed and that amount is added to the cost basis of the repurchased stock. In this example, the cost basis of the repurchased stock is increased to \$1,000. The holding period for the repurchased lot is also adjusted to the acquisition date of the initial wash sale. See the example on page 7 of this guide to see how this will be displayed on the 1099-B.

- > **OTHER IMPORTANT POINTS**
- The basis of stock or securities acquired 30 days before or after the sale, at a loss, is adjusted to take into account the disallowed loss. The adjustment ensures that the loss is not permanently disallowed but merely postponed until the repurchased investment is sold.
 - The holding period of the stock or securities acquired includes the holding period of those sold at a loss. Realized Gain or Loss and Unrealized Gain or Loss is based upon the adjusted trade date of a replacement lot.

Please note: You are obligated to apply the wash sale rules across all of your investment accounts to determine whether you have disallowed wash sale losses when preparing your tax return.

For additional information about wash sales, please refer to the following at irs.gov: *2013 Instructions for Schedule D (and Form 8949)* and *IRS Publication 550, Investment Income and Expenses*.

Wash Sales (continued)

> AVERAGE COST CALCULATIONS

Average cost has always been determined by dividing the total purchase cost by the total number of shares. However, starting in 2012, there are important changes on how average cost will be calculated. For new purchases of existing positions after January 1, 2011, your average cost will be calculated separately for all covered shares. This means you may have two different average basis calculations for the same position on your 1099 and your account statement. Special rules apply to gifted mutual fund shares.¹ You may have to contact your investment professional or registered investment advisor about incorporating depreciated gifted mutual fund shares into the average, because they are tracked separately.

> INHERITED AND GIFTED SECURITIES

The fair market value of securities at the decedent's date of death (or alternate valuation date) or the donor's original cost basis or the fair market value of the securities at the date of the gift will be displayed.

> COST BASIS ON BONDS

Pershing is providing you with two different cost figures (when available) on debt instrument investments, the original cost of the bonds (which may have been provided by you or a third party) and a projection of where the adjusted current cost could be if the bonds had been amortized or accreted over the time you held the bond. The method of amortization and accretion provided was designed for performance purposes only and may not be the same method you chose when deciding to amortize or accrete. You or your tax professional should verify the amounts that have been previously calculated to adjust the cost basis of the bond and reported throughout the life of the bond starting with the original purchase price.

The information may not reflect all cost basis adjustments necessary for tax reporting purposes, especially for noncovered securities. Adjustments to cost basis may have been made for prior income received and subsequently reclassified by the issuer as a return of capital. In addition, corporate action events may require adjustments to your original cost basis. Return of capital information and cost basis information, as they relate to corporate actions, has been obtained from sources we believe to be reliable.

Adjustments to cost basis can be made after year-end, in particular, for return of capital adjustments, but may also include adjustments for corporate action events. Therefore, differences in cost basis may be reflected on your monthly client brokerage statement at year-end versus any subsequent reports, including your 1099-B or online displays you may have available to you.

When you report your cost basis on your tax return, it should be verified using all of your own records. In particular, there may be other adjustments that you need to make, but are not required to be made by Pershing as they relate to cost basis reporting rules. You should consult with your tax professional to properly report your gain or loss for tax purposes.

Additional Information

For additional information about cost basis and its use during your tax return preparation, please refer to the following: *2013 Instructions for Schedule D (and Form 8949)*, *IRS Publication 550 (Investment Income and Expenses)* and *IRS Publication 551 (Basis of Assets)*. You can find these publications at irs.gov or by calling the IRS Forms and Distributions Center at (800) TAX-FORM [(800) 829-3676].

¹ For gifted shares where the original cost is greater than the fair market value, if you elect to include these shares in the average calculation, you must instruct your advisor in writing to move these shares from fair market value to the average.

INTRODUCING YOUR TAX INFORMATION STATEMENT

Your Tax Information Statement begins with a summary of the information we report to the IRS. Certain categories of transactions in this summary may not pertain to your account. A second summary displays transactions that we do not report to the IRS, but includes information you may find helpful in preparing your tax returns. Examples of these summaries are illustrated below.

The details of each transaction reported on your Tax Information Statement are displayed after the summaries and are explained in their respective sections throughout this guide.

Sample Summary of Information We Report to the IRS

SAMPLE STATEMENT

Summary of Form 1099-B

Details are reported to the IRS. Refer to the 1099-B section of this statement for those details.

	Amount
Gross Proceeds (For Covered and Noncovered Transactions)	12,348.78
Cost or Other Basis (For Covered Transactions)	9,737.90
Federal Income Tax Withheld—Gross Proceeds	5,235.28
State Tax Withheld—Gross Proceeds	948.82
Regulated Futures and Currency Forwards Contracts:	
Profit or (Loss) Realized in 2013	(411.38)
Unrealized Profit or (Loss) on Open Contracts—12/31/2012	161.12
Unrealized Profit or (Loss) on Open Contracts—12/31/2013	955.00
Aggregate Profit or (Loss)	382.50
Federal Income Tax Withheld—Regulated Futures Contracts	0.00
State Tax Withheld—Regulated Futures Contracts	0.00

2013 1099-INT

Interest Income

OMB No. 1545-0112

Box

Amount

1	Interest Income	14,297.03
3	Interest on U.S. Savings Bonds and Treasury Obligations	7,642.44
4	Federal Income Tax Withheld	4,200.00
5	Investment Expenses	0.00
6	Foreign Tax Paid	0.00
8	Tax-Exempt Interest	3,000.00
9	Specified Private Activity Bond Interest	840.00
10	Tax-Exempt Bond CUSIP No.	Various
11/12/13	State/State ID #/State Tax Withheld	CA/123456789/810.00

2013 1099-DIV

Dividends and Distributions

OMB No. 1545-0110

Box

Amount

1a	Total Ordinary Dividends	6,000.00
1b	Qualified Dividends	6,000.00
2a	Total Capital Gain Distributions	625.00
2b	Unrecaptured Section 1250 Gain	175.00
2c	Section 1202 Gain	350.00
2d	Collectibles (28%) Gain	0.00
3	Nondividend Distributions	0.00
4	Federal Income Tax Withheld	2,520.00
5	Investment Expenses	0.00
6	Foreign Tax Paid	Various
8	Cash Liquidation Distributions	100.00
9	Noncash Liquidation Distributions	0.00
10	Exempt Interest Dividends	3,000.00
11	Specified Private Activity Bond Interest Dividends	1,000.00
12/13/14	State/State ID #/State Tax Withheld	CA/123456789/630.00

Summary of Form 1099-OID

Details are reported to the IRS. Refer to the 1099-OID section of this statement for those details.

	Amount
Original Issue Discount (Non-U.S. Treasury Obligations)	52.45
Other Periodic Interest	0.00
Original Issue Discount on U.S. Treasury Obligations	0.00
Investment Expenses	0.00
Federal Income Tax Withheld	14.68
State Tax Withheld	3.84

Sample Summary of Information We Do Not Report to the IRS

SAMPLE STATEMENT

Summary of Transactions We Do Not Report to the IRS (See instructions for additional information)	
	<i>Amount</i>
Municipal Original Issue Discount	
Original Issue Discount—Subject to Alternative Minimum Tax	13.75
Original Issue Discount—Not Subject to Alternative Minimum Tax	240.48
Total Municipal Original Issue Discount	254.23
Non-Reportable Transactions	
Partnership Cash Distributions	420.00
Shortfalls	0.00
Return of Principal Distributions and Non-Qualified Stated Interest	300.00
Total Non-Reportable Transactions	720.00
Advisory Fees	400.00
Margin Interest Expense Charged to Your Account	662.50
Electronic Deposits Summary	
Total Electronic Deposits	2,699.25
Other Deposits Summary	
Total Other Deposits	54,997.66
Checking Activity Summary	
Total Checking Activity	(3,299.69)
Debit Card Activity Summary	
Total Debit Card Activity	(9,162.98)
Electronic Withdrawals Summary	
Total Electronic Withdrawals	(4,898.25)
Other Withdrawals Summary	
Total Other Withdrawals	(28,750.00)

INTRODUCING YOUR TAX INFORMATION STATEMENT

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For Tax Information Statements that are nine pages or longer, a Table of Contents page will be displayed for easier navigation.

SAMPLE STATEMENT



A BNY MELLON COMPANY

Account Number: 123-456789

2013 TAX AND
YEAR-END STATEMENT
As of 02/15/2014

Recipient's Name and Address:

JOHN Q. PUBLIC
1234 TOWNLINE STREET
APT. #1234
SOMEWHERE, CA 00000-0000

Your Financial Advisor Is:

ROBERT "CONTACT" ADVISOR
1234 STREET
BOX 1234
SOMEWHERE, CA 00000-0000
IP: 123

PAYER INFORMATION:

PERSHING LLC

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Starting Page Number

This tax statement may include the following IRS forms: 1099-B, 1099-INT, 1099-DIV, 1099-MISC and 1099-OID. Only the forms that pertain to the activity in this account are included in this tax statement. Please retain this document for tax preparation purposes.

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GENERAL INFORMATION ABOUT YOUR TAX INFORMATION STATEMENT

> EXEMPT ACCOUNTS

Certain accounts are exempt from IRS Form 1099 reporting and backup withholding requirements. These accounts include, generally, all C corporation accounts and certain S corporation accounts; qualified retirement plans (QRPs); individual retirement accounts (IRAs); certain widely held fixed investment trusts (WHFITs); charitable organizations; foreign accounts; and most federal, state and local government accounts. A more complete list of exemption criteria is provided in the Instructions to IRS Form W-9 (Request for Taxpayer Identification Number and Certification). If your account is exempt from IRS Form 1099 reporting and you received a Tax Information Statement, please contact your advisor.

> S CORPORATIONS

S corporations that have provided a Form W-9 and checked the "exempt" box can expect to be issued a 1099-B form that only includes the sale in 2013 of covered securities acquired on January 1, 2012, or later. No other 1099 information reporting will be sent for these accounts (for example, 1099-DIV, INT, OID, MISC and 1099-B representing noncovered sales). S corporations that have provided a Form W-9 and did not check the "exempt" box, or were determined to be an S corporation by default by not returning a Form W-9, can expect to be issued a complete 1099, including all of their reportable income.

> TAXPAYER IDENTIFICATION NUMBER

The IRS allows filers of 1099 forms (B, DIV, INT, MISC and OID) to truncate a recipient identification number (Social Security number [SSN], Individual Taxpayer Identification Number [ITIN] or Adoption Taxpayer Identification Number [ATIN]) on the payee statement for tax year 2013. These identification numbers are displayed as follows, for example, on your 2013 Tax Information Statement: XXX-XX-6789.

Please note: The IRS does not allow for the truncation of Employer Identification Numbers (EINs). EINs will be displayed in their entirety on the noted forms. The IRS also does not allow for the truncation of SSNs, ITINs or ATINs on 1099s if the forms are delivered electronically. If you receive your tax statement electronically (via electronic delivery), it will display your entire tax identification number (TIN).

Please check your name and TIN (or truncated number) as shown on your Tax Information Statement. If either is missing or incorrect, promptly provide an executed IRS Form W-9 (Request for Taxpayer Identification Number and Certification) to your advisor. If more than one name is shown, please ensure that the SSN on the Tax Information Statement belongs to the individual whose name is listed first. If that is not the case, please have the Tax Information Statement corrected by providing an IRS Form W-9 to your advisor. On the IRS Form W-9, circle the name of the individual whose SSN is being furnished. To avoid backup withholding, it is important to ensure that your name and TIN are correct. If the information is not correct, or does not match the records of the IRS or Social Security Administration, then, upon notice from the IRS pursuant to its "B-Notice Program," we may be required to commence backup withholding.

Frequently Asked Questions: Taxpayer Identification Numbers (TIN)

CORRECTIONS TO YOUR TIN

Q. My child's stock was sold through a custodial account; however, the TIN reflects my TIN. How can this be corrected?

A. You should complete a new IRS Form W-9 (Request for Taxpayer Identification Number and Certification) and circle your child's name as the person for whom the TIN is supplied. Submit this form to your advisor and request that a new Tax Information Statement, as well as an account correction, be made.

> FEDERAL INCOME TAX WITHHELD (BACKUP WITHHOLDING)

We are required by law to withhold 28% of federal income tax from all reportable dividends, interest and gross proceeds paid to certain U.S. persons (including trusts and partnerships) who fail to furnish a valid TIN or appropriate certification (IRS Form W-9). This is called "backup withholding." If you are exempt from backup withholding because you are an exempt recipient (for instance, a QRP or a tax-exempt organization, please furnish your advisor with an executed IRS Form W-9 indicating the exemption. If you are exempt from backup withholding because you are a foreign person, please furnish a withholding certificate, such as IRS Form W-8BEN or W-8IMY.

> STATE INCOME TAX WITHHELD (BACKUP WITHHOLDING)

The following states have backup withholding requirements for accounts that incur taxable events that are reportable on a Form 1099:

California. California backup withholding is applied to an account with a California legal address that is missing a W-9 or SSN or TIN or has triggered an IRS-B Notice. When these conditions exist, we will display the state income tax withheld on a Form 1099 with the reportable gross proceeds and reportable miscellaneous income at a rate of 7%.

Maine. Maine backup withholding is applied to an account with a Maine legal address that is missing a W-9 or SSN or TIN or has triggered an IRS B- or C-Notice. When such a condition exists, we will display the state income tax withheld on a Form 1099 with the reportable dividends, interest, gross proceeds and miscellaneous income at a rate of 5%.

South Carolina. South Carolina backup withholding is applied to an account with a South Carolina legal address that is either missing a W-9 or SSN or TIN or has an IRS B- or C-Notice. When such a condition exists, we will display the state income tax withheld on a Form 1099 with the reportable dividends, interest, gross proceeds and miscellaneous income at a rate of 4%.

GENERAL INFORMATION ABOUT YOUR TAX INFORMATION STATEMENT

> NOMINEE RECIPIENTS

If your SSN or EIN is shown on your Tax Information Statement, and the statement includes amounts belonging to another person, you are considered a nominee recipient. You must file IRS Form 1099 for each of the other owners, showing the income allocable to each, along with IRS Form 1096 (Annual Summary and Transmittal of U.S. Information Returns) with the IRS Center in your area. You should be listed as the “payer” on IRS Form 1099 and as the “filer” on IRS Form 1096. Any other owners should be listed as the “recipients” on IRS Form 1099. You must furnish an IRS Form 1099 to any other owners. Spouses are not required to file a nominee report to show amounts owned by the other.

> PAYER

The “payer” for all transactions on your Tax Information Statement is Pershing LLC (TIN 13-2741729). This name and TIN should be listed wherever the payer’s name is requested on an IRS form with respect to amounts reported on your Tax Information Statement.

> REVISED TAX INFORMATION STATEMENTS

If we receive corrected or updated information, we will report it to you and to the IRS, if required, on a revised Tax Information Statement.

> DIFFERENCES BETWEEN YOUR TAX INFORMATION STATEMENT AND BROKERAGE ACCOUNT STATEMENTS

Dividends and interest declared and made payable by mutual funds and REITs in October, November or December 2013 are reported on the 2013 Tax Information Statement, even when the dividends are actually paid in January 2014. Dividends and interest declared and made payable on WHFITs and widely held mortgage trusts (WHMTs) in October, November or December 2013 are reported on the 2013 Tax Information Statement, even when the dividends and interest are actually paid in January or February 2014. These dividends are referred to as “spillover dividends” and will not be reported again on the 2013 Tax Information Statement.

IRS Form 1099-B, Schedule D (Capital Gains and Losses)

The amounts indicated in this section of your Tax Information Statement reflect proceeds from certain covered and noncovered securities transactions such as sales, redemptions, tender offers and maturities. We also report a bond's final principal distribution in this section of the statement.

Your Tax Information Statement reflects gross proceeds, net of transaction costs (for instance, commissions and option premiums), and does not represent net profit. Transactions are reported on a trade-date basis and each is reported separately to the IRS. Accordingly, you should report each transaction separately on your tax return to avoid a mismatch with the IRS.

> TRADE DATE VERSUS SETTLEMENT DATE

We generally report sales of publicly traded securities to the IRS on a trade-date basis on IRS Form 1099-B. You should report transactions on a trade-date basis, accordingly.

Exception: Short sales must be reported during the tax year the sales are closed rather than the year they are opened. Short sales opened in 2013 will not be reported until they are closed, unless they are closed by December 31, 2013. For short sales, the date shown is the date the security was delivered to close the short sale.

> HOLDING PERIOD

Report your capital gains and losses as either short term or long term, depending on how long you held the asset. Assets held for more than one year when, for example, sold or redeemed, should be reported as long term. The sample tax form on page 17 assumes that some investments were held for the requisite period of more than one year to qualify for long-term gain or loss treatment when, for example, sold or redeemed. Your actual holding period will vary for each investment.

For covered securities transactions, we will report the type of gain or loss, short term or long term in Box 1c - Type of Gain or Loss.

> TRANSACTIONS REPORTED ON FORM 1099-B DESCRIBED

Below are the common transactions that are reported in this section of your Tax Information Statement: equity sales, Treasury bill sales, sales of notes and bonds, trust sales, WHFITs, WHMTs, commodity trust proceeds and short sales.

- **Equity Sales.** Proceeds from the sale of equities are reported on a trade-date basis, net of commissions.
 - **Treasury Bill Sales.** To properly report proceeds from the sale of Treasury bills on your tax return, you should determine which portion of your gain or loss is a capital gain or loss, and which portion is ordinary income or loss. The discount on Treasury bill maturities is reported in the 1099-INT section of your Tax Information Statement as part of Interest on U.S. Savings Bonds and Treasury Obligations (Box 3). Refer to page 22 in this guide for additional information.
 - **Sales of Notes and Bonds.** The principal portion of the proceeds from the sale of notes and bonds is reported in this section. Accrued interest received on federally taxable notes and bonds sold between interest payment dates is not included in this section of your Tax Information Statement, but is reported on a settlement-date basis in the 1099-INT section of your statement and is identified by a “#” symbol shown after the amount.
 - **Trust Sales.** A trust sale represents the total amount paid to a selling trust interest holder for the sale of a trust interest and should be reported on Form 8949 and Schedule D of your IRS Form 1040.
- This includes principal payments that completely retire a debt instrument (other than a final scheduled principal payment) and pro rata partial principal prepayments. It does not include pro rata sales by nonmortgage widely held fixed investment trusts (NMWHFITs) to affected redemptions or assets received in any corporate reorganization.
- **WHFITs.** The IRS requires us to provide information regarding income and expenses attributable to securities deemed to be WHFITs and WHMTs on Form 1099-B. The definition of a “WHFIT” includes UITs that are treated for tax purposes as grantor trusts and not as a regulated investment company (RIC), royalty trusts, mortgage-backed securities (MBSs), HOLDRS® trusts or commodity trusts. The definition of a “WHMT” includes “WHFITs” that invest solely in mortgages, regular interests in REMICs and in other WHMTs or in reasonably required reserve funds as measured by value. Proceeds from sales and redemptions of WHFITs are set forth on Form 1099-B. In addition to the information reported to the IRS on Form 1099-B, we are also required to furnish you with an Additional Written Statement with detailed information regarding affected transactions by March 17, 2014.
 - **Commodity Trust Proceeds.** Commodity trusts (such as the iShares COMEX Gold Trust) are generally classified as grantor trusts for U.S. federal income tax purposes. As a result, the trust itself will not be subject to U.S. federal income tax. Instead, the trust's income and expenses will “flow through” to the shareholders. These trusts typically will sell some of their underlying commodity holdings during the calendar year to pay trust expenses, and they will not make any distributions of cash to shareholders in connection with the sales. At the end of the year, the gross proceeds from such sales will be reportable to the shareholders on IRS Form 1099-B and be reportable by the shareholders on Form 8949 (Sales and Other Dispositions of Capital Assets) and Schedule D of IRS Form 1040 for tax purposes. Shareholders may be able to claim deductions for their proportionate amount of trust expenses reported as paid, subject to any applicable limitation.
 - **Corporate Actions.** When certain merger considerations are fully taxable, your sales proceeds include both the cash received and the market value of the new stock.
 - **Foreign Currency.** If the purchase amount or sales proceeds are paid in foreign currency, Pershing must report the amount of foreign currency in U.S. dollars. When reporting the purchase or sale of a security traded on an established securities market, Pershing will determine the U.S. dollar amounts to be reported as of the trade date.

PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS

> REVERSE CONVERTIBLE SECURITIES

The income paid on reverse convertible securities will be split into two components and separately reported as “Interest and Option Premium,” which is based upon the issuer’s supplemental pricing instructions. Option premiums on reverse convertibles sold in 2013 are reported on Form 1099-B. The interest on reverse convertibles that did not mature in 2013 will be reported on Form 1099-INT. However, the option premium for the payment will be reported for the tax year of the maturity. Option premiums on Form 1099-B for maturities redeemed for cash in 2013 are reported on Form 1099-B.

> OPTION PREMIUMS

When stock is sold based upon the assignment of either a put or a call option, the proceeds of that sale are adjusted by the price of the option or the option premium. The proceeds amount is increased by the option premium received or decreased by the option premium paid.

> SHORT SALES

Cost basis reporting rules require brokers to report short sales for the tax year the short sale is “closed” (or the tax year it is covered by delivery of securities to satisfy the short sale obligation). In tax years prior to 2011, short sales were reportable for the tax year the short sale was “opened” (or the tax year it occurred). Therefore, if you sold securities short in 2013, and you did not close the short sale in 2013, the short sale will not be reported in the Form 1099-B section of your 2013 Tax Information Statement. If you sold securities short in 2011 and you closed the short sale in 2013, the closed short sale should be reported in the Form 1099-B section of your 2013 Tax Information Statement. If you execute a short sale with one broker and then transfer the short sale to a second broker, the second broker will be required to report the short sale when it is closed. Pershing will not report the closing of a short sale when a delivering broker has not transferred the proceeds of a short sale or if the broker has not transferred the cost of the securities used to close the short sale. The holding period of a short sale for purposes of determining whether the gain or loss on the closed short sale is a short- or long-term gain or loss is based on the holding period of the securities acquired to close the short sale. For that reason, most short sales will result in a short-term gain or loss as opposed to a long-term gain or loss. A short sale will be denoted with the words SHORT SALE in the Disposition Transaction column of the 1099-B section of your Tax Information Statement. Consult your tax professional or *IRS Publication 550* for information on reporting proceeds from closed short sales on your tax return.

Short Sale Example:

You sold 500 shares of ABC Company in 2013, of which you acquired 200 shares in 2013 (closing transaction). We will report the disposition of the 200 shares on the IRS Form 1099-B under Short-Term Transactions for Which Basis Was Reported to the IRS.

Proceeds from Broker and Barter Exchange Transactions

The Proceeds from Broker and Barter Exchange Transactions section of your Tax Information Statement provides all of the following information. To view the illustration, please see the next page.

1. Proceeds from broker and barter exchange transactions are reported on IRS Form 1099-B-**Proceeds From Broker and Barter Exchange Transactions**. These transactions include sales, exchanges, redemptions, tender offers and maturities. Each transaction in this section is reported to the IRS.
2. Covered securities transactions will be grouped and sorted by the security CUSIP® within the following two subsections:
 - **Short-Term Transactions for Which Basis Is Reported to the IRS**; Report on Form 8949, Part I, with Box A checked. (Covered-Box 6b)
 - **Long-Term Transactions for Which Basis Is Reported to the IRS**; Report on Form 8949, Part II, with Box D checked. (Covered-Box 6b)
3. For noncovered securities, transactions will be grouped and sorted by the security CUSIP within the following subsection:
 - **Transactions for Which Basis Is Not Reported to the IRS and for Which Short- or Long-Term Determination is Unknown (to Broker)**; Report on Form 8949, in either Part I with Box B checked, or on Form 8949, Part II, with Box E checked, as appropriate. (Noncovered-Box 6a)

Please note: If your financial organization subscribes to the TYES, you will see the following two sections on your TYES.

 - **Short-Term Transactions for Which Basis Is Not Reported to the IRS**: Report on Form 8949, Part I, with Box B Checked. (Noncovered-Box 6a)
 - **Long-Term Transactions for Which Basis Is Not Reported to the IRS**: Report on Form 8949, Part II, with Box E Checked. (Noncovered-Box 6a)
4. **Quantity (Box 1e)**: The number of shares included in the sale or exchange for the lot reported. If fractional shares are part of the disposition, those shares will be displayed to three decimal places.
5. **Date of Acquisition (Box 1b)**: This box represents the date you acquired the security or, for short sales, the date you opened the short sale. You may see the word “Various” displayed in this column if the disposition transaction includes multiple lots with various acquisition dates.
6. **Date of Sale or Exchange (Box 1a)**: This box shows the trade date of the sale or exchange. For short sales, the date shown is the date you closed the short sale.
7. **Gross Proceeds – Less Commissions and Option Premiums (Box 2a)**: Gross proceeds from transactions involving stocks, bonds and other debt obligations are reported in Box 2a. These amounts do not reflect net profits and are net of transaction costs (for instance, commissions and option premiums). Taxpayers report the gross proceeds from each transaction separately on IRS Form 8949 (Sales and Other Dispositions of Capital Assets) and IRS Form 1040, Schedule D (Capital Gains and Losses). This box does not include proceeds from regulated futures contracts or foreign currency forward contracts.

8. **Cost or Other Basis (Box 3)**: This box shows the original cost or adjusted cost basis due to a corporate action from shares that are inherited or gifted. The IRS provides a detailed description of cost or other basis reporting in the 2013 Instructions for Form 1099-B, which you can find at irs.gov. For additional information about cost basis and its use during your tax preparation, please refer to *IRS instructions for Schedule D and Form 8949*, *IRS Publication 550 (Investment Income and Expenses)* and *IRS Publication 551 (Basis of Assets)*.

9. **Adjustments**: This column may display the following:

W = Wash Sale Loss Disallowed (Box 5). An adjustment code (W) will be displayed next to an amount for a disallowed wash sale loss within the Adjustments column. This loss is being reported as disallowed because the sale of the covered security has been treated as a broker wash sale. This occurs when you re-purchase the identical security, as determined by CUSIP number, in the same brokerage account within the 30-day period preceding or following the date of the original loss. The wash sale loss is reported as a positive amount as required by the IRS. For additional information about wash sales, please refer to *2013 Instructions for Schedule D (and Form 8949)* and *IRS Publication 550 (Investment Income and Expenses)*.

O = Option Premium. When stock is sold based upon the assignment of either a put or a call option, the proceeds of that sale are adjusted by the price of the option or the option premium. The proceeds amount is increased by the option premium received or decreased by the option premium paid. An adjustment code (O) will be displayed next to the amount for an option premium within the Adjustment column.

For additional information about wash sales, option premium and return of capital, please see *2013 Instructions for Schedule D (and Form 8949)* and *IRS Publication 550, Investment Income and Expenses*.

10. **Realized Gain or (Loss)**: The realized gain or loss for the transaction may be displayed. Note that the IRS does not require the reporting of this information on the Form 1099-B. This information is only provided if you receive the TYES.
11. Short sales are indicated with “Short Sale” displayed in the **Disposition Transaction** section. Please see page 15 for more information.
12. **Sale Date Total**: If you have multiple lots with the same sale or exchange date, you may see a line item with “Sale Date Total” noted in the “Disposition Transaction” column. The totals provided in this line item are an aggregate of the lots listed above the total line when the security and sale or exchange date are the same. For these totals, the word “Various” will be displayed in the “Date of Acquisition” column, since the total includes multiple lots with different acquisition dates. These total amounts are included to help you complete IRS Forms 8949.

SAMPLE TAX INFORMATION STATEMENT

Proceeds from Broker and Exchange Transactions (continued)

SAMPLE STATEMENT

1 2013 Form 1099-B PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS OMB No. 1545-0715									
(For individuals, report details on Form 1040 Schedule D Line 1b, 2, 8b or 9)									
This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.									
4	5	6	7	8	9	10			
Disposition Transaction	Disposition Method	Quantity (Box 1e)	Date of Acquisition (Box 1b)	Date of Sale or Exchange (Box 1a)	Gross Proceeds Less Commissions and Option Premiums (Box 2a)	Cost or Other Basis (Box 3)	Adjustments W=Wash Sale Loss (Box 5) O=Option Premium	Realized Gain or (Loss)	
2 Short-Term Transactions for Which Basis Is Reported to the IRS—Report on Form 8949, Part I, with Box A checked Covered (Box 6b)									
Description (Box 8): ABC Company		CUSIP: 123456ABC							
Sale	FIRST IN FIRST OUT	100	01/01/2013	06/01/2013	1,000.00	800.00		200.00	
11 Short Sale	FIRST IN FIRST OUT	200	01/02/2013	06/02/2013	2,000.00	1,600.00		400.00	
					3,000.00	2,400.00		600.00	
Short-Term Covered Total					3,000.00	2,400.00		600.00	
Long-Term Transactions for Which Basis Is Reported to the IRS—Report on Form 8949, Part II, with Box D checked Covered (Box 6b)									
Description (Box 8): ABC Company		CUSIP: 123456ABC							
Sale	FIRST IN FIRST OUT	100	01/01/2012	06/02/2013	1,000.00	600.00		400.00	
Sale	FIRST IN FIRST OUT	200	01/02/2012	06/02/2013	2,000.00	1,600.00		400.00	
12 Sale Date Total		300	Various	06/02/2013	3,000.00	2,200.00		800.00	
Long-Term Covered Total					3,000.00	2,200.00		800.00	
3 Short-Term Transactions for Which Basis Is Not Reported to the IRS—Report on Form 8949, Part I, with Box B checked Noncovered (Box 6a)									
Description (Box 8): ABC Company		CUSIP: 123456ABC							
Sale	FIRST IN FIRST OUT	100	12/15/2012	06/01/2013	1,000.00	1,200.00	200.00 W	0.00	
Sale	FIRST IN FIRST OUT	200	12/16/2012	06/02/2013	2,000.00	1,600.00		400.00	
					3,000.00	2,800.00		400.00	
Long-Term Transactions for Which Basis Is Not Reported to the IRS—Report on Form 8949, Part II, with Box E checked Noncovered (Box 6a)									
Description (Box 8): ABC Company		CUSIP: 123456ABC							
Sale	FIRST IN FIRST OUT	100	01/01/2010	06/01/2013	1,000.00	400.00		600.00	
Sale	FIRST IN FIRST OUT	200	01/02/2010	06/02/2013	2,000.00	1,600.00		400.00	
					3,000.00	2,000.00		1,000.00	
Long-Term Noncovered Total					3,000.00	2,000.00		1,000.00	
Transactions for Which Basis Is Not Reported to the IRS and for Which Short- or Long-Term Determination is Unknown (to Broker)—You must determine short or long term based on your records and report on Form 8949, Part I, with Box B checked, or on Form 8949, Part II, with Box E checked, as appropriate Noncovered (Box 6a)									
Description (Box 8): ABC UIT		CUSIP: 123456ABC							
Sale	FIRST IN FIRST OUT	100		06/01/2013	1,000.00				
Sale	FIRST IN FIRST OUT	200		06/02/2013	2,000.00				
					3,000.00				
Other Noncovered Total					3,000.00				

13. Income Tax Withholding – Gross Proceeds: If federal and/or state income taxes were withheld from your proceeds amounts, they will be reported and displayed in this section.

If proceeds were subject to federal tax withholding, the amount withheld is reported in the Federal Income Tax Withheld (Box 4) column.

If any income was subject to state tax withholding, the amount withheld is reported in the State Tax Withheld (Box 15) column.

SAMPLE STATEMENT

Disposition Transaction	Quantity	Proceeds	Date of Sale or Exchange	Federal Income Tax Withheld (Box 4)	State (Box 13)	State ID Number (Box 14)	State Tax Withheld (Box 15)
13 Income Tax Withholding—Gross Proceeds							
Description (Box 8): ABC Company		CUSIP: 123456ABC					
Sale	300	3,000.00	06/01/2013	840.00	CA	123456789	210.00
Sale	600	6,000.00	06/02/2013	1,680.00	CA	123456789	420.00
		9,000.00		2,520.00			630.00
Description (Box 8): DEF FUND		CUSIP: 123456DEF					
Sale	100	1,000.00	06/01/2013	280.00	CA	123456789	70.00
Sale	200	2,000.00	06/02/2013	560.00	CA	123456789	140.00
		3,000.00		840.00			210.00

2013 1099-B Section, Form 8949 and 1040 Schedule D

You should report each transaction separately on IRS Form 8949 and Form 1040, Schedule D, as either short term or long term, depending on your holding period. The cost basis information will be provided for covered securities transactions. These transactions should be itemized in Part I of Form 8949 for short-term transactions and in Part II of Form 8949 for long-term transactions. You should determine the cost or other basis for each transaction reflected on Form 8949 and Schedule D from your records for noncovered transactions. The sample statement on the next page illustrates how this information is reported on your Tax Information Statement, and the sample tax form also on the next page illustrates how you should report this information on your tax return.

The IRS requires filers of Form 1099-B to sort information within specific categories to assist you with the preparation of your returns. Your 1099-B may have up to six separate sections:

1. Short-Term Transactions for Which Basis Is Reported to the IRS:
Covered (Box 6b)
2. Long-Term Transactions for Which Basis Is Reported to the IRS:
Covered (Box 6b)
3. Short-Term Transactions for Which Basis Is Not Reported to the IRS:
Noncovered (Box 6a)
4. Long-Term Transactions for Which Basis Is Not Reported to the IRS:
Noncovered (Box 6a)
5. Transactions for Which Basis Is Not Reported to the IRS and for
Which Short- or Long-Term Determination is Unknown (to Broker):
Noncovered (Box 6a)
6. Income Tax Withholding – Gross Proceeds

For 2011, the IRS introduced Form 8949-Sales and Other Dispositions of Capital Assets. The new grouping of information on the 1099-B is designed to assist you in completing your 8949 forms. The illustration on the following page provides a basic example of how you would use the information received on your 2013 Form 1099-B to complete one or more IRS 8949 forms.

The Form 1099-B example on the following page provides three covered short-term transactions.

SAMPLE TAX INFORMATION STATEMENT

2013 1099-B Section, Form 8949 and 1040 Schedule D (continued)

The Form 1099-B example below provides illustrations of two covered short-term transactions. The third transaction provided in the example is a short-term noncovered transaction. This noncovered transaction would be itemized on a separate Form 8949. See the Instructions for Form 8949 for exceptions to reporting each transaction on a separate row.

SAMPLE STATEMENT

2013 Form 1099-B PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS OMB No. 1545-0715

(For individuals, report details on Form 1040 Schedule Line 1b, 2, 8b or 9)

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Disposition Transaction	Disposition Method	Quantity (Box 1e)	Date of Acquisition (Box 1b)	Date of Sale or Exchange (Box 1a)	Gross Proceeds Less Commissions and Option Premiums (Box 2a)	Cost or Other Basis (Box 3)	Adjustments W=Wash Sale Loss (Box 5) O=Option Premium	Realized Gain or (Loss)
Short-Term Transactions for Which Basis Is Reported to the IRS—Report on Form 8949, Part I, with Box A checked								
Covered (Box 6b)								
Description (Box 8): ABC Company CUSIP: 123456ABC								
1 Sale	FIRST IN FIRST OUT	100	01/01/2013	06/01/2013	1,000.00	800.00		200.00
2 Sale	FIRST IN FIRST OUT	200	01/02/2013	06/02/2013	2,000.00	1,600.00		400.00
					3,000.00	2,400.00		600.00
Short-Term Covered Total					3,000.00	2,400.00		600.00
Short-Term Transactions for Which Basis Is Not Reported to the IRS—Report on Form 8949, Part I, with Box B checked								
Noncovered (Box 6a)								
Description (Box 8): ABC Company CUSIP: 123456ABC								
Sale	FIRST IN FIRST OUT	100	12/15/2012	06/01/2013	1,000.00	1,200.00	200.00 W	0.00
					1,000.00	1,200.00		0.00
Short-Term Noncovered Total					1,000.00	1,200.00		0.00

Form **8949**

Department of the Treasury
Internal Revenue Service
Name(s) shown on return

Sales and Other Dispositions of Capital Assets

► Information about Form 8949 and its separate instructions is at www.irs.gov/form8949.
► File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.

OMB No. 1545-0074

2013
Attachment
Sequence No. **12A**

Social security number or taxpayer identification number

Most brokers issue their own substitute statement instead of using Form 1099-B. They also may provide basis information (usually your cost) to you on the statement even if it is not reported to the IRS. Before you check Box A, B, or C below, determine whether you received any statement(s) and, if so, the transactions for which basis was reported to the IRS. Brokers are required to report basis to the IRS for most stock you bought in 2011 or later.

Part I Short-Term. Transactions involving capital assets you held one year or less are short term. For long-term transactions, see page 2.

Note. You may aggregate all short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the total directly on Schedule D, line 1a; you are not required to report these transactions on Form 8949 (see instructions).

You must check Box A, B, or C below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- ☒ (A) Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see **Note** above)
☐ (B) Short-term transactions reported on Form(s) 1099-B showing basis was **not** reported to the IRS
☐ (C) Short-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see Column (g) in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.	(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
1	100 sh. ABC Company	01/01/2013	06-01-2013	1,000	800		200
2	200 sh. ABC Company	01/02/2013	06-02-2013	2,000	1,600		400

2 Totals. Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 1b (if Box A above is checked), line 2 (if Box B above is checked), or line 3 (if Box C above is checked) ►

Note. If you checked Box A above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See **Column (g)** in the separate instructions for how to figure the amount of the adjustment.

SCHEDULE D (Form 1040)

Department of the Treasury
Internal Revenue Service (99)
Name(s) shown on return

Capital Gains and Losses

► Attach to Form 1040 or Form 1040NR.
► Information about Schedule D and its separate instructions is at www.irs.gov/scheduled.
► Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

OMB No. 1545-0074

2013
Attachment
Sequence No. **12**

Your social security number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

See instructions for how to figure the amounts to enter on the lines below.
This form may be easier to complete if you round off cents to whole dollars.

1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b.

1b Totals for all transactions reported on Form(s) 8949 with **Box A** checked

(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
3,000	2,400		600

REGULATED FUTURES CONTRACTS

IRS Form 1099-B and IRS Form 6781 (Gains and Losses from Section 1256 Contracts and Straddles)

We report information related to your regulated futures contracts in this section of your Tax Information Statement. While it is only necessary for you to report the aggregate profit or loss from regulated futures contracts (and foreign currency forward contracts), we are required to report aggregate profit or loss and its three components as follows:

A. PROFIT OR (LOSS) REALIZED IN 2013

This amount indicates the profit (or loss) realized from regulated futures contract transactions (and foreign currency forward contracts) closed during 2013 (see Box 9 in the example below).

B. UNREALIZED PROFIT OR (LOSS) ON OPEN CONTRACTS - 12/31/2012

This amount was previously reported to you on your 2012 Tax Information Statement, as the contracts were marked to their market value at the end of 2012. It is reported here as an adjustment to your 2013 aggregate profit (or loss), since it should have been included in your income for 2012 (see Box 10 below).

C. UNREALIZED PROFIT OR (LOSS) ON OPEN CONTRACTS - 12/31/2013

This amount indicates unrealized profit (or loss) on open contracts as of December 31, 2013, based on their market value at the end of the year (see Box 11 below).

D. AGGREGATE PROFIT OR (LOSS)

This is a summary of your regulated futures contracts activity. Aggregate profit (or loss) is calculated here (see Box 12 below). The aggregate profit (or loss) is calculated and reported separately for foreign currency forward contracts.

Sample Calculation of Aggregate Profit (or Loss)

Aggregate profit (or loss) can be calculated based upon information on your Tax Information Statement as follows:

$$\begin{array}{r r r r r r r r r} \text{A} & - & \text{B} & + & \text{C} & = & \text{D} \\ (\$421.38) & - & \$141.12 & + & (\$1,000.00) & = & (\$1,562.50) \end{array}$$

Report total aggregate profit (or loss) for regulated futures contracts on IRS Form 6781, line 1. Transfer the totals from IRS Form 6781 to IRS Form 1040, Schedule D, according to the instructions for IRS Form 1040.

Please consult your tax professional concerning the appropriate reporting of aggregate profit (or loss) for foreign currency forward contracts in your situation.

SAMPLE STATEMENT

2013 Form 1099-B REGULATED FUTURES AND FOREIGN CURRENCY FORWARD CONTRACTS OMB No. 1545-0715											
This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.											
REGULATED FUTURES CONTRACTS											
A PROFIT OR (LOSS) REALIZED IN 2013											
Description	Expiration Date/Strike Price	Closing Trade/Process Date	Number of Contracts	Buy/Sell/Expire	Opening Contract Amount	Closing Contract Amount	Realized Profit/(Loss) (Box 9)	Federal Income Tax Withheld (Box 4)	State (Box 13)	State ID Number (Box 14)	State Tax Withheld (Box 15)
PUT 100 S & P 500 INDEX CUSIP: 12483B9JO	EXP 09-20-13 @ 975	03/15/2013	10	Sell	1,921.38	1,500.00	(421.38)				
TOTAL							(421.38)				
B UNREALIZED PROFIT OR (LOSS) ON OPEN CONTRACTS - 12/31/2012											
Description	Expiration Date/Strike Price	Opening Trade Date	Number of Contracts	Long/Short	Opening Contract Amount	Market Value 12/31/12	Unrealized Profit/(Loss) (Box 10)	Federal Income Tax Withheld (Box 4)	State (Box 13)	State ID Number (Box 14)	State Tax Withheld (Box 15)
PUT 100 S & P 100 INDEX CUSIP: 7837909TF	EXP 03-19-13 @ 430	01/31/2012	10	Long	1,921.38	2,062.50	141.12				
TOTAL							141.12				
C UNREALIZED PROFIT OR (LOSS) ON OPEN CONTRACTS - 12/31/2013											
Description	Expiration Date/Strike Price	Opening Trade Date	Number of Contracts	Long/Short	Opening Contract Amount	Market Value 12/31/13	Unrealized Profit/(Loss) (Box 11)	Federal Income Tax Withheld (Box 4)	State (Box 13)	State ID Number (Box 14)	State Tax Withheld (Box 15)
PUT 100 S & P 100 INDEX CUSIP: 7837909TC	EXP 01-21-14 @ 415	12/11/2013	10	Short	3,000.00	2,000.00	(1,000.00)				
TOTAL							(1,000.00)				
D Aggregate Profit or (Loss) - Form 1099-B; Box 12 (Individuals report on Form 6781, line 1, column b)							(1,562.50)				

Report Aggregate Profit (or Loss) on IRS Form 6781 as shown below.

Form 6781			Gains and Losses From Section 1256 Contracts and Straddles		OMB No. 1545-0644	
Department of the Treasury Internal Revenue Service			► Information about Form 6781 and its instructions is at www.irs.gov/form6781 . ► Attach to your tax return.		2013 Attachment Sequence No. 82	
Name(s) shown on tax return			Identifying number			
Check all applicable boxes (see instructions). <input type="checkbox"/> A Mixed straddle election <input type="checkbox"/> B Straddle-by-straddle identification election <input type="checkbox"/> C Mixed straddle account election <input type="checkbox"/> D Net section 1256 contracts loss election						
Part I Section 1256 Contracts Marked to Market						
(a) Identification of account			(b) (Loss)	(c) Gain		
1 Form 1099-B, Pershing LLC, 13-2741729				(1,562.50)		

FOREIGN CURRENCY FORWARD CONTRACTS

IRS Form 1099-B

E. FOREIGN CURRENCY FORWARD CONTRACTS

Brokers are not required to file with the IRS returns of information (on Forms 1099-B) with respect to a sale of foreign currency pursuant to a market order. A market order is an order to buy or sell an investment immediately at the best available current price and does not include a "forward contract" or a regulated futures contract. In the foreign currency market, delivery is typically made on a market order within two business days and is a nonreportable "spot contract" for tax purposes to distinguish it from a "forward contract." A purchase or sale of foreign currency that requires delivery or settlement on a date that is more than two business days from the date of the contract, or is set at a price that is other than the current market price, should not be a market order transaction and is reportable as a "forward contract." Accordingly, this section reports only foreign currency forward contract activity for 2013.

F. COMBINED TOTALS FOR REGULATED FUTURES AND FOREIGN CURRENCY FORWARD CONTRACTS

If you have reportable activity for both a regulated futures and foreign currency forward contracts, you will receive combined totals above for boxes 9, 10, 11 and 12. These totals will be reported to the IRS.

Sample Calculation of Aggregate Profit (or Loss)

Aggregate profit (or loss) can be calculated based upon information on your Tax Information Statement as follows:

$$\begin{array}{rccccccccc} A & - & B & + & C & = & D \\ \$10.00 & - & \$20.00 & + & \$45.00 & = & \$35.00 \end{array}$$

Report total aggregate profit (or loss) for foreign currency forward contracts on Form 1040 in accordance with applicable tax rules. Investors who engage in foreign currency forward contracts should consult with a tax professional regarding the appropriate reporting of such transactions on their 2013 U.S. federal income tax returns.

SAMPLE STATEMENT

2013 Form 1099-B REGULATED FUTURES AND FOREIGN CURRENCY FORWARD CONTRACTS OMB No. 1545-0715

E

FOREIGN CURRENCY FORWARD CONTRACTS

PROFIT OR (LOSS) REALIZED IN 2013

Currency	Buy/Sell	Trade Date	Settlement Date	Currency Buy/Sell Amount	Trade Date Exchange Rate	USD Buy/Sell Amount	Settlement Date Exchange Rate	USD Settlement Date Amount	Realized Profit/(Loss) (Box 9)
EUROS CUSIP: EUR999995	Buy	04/27/2013	05/05/13	100.00	1.30	130.00	1.40	140.00	10.00
TOTAL									10.00

UNREALIZED PROFIT OR (LOSS)—12/31/2012

Currency	Buy/Sell	Trade Date	Settlement Date	Currency Buy/Sell Amount	Trade Date Exchange Rate	USD Buy/Sell Amount	12/31/2012 Exchange Rate	12/31/2012 Market Value	Unrealized Profit/(Loss) (Box 10)
EUROS CUSIP: EUR999995	Buy	04/27/2012	05/05/13	200.00	1.25	250.00	1.35	270.00	20.00
TOTAL									20.00

UNREALIZED PROFIT OR (LOSS)—12/31/2013

Currency	Buy/Sell	Trade Date	Settlement Date	Currency Buy/Sell Amount	Trade Date Exchange Rate	USD Buy/Sell Amount	12/31/2013 Exchange Rate	12/31/2013 Market Value	Unrealized Profit/(Loss) (Box 11)
EUROS CUSIP: EUR999995	Buy	04/27/2013	05/05/14	300.00	1.30	390.00	1.45	435.00	45.00
TOTAL									45.00

Aggregate Profit or (Loss)—Form 1099-B; Box 12 (Report on Form 1040 according to applicable rules)

35.00

F

COMBINED TOTALS FOR REGULATED FUTURES CONTRACTS AND CURRENCY FORWARDS

PROFIT OR (LOSS) REALIZED IN 2013 (Box 9)	(411.38)
UNREALIZED PROFIT OR (LOSS)—12/31/2012 (Box 10)	161.12
UNREALIZED PROFIT OR (LOSS)—12/31/2013 (Box 11)	955.00
Aggregate Profit or (Loss)—Box 12	382.50

> PROFIT OR (LOSS) REALIZED IN 2013

The following information is displayed in this section (in the order displayed above): the currency, whether the exchange was a buy or sell of foreign currency, the trade date, the settlement date, the foreign currency amount bought or sold, the trade date exchange rate to or from U.S. dollar (USD), the USD equivalent buy or sell amount, the settlement date USD exchange rate, the settlement date USD equivalent for the buy or sell and the realized profit or loss in 2013. The realized profit or loss in this section is the difference between the USD buy/sell amount (trade date) and the USD settlement date amount.

> UNREALIZED PROFIT OR (LOSS) ON OPEN CONTRACTS—12/31/2012 AND 12/31/2013

The following information is displayed in these sections (in the order displayed above): the currency, whether the exchange was a buy or sell of foreign currency, the trade date, the settlement date, the foreign currency amount bought or sold, the trade date exchange rate to or from USD, the USD equivalent buy or sell amount, the USD exchange rate on December 31, the USD equivalent buy or sell amount on December 31 and the unrealized profit or loss. The unrealized profit or loss in these sections is the difference between the USD buy/sell amount (trade date) and the December 31 market value amount. Please see A, B, C and D on page 20. That same information applies to boxes 9, 10, 11 and 12 in the currency forwards section.

IRS Form 1099-INT, Schedule B (Interest and Ordinary Dividends)

The amounts reported in this section of your Tax Information Statement reflect interest income credited to your account during 2013.

The summary section of your Tax Information Statement reflects four totals for interest income: Interest Income, Interest on U.S. Savings Bonds and Treasury Obligations, Tax-Exempt Interest and Specified Private Activity Bond Interest. We report each of these totals separately to the IRS. Accordingly, you should report each total separately on your tax return. We report details of these totals in the Interest Income section of your Tax Information Statement as described below.

A. INTEREST INCOME (BOX 1)

Interest income reported in this column was paid by corporations (U.S. and foreign) and U.S. government agencies, and may include interest on your credit balance. Total interest income reported in this column is also reported in the summary section of your Tax Information Statement as Interest Income. You should report this total on IRS Form 1040, Schedule B, line 1, as indicated on the next page. The various classifications of the interest income are reported to you in the CUSIP/Security Type column as described below.

- **U.S. Corporations.** This includes interest from certain U.S. corporate bonds, taxable municipal bonds and certain CDOs issued without original issue discount (OID). Also included is the total credit interest earned on cash balances in your account.
- **Foreign Corporations.** This includes interest from bonds issued by foreign entities. We furnish this information as a separate category to enable you to determine your ability to deduct or claim a credit for foreign taxes paid. Refer to the Foreign Tax Paid section on page 37 of this guide for additional information.
- **U.S. Government Agencies.** This includes interest from government agencies, such as the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA).

Sample Calculation of a Treasury Bill Discount

In the calculation below, assume you purchased a Treasury bill for \$14,035.80 and it matured at \$15,000. If we reported Treasury bill interest income on your statement (\$1,446.90 in the example illustrated on the next page), based on rates in *IRS Publication 1212*, you should make the following adjustment to IRS Form 1040, Schedule B:

Maturity value		\$15,000.00
Less: cost		(14,035.80)
Actual discount (interest)	\$964.20	\$964.20
Less: amount per statement		① (1,446.90)
Negative adjustment to the reported amount		② \$(482.70)

Report the total interest on U.S. savings bonds and Treasury obligations on your statement on IRS Form 1040, Schedule B, line 1 (\$7,642.44 which includes the \$1,446.90 income in this example and as illustrated on the next page). Then, a few lines below that, report the adjustment on Schedule B, as well (\$482.70 in this calculation, also illustrated on the next page). This adjustment, which may be negative or positive, should be labeled "OID adjustment." To view an illustration, please see the next page.

B. INTEREST ON U.S. SAVINGS BONDS AND TREASURY OBLIGATIONS (BOX 3)

Interest income reported in this column was paid on U.S. Treasury notes, bonds and bills. This interest income is not included in Interest Income (Box 1), Tax-Exempt Interest (Box 8) or Specified Private Activity Bond Interest (Box 9). Total Interest on U.S. Savings Bonds and

Treasury Obligations (Box 3) is also reported in the summary section of your Tax Information Statement. You should report total interest on U.S. savings bonds and Treasury obligations on IRS Form 1040, Schedule B, line 1, as indicated on the next page.

Please note: The following information concerning U.S. Treasury bills.

- **Cost Basis in Our Files.** When we have the cost of a Treasury bill on file, we report the actual Treasury bill discount for bills maturing during 2013. To assist you in reviewing our calculations, your Tax Information Statement displays the purchase price and quantity beneath the description of each Treasury bill. Generally, no adjustment is necessary when we report the actual Treasury bill discount. However, if you owned multiple lots of the same Treasury bill issue and those lots were purchased on different dates and at different prices, and you disposed of a portion of the bills before maturity, we used the first-in, first-out (FIFO) method to calculate the discount shown on the statement. If you elect to use the specific identification method, you may need to adjust the amount reported before entering it on your tax return.
- **Cost Basis Not in Our Files.** If you did not purchase the Treasury bill through our firm, your Tax Information Statement may not reflect the original cost of your bills. Your statement will specify "IRS Publication 1212," indicating that we are using an estimate based on rates published by the IRS. If this is indicated, you should adjust your estimated Treasury bill interest income to the actual amount. To make this adjustment, first compute the actual discount earned by subtracting the original cost of the Treasury bill from its maturity value. Compare this result to the amount on your Tax Information Statement, and adjust IRS Form 1040, Schedule B, line 1, displayed on the next page.

C. INVESTMENT EXPENSES (BOX 5)

The amount reported in this column represents your share of investment expenses of a single-class REMIC. Your share of UIT, WHFIT and WHMT expenses are also reported in Box 5. If you file IRS Form 1040, you may deduct these expenses on IRS Form 1040, Schedule A, line 23, subject to the 2% limit. This amount is included in Box 1.

D. FOREIGN TAX PAID (BOX 6)

This amount represents taxes paid to foreign governments on interest from foreign sources. You may choose to claim these taxes as a credit or as an itemized deduction on your federal income tax return. Refer to the Foreign Tax Paid section on page 37 of this guide for additional information.

E. STATE TAX WITHHELD (BOX 13)

If any income was subject to state tax withholding, the amount withheld is reported in the State Tax Withheld (Box 13) column.

INTEREST INCOME

F. TAX-EXEMPT INTEREST (BOX 8)

Interest income reported in this column represents interest paid on bonds issued by a state, the District of Columbia (D.C.), a U.S. possession, a Native American tribal government or a political subdivision. It also includes any accrued interest on these bonds sold between interest dates and any exempt-interest dividends from a mutual fund or RIC. Total interest income reported in this column is also reported in the Summary section of your Tax Information Statement as Tax-Exempt Interest Income. You should report this total on IRS Form 1040, line 8b.

G. SPECIFIED PRIVATE ACTIVITY BOND INTEREST (BOX 9)

Interest income reported in this column was paid from specified private activity bonds. This interest is subject to alternative minimum tax (AMT) and is included in Tax-Exempt Interest (Box 8). Total interest income reported in this column is also reported in the Summary section of your Tax Information Statement as specified private activity bond interest. You may be required to report this total on IRS Form 6251, Alternative Minimum Tax-Individuals. Refer to page 39 of this guide for additional information and illustration.

Please note: For 2013 tax reporting, exempt-interest dividends from a mutual fund or other RIC are no longer reported on Form 1099-INT. Those amounts will now be reported on Form 1099-DIV, Dividends and Distributions.

> ACCRUED INTEREST RECEIVED/PURCHASED

Accrued interest received on notes and bonds sold between interest payment dates is included in the 1099-INT section of your Tax Information Statement on a settlement-date basis when it is credited to your account. If you received accrued interest, the amount will be identified by a "#" symbol. Refer to page 38 of this guide for additional information on accrued interest purchased.

> UITs AND OTHER WHFITs OR WHMTs

Interest income earned by certain UITs is also reported in the Form 1099-INT section. If your UIT is organized as a grantor trust (WHFITs or WHMTs) and earned interest income, your share of the UIT's interest income is reported in this section. See the Special Message for Owners of Mutual Funds, UITs, WHFITs, WHMTs and REITs on page 24 of this guide for more information.

Report Total Interest Income (Box 1) on IRS Form 1040, Schedule B, Part 1, line 1. Report Total Interest on U.S. Savings Bonds and Treasury Obligations (Box 3) separately on IRS Form 1040, Schedule B, Part 1, line 1. Report Total Tax-Exempt Interest (Box 8) on IRS Form 1040, line 8b. For Specified Private Activity Bond interest, see Instructions to IRS Form 6251.

SAMPLE STATEMENT

INTEREST INCOME (Details of Form 1099-INT)

Description	CUSIP/ Security Type	Date Paid	A Interest Income (Box 1)	B Interest on U.S. Savings Bonds and Treasury Obligations (Box 3)	C Federal Income Tax Withheld (Box 4)	D Investment Expenses (Box 5)	D Foreign Tax Paid (Box 6)	E State (Box 11)	State ID Number (Box 12)	State Tax Withheld (Box 13)
ABC COMPANY	123456ABC	06/01/2013	3,000.00		840.00			CA	123456789	150.00
	U.S. Corp	09/01/2013	3,000.00		840.00			CA	123456789	150.00
			6,000.00		1,680.00					300.00
DEF COMPANY	234567DEF	06/01/2013	3,000.00		840.00			CA	123456789	150.00
	Foreign	09/01/2013	3,000.00		840.00			CA	123456789	150.00
			6,000.00		1,680.00					300.00
FEDL NATL MTG ASSN DEB 8.875% 07/10/14 REG DTD 07/10/10	31358DAV6	01/10/2013	1,109.38							
	Govt Agency	06/30/2013	1,109.38							
			2,218.76							
U.S. TREAS BD 8.250% 05/15/11 B/E	912810BUT	05/15/2013		1,258.05						
	U.S. Govt	08/29/2013		519.99 #						
				1,778.04						
U.S. TREAS BILL 0.000% 03/08/12 B/E PURCHASE PRICE: 245,582.50 Quantity: 250,000	912795PZ8	03/08/2013		4,417.50						
	U.S. Govt									
U.S. TREAS BILL 0.000% 06/16/12 IRS Publication 1212 rate per \$1000: 48.23 Quantity: 15,000	912795QD6	06/16/2013		1,446.90						
	U.S. Govt									
Interest Income—U.S. Corporations and on Your Credit Balance			6,040.00							
Interest Income—Foreign Corporations			6,000.00							
Interest Income—U.S. Government Agencies			2,218.76							
Total			14,218.76	7,642.44	3,360.00		0.00			600.00

SCHEDULE B (Form 1040A or 1040)

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return

Interest and Ordinary Dividends

▶ Attach to Form 1040A or 1040.

▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at www.irs.gov/scheduleb.

OMB No. 1545-0074

2013

Attachment
Sequence No. **08**

Your social security number

Part I Interest

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

(See instructions
on back and the
instructions for
Form 1040A or

Pershing LLC, 13-2741729
Pershing LLC, 13-2741729
Less: O/D Adjustment

Amount

7,642.44
14,218.76
(482.70)

SAMPLE TAX FORM

Special Message for Owners of Mutual Funds, UITs, WHFITs, WHMTs and REITs

Your Tax Information Statement may display the following message, if we have not received final reallocation information by the completion of the phased mailing:

Income and interest declared on these investments in October, November or December 2013 are considered received on December 31, 2013, even if the income and interest were not actually paid until January (in the case of registered investment companies [RICs] [or mutual funds] and REITs) or February (in the case of WHFITs and WHMTs) 2014. Accordingly, these amounts are reported on your 2013 IRS Form 1099.

Supplemental information regarding the percentages of tax-exempt income on municipal funds by state and the percentage of government agency, direct federal and foreign source for funds will be available by March 1, 2014, via mytaxhandbook.com.

Frequently Asked Questions: Interest Income

TREASURY BILLS

- Q. I purchased a Treasury bill through my former financial organization and redeemed it through you, my current financial organization. As a result, the interest income reported on the statement is incorrect. How do I report this on my tax return?**
- A. If you purchased a Treasury bill through your former financial organization, we may not have your purchase price information in our records. When this situation occurs, we report interest income to you by following the guidelines in *IRS Publication 1213*. You should calculate your actual interest income as the difference between your purchase price and the bill's redemption amount. Report the amount from your Tax Information Statement on IRS Form 1040, Schedule B, line 1. Then, adjust this amount by the difference between your actual interest income and the amount reported on your statement. Report this adjustment separately on Schedule B, line 1, and label it "OID Adjustment."

ERRONEOUS INTEREST PAYMENT

- Q. I received an interest payment from the paying agent that was incorrect. It was not mine, and I returned the money to you. However, the paying agent still sent an IRS Form 1099-INT to me and will not correct the information. How do I report this on my tax return?**
- A. To avoid a mismatch with the IRS, this transaction should be reported twice on IRS Form 1040, Schedule B. First, report the amount from the paying agent's IRS Form 1099-INT on Schedule B, line 1. Additionally, report the amount you paid to us as a negative adjustment on Schedule B, line 1. Title this negative adjustment "Nominee Distribution." Refer to the Nominee Recipients section on page 13 of this guide for additional information.

IRS Form 1099-DIV (Dividends and Distributions)

Dividends and other distributions from corporations, mutual funds, UITs, WHFITs and REITs are reported in this section of your Tax Information Statement. Income derived from money market funds will also be reported in this section. You will receive a separate IRS Form 1099-DIV directly from a money market fund if we did not handle the processing of your funds for the entire year.

A. TOTAL ORDINARY DIVIDENDS (BOX 1a)

Ordinary dividends, which include any net short-term capital gains from a mutual fund, are fully taxable. Ordinary dividends paid by corporations, mutual funds (including ETFs treated as RICs), certain UITs and WHFITs are included in this section of your Tax Information Statement. Subtotals for U.S. and foreign source ordinary dividends are included at the end of this section. For mutual funds and UITs, foreign income includes any distribution that is composed in whole or in part of foreign-source ordinary dividends. Report total ordinary dividends on IRS Form 1040, line 9a, or IRS Form 1040A. Also, report it on IRS Form 1040, Schedule B (Interest and Ordinary Dividends), line 5, if required. See the instructions for IRS Form 1040, Schedule B, to determine if you are required to complete Schedule B to report your dividends.

B. QUALIFIED DIVIDENDS (BOX 1b)

The portion of your dividends that is eligible for the 20%, 15% or 0% capital gain rate is reported as Qualified Dividends in Box 1b in this section of your Tax Information Statement. You should report the eligible amount on IRS Form 1040, line 9b. If you have qualified dividends, you must figure your tax by completing the Qualified Dividends and Capital Gains Tax Worksheet on IRS Form 1040 or 1040A instructions, or the Schedule D Tax Worksheet in the Schedule D instructions, whichever applies.

Exception: Some dividends that we report as Qualified Dividends in Box 1b may not be Qualified Dividends depending on your circumstances, including those described below.

- You must hold the stock or mutual fund shares for the minimum number of days or the dividends will not qualify for the reduced rate. Dividends on stock that you owned for less than 61 days in the 121-day period surrounding the ex-dividend date are not qualified dividends. The 121-day period begins 60 days before the ex-dividend date. When counting the number of days you held the stock, include the day you disposed the stock, but not the day you acquired it. The ex-dividend date is the first date following the declaration of a dividend on which the purchaser of a stock is not entitled to receive the next dividend payment.
- For dividends on preferred stock, when the dividend is attributable to periods totaling more than 366 days, the stock must be held for at least 91 days within the 181 days surrounding the ex-dividend date.
- If you are obligated to make payments under a short sale, dividends on the stock you sold short (or substantially similar stock) are not considered qualified dividends.
- Substitute payments are not qualified dividends. Substitute payments are the payments you receive when your stock is on loan over the stock's ex-dividend date. Your shares could be loaned if you borrow to buy stock on margin. Substitute payments are separately reported to you on IRS Form 1099-MISC.

Foreign Dividends: Foreign dividends are considered qualified dividends when they are paid by a foreign corporation that is either: (1) incorporated in a U.S. possession; (2) eligible for the benefits of

a comprehensive income tax treaty with the United States and that the Treasury Department has determined is satisfactory for this purpose; or (3) readily tradable on an established securities market in the United States (such as the New York Stock Exchange® or the NASDAQ® stock market). However, dividends paid by passive foreign investment companies are not considered qualified dividends.

Money Market and Bond Funds: Dividends paid on money market and bond funds are nonqualified dividends. As such, these dividends are reported in Box 1a, not Box 1b, in this section of your Tax Information Statement.

For more information about determining if your dividends qualify for the 20%, 15% or 0% rate, please see the Instructions to IRS Form 1040 or *IRS Publication 550*.

C. NONDIVIDEND DISTRIBUTIONS (BOX 3)

Certain payments represent nondividend distributions, since they are a return of capital. You should reduce your cost (or other basis) by the amount of the nontaxable distribution for the purposes of calculating the gain or loss when the security is sold. Once you have received an amount equal to your cost (or other basis) for the security, further distributions are taxable as a capital gain. Please review your dividends carefully to determine if any dividends received represent a return of capital.

D. FEDERAL INCOME TAX WITHHELD (BOX 4)

Report federal income tax withheld (backup withholding) as a payment on IRS Form 1040, line 62. Federal income tax withheld is 28% of the dividend distribution (including short-term capital gains, long-term capital gains and redemptions). Refer to page 12 of this guide for additional information.

E. INVESTMENT EXPENSES (BOX 5)

Your share of UIT and WHFIT expenses is reported in Box 5. You may deduct these expenses (subject to the 2% limit) on the "other expenses" line on Form 1040, Schedule A, line 23. These expenses are included in Box 1a.

F. FOREIGN TAX PAID (BOX 6)

Your Tax Information Statement includes foreign tax paid (withheld) from foreign-source dividends credited to your account during 2013. Refer to page 37 of this guide for additional information.

G. EXEMPT-INTEREST DIVIDENDS (BOX 10)

Your exempt-interest dividends from a mutual fund or other regulated investment company (RIC) is shown in Box 10. Report this amount on line 8b of IRS Form 1040 or Form 1040A.

H. SPECIFIED PRIVATE ACTIVITY BOND INTEREST DIVIDENDS (BOX 11)

Your exempt-interest dividends paid by a RIC on specified private activity bonds subject to the AMT calculation is shown in Box 11. This amount is also included in Box 10. See the instruction for Form 6251, Alternative Minimum Tax - Individuals.

DIVIDENDS AND DISTRIBUTIONS

SAMPLE STATEMENT

DIVIDENDS AND DISTRIBUTIONS (Details of Form 1099-DIV)											
		<div>A</div> Total Ordinary Dividends (Box 1a)	<div>B</div> Qualified Dividends (Box 1b)	*Total Capital Gain Distributions (Box 2a)	<div>C</div> Nondividend Distributions (Box 3)	<div>D</div> Federal Income Tax Withheld (Box 4)	<div>E</div> Investment Expenses (Box 5)	<div>F</div> Foreign Tax Paid (Box 6)	State (Box 12)	State ID Number (Box 13)	State Tax Withheld (Box 14)
Description	Date Paid										
ABC COMPANY CUSIP: ABC123456	06/01/2013	3,000.00	3,000.00			840.00			CA	123456789	210.00
DEF COMPANY CUSIP: DEF123456	06/01/2013	3,000.00	3,000.00			840.00			CA	123456789	210.00
Total		6,000.00	6,000.00			1,680.00					420.00

Report Total Ordinary Dividends (Form 1099-DIV, Box 1a) on IRS Form 1040, Schedule B, line 5, as shown below. Transfer the total of all ordinary dividends to IRS Form 1040, line 9a, as shown below.

SAMPLE TAX FORM

SCHEDULE B (Form 1040A or 1040)		Interest and Ordinary Dividends		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		▶ Attach to Form 1040A or 1040. ▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at www.irs.gov/scheduleb .		2013 Attachment Sequence No. 08
Name(s) shown on return			Your social security number	
Part I	1	List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and	4	Amount
Interest				
Part II	5	List name of payer ▶		Amount
Ordinary Dividends		Pershing LLC, 13-2747729		6,000.00
(See instructions on back and the instructions for Form 1040A, or				

Report qualified dividends on IRS Form 1040, line 9b, as shown below. The amount of qualified dividends you report on IRS Form 1040, line 9b, may be less than the amount of qualified dividends reported on your Tax Information Statement. Some dividends that we report as qualified dividends may not be qualified dividends based on your individual circumstances. See Qualified Dividends on page 25 and the Frequently Asked Questions section on pages 29 and 30 for more information. The example shown here assumes that all of the qualified dividends on the Tax Information Statement qualify for the preferential rate.

SAMPLE TAX FORM

Form 1040		Department of the Treasury—Internal Revenue Service (99)		2013	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space
For the year Jan. 1–Dec. 31, 2013, or other tax year beginning				, 2013, ending	, 20	See separate instructions.
Your first name and initial		Last name		Your social security number		
If a joint return, spouse's first name and initial		Last name		Spouse's social security number		
check no. address (number and street) you have				Dependent not entered above		
check no. address (number and street) you have				Add numbers on lines above ▶		
Income		d Total number of exemptions claimed				
7 Wages, salaries, tips, etc. Attach Form(s) W-2		7				
8a Taxable interest. Attach Schedule B if required		8a				
b Tax-exempt interest. Do not include on line 8a		8b				
9a Ordinary dividends. Attach Schedule B if required		9a		6,000.00		
b Qualified dividends		9b		6,000.00		
10 Taxable refunds, credits, or offsets of state and local income taxes		10				
11 Alimony received		11				

DIVIDENDS AND DISTRIBUTIONS

If you have qualified dividends, you should use the Qualified Dividends and Capital Gain Tax Worksheet (see page 43 of the 2013 Instructions to IRS Form 1040), or the Schedule D Tax Worksheet (see page D-14 of the 2013 Instructions for Schedule D), whichever applies, to figure your tax. The Instructions to IRS Form 1040 and Schedule D tell you which Tax Worksheet to complete to figure your tax.

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2013** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning , 2013, ending , 20

Your first name and initial Last name Your social security number

If a joint return, spouse's first name and initial Last name Spouse's social security number

Dependents on or not entered above

Add numbers on lines above

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7

8a Taxable interest. Attach Schedule B if required 8a

b Tax-exempt interest. Do not include on line 8a 8b

9a Ordinary dividends. Attach Schedule B if required 9a

b Qualified dividends 9b B 6,000.00

10 Taxable refunds, credits, or offsets of state and local income taxes 10

11 Alimony received 11

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax

If you have to complete the Qualified Dividends and Capital Gain Tax Worksheet, you should enter your qualified dividends on line 2 of the worksheet as shown below. This worksheet can be found on page 43 of the 2013 Instructions to IRS Form 1040.

Qualified Dividends and Capital Gain Tax Worksheet—Line 44 Keep for Your Records

Before you begin:

- ✓ See the earlier instructions for line 44 to see if you can use this worksheet to figure your tax.
- ✓ Before completing this worksheet, complete Form 1040 through line 43.
- ✓ If you do not have to file Schedule D and you received capital gain distributions, be sure you checked the box on line 13 of Form 1040.

1. Enter the amount from Form 1040, line 43. However, if you are filing Form 2555 or 2555-EZ (relating to foreign earned income), enter the amount from line 3 of the Foreign Earned Income Tax Worksheet 1.

2. Enter the amount from Form 1040, line 9b* 2. 6,000.00

3. Are you filing Schedule D?*

☐ Yes. Enter the smaller of line 15 or 16 of Schedule D. If either line 15 or line 16 is blank or a loss, enter -0- 3.

☐ No. Enter the amount from Form 1040, line 13 3.

4. Add lines 2 and 3 4.

5. If filing Form 4952 (used to figure investment interest expense deduction), enter any amount from line 4g of that form. Otherwise, enter -0- 5.

6. Subtract line 5 from line 4. If zero or less, enter -0- 6.

7. Subtract line 6 from line 1. If zero or less, enter -0- 7.

If you have to complete the Schedule D Tax Worksheet, you should enter your qualified dividends on line 2 of the worksheet as shown below. This worksheet can be found on page D-14 of the 2013 Instructions for Schedule D.

Schedule D Tax Worksheet Keep for Your Records

Complete this worksheet only if line 18 or line 19 of Schedule D is more than zero. Otherwise, complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040, line 44 (or in the Instructions for Form 1040NR, line 42) to figure your tax.

Exception: Do not use the Qualified Dividends and Capital Gain Tax Worksheet or this worksheet to figure your tax if:

- Line 15 or line 16 of Schedule D is zero or less and you have no qualified dividends on Form 1040, line 9b (or Form 1040NR, line 10b); or
- Form 1040, line 43 (or Form 1040NR, line 41) is zero or less.

Instead, see the instructions for Form 1040, line 44 (or Form 1040NR, line 42).

1. Enter your taxable income from Form 1040, line 43 (or Form 1040NR, line 41). (However, if you are filing Form 2555 or 2555-EZ (relating to foreign earned income), enter instead the amount from line 3 of the Foreign Earned Income Tax Worksheet in the Instructions for Form 1040, line 44) 1.

2. Enter your qualified dividends from Form 1040, line 9b (or Form 1040NR, line 10b) 2. 6,000.00

3. Enter the amount from Form 4952 (used to figure investment interest expense) 3.

Special Message for Owners of Mutual Funds, UITs, WHFITs, WHMTs and REITs

Your Tax Information Statement may display the following message, if we have not received final reallocation information by the completion of the phased mailing:

Income and interest declared on these investments in October, November or December 2013 are considered received on December 31, 2013, even if the income and interest were not actually paid until January (in the case of registered investment companies [RICs] [or mutual funds] and REITs) or February (in the case of WHFITs and WHMTs) 2014. Accordingly, these amounts are reported on your 2013 IRS Form 1099.

Supplemental information regarding the percentages of tax-exempt income on municipal funds by state and the percentage of government agency, direct federal and foreign source for funds will be available by March 1, 2014, via mytaxhandbook.com.

Frequently Asked Questions: Dividends and Distributions

ERRONEOUS DIVIDEND PAYMENT

- Q. I received an incorrect dividend payment from the paying agent. It was not mine, and I returned the money to you. However, the paying agent still sent an IRS Form 1099-DIV to me and will not correct it. How do I report this on my tax return?**
- A. To avoid a mismatch with the IRS, this transaction should be reported twice on IRS Form 1040, Schedule B. First, report the amount shown on the IRS Form 1099-DIV from the paying agent on IRS Form 1040, Schedule B, line 5. Additionally, report the amount you paid to us as a negative adjustment on IRS Form 1040, Schedule B, line 5. Title this negative adjustment "Nominee Distribution." Refer to page 13 of this guide for additional information on nominee recipients.

NONDIVIDEND DISTRIBUTIONS

- Q. Why are nondividend distributions reported on my statement?**
- A. We are required to report these distributions to you and to the IRS. Nondividend distributions generally reduce the cost basis of your investment. This becomes important when you dispose your investment and need to calculate your gain or loss. However, once the cost basis of your stock has been reduced to zero, you must report subsequent nontaxable distributions as capital gains even though we report them as nontaxable.

> CASH AND NONCASH LIQUIDATION DISTRIBUTIONS (BOXES 8 AND 9)

Generally, liquidation distributions are treated as amounts received from the sale or exchange of a capital asset and should be reported on IRS Form 8949 and Form 1040, Schedule D (Capital Gains and Losses).

> DIVIDEND REINVESTMENT PLANS

Your dividends may have been reinvested pursuant to a dividend reinvestment plan. Reinvested dividends are reported in this section of your Tax Information Statement as if a cash dividend has been credited to your account.

> TAXABLE STOCK DIVIDENDS

Your Tax Information Statement includes the fair market value of preferred stock dividends, which, according to information provided by the issuer, is considered dividend income. Note that these amounts also become your cost basis for determining the gain or loss.

> IRS FORM 2439

If you own shares in a mutual fund that paid tax on undistributed long-term capital gains, we will issue IRS Form 2439 (Notice to Shareholder of Undistributed Long-Term Capital Gains) to you. This information is provided to us after the close of the fund's tax year and will be sent to you in a separate mailing shortly after the information is made available.

Frequently Asked Questions: Qualified Dividends

Q. What is a qualified dividend?

- A. A qualified dividend is a dividend that is taxed at the preferential federal tax rate established by the Jobs and Growth Tax Relief Reconciliation Act of 2003, which was enacted in May 2003. Qualified dividends are generally subject to a maximum tax rate of 20% (or 0% for taxpayers in the 10% or 15% tax brackets).

Q. Why is it important to differentiate a dividend as qualified or nonqualified?

- A. It is important to distinguish a qualified dividend from other dividends because qualified dividends are subject to a lower federal tax rate than ordinary income.

Q. How do I know if my dividends are qualified dividends?

- A. You can identify which dividends are eligible for qualified dividend status by examining your Tax Information Statement and IRS Form 1099-DIV, Box 1b. You have to then ensure that your specific circumstances (such as the holding period requirement [see question 6 below]) allow the dividend to be reported as a qualified dividend on your tax return.

Q. How are qualified dividends reported on my Tax Information Statement?

- A. Qualified dividends are reported in the Dividends and Distributions section of your Tax Information Statement, under the column titled "Qualified Dividends."

Q. Are the qualified dividends on my Tax Information Statement eligible for the reduced rate?

- A. Yes. The qualified dividends on your Tax Information Statement are eligible for the reduced rate. However, in order for you to report these dividends as qualified on your tax return, you have to meet certain requirements, such as the holding period requirement (see question 6 below). In addition, if you were short against the box on the dividend's ex-dividend date, your dividend will not be considered to be a qualified dividend, even though we reported it to you as a qualified dividend.

Q. What is the holding period requirement?

- A. You must meet a holding period requirement in order to report your dividends as qualified dividends on your tax return. These are the important points to note about the holding period requirement:
- You must hold the stock for more than 60 days during the 121-day period, which begins 60 days prior to a dividend's ex-dividend date.
 - The ex-dividend date is the first date following the declaration of a dividend on which the purchaser of the stock is not entitled to receive the next dividend payment. The ex-dividend date is usually two days before the record date, which is the date set by the company on which an individual must own shares in order to be eligible to receive a dividend or capital gain distribution. For mutual fund shares, the ex-dividend date is usually the reinvestment date.
 - When counting the number of days you held the stock, include the day you disposed the stock, but not the day you acquired it.
 - The number of days you are considered to hold the stock for this purpose is reduced for each day you diminish your risk of loss by entering into certain transactions, such as options or forward contracts and short-against-the-box transactions.

Holding Period Example:

Assume the following facts:

- July 1, 2013 - You purchase 200 shares of XYZ company.
- July 9, 2013 - XYZ's stock becomes ex-dividend.
- July 28, 2013 - You receive a dividend from XYZ company, which we report as a qualified dividend on your Tax Information Statement.
- August 4, 2013 - You sell your 200 shares of XYZ company.

In this case, the 121-day period begins on May 9, 2013, and ends on September 7, 2013. You held the shares from July 2, 2013, through August 4, 2013—a total of 34 days. (Include the date you sold the shares, but not the date you acquired them.) Since you held the stock less than 61 days, your dividend on XYZ company is not a qualified dividend, even though we reported it to you as a qualified dividend on your Tax Information Statement.

Q. Is there a different holding period for preferred stock?

- A. Generally, the holding period for preferred stock is the same as stated above. However, if your preferred stock dividend is attributable to a period greater than 366 days, you must hold the stock for at least 91 days during the 181-day period, which begins 90 days before the ex-dividend date. These types of dividends pay very rarely. Most likely, your preferred stock dividends would be subject to the 60-day requirement mentioned above.

Q. How does the holding period apply if I hold mutual fund shares?

- A. The holding period requirement for mutual fund shares is the same as the 60-day holding period mentioned above. If you do not hold your mutual fund shares for more than 60 days, your mutual fund dividends will be nonqualified, even if we report them as qualified on your Tax Information Statement.

Q. What if I am "short against the box" when I receive my dividend? Will it be considered a qualified dividend?

- A. If you are both long and short in the same stock on the date the stock becomes ex-dividend, the dividend you received on the long position will not be considered to be a qualified dividend. The Tax Code contains this rule presumably to prevent someone from taking deductions on his or her short selling expenses at ordinary rates, and then including the income at the preferential rate.

Q. Suppose I purchase an option to sell my security (a "put" option) and, as a result, I have diminished my risk of loss in the security that paid a dividend. Does this affect my holding period?

- A. Yes. Under the Internal Revenue Code (IRC), your holding period could be reduced if you enter into a transaction that diminishes your risk of loss. This is a complicated aspect of the tax law. You may need to consult with a tax professional if you have entered into transactions that could have diminished your risk of loss.

Frequently Asked Questions: Qualified Dividends (continued)

Q. How do qualified dividends impact my deduction for margin interest?

- A. For most taxpayers, margin interest expense is considered to be an investment expense, and the deduction for investment expense is limited to "net investment income." In figuring your net investment income for this purpose, you would normally include your interest and dividends. You should be aware that any dividend you include in net investment income will not be considered to be a qualified dividend eligible for the reduced federal tax rates. See IRS Form 4952 for information about including your qualified dividends as investment income.

Q. How do qualified dividends impact my foreign tax credit?

- A. Your foreign tax credit is figured on IRS Form 1116. On this form, you are required to calculate your foreign tax credit limitation, which very generally is:

$$\frac{\text{Foreign Income}}{\text{Total Income}} \times \text{U.S. Tax} = \text{Maximum Foreign Tax Credit Allowed}$$

In figuring your foreign income for purposes of this limitation formula, you may be required to adjust the amount of foreign qualified dividends used in computing your foreign tax credit. See the other instruction documents mentioned in the guide for IRS Form 1116 for more information.

Q. When are foreign dividends reported as qualified dividends?

- A. The IRC contains special rules for dividends paid by a foreign corporation. A foreign corporation's dividends are considered qualified if the foreign corporation meets any of the following conditions:
- The corporation is incorporated in a U.S. possession.
 - The corporation's stock is readily tradable on an "established market" in the United States, such as the New York Stock Exchange or the NASDAQ stock market. Certain other markets, such as the Pink Sheets or the NASDAQ Over-the-Counter (OTC) Bulletin Board, are not considered established markets for this purpose.
 - The company is eligible for the benefits of an income tax treaty with the United States that the Treasury Department determines is satisfactory for this purpose and that contains an exchange-of-information program.

Exception for Foreign Investment Companies: If a foreign corporation is a passive foreign investment company, its dividends will not be considered to be qualified dividends.

Q. Are dividends from mutual funds, REITs or UITs and WHFITs considered to be qualified dividends or capital gain distributions?

- A. The character of dividends from mutual funds, REITs, UITs and WHFITs varies based on the underlying investments that comprise these funds. We report dividends from these sources based on information they provide to us. We will report their dividends as nonqualified when they do not provide any information to us. In this case, we will denote the income with the symbol "***," which will appear next to the description of the company in the 1099-DIV section of the Tax Information Statement. This symbol means that we have not received information needed to classify your income and you may receive a revised Tax Information Statement from us if we receive information that changes your income classification.

Q. Are dividends from money market funds or bond funds considered to be qualified dividends?

- A. No. Dividends from money market funds and bond funds are considered to be nonqualified dividends. However, since distributions from bond funds may be classified as capital gain distributions, your income from a bond fund may be reclassified. Your Tax Information Statement may reflect the symbol "***" next to the description of the bond fund if we have not received reclassification information from the fund (see question 14).

Q. How do I report qualified dividends on my tax return?

- A. Once you determine which of your dividends are qualified dividends, you should:
- Enter your qualified dividends on IRS Form 1040, line 9b, and
 - Figure your tax by completing the Qualified Dividends and Capital Gain Tax Worksheet on the Form 1040 or 1040A instructions or the Schedule D Tax Worksheet on the Schedule D instructions, whichever applies.

See the Instructions to IRS Form 1040, Schedule D (Capital Gains and Losses) for more information on how to report your qualified dividends.

Q. Are dividends on preferred stock considered to be qualified dividends?

- A. There are generally no distinct rules for determining if dividends on preferred stock qualify for the reduced rates. All of the rules referred to above apply to dividends on preferred stock. However, there are two points you should note:
- In rare circumstances, the holding period requirement is 91 days, as opposed to 61 days (see question 7).
 - Certain preferred securities pay interest, as opposed to dividends. Although these securities may be labeled as stock, they are actually classified as debt for federal tax purposes. The income from these securities will not qualify for the reduced rates and is reported to you in the 1099-INT or 1099-OID section of your Tax Information Statement. These securities are listed under various names, such as fixed-rate capital securities (also referred to as MIPs, QUIDs, QUIPs and TOPRS).

Q. Where can I get more information about qualified dividends?

- A. *IRS Publication 550, Investment Income and Expenses*, contains useful information on reporting dividend income. This publication is available at irs.gov or by calling the IRS Forms Distribution Center at (800) TAX-FORM [(800) 829-3676].

CAPITAL GAIN DISTRIBUTIONS

If you received capital gain distributions in 2013, your Tax Information Statement may include a separate Capital Gain Distributions section. If your statement includes this section, your capital gain distributions may consist of Unrecaptured Section 1250 Gain, Section 1202 Gain, Collectibles (28%) Gain or Long-Term Capital Gain Distributions.

A. TOTAL CAPITAL GAIN DISTRIBUTIONS (BOX 2a)

Total capital gain distributions (long term) from a mutual fund or REIT are included in this section of your Tax Information Statement in Box 2a. Report total capital gain distributions on Form 1040, Schedule D, line 13, regardless of how long you held your investment. If your capital gain distributions contain additional classifications, your Tax Information Statement will include a separate Capital Gain Distributions section (see Boxes 2b through 2d below).

B. UNRECAPTURED SECTION 1250 GAIN (BOX 2b), SECTION 1202 GAIN (BOX 2c), COLLECTIBLES (28%) GAIN (BOX 2d)

If your Tax Information Statement contains amounts in any of these sections, see the Instructions for IRS Form 1040, Schedule D (Capital Gains and Losses), for information on how to report this income.

Simplified Reporting Method: If your only capital gains and losses are capital gain distributions, and if no amount is shown in Boxes 2c through 2d, you may be able to avoid filing Schedule D by reporting your capital gain distributions directly on IRS Form 1040, line 13. See the Instructions to IRS Form 1040 for more information on this simplified method of reporting capital gain distributions.

C. LONG-TERM CAPITAL GAIN DISTRIBUTIONS

This amount reflects the long-term capital gains distributed by mutual funds. This amount is included in the Total Capital Gain Distributions (Box 2a) column.

SAMPLE STATEMENT

CAPITAL GAIN DISTRIBUTIONS						
(For individuals, report Total Capital Gain Distributions on Form 1040, Schedule D, Line 13, column (h). To report Unrecaptured Section 1250 Gain, Section 1202 Gain and Collectibles (28%) Gain, see instructions to Form 1040, Schedule D.)						
Description	Date Paid	Total Capital Gain Distributions (Box 2a)	Unrecaptured Section 1250 Gain (Box 2b)	Section 1202 Gain (Box 2c)	Collectibles (28%) Gain (Box 2d)	Long-Term Capital Gain Distributions
ABC REIT INC CL B	06/30/2013	500.00	175.00	225.00	0.00	100.00
ABC FUND A	01/11/2013	125.00	0.00	125.00	0.00	0.00
TOTAL		625.00	175.00	350.00	0.00	100.00

SAMPLE TAX FORM

SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return

Capital Gains and Losses

▶ Attach to Form 1040 or Form 1040NR.
▶ Information about Schedule D and its separate instructions is at www.irs.gov/scheduled.
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

OMB No. 1545-0074

2013

Attachment Sequence No. 12

Your social security number

Part II

Long-Term Capital Gains and Losses—Assets Held More Than One Year

See instructions for how to figure the amounts to enter on the lines below.
This form may be easier to complete if you report capital gains and losses on Schedule(s) D.

	(d) Unrecaptured Section 1250 Gain	(e) Section 1202 Gain	(g) Adjustments to net capital gain or loss	(h) Gain or (loss) Subtract column (e)
12				
13 Capital gain distributions. See the instructions				625.00
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				()
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (h). Then go to Part III on the back				

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11338H

Schedule D (Form 1040) 2013

MARGIN INTEREST EXPENSE

Total margin interest expense charged to your account during 2013 is reported in the Summary of Transactions We Do Not Report to the IRS section of your Tax Information Statement.

A. MARGIN INTEREST EXPENSE

Margin interest expense may be characterized as investment interest expense, the deduction of which is limited to net investment income. This limitation is calculated on IRS Form 4952, Investment Interest Expense Deduction. Margin interest expense must be paid the year in which it is deducted. If your investment interest expense is deductible, this is reported as an itemized deduction on IRS Form 1040, Schedule A, line 14.

The amounts shown in the example below assume no carryover of investment interest expense from 2013, and no disallowed investment

interest expense during 2013. For illustrative purposes, \$700 of net investment income was assumed on the sample tax form below.

B. ADVISORY FEES

Certain advisory fees charged to your account are detailed in the "Transactions We Do Not Report to The IRS" section of the Tax Information Statement. This amount represents the total amount for advisory fees charged in 2013. Advisory fees are generally deductible to the extent they exceed 2% of your adjusted gross income (AGI) on IRS Form 1040, Schedule A, line 23.

SAMPLE

SAMPLE TAX FORM

SAMPLE TAX FORM

SUMMARY OF TRANSACTIONS WE DO NOT REPORT TO THE IRS <small>(See enclosure for additional information)</small>			
A	Margin Interest Expense Charged to Your Account	662.50	
B	Advisory Fees.....	100.00	

Form 4952 <small>Department of the Treasury Internal Revenue Service (99)</small> Name(s) shown on return	Investment Interest Expense Deduction <small>► Information about Form 4952 and its instructions is at www.irs.gov/form4952. ► Attach to your tax return.</small>	<small>OMB No. 1545-0191</small> <div style="font-size: 2em; font-weight: bold;">2013</div> <small>Attachment Sequence No. 51</small>	
Part I Total Investment Interest Expense			
1	Investment interest expense paid or accrued in 2013 (see instructions)	1	662.50
2	Disallowed investment interest expense from 2012 Form 4952, line 7	2	
3	Total investment interest expense. Add lines 1 and 2	3	662.50
Part II Net Investment Income			
4a	Gross income from property held for investment (excluding any net gain from the disposition of property held for investment)	4a	700.00
4b	Qualified dividends included on line 4a	4b	
4c	Subtract line 4b from line 4a	4c	700.00
4d	Net gain from the disposition of property held for investment	4d	
4e	Enter the smaller of line 4d or your net capital gain from the disposition of property held for investment (see instructions)	4e	
4f	Subtract line 4e from line 4d	4f	
4g	Enter the amount from lines 4b and 4e that you elect to include in investment income (see instructions)	4g	
4h	Investment income. Add lines 4c, 4f, and 4g	4h	700.00
5	Investment expenses (see instructions)	5	
6	Net investment income. Subtract line 5 from line 4h. If zero or less, enter -0-	6	700.00
Part III Investment Interest Expense Deduction			
7	Disallowed investment interest expense to be carried forward to 2014. Subtract line 6 from line 3. If zero or less, enter -0-	7	
8	Investment interest expense deduction. Enter the smaller of line 3 or 6. See instructions	8	662.50

SCHEDULE A (Form 1040) <small>Department of the Treasury Internal Revenue Service (99)</small> Name(s) shown on Form 1040	Itemized Deductions <small>► Information about Schedule A and its separate instructions is at www.irs.gov/schedulea. ► Attach to Form 1040.</small>	<small>OMB No. 1545-0074</small> <div style="font-size: 2em; font-weight: bold;">2013</div> <small>Attachment Sequence No. 07</small>	
Gifts to Charity			
16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16	
17	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	17	
18	Carryover from prior year	18	
19	Add lines 16 through 18	19	
Casualty and Theft Losses			
20	Casualty or theft loss(es). Attach Form 4684. (See instructions.)	20	
Job Expenses and Certain Miscellaneous Deductions			
21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►	21	
22	Tax preparation fees	22	
23	Other expenses—investment, safe deposit box, etc. List type and amount ►	23	100.00

IRS Form 1099-OID, Schedule B (Interest and Ordinary Dividends)

The amounts in this section of your Tax Information Statement reflect the OID reported to the IRS. OID is the difference between the stated redemption price at maturity and the issue price of a debt instrument. A debt instrument, such as a bond or note, generally has an OID when the instrument is issued for a price that is less than its stated redemption price at maturity. OID is a form of interest. If you own a taxable debt obligation that was issued with an OID, you may be required to include a portion of the OID in your gross income for each year you hold the obligation, even if you did not receive any cash payments.

Tax Return Reporting Instructions

> INCOME REPORTED INDIVIDUALLY

As required by federal tax law, we report the income individually for each OID obligation that was held in your account during the year. These amounts are identified on your Tax Information Statement and should be reported separately on your tax return. It is important that you report these amounts on your tax return in the same way they appear on your Tax Information Statement. The IRS may attempt to match these items to your tax return and may contact you if unable to do so.

> OID ADJUSTMENTS

The amount of OID reported on your Tax Information Statement may not be the actual amount on which you should pay tax. We calculated the OID based on the information available in our records. However, because we may not know all of the facts concerning your debt obligation, we frequently report OID based on rates found in *IRS Publication 1212, Guide to Original Issue Discount (OID) Instruments*. If the applicable rates are not listed online for *IRS Publication 1212*, or if circumstances dictate, we use rates that we obtain from an independent third party. We indicate whether we used these rates by placing an asterisk (*) beside the amount of OID (either in Box 1 or Box 6 of the 1099-OID section of your Tax Information Statement). If these rates were used, or if you paid an acquisition premium, you may be required to recalculate and adjust the OID reported on your Tax Information Statement.

You should report the adjustment, if any, separately on your tax return. As illustrated in the example on the following page, the OID adjustment should be reported as a negative amount on IRS Form 1040, Schedule B, line 1, just beneath the area where you report the amounts listed on your Tax Information Statement.

> STRIPPED U.S. GOVERNMENT DEBT OBLIGATIONS

If you held a stripped U.S. government debt obligation (STRIP) during 2013 and purchased it through our firm after 1990, we calculate the actual OID. In most cases, no adjustment to the amount on the Tax Information Statement should be required. However, the FIFO method was used to determine your cost basis and to calculate the OID. If you elect to use the specific identification method to determine your cost basis, the amount of the OID may vary and may need to be recalculated.

The OID adjustment will vary for each investor and depends on how much was paid for the OID bond and when it was acquired. See the [Sample Calculation of an OID Adjustment](#) on page 34 for an explanation of the OID adjustment.

Frequently Asked Questions: OID

OID REPORTING

Q. Why is OID being reported? I did not receive a cash payment from my debt instrument during 2013.

- A. If a taxable debt instrument is issued with an OID, we are required to report a portion of that OID each year the debt instrument is held in your account. You may be able to adjust the amount we report to you based on your purchase price. OID applies regardless of how much cash you received with respect to your debt instrument. *IRS Publications 550, Investment Income and Expenses*, and *IRS Publication 1212, Guide to Original Issue Discount (OID) Instruments*, are helpful when reporting OID on your tax return.

Q. I owned a U.S. Treasury inflation-indexed security (TIP). Do these securities generate OID?

- A. There are two components to the reporting on TIPs. First, the principal value on these securities fluctuates daily according to changes in the Consumer Price Index. This feature often generates OID reporting. OID accruals are reported as OID on U.S. Treasury obligations on IRS Form 1099-OID. Second, the coupon payments from these securities are reported as interest on U.S. Savings Bonds and Treasury Obligations (Box 3) in the 1099-INT section of your Tax Information Statement. Coupon payments are calculated by multiplying the coupon rate, which does not change over the life of the security, but by the adjusted principal amount.

Q. I owned a fixed-rate capital security. Do these securities generate OID?

- A. Fixed-rate capital securities (also commonly referred to as MIPs, QUIDs, QUIPs and TOPrS) are classified as debt instruments. If they were issued prior to August 13, 1997, they were almost always issued with OID. Securities issued on or after August 13, 1997, may contain OID; this feature varies according to the issuer. In either case, OID results even when these securities are issued at par. If the security was issued with an OID, we report the security's cash payments in the Return of Principal Distributions section of your Tax Information Statement (see page 42) and the daily accrual of OID in the 1099-OID section of your Tax Information Statement.

Information Reported on IRS Form 1099-OID

A. ACCRUAL BEGIN OR ENTRY DATE

Income earned on an OID instrument is calculated separately for each accrual period. Although amounts are reported to the IRS on an annual basis, we report income to you for each accrual period. The date each accrual period begins is displayed in this column. If your account was transferred to us in 2013, the beginning accrual date will be the date we received your securities in connection with the transfer.

B. DAILY OID RATE PER \$1,000

This amount is the daily accrual rate of OID. This rate was obtained from IRS Publication 1212, or from an independent third party. However, if the rate pertains to a STRIP purchased through our firm after 1991, we calculate and use an actual rate (see the Stripped U.S. Government Debt Obligations section on page 33).

C. OID (BOX 1)

Amounts in this column reflect the OID on each obligation for the part of the year in which it was owned. Report the total for each security separately on IRS Form 1040, Schedule B, line 1. OID on U.S. Treasury obligations is not included in this column.

D. OTHER PERIODIC INTEREST (BOX 2)

If you held a bond that was issued with an OID component, and also made cash payments of interest, then we report the cash payments to you in the Other Periodic Interest (Box 2) column of the 1099-OID

section of your Tax Information Statement. Also, when a REMIC is issued with an OID, we report the accrued interest earned on the REMIC as "other periodic interest." As required by the IRS, we report other periodic interest separately for each OID obligation that was held in your account during 2013. Accordingly, you should report the other periodic interest from each OID obligation separately on your tax return.

E. OID ON U.S. TREASURY OBLIGATIONS (BOX 8)

Amounts in this column reflect the OID on each U.S. Treasury obligation for the part of the year during which it was owned. Report the total for each U.S. Treasury obligation separately on IRS Form 1040, Schedule B, line 1. This OID is exempt from state and local income taxes and is not included in Box 1.

F. INVESTMENT EXPENSES (BOX 9)

This represents your share of investment expenses of a single-class REMIC. Your share of UIT, WHFIT and WHMT expenses are also reported in Box 9. If you file IRS Form 1040, you may deduct these expenses (subject to the 2% limit) on IRS Form 1040, Schedule A, line 23. This amount is included in Box 1, Box 2 or both.

G. STATE TAX WITHHELD (BOX 12)

If any income was subject to state tax withholding, the amount withheld is reported in the State Tax Withheld (Box 12) column.

SAMPLE STATEMENT

2013 Form 1099-OID			ORIGINAL ISSUE DISCOUNT					OMB No. 1545-0117						
(For individuals, report details on Form 1040; Schedule B; Line 1.)														
This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.														
Description (Box 7)		Lot No.	Lot Quantity	A Accrual Begin/ Entry Date	Days Held	B Daily OID Rate Per \$1,000	C Original Issue Discount for 2013 (Box 1)	D Other Periodic Interest (Box 2)	E Federal Income Tax Withheld (Box 4)	F OID on U.S. Treasury Obligations (Box 8)	G Investment Expenses (Box 9)	State (Box 10)	State ID Number (Box 11)	State Tax Withheld (Box 12)
CERTIFICATES ACCRUAL TREAS SECS SER-Z INT CUSIP: 12345678ABI		1	8,000	01/01/2013	135	.1277391				137.96				
CERTIFICATESACCRUAL TREAS SECS SER-J INT CUSIP: 2345678MN8		1	6,000	01/01/2013	365	.1113287				243.80*				
FNMA GTD REMIC PASS THRU CTF REMIC		*****	For a Detailed Breakdown			*****	20.30*							
		*****	See the Additional Written Statement			*****								

SAMPLE TAX FORM

SCHEDULE B
(Form 1040A or 1040)

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return

Interest and Ordinary Dividends

► Attach to Form 1040A or 1040.

► Information about Schedule B (Form 1040A or 1040) and its instructions is at www.irs.gov/scheduleb.

OMB No. 1545-0074

2013

Attachment Sequence No. 08

Your social security number

Part I

1

Interest

List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ►

Pershing LLC, 13-2741729

Pershing LLC, 13-2741729

Pershing LLC, 13-2741729

Less: OID Adjustment

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

Note. If you received a Form

Amount

137 96

243 80

20 30

(125 00)

CALCULATION AND ADJUSTMENT OF ORIGINAL ISSUE DISCOUNT (OID)

Since the amount of OID we report on your Tax Information Statement may not be the amount on which you should pay tax, you should calculate your OID adjustment. To calculate the OID adjustment, you should familiarize yourself with two terms: acquisition premium and adjusted issue price. Then, read the following sample calculation of an OID adjustment. See page 34 for an illustration of how an OID adjustment is reported on a tax return.

> ACQUISITION PREMIUM

The acquisition premium is the excess of the purchase price of a debt instrument over its adjusted issue price on the date of purchase. If your purchase price includes an acquisition premium, you may be able to offset a portion of the acquisition premium against the OID that we report to you.

> ADJUSTED ISSUE PRICE

The adjusted issue price of a debt instrument is generally equal to its original issue price, plus all previously accrued OID. If you need to determine a bond's adjusted issue price at any point, you may need to contact the bond's issuer.

UITs

Your Tax Information Statement may reflect OID from a UIT. See the Special Message for Owners of Mutual Funds, UITs, WHFITs, WHMTs and REITs on page 24 for more information on how income from UITs is reported on your Tax Information Statement.

Sample Calculation of an OID Adjustment

In the following example, assume XYZ Company issued an eight-year bond on January 1, 2008. The bond's initial issue price was \$6,000, its maturity value was \$10,000 and it currently pays no interest. Accordingly, the bond was issued with \$4,000 of OID (\$10,000 less \$6,000). Assume that the OID accrues on a straight-line basis (in many cases, however, the OID accrues on a constant-yield basis). On January 1, 2013, you purchased the bond for \$8,500 and held the bond in your account for the entire year. We report \$500 of OID in 2013 with respect to this particular security. You should go through the following steps to determine how to report the OID adjustment on your tax return.

Step 1: Do you have an acquisition premium with respect to the XYZ bond? If not, simply report the amount indicated on your Tax Information Statement as interest income on IRS Form 1040, Schedule B. If you do have an acquisition premium, you should offset the OID we reported to you by a portion of your acquisition premium.

Step 2: How do you calculate acquisition premium? Acquisition premium is the difference between the bond's adjusted issue price on the date of purchase and the amount you paid for the bond. In this case, the calculated adjusted issue price on January 1, 2013, was \$8,000. Since you paid \$8,500 for the bond, you acquired it with an acquisition premium of \$500. When you perform your actual calculation, you may need to contact the issuer to determine what the bond's adjusted issue price was on the date of purchase.

Step 3: What portion of your acquisition premium may be used to offset the OID that was reported on your statement? In general, the OID should be reduced by a fraction determined as follows:

The numerator is the cost of the debt instrument, less its adjusted issue price on the date of purchase. The denominator is the maturity value, less the adjusted issue price on the date of purchase. In our example, the fraction would be computed as follows:

$$\frac{(\$8,500 - \$8,000)}{(\$10,000 - \$8,000)} = \frac{\$500}{\$2,000} = 25\%$$

Accordingly, you should report a total OID of \$500, less 25%, to arrive at an amount of \$375, on which tax would be required to be paid. Even though the net amount of the OID in this case is \$375, you should report the gross amount of \$500 and the OID adjustment of \$125. The reason for this is that the IRS will attempt to match the \$500 we report on your Tax Information Statement to the amount you reported on your tax return. If you only report the net amount of \$375, the IRS may not be able to make a match and may contact you about the discrepancy.

Summary of Miscellaneous Income

1. RENTS

Box 1 of Form 1099-MISC reflects rental income that you earned from real estate activities, royalty trusts and any surface royalties generated from strip mining or other activities. This amount should be reported on your IRS Form 1040, Schedule E. Please consult with your tax professional to determine the proper treatment of this income.

2. ROYALTIES

Gross royalties before reductions for fees, commissions and expenses are reported in Box 2 of IRS Form 1099-MISC. This amount should be reported on IRS Form 1040, Schedule E, of IRS Form 1040.

Please note: The amount reported does not include surface royalties (which are reported in Box 1) or timber royalties made on a pay-as-you-cut contract.

3. OTHER INCOME

Amounts reflected in Box 3 of IRS Form 1099-MISC should be reported as "other income" on IRS Form 1040.

4. SUBSTITUTE PAYMENTS IN LIEU OF DIVIDENDS OR INTEREST

Box 8 of IRS Form 1099-MISC reflects payments that we received on your behalf in lieu of dividends or tax-exempt interest as the result of a loan of your securities. Substitute payment is a payment in lieu of (a) a dividend or (b) tax-exempt interest to the extent that interest (including OID) has accrued while the securities were on loan. This amount should be reported as "other income" on your income tax return.

SAMPLE

SAMPLE TAX FORM

2013 Form 1099-MISC		Miscellaneous Income		OMB-1545-0115	
Box				Amount	
1	Rents			3,000.00	
2	Royalties			0.00	
3	Other Income			0.00	
4	Federal Income Tax Withheld			840.00	
8	Substitute Payments in Lieu of Dividends or Interest			25.00	
16	State Tax Withheld			210.00	
17	State / Payer's State Number			CA / 123456789	
18	State Income				

SCHEDULE E (Form 1040)		Supplemental Income and Loss		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)		2013	
Name(s) shown on return		► Attach to Form 1040, 1040NR, or Form 1041.		Attachment Sequence No. 13	
		► Information about Schedule E and its separate instructions is at www.irs.gov/schedulee .		Your social security number	

Part I Income or Loss From Rental Real Estate and Royalties					
Note. If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.					
A Did you make any payments in 2013 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input type="checkbox"/> No					
B If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No					
1a Physical address of each property (street, city, state, ZIP code)					
A Office building: 1111 Business Avenue					
B Anytown, USA					
1b Type of Property (from list below)					
2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.		Fair Rental Days		Personal Use Days	
A		A		<input type="checkbox"/>	
B		B		<input type="checkbox"/>	
C		C		<input type="checkbox"/>	
Type of Property:					
1 Single Family Residence		3 Vacation/Short-Term Rental		5 Land	
2 Multi-Family Residence		4 Commercial		6 Royalties	
				7 Self-Rental	
				8 Other (describe)	
Income:		Properties:		A B C	
3 Rents received		3		3,000.00	
4 Royalties received		4			
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2.					
26 3,000.00					

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2013

Form 1040		Department of the Treasury—Internal Revenue Service (99)		2013		OMB No. 1545-0074		IRS Use Only—Do not write or staple in this space.	
U.S. Individual Income Tax Return									
For the year Jan. 1–Dec. 31, 2013, or other tax year beginning		, 2013, ending		, 20				See separate instructions.	
Your first name and initial		Last name						Your social security number	
If a joint return, spouse's first name and initial		Last name						Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.		Ant. no.		▲ Mail to					
see instructions.		15a IRA distributions		15a		b Taxable amount		15b	
		16a Pensions and annuities		16a		b Taxable amount		16b	
		17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17		3,000.00		17	
		18 Farm income or (loss). Attach Schedule F		18				18	
		19 Unemployment compensation		19				19	
		20a Social security benefits		20a		b Taxable amount		20b	

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Items That We Are Required to Report to the IRS

> LIQUIDATION DISTRIBUTIONS

Generally, liquidation distributions are treated as amounts received from the sale or exchange of a capital asset and should be reported on IRS Form 8949 (Sales and Other Dispositions of Capital Assets) and Form 1040, Schedule D, as either a short-term or long-term capital gain or loss. Please review liquidation distributions with your tax professional since the tax consequences may vary based on the nature of the distribution.

> FOREIGN TAX PAID

Your Tax Information Statement may include foreign tax paid (withheld) from dividends and interest from foreign sources that are credited to your account in 2013. This information allows you to calculate a foreign tax credit or deduction on your tax return. The rate of foreign tax paid varies from country to country and according to applicable income tax treaties. A foreign tax credit can be claimed either on IRS Form 1116, Foreign Tax Credit or, in some circumstances, by reporting it directly on IRS Form 1040, line 47. A foreign tax credit may be claimed only if the tax was legally owed and not eligible for refund. A deduction can be claimed on IRS Form 1040, Schedule A, Itemized Deductions, line 8. Foreign tax paid is reported in the 1099-INT and 1099-DIV sections of your Tax Information Statement. You should combine these amounts to determine your total foreign tax credit or deduction.

If you elect to take a foreign tax credit on your 2013 tax return, please be aware that qualified dividends may have to be adjusted by 37.88% for foreign-source qualified dividends taxed at 15%, and by 50.51% if they are taxed at 20%. See the instructions to IRS forms 1040 and 1116 for more information about foreign tax credits and deductions, and reporting qualified dividends when figuring your foreign tax credit.

Items That We Are Not Required to Report to the IRS

> NON-REPORTABLE PROCEEDS AND COST BASIS INFORMATION

Fixed income sales, maturities and redemptions for short-term discount debt instruments like U.S. Treasury bills, commercial paper and government agencies, are displayed in this section. The discount on Treasury bills maturing during 2013 is reported in the 1099-INT section. Refer to the 1099-INT instructions for additional information reported for these types of instruments.

Currency transactions exchanges of foreign currency for USD and exchanges of foreign currency for a different foreign currency are displayed in this section. If you traded or held an equity option(s) in your account during 2013, we may display certain activities (for example, sales, purchases and expirations) related to those options in this section of your Tax Information Statement. The closing of an equity options transaction is typically reportable as a capital gain or loss on IRS Form 1040, Schedule D, Capital Gains and Losses. If the exchange is a forward contract, information related to that exchange is reported on Form 1099-B. That information is different than the transactional information provided in this section, as proscribed by the IRS. If you have reportable forward contracts, they are reported in the 1099-B section titled Foreign Currency Forward Contracts. Please see that section and the instructions that follow it for more information. The tax rules governing equity options are complex. We suggest you carefully review these rules with your tax professional.

Please note: This section will only be displayed if you receive the Tax and Year-End Statement (TYES). This data is provided for informational purposes only.

> PARTNERSHIP CASH DISTRIBUTIONS

We report partnership cash distributions in this section of your Tax Information Statement. We do not report this information to the IRS. Although you are not required to report partnership cash distributions on your tax return, this information is useful because partnership cash distributions generally reduce the tax basis of your investment in a partnership. A disposition of your interest in a partnership is generally reflected as proceeds from securities transactions in the 1099-B section of your Tax Information Statement and is reported by us to the IRS. Accounts that held partnership interests will receive their tax information directly from the partnership on IRS Form 1065, Schedule K-1, Partner's Share of Income, Credits, Deductions, etc. Contact the partnership directly if you do not receive this form.

> EQUITY OPTIONS TRANSACTIONS

If you traded or held equity options during 2013 in your brokerage account, we report certain activities (for instance, sales, purchases and expirations) related to those options in this section. This information will only be in this section if you do not receive the TYES. We do not report this information to the IRS. The closing of an equity options transaction is typically reportable as a capital gain or loss on IRS Form 1040, Schedule D, Capital Gains and Losses. The tax rules governing equity options are complex. We suggest you carefully review these rules with your tax professional.

Please note: This section will only be displayed if you receive the Your Tax Information Statement (YTIS). This data is provided for informational purposes only.

> SECURITIES PURCHASED

Securities purchased through your brokerage account in 2013 are displayed in this section. This information will only be in this section if you do not receive the TYES. We do not send this information to the IRS. We provide this information to you because you will need it to calculate gain or loss upon disposition of the securities. Please note the following:

- **Net Cost:** The net cost displayed includes commissions and fees. If the security purchased is a debt instrument, the net cost does not include accrued interest purchased. Accrued interest purchased is reported separately in this section of your Tax Information Statement. The cost of securities purchased during 2013 should be reported on your tax return in the year the securities are sold on IRS Form 8949 (Sales and Other Dispositions of Capital Assets) and Form 1040, Schedule D, Capital Gains and Losses.
- **Securities:** Various types of securities purchased, such as stocks and debt instruments, are included in this section.
- **Trade Date:** We report the securities you purchased on a trade-date basis.
- **Accrued Interest Purchased:** Your Tax Information Statement includes details of accrued interest purchased for various categories of notes and bonds purchased between interest payment dates. We do not report accrued interest purchased to the IRS. Accrued interest purchased is generally a reduction of interest income in the year in which the related interest income is reported. The Tax Information Statement includes accrued interest purchased with respect to all 2013 note and bond purchases on a settlement-date basis. If you purchased a note or bond with accrued interest in 2013, whose initial interest payment was reported by us in 2013, you should adjust your 2013 interest income by the accrued interest purchased, as reported on your 2013 brokerage confirmation or 2013 Tax Information Statement. Taxable amounts of accrued interest purchased should be reflected on IRS Form 1040, Schedule B, Interest and Ordinary Dividends, line 1, as a reduction of interest income. Identify this reduction of interest income as accrued interest. The nontaxable amounts should reduce the appropriate nontaxable income categories.

Please note: This section will only be displayed for the YTIS. This data is provided for informational purposes only.

> SHORTFALLS

Certain shortfalls will be reflected in this section. If the projected payment announced by the issuer of a contingent debt security is less than the amount paid by the issuer, the difference is reflected as a shortfall.

MUNICIPAL TAX-EXEMPT INTEREST AND MUNICIPAL ORIGINAL ISSUE DISCOUNT (OID)

A. TAX-EXEMPT INTEREST

Although we do not report municipal OID to the IRS, you should report municipal OID subject to AMT, as well as tax-exempt interest from specified private activity bonds (IRS Form 1099-INT, Box 9) on IRS Form 6251, Alternative Minimum Tax—Individuals. You must also report total municipal interest income on IRS Form 1040, Tax-Exempt Interest, line 8b. The sample below illustrates how this information is reported on your Tax Information Statement. The totals can be easily identified on your statement, and the sample summary and sample tax forms illustrated on the next page explain how you should report this municipal interest income and municipal OID on your tax returns. Box 10 reports the CUSIP numbers, if any of the tax-exempt bonds for which tax-exempt interest is reported in Box 8.

B. MUNICIPAL OID

This section displays OID earned on municipal bonds. The separate totals in this section allow you to determine how much of your municipal OID is subject to the AMT. We report amounts based on the bond's original issue price. Adjustments to the indicated amounts will have to be calculated based on your actual purchase price and date. The recalculated amount will increase the tax basis of your bond, resulting in a smaller gain or larger loss on the ultimate disposition of the bond.

C. TAX-EXEMPT DIVIDENDS

This section shows tax-exempt interest, including exempt-interest dividends from a mutual fund or other regulated investment company. Report this amount on line 8b of IRS Form 1040 or Form 1040A.

SAMPLE STATEMENT

A

TAX-EXEMPT INTEREST (Details of Form 1099-INT)

Description	Tax-Exempt Bond CUSIP No. (Box 10)	Date Paid	Tax-Exempt Interest (Box 8)	Specified Private Activity Bond Interest (Box 9)	Federal Income Tax Withheld (Box 4)	Investment Expenses (Box 5)	Foreign Tax Paid (Box 6)	State (Box 11)	State ID Number (Box 12)	State Tax Withheld (Box 13)
ABC COMPANY	123456ABC	06/01/2013	3,000.00	840.00				CA	12345	150.00
U.S. CORP										
			2	1						

B

MUNICIPAL ORIGINAL ISSUE DISCOUNT

Description	CUSIP	Lot No.	Rate Source	Lot Quantity	Accrual Period Begins	Days Held	Daily OID Rate per \$1,000	Original Issue Discount Subject to Alternative Minimum Tax	Original Issue Discount Not Subject to Alternative Minimum Tax
ANYWHERE CNTY PA	123456AB7	1	Calc.	20,000	01/02/2013	181	.0018441	6.68	
ARPT REV GTR PITTS					07/02/2013	184	.0019206	7.07	
INTL ARPT SER D SUBJ						365		13.75	
TO AMT TO YLD 8.3%									
7.750% 01/01/20 REG									
DTD 07/01/89 CLB									
ANYWHERE BRDG &	123456AB7	1	Calc.	75,000	01/02/2013	181	.0085961		116.69
TUNL AUTH N.Y. REVS					07/02/2013	184	.0089700		123.79
CONVENTION CTR PROJ						365			240.48
SER D O.I.D.									
7.000% 01/01/13 REG									
DTD 06/15/86 PRF									
TOTAL								13.75	240.48
								3	4

C

TAX-EXEMPT DIVIDENDS (Details of Form 1099-DIV)

Description	Date Paid	Exempt Interest Dividends (Box 10)	Specified Private Activity Bond Interest Dividends (Box 11)	Federal Income Tax Withheld (Box 4)	State (Box 12)	State ID Number (Box 13)	State Tax Withheld (Box 14)
ABC COMPANY	06/01/2013	3,000.00	1,000.00	840.00	CA	123456789	210.00
		6	5				

(see page 40 for further illustration on 1-6 amounts)

MUNICIPAL TAX-EXEMPT INTEREST AND MUNICIPAL ORIGINAL ISSUE DISCOUNT (OID)

Sample Summary of Tax-Exempt Interest Income and Municipal Original Issue Discount (OID)

The summary below illustrates how the tax-exempt interest income and municipal OID listed on your Tax Information Statement should be reported on your tax returns.

	Tax-Exempt Interest Income		Municipal OID		Tax-Exempt Interest Dividend		Totals
Specified Private Activity Bond Interest	1 \$840.00*	+	3 \$13.75	+	5 \$1,000.00	=	\$1,853.75
Tax-Exempt Interest and Dividends	2 \$3,000.00	+	4 \$240.48	+	6 \$3,000.00	=	\$6,240.48
Total							\$8,094.23

The total amount of the tax-exempt interest income, municipal OID and tax-exempt interest dividend subject to AMT should be reported on IRS Form 6251, Alternative Minimum Tax—Individuals, line 12 (for instance, the amount of \$1,853.75 in the calculation above).

The total amount of municipal interest income, municipal OID and tax-exempt interest dividend should be reported on IRS Form 1040, U.S. Individual Income Tax Return, line 8b (for instance, the amount of \$6,240.48 in the calculation above).

*(Form 1099-INT, Box 9)

SAMPLE TAX FORM

Form 6251 **Alternative Minimum Tax—Individuals** OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service (99) **2013**
 Information about Form 6251 and its separate instructions is at www.irs.gov/form6251.
 Attach to Form 1040 or Form 1040NR. Attachment Sequence No. 32

Name(s) shown on Form 1040 or Form 1040NR Your social security number

Part I Alternative Minimum Taxable Income (See instructions for how to complete each line.)

1	If filing Schedule A (Form 1040), enter the amount from Form 1040, line 41, and go to line 2. Otherwise, enter the amount from Form 1040, line 38, and go to line 7. (If less than zero, enter as a negative amount.)	1	
2	Medical and dental. If you or your spouse was 65 or older, enter the smaller of Schedule A (Form 1040), line 4, or 2.5% (.025) of Form 1040, line 38. If zero or less, enter -0-	2	
3	Taxes from Schedule A (Form 1040), line 9	3	
4	Enter the home mortgage interest adjustment, if any, from line 6 of the worksheet in the instructions for this line	4	
5	Miscellaneous deductions from Schedule A (Form 1040), line 27	5	
6	If Form 1040, line 38, is \$150,000 or less, enter -0-. Otherwise, see instructions	6	(
7	Tax refund from Form 1040, line 10 or line 21	7	(
8	Investment interest expense (difference between regular tax and AMT)	8	
9	Depletion (difference between regular tax and AMT)	9	
10	Net operating loss deduction from Form 1040, line 21. Enter as a positive amount	10	
11	Alternative tax net operating loss deduction	11	(
12	Interest from specified private activity bonds exempt from the regular tax	12	\$1,853.75
13	Qualified small business stock (7% of gain excluded under section 1202)	13	

SAMPLE TAX FORM

Form 1040 **U.S. Individual Income Tax Return** Department of the Treasury—Internal Revenue Service (99) **2013** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning , 2013, ending , 20

Your first name and initial Last name See separate instructions. Your social security number

If a joint return, spouse's first name and initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Make sure the SSN(s) above line 6c are correct

City, town or post office, state, and ZIP code. If you have a foreign address, also complete instructions

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	
8a	Taxable interest. Attach Schedule B if required	8a	
b	Tax-exempt interest. Do not include on line 8a	8b	\$6,240.48
9a	Ordinary dividends. Attach Schedule B if required	9a	
b	Qualified dividends	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

COLLATERALIZED DEBT OBLIGATIONS (CDOs), COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs) AND REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICs)

If you owned a CDO, CMO or REMIC in your brokerage account during 2013, we are required to report additional information to you. This information is reported on the Additional Written Statement included with your Tax Information Statement. An explanation of this Additional Written Statement is provided below. We are required to report this information to you by March 17, 2014.

Depending on the type of CDO held in your account, the income is reported on IRS Form 1099-INT or IRS Form 1099-OID. You should report this information on IRS Form 1040, Schedule B, Interest and Ordinary Dividends, line 1. Refer to pages 43 and 44 for illustrations of how reportable amounts of interest income and OID are derived and how they should be reported on your tax return.

SAMPLE STATEMENT

ADDITIONAL WRITTEN STATEMENT—COLLATERALIZED DEBT OBLIGATIONS (Including REMICs)												
					Per \$1,000 of Original Principal			Aggregate Amount of				
CUSIP	Lot No.	Quantity	Accrual Period Begins	Days Held	Beginning Adjusted Issue Price	Daily Original Issue Discount	Daily Accrued Interest Income	Original Issue Discount	Accrued Interest Income	Actual Interest Paid (Cash)	Investment Expenses	Ending Market Discount Fraction
	A		B		C	D	E	F	G	H	I	J

A. LOT NUMBER

If you accumulated your position by purchasing the same security on different dates, each individual purchase creates a separate lot that is identified on the Additional Written Statement. We use the FIFO method to calculate the adjusted issue price and the OID. Information is not reported to the IRS on a separate lot basis. Amounts are reported to the IRS on a CUSIP (or security) basis. However, information is reported to you on a separate lot basis because you may find the separate lot information useful when preparing your tax return.

B. ACCRUAL PERIOD BEGINS

The income earned on a CDO is calculated separately for each accrual period (typically accrual periods are approximately one month). We are required to report income to you for each accrual period. Accordingly, the beginning of each accrual period is indicated. Amounts are totaled and then reported to the IRS on an annual basis.

C. BEGINNING ADJUSTED ISSUE PRICE

The adjusted issue price of a CDO is its initial issue price, plus all previously accrued OID. If your CDO was issued without OID, the adjusted issue price column will be blank. If your CDO was issued with OID, you may need this information. Refer to the OID section on page 34 for additional information.

D. DAILY OID

This amount is the daily accrual rate of the OID for your CDO. You may be able to reduce the amount of the OID you report by a portion of your acquisition premium. Refer to the OID section on page 34 for additional information.

E. DAILY ACCRUED INTEREST INCOME

If your CDO is a REMIC, you are required to report the interest income with respect to the REMIC as you earn the income, on an accrual basis. Income computed on an accrual basis may differ from the cash payments credited to your account. We report the daily portion of accrued interest income per \$1,000 of original principal.

F. AGGREGATE AMOUNT OF OID

This amount represents the OID that was earned during the period the CDO was held in your account. The calculation assumes that you purchased the CDO at the CDO's adjusted issue price as of the date of the purchase. If your purchase price was greater than the CDO's adjusted issue price, your purchase price includes an acquisition premium. The security total of the aggregate amount of OID is reported to the IRS. This amount can be calculated by multiplying the quantity, days held and daily OID, and then dividing the result by \$1,000. Refer to the OID section on page 34 for additional information.

G. AGGREGATE AMOUNT OF ACCRUED INTEREST INCOME

As discussed above, if your CDO is a REMIC, you are required to report interest income on an accrual basis. The security total of the aggregate amount of accrued interest income reflects the interest income you earned and is reported to the IRS. This amount can be calculated by multiplying the quantity, days held and daily accrued interest income, and then dividing the result by \$1,000.

COLLATERALIZED DEBT OBLIGATIONS (CDOs), COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs) AND REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICs)

H. ACTUAL INTEREST PAID (CASH)

This amount represents the portion of the cash credited to your account that was designated as interest with respect to your CDO. For certain CDOs, a portion of the cash payment is designated as a return of principal. Cash payments that represent a return of principal are reported in the Return of Principal Distributions section of your statement. If your CDO is a REMIC, the amount in this column is shown merely for informational purposes.

I. INVESTMENT EXPENSES

This represents your share of investment expenses of a single-class REMIC. If you file IRS Form 1040, you may deduct these expenses (subject to the 2% limit) on IRS Form 1040, Schedule A, line 23.

J. ENDING MARKET DISCOUNT FRACTION

This fraction represents the rate at which the market discount accrues. Market discount exists if your purchase price was less than the adjusted issue price of the CDO (if your CDO was issued with an OID) as of the date of the purchase. If the CDO was issued without OID, market discount also exists if the purchase price was less than the redemption value as of the date of the purchase. In either case, it may be necessary for you to keep track of the amount of the market discount that amortizes during the period the CDO was held in your account. It is not required that you recognize the amortization of the market discount currently (unless you have so elected). However, you may need to know how much market discount amortized during your holding period so that the gain, if any, on the sale or other disposition of your CDO is properly characterized as a capital gain or as ordinary income. This calculation is complex and we recommend that you consult a tax professional for assistance.

Frequently Asked Questions: REMICs

ADDITIONAL WRITTEN STATEMENT

Q. Why does certain information appear to be missing from my Additional Written Statement?

- A. Your Additional Written Statement provides customized information for each CDO investment you held. Not all description headings on the Additional Written Statement may be pertinent to your investments. For instance, if your CDO was issued without an OID, there will be no information under the OID description headings on your Additional Written Statement.

CASH RECEIVED DIFFERS FROM INTEREST REPORTED

Q. Why is the first interest accrual on my Additional Written Statement different from the interest received in cash for that period? Also, why is the last payment different?

- A. Interest income earned on a REMIC may differ from the cash received. REMIC interest income is calculated and reported to you on an accrual basis. Under an accrual basis, income is reported when it is earned and not when cash is paid. Accordingly, there may be differences between what is reported as interest income and the amount of cash you actually received.

COLLATERALIZED DEBT OBLIGATIONS (CDOs), COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs) AND REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICs)

> ADDITIONAL WRITTEN STATEMENT

We are required to report additional information to you regarding CDOs, including REMICs. We provide this on an Additional Written Statement. You need this additional information to complete your tax returns. The Additional Written Statement also provides calculations for the interest income and OID reported to you and to the IRS. The Additional Written Statement, however, is provided only to you, and not to the IRS. The tax rules relating to CDOs are complex. We have attempted to present and explain the information so that it is useful to you.

However, we suggest that you carefully review your CDO information with a tax professional. The following example illustrates how information from the Interest Income and Original Issue Discount sections of your Tax Information Statement is reflected on your Additional Written Statement. Please refer to the samples below and on the following page for illustrations of how reportable amounts of interest income and OID are derived and how they should be reported on your tax return.

SAMPLE STATEMENT

ADDITIONAL WRITTEN STATEMENT – COLLATERALIZED DEBT OBLIGATIONS (Including REMICs)												

COLLATERALIZED DEBT OBLIGATIONS (CDOs), COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs) AND REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICs)

If your CDO was issued with OID, we report the income to the IRS on IRS Form 1099-OID. IRS Form 1099-OID has two components, OID ❶ and other periodic interest ❷, as illustrated below:

2013 Form 1099-OID ORIGINAL ISSUE DISCOUNT OMB No. 1545-0117
(For individuals, report details on Form 1040; Schedule B; Line 1.)

This is important tax information and is being furnished to the Internal Revenue Service (IRS). If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Description (Box 7)	Lot No.	Lot Quantity	Accrual Begin/ Entry Date	Days Held	Daily OID Rate Per \$1,000	Original Issue Discount for 2012 (Box 1)	Other Periodic Interest (Box 2)	Federal Income Tax Withheld (Box 4)	OID on U.S. Treasury Obligations (Box 8)	Investment Expenses (Box 9)	State (Box 10)	State ID Number (Box 11)	State Tax Withheld (Box 12)
CERTIFICATES ACCRUAL TREAS SECURITY CUSIP: 123ABC456			12/31/2013			20.35 *					CA	12345	1.50
ABC GTD REMIC PASS THRU CTF REMIC CUSIP: 12345ABC2	*****	For a Detailed Breakdown	*****				750.00						
	*****	See the Additional Written Statement	*****										

If your CDO was issued without OID, we report the interest income ❸ to the IRS on IRS Form 1099-INT and to you in the Interest Income section of your Tax Information Statement as illustrated below:

INTEREST INCOME (Details of Form 1099-INT)

Description	CUSIP/ Security Type	Date Paid	Interest Income (Box 1)	Interest on U.S. Savings Bonds and Treasury Obligations (Box 3)	Federal Income Tax Withheld (Box 4)	Investment Expenses (Box 5)	Foreign Tax Paid (Box 6)	State (Box 11)	State ID Number (Box 12)	State Tax Withheld (Box 13)
XYZ CMO TR	123456CMP	12/15/2013	675.00							

The income that we report to you in both the 1099-OID and Interest Income sections of your Tax Information Statement (as illustrated above) should be reported on your tax return on IRS Form 1040, Schedule B, line 1, as indicated below:

SCHEDULE B (Form 1040A or 1040) Interest and Ordinary Dividends OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99) **2013** Attachment Sequence No. **08**
▶ Attach to Form 1040A or 1040. ▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at www.irs.gov/scheduleb.

Name(s) shown on return: _____ Your social security number: _____

Part I Interest

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

	Amount
Pershing LLC, 13-2741729	750 00
Pershing LLC, 13-2741729	20 35
Pershing LLC, 13-2741729	675 00

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

ADDITIONAL WRITTEN STATEMENT—WIDELY HELD FIXED INVESTMENT TRUSTS (WHFITs) AND WIDELY HELD MORTGAGE TRUSTS (WHMTs)

Widely Held Fixed Investment Trusts (WHFITs) and Widely Held Mortgage Trusts (WHMTs)

We are required to report certain specific information regarding items of gross income and expense to trust interest holders for the calendar year on IRS Form 1099. UITs, royalty trusts, MBSs and commodity trusts are all considered WHFITs. A WHFIT whose assets are mortgages, amounts received on mortgages and reasonably required reserve funds as measured by value is considered to be a WHMT. A WHFIT is also considered a WHMT if all of its assets include trust interests in one or more WHMTs and REMICs.

In addition to the information reported on IRS Form 1099, we are also required to furnish trust interest holders with an Additional Written Statement with certain detailed information by March 17, 2014. An explanation of items included on the Additional Written Statement is provided below. Also, please refer to the sample statement provided below for specific instructions on how to report each item reflected in the Additional Written Statement.

Items of gross income (including interest) attributable to the WHFIT for the calendar year (including all amounts of income attributable to selling, purchasing or redeeming your interest in the WHFIT) are provided. We have also provided other items of income that may be relevant for preparing your income tax return, including trust sales proceeds, non-pro-rata partial principal payments and redemption asset proceeds. Again, these amounts should be reflected on IRS Form 8949 (Sales and Other Dispositions of Capital Assets) and Form 1040, Schedule D, of your personal income tax return.

SAMPLE	Period Principal Paid or Proceeds of Sale	Cost/Purchase Price	Gross Interest	Investment Expenses	Market Discount Fraction	Remaining Income Adjustment	Income Adjustment	Adjusted Basis Percentage	Original Cost Basis
	A	B	C	D	E	F	G	H	I

A. PERIOD PRINCIPAL PAID OR PROCEEDS OF SALE

This represents the principal distributed to record date holders or the proceeds of a sale, net of accrued interest. This amount includes redemption and sales proceeds and redemption and sales asset proceeds. It also includes principal payments that completely retire a debt instrument (other than a final scheduled principal payment) and pro-rata partial principal prepayments. The amount should be reported on IRS Form 8949 and Form 1040, Schedule D.

B. COST/PURCHASE PRICE

This represents the cost of a purchase (the amount paid for the units including broker's commissions or the fair market value of such units on the date they were distributed), net of accrued interest.

C. GROSS INTEREST

This represents the amount of interest distributed to you and received as accrued interest on sales or paid as accrued interest on purchases.

D. INVESTMENT EXPENSES

This amount represents your share of investment expenses paid by the trust. You may be able to deduct these expenses on IRS Form 1040, Schedule A, line 14, but the deduction is limited to net investment income.

E. MARKET DISCOUNT FRACTION

This is the ratio used to compute your market discount income or premium amortization for the year. Amortization of bond premiums is deductible on Form 1040, Schedule A, line 28. If you are claiming a deduction for amortization of premiums for bonds acquired after October 22, 1986, but before January 1, 1988, the deduction is treated as interest expense and is subject to the investment interest limitations. Use IRS Form 4952, Investment Interest Expense Deduction, to

compute the allowable deduction. For taxable bonds acquired after 1987, you can elect to amortize the bond premium over the life of the bond. See *IRS Publication 550* for more information.

F. REMAINING INCOME ADJUSTMENT

This represents the portion of your premium or discount that remains unamortized as of the start of the period. A positive amount represents additional income in the form of a market discount. A negative amount indicates a bond premium offset to interest income.

G. INCOME ADJUSTMENT

You must increase or decrease your taxable income by the amount of this premium or discount on purchases for your account.

H. ADJUSTED BASIS PERCENTAGE

This represents the ratio of the principal distribution over the principal balance at the start of the year. Please use this ratio to determine the portion of your adjusted basis that represents return of principal. It should be used to compute gain or loss on IRS Form 8949 and Form 1040, Schedule D.

Please use the cost basis factor provided to allocate a portion of your cost basis in the WHFIT (what you paid for the WHFIT, less any reinvested dividend and/or capital gains distributions) to each sale or disposition to determine any attributable and reportable sales proceeds and realized gains or losses on Schedule D of IRS Form 1040. For commodity trusts, the cost basis factor is reflected in the Adjusted Basis Percentage column.

I. ORIGINAL COST BASIS

This represents the amount that you originally paid for the units, including broker's commissions or the fair market value of such units, on the date they were distributed. This amount should be used to compute gain or loss on IRS Form 8949 and Form 1040, Schedule D.

> WHMT TRANSITION PAYMENTS

Certain WHFITs are transitioning from reporting based on payment dates to reporting based on record dates for certain WHMTs. The amount reported may represent your share of transition payments for a WHMT. A "transition payment" is any payment (gross income, less applicable expenses) that has (1) a payment date in the "transition year" or first year that the trustee or middleman transitions to reporting under the WHMT safe harbor rules; and (2) a record date in a year prior to the transition year. Thus, transactions with a record date, for example, of December 2013, which were actually paid in January 2014, will be reported on your IRS 2013 Form 1099. You must include transition payments in your taxable income during the year of transition as a section 481(a) adjustment to prevent omission of income caused by the reporting transition.

We do not provide tax advice. Please consult with your tax professional regarding the proper reporting of items of income and expense for WHFITs and WHMTs.

SUPPLEMENTAL INFORMATION—ROYALTY TRUSTS AND HOLDING COMPANY DEPOSITORY RECEIPTS (HOLDERS®) TRUSTS

WHFIT Classification

Royalty trusts, UITs and HOLDERS trusts are all considered NMWHFITs for federal income tax purposes. These grantor trusts are subject to the reporting requirements for WHFITs. The trustee of your royalty trust will provide tax information in accordance with the applicable U.S. Treasury regulations governing the information reporting requirements of the trust as a WHFIT and a NMWHFIT. Royalty trust tax information booklets will be available via links at mytaxhandbook.com. The links will be activated when the information is made available by the trusts. In the booklets, the trusts provide information required by you to compute and report income, gains, losses, deductions and credits attributable to your units of the trust.

For NMWHFITs generating interest and dividends only, we have reported required amounts using the “simplified reporting” procedure authorized by the IRS. This information should be used to compute your redemption proceeds and the amortizable bond premium. Additionally, for *de minimus*, qualified or final calendar year NMWHFITs, we have reported trust asset proceeds, but have not, in accordance with IRS regulations, provided other details, including the bond premium or market discount for these NMWHFITs. Please consult with your tax professional regarding the proper tax treatment and reporting of proceeds from royalty, HOLDERS, UITs and NMWHFITs.

Royalty Trusts and HOLDERS Trusts

If you owned a royalty or HOLDERS trust in your brokerage account during 2013, we are required to report additional information to you. This information is reported on the Supplemental Information Statement included with your Tax Information Statement. An explanation of items reflected in this Supplemental Information Statement is provided below. We are required to report this information to you by March 17, 2014. The income from these trusts is generally reported by us on the appropriate IRS Form 1099. You should report this information on your IRS Form 1040, Schedule E. Refer to the sample statement below for specific instructions on how to report these items.

SAMPLE	Severance Tax	Fees	Administrative Expense	Expenses Subject to 2% AGI Limitation	Expenses Not Subject to 2% AGI Limitation	Investment Interest Expense	Section 1231 Gain	Additions to Basis
	A	B	C	D	E	F	G	H

A. SEVERANCE TAX

This amount represents your pro-rata share of severance taxes paid by the trust, which are deductible on IRS Form 1040, Schedule E, line 16.

B. FEES

Your pro-rata share of professional fees paid by the trust is deductible on IRS Form 1040, Schedule E, line 10.

C. ADMINISTRATIVE EXPENSE

Your pro-rata share of trust administration expenses paid and accrued during the period on a per unit basis should be reported on your IRS Form 1040, Schedule E, line 19.

D. EXPENSES SUBJECT TO 2% AGI LIMITATION

This amount represents your share of certain other expenses incurred by the trust and subject to the 2% AGI limitation that can be deducted on IRS Form 1040, Schedule A, line 23.

E. EXPENSES NOT SUBJECT TO 2% AGI LIMITATION

This amount represents your share of certain other expenses that are not limited to 2% of your AGI and should be deducted on IRS Form 1040, Schedule A.

F. INVESTMENT INTEREST EXPENSES

This amount represents your share of investment interest expense paid by the trust. If you file IRS Form 1040, you may be able to deduct these expenses on IRS Form 1040, Schedule A, line 14, but the deduction is limited to net investment income. This limitation is calculated on IRS Form 4952, Investment Interest Expense Deduction. If your investment interest expense is deductible, this is reported as an itemized deduction on IRS Form 1040, Schedule A, line 14.

G. SECTION 1231 GAIN

Section 1231 transactions are sales and exchanges of property held longer than one year and either used in a trade or business or held for the production of rents or royalties. This amount should be reflected on IRS Form 4797 (Sales of Business Property) and then Schedule D as an attachment to IRS Form 1040.

H. ADDITIONS TO BASIS

Your original cost basis (the amount that you paid for the units, including broker’s commissions or the fair market value of the units on the date they were distributed) should be increased by amounts reflected in this section to compute your adjusted basis. Your adjusted basis should then be used to compute any gain or loss reportable on IRS Form 1040, Schedule D.

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