

2008 TAX INFORMATION GUIDE

DISCLAIMER

Please retain this booklet with your 2008 tax records. If you use the services of a tax advisor, please furnish this booklet to him or her. This Tax Information Guide is provided for your general guidance, and is based on IRS Form 1040 specifications. The applicability of specific situations should be determined through additional consultation with your tax advisor. This guide is not intended to be, nor should it be construed as, the basis of tax advice. Since tax laws can be very complex and subject to various interpretations and frequent changes, you should consult a tax advisor. If you have questions about the Tax Information Guide or your Forms 1099, please contact your Financial Advisor or Consultant.

To Our Clients:

FIRST CLEARING, LLC (“FCC”) is the entity through which your firm clears transactions, and is the “Payer” responsible to the Internal Revenue Service “IRS” for reporting your federal income and any tax withholding that appears on your Form 1099. When reporting information on your tax return (such as on Schedule B of Form 1040), be sure to use FCC’s name and Employer Identification Number instead of the name of your brokerage firm.

Only the information provided within an official IRS Form 1099 is provided to the IRS. Please note that none of the following information is reported to the IRS: realized gain/loss information, partnership distributions, transaction details for Forms 1099-DIV or 1099-INT, account fees or other monthly statement activity. Federal tax reporting requirements and additional post-year-end information from various issuers will frequently result in amounts shown on a Form 1099 being different from what appeared on your monthly statements. If you received an IRS Form 1099, you must include that information on your tax return. If you received an “Annual Summary” statement instead of an official IRS Form 1099, none of the information in that package is provided to the IRS.

We hope this guide will be helpful in assisting you with your IRS tax reporting requirements. The forms and publications that are mentioned in this guide may be obtained from the IRS via the Internet (www.irs.gov), or by phone (1-800-829-3676).

AMENDED FORMS 1099 – RECEIPT OF LATE INCOME RECLASSIFICATION INFORMATION

Amounts shown on your Forms 1099 (particularly, Form 1099-DIV) are based on the best information that is available to us from the issuing company or trustee at the time your Forms 1099 were sent to our printer. The IRS mandated postmark deadline is February 15, and like many payers we request a 30-day extension from the IRS to mail these forms.

Delayed Reporting Message: Many companies do not provide their income allocation information to us until AFTER your original Forms 1099 are printed and mailed. In particular, if you have an investment in a closed-end mutual fund, a mutual fund that includes foreign securities or foreign tax withholding, a mutual fund with municipal bonds that might be subject to alternative minimum tax “AMT”, a real estate investment trust “REIT”, a unit investment trust “UIT”, a grantor trust, a foreign company, or a U.S. company that has a fiscal year ending after December 31, you can expect to receive one or more amended tax forms. Foreign securities (and closed-end funds with such securities in their portfolio), as well as REIT issuers, frequently provide information as late as March or early April. If we are aware of this, we have included a “delayed reporting message” on the original form.

The “as of” date shown on an amended form is the date through which information was received, and not the mailing date. The recap of monthly statement information that may be provided as part of an “Enhanced 1099” package is not included with amended Forms 1099.

FCC is not responsible for any costs incurred for your filing an amended tax return as a result of a late reclassification of any income by the issuer. For further information regarding this issue and when to best file your individual tax return if you hold securities subject to reclassification, or additional REMIC/CDO reporting (see discussion below), please consult your Financial Advisor or Consultant or tax advisor.

NOTICE OF CHANGES FOR 2008: “WHFIT” Reporting: If you have invested in a **widely held fixed investment trust** security (often referred to as a “WHFIT”), you will likely notice income reporting amounts that are different from what you received in cash. The reason for that is securities which are established as a grantor trust require reporting based on how and when the income was received by the trust entity, rather than how and when it was paid out to you. In addition, any trust that returns part of your investment as a principal payment requires that amount to be reported on Form 1099-B. These securities include unit investment trusts, royalty trusts, commodity trusts, HOLDERS trusts and mortgage backed pass-through pools issued primarily by FNMA, FHLMC and GNMA. More extensive reporting requirements are anticipated for these securities in future tax years.

Cost Basis Reporting: The Emergency Economic Stabilization Act (EESA) that was enacted in October 2008 included provisions to begin a phase-in of cost basis reporting starting with common stock you purchase or transfer into your securities account on or after January 1, 2011. Cost basis reporting for other types of securities will be required in later years. We anticipate the IRS will issue regulations over the next few years to address and standardize this new reporting requirement which will be part of your Form 1099-B that you will receive in early 2012. Therefore, please remember that any cost basis information you currently receive from FCC is not part of any Form 1099 information provided to the IRS, and its accuracy for your unique reporting requirements is not verified. You should review all such information with your tax advisor before completing your tax return.

New Postmark Due Date: As a result of the cost basis reporting requirements discussed above and the increasing complexity of Form 1099 reporting requirements, the EESA also moved the postmark date for Form 1099-B reporting to February 15th annually, starting with Tax Year 2008. If your broker provides a “composite statement” where other 1099 forms are included with the Form 1099-B, this new postmark date applies to all forms. FCC provides a “composite statement.” Most issuers of Form 1099 now request a 30-day extension to mail Form 1099 information as well in order to eliminate as many amended forms as possible.

FREQUENTLY ASKED QUESTIONS

CORRECTION REQUESTS

Q1. What should I do if a correction is necessary?

A1. Please review your Forms 1099 and contact your Financial Advisor or Consultant as soon as possible. Generally, the first cycle of amended tax forms starts in late February and will continue bi-weekly through April 15. We send our original file of information to the IRS in late April, with several additional files throughout the summer.

AMENDED TAX FORMS - LATE ANNOUNCEMENTS

Q2. Last year, after I received my original Forms 1099, I received an amended form changing the reporting of my dividend distributions. Will this happen again this year? If so, which of my holdings are most susceptible to late tax announcements?

A2. A security issuer may send us information after your tax form is prepared that changes the tax nature of some dividends and capital gain distributions. If any late tax announcements are received after our print vendor deadline for producing the original tax form, we will subsequently send you an amended Form 1099. In most instances where the change resulted in a dividend reclassification, the change will be noted with an “X” next to the box amount being amended. The holdings most frequently resulting in an amended Form 1099 are referenced in the warning notice on the first page.

MUTUAL FUND/REIT DIVIDENDS

Q3. Why are dividends that were paid in January 2009 reported on my 2008 Form 1099-DIV?

A3. Since the Tax Reform Act of 1986, federal tax laws require payers to report as prior year income any dividends you received prior to

February 1 in the current year from a regulated investment company (RIC) (e.g., mutual fund) or REIT that had a record date in October, November, or December of the prior year. These dividends are identified with an ampersand (&) on your 2008 Form 1099-DIV and will not be included on your 2009 Form 1099-DIV. In addition, distributions made by a grantor trust security that represents income held by the trust in the prior tax year is reportable for that year instead of the year in which you received it. It is anticipated some of those distributions could be made as late as March in the current year and still be reportable on the prior year’s tax forms.

Q4. Why does my Form 1099-DIV show only some of my mutual fund distributions for 2008?

A4. If the broker-dealer or reporting status on your mutual fund was changed during 2008, you may receive a Form 1099 from both the fund and from FCC. If the broker-dealer status was changed from a mutual fund to FCC, the Form 1099 from the fund will report distributions paid to you prior to the broker-dealer change. The distributions paid to you by FCC after the broker-dealer change will be included on the enclosed Forms 1099. If the broker-dealer status was changed from FCC to a mutual fund, your Forms 1099 will report distributions paid to you prior to the change. In addition, you should receive a Form 1099 from the mutual fund reporting information after the broker-dealer change.

Q5. Why are the income descriptions and amounts for some of my mutual funds, REITs and grantor trust securities different than what was reflected on my monthly statement?

A5. Mutual funds and REITs often determine after year-end that distributions are not reportable for tax purposes as they were initially distributed during the year. Portions of distributions initially paid as a “dividend” may later be reclassified to return of capital, short-term

capital gain, long-term capital gain, and so on. In addition, a grantor trust often distributes cash to its unit holders after expenses have been deducted. New IRS regulations require us to “gross up” that amount to account for those expenses and report the income based on how it was received by the trust rather than how it was distributed to its investors. There is more information below with the Form 1099-DIV instructions and information.

REINVESTED DIVIDENDS

Q6. Why are my reinvested dividends reported on my Form 1099-DIV and what is my cost basis for the reinvested shares?

A6. Dividends are reportable whether received in cash or reinvested to purchase additional shares. Your monthly statement shows each mutual fund’s original cost, including reinvested dividends. Two methods can be used to determine your cost basis – specific identification or average price. The IRS requires that you use only one of these methods for determining the cost basis of your reinvested shares. See IRS Publication 564, “Mutual Fund Distributions,” for more details.

ALTERNATIVE MINIMUM TAX (AMT)

Q7. What is AMT, and how does it apply to me?

A7. Depending on whether or not your individual adjusted gross income (AGI) meets the threshold and deductions taken for children or state and local taxes, as well as preferential tax treatment for certain investments, the “alternative minimum tax” (AMT) provisions may require a separate tax return calculation. If the mutual fund issuer has provided us with supplementary AMT information, we have included that for your convenience as the part of the distribution that may be subject to AMT reporting. Municipal bond distributions are not broken down pro-rata between what is subject AMT and what is not because that information is not provided to us. For interest and dividend distributions, this information is now provided in Box 9 of the Form 1099-INT, which amount is also included in Box 8. If the tax-exempt bond was subject to original issue discount (OID) reporting, that information is found in the “Federal Non-Reportable” section of your year-end package. For more information about AMT reporting, please see *IRS Publication 17* or consult a tax advisor.

ORIGINAL ISSUE DISCOUNT (OID) REPORTING

Q8. Why did you report OID income on my security (a) when I received nothing, or (b) in lieu of the interest payments I received?

A8. In most instances, original issue discount (OID) is the difference between the original issue price of a certificate and its final redemption amount payable at maturity. These are generally “zero coupon” bonds, municipal bonds and U.S. Treasury Separate Trading of Registered Interest of Principal of Securities (STRIPS) investments. In addition, some debt obligations sold at par require OID accrual reporting because they can defer payments (such as “fixed-rate capital securities”) or reset interest rates (such as “contingent payment debt instruments”). The OID reporting requirement is disclosed and explained in the prospectus for these types of instruments. You should consult with your tax advisor and review *IRS Publication 1212* about the reporting and cost basis adjustment rules.

Q9. In past years, I have had to recalculate my OID. Will this be necessary again for 2008 reporting?

A9. With the exception of stripped bonds and coupons, federal tax laws and regulations require us to report OID based on the issue price in *IRS Publication 1212* rather than your purchase price. Your purchase conditions may permit you to make an adjustment to that amount. Assuming your firm cleared through FCC at the time of purchase and it

was made during 2003 and thereafter, we now provide supplementary information which you may wish to use after consultation with your tax advisor about the impact of making those elections.

LIMITED PARTNERSHIPS (AND K-1 INFORMATION)

Q10. I own a limited partnership. How and when do I receive reporting information on it?

A10. Reporting information for limited partnerships and securities structured as partnerships (such as Monthly Income Preferred Securities (MIPS)) is sent to you directly from the general partner via Schedule K-1. The IRS deadline for issuing K-1s is April 15, 2009. Please direct all questions about your K-1 to the partnership. The Schedule K-1 is the governing document regarding what you should report on your tax return.

UNIT INVESTMENT TRUST (UIT) REPORTING

Q11. Why is the total income reported for my UIT different from the amount of cash that I received during the year?

A11. As a “unit holder” of a grantor trust, you are required to pay taxes on income during the year in which it is earned by the trust, even if the trust did not distribute that income to you in the same year. This is often referred to as “undistributed income.” Undistributed income arises when the distribution of taxable income differs from the distribution of economic income. The differences from year to year generally net out over time. For example, if your UIT borrowed money to meet a declared income payment, or to pay trust expenses, the cash balance at year-end could be negative. This negative amount is then divided by the number of year-end units outstanding. This negative amount reduces the reportable income. (In fact, if you close a position without receiving any distributions you could actually have negative income. Since a total income amount that is negative cannot be reported on an IRS form, you should carefully review your monthly statement.) If your 2008 income total has been increased to include income earned by the trust but not distributed to you, an adjustment will be made to lower your 2009 income by a similar amount. If your 2008 income is being decreased, an adjustment will be made to increase your 2009 income by a similar amount. (If you owned the security during 2007, year-end allocations from 2007 could affect your 2008 income in the same way.) If you sold the UIT in early 2008 before a distribution was made that included the undistributed income, you could see a “negative income” amount in the detailed section for your Form 1099-INT or Form 1099-DIV.

Expenses: Expenses incurred by a grantor trust UIT are paid out of income earned by the trust and cause a reduction in income distributed to unit holders during the year. If this occurs, your share of the expense amount must be added to the net income distributed to you to arrive at the gross amount of reportable income. Expense amounts will be reflected on your Forms 1099 as either “Investment Expenses” or some other type of expense reported in the “Federal Non-Reportable” section of your statement. Please note that these investment expenses may or may not be deductible if you itemize your deductions on Schedule A (Form 1040). The information we provide is based on what we have received from the Trustee, and we cannot verify its accuracy. Please review these expense amounts with your tax advisor for proper reporting.

REMIC SECURITIES

Q12. What is a REMIC?

A12. REMIC is an acronym for Real Estate Mortgage Investment Conduit. Special tax regulations apply to REMIC securities and other Collateralized Debt Obligations (CDOs) issued after 1986.

Q13. Why is the interest that I received during the year on the REMICs that I own not showing on my Form 1099-INT?

A13. Actual interest received from a REMIC will not be reported on your original Form 1099-INT, because we expect to receive OID information by late February to report income on a supplementary Form 1099-OID instead. If the REMIC issuer does not provide OID accrual rates, we will report the cash interest payments in Box 2 of the supplementary Form 1099-OID. The **additional** REMIC information will be issued to you in a separate REMIC 1099 package no later than March 16, 2009.

SHORT SALES

Q14. I sold a security short during 2008 and have not yet closed the position. Why did FCC report this sale on my 2008 Form 1099-B?

A14. Even though a short position is still open at year-end, FCC is required to report the sale based on the date you entered the short position by selling the security. This is an IRS requirement to prevent investors from postponing gain to a later year for a "short sale against the box," converting short-term gains to long-term gains or converting long-term losses to short-term losses. However, if you are not holding an appreciated position, it might be possible to postpone the reporting by providing an explanation on your Schedule D. There is more information below with the Form 1099-B instructions and information.

WORTHLESS SECURITIES

Q15. How can I claim a loss on worthless securities in my account?

A15. You should report worthless securities on line 1 or 8 (whichever is applicable) of Schedule D of Form 1040 in the taxable year for which you deem them worthless within the meaning of IRC section 165(g) and Treasury Regulation section 1.165-5. In columns (c) and (d), write "Worthless." Enter the amount of your loss in parentheses in column (f). If you fail to claim a loss on your original tax return for the year it became worthless, you can file a claim for a credit or refund due to the loss. To do so, you must file an amended return (for the year of the original return) within 7 years from the date your original return for that year was due, or 2 years from the date you paid the tax, whichever is later. For more information on worthless securities, see IRS Publication 550.

WASH SALE RULE

Q16. What types of activities qualify as "wash sales"?

A16. A sale or disposition of stock or securities may qualify as a wash sale under the following circumstances: 1) a loss occurs, and 2) within 30 days (before or after the sale or disposition of stock or securities), you buy substantially identical stock or securities, acquire substantially identical stock or securities in a fully taxable trade, or enter into a contract or option to acquire substantially identical stock or securities. For more detailed information on wash sales and their reporting requirements, please refer to page D-3 of the IRS 2008 Instructions for Schedule D (Form 1040).

PRINCIPAL PAYMENTS

Q17. Why are periodic principal payments reported on the Form 1099-B when only the final payment has been reported in the past?

A17. New IRS regulations regarding widely held fixed investment trusts (WHFITs) which became effective on January 1, 2007 eliminated our ability to defer this reporting until the final payment was made. Therefore, we began reporting all return of principal payments on Form 1099-B in 2007. This will create a discrepancy between the proceeds amount reported on the Form 1099-B and the realized gain/loss statement, because the latter statement includes only tax lots that have closed because they were sold or exchanged. You should always reconcile your Schedule D reporting to the Form 1099-B amount, since that is the proceeds amount reported to the IRS. The realized gain/loss statement is provided only for the purpose of giving some of the cost basis information you may need, but not all.

OTHER INFORMATION

Q18. I received a dividend payment directly from the issuer of my stock, but it was later claimed through my account at FCC. Why did the company send me a 1099 including this amount?

A18. If an amount is paid in error and later claimed through another company, it must be reported by the paying agent. Report the amount as income on Schedule B of Form 1040 but subtract the claimed income from your dividend or interest subtotal on this form.

Q19. Do the Forms 1099 contain any special state or local tax information?

A19. No. The Forms 1099 are designed to comply only with federal tax regulations, and this supplementary information often is not available until February. You can generally find this information in a booklet posted on the mutual fund company's web site. Please consult your tax advisor regarding your individual state and local tax-reporting requirements.

Q20. I have stock certificates that are registered in my name but are held at FCC. Will FCC issue 1099 information on these certificates?

A20. Even though FCC is holding the securities for you, the securities are registered in your name with the issuing company; therefore, income on these shares will be reported by the issuing company. However, if you sold the certificates through FCC, the gross proceeds from that sale will be reported on the enclosed Form 1099-B.

Q21. Do you provide additional information to my state for state tax reporting purposes?

A21. No, because most states obtain income information directly from the IRS. However, FCC is required to provide additional information if your mailing address was in the following states as of December 31: California, Connecticut, Montana, New York and Oklahoma. Generally, this information provides these states with payments received from municipal bonds. The State of Florida repealed its intangible property tax as of January 1, 2006.

Q22. Does FCC provide the ability to download tax forms data into personal tax preparation software, such as TurboTax® or TaxCut®?

A22. Yes, if you have an online brokerage account and have signed up for electronic statements, you can download Forms 1099 data into TurboTax®. Please be aware, however, that the TurboTax® downloading process does not support all tax forms, such as REMIC statement or Form 1099-R information. That must be entered manually. You should always compare the downloaded information to your official IRS Form 1099 information, as the latter information is what is sent to the IRS.

Q23. How are “dividend charges” reflected on my Form 1099-DIV?

A23. The term “dividend charge” can have various meanings requiring different Form 1099 reporting (or none at all) by FCC, so you should consult with your tax advisor about how to include these on your tax return. For example, some people refer to a dividend charge that occurs when, as part of a short sale transaction, they borrowed shares from stock a lender over a dividend record date and were charged an amount to pay back the person from whom the shares were loaned. You can deduct these charges as a miscellaneous itemized deduction (Schedule A of Form 1040), provided you held the short sale position open for at least 46 days (more than one year in the case of an extraordinary dividend). If you closed the short sale on or before the 45th day after the date of the short sale (one year or less in the case of an extraordinary dividend), you must increase the basis of the stock used to close the short sale by that amount. Another example of a dividend charge occurs when you received a dividend payment from the issuer based on dates during which you had transferred the shares to “street name” to be sold through FCC. Once that company determines you were not entitled to the dividend payment, it will contact FCC to reclaim the dividend from your account. In those instances, a dividend charge has been applied by FCC, even though the dividend payment was made and reported by the company and not FCC. This type of “dividend charge” allows you to reduce the amount of dividend income you need to include on your tax return. Service charges deducted from a dividend distribution – such as for an administrative service fee for overnight sweep funds or a dividend reinvestment plan – must be reported to the IRS as part of your gross dividend income even though it was subtracted before being credited to your account. Similarly, “ADR fees” charged by the transfer bank for an American Depositary Receipt security is reportable as part of your gross dividend income. As explained in IRS Publication 550 for dividend reinvestment plan fees, these types of service fees may be deductible as a miscellaneous itemized deduction. Finally, the “undistributed income” tax reporting requirements for some UITs can result in a negative dividend amount in some years. In all cases where the total “dividend charges” or “undistributed income” might result in a negative dividend amount for the year, please be advised that the IRS does not permit FCC to report amounts less than 50 on any Form 1099. Therefore, you should refer to your Forms 1099-DIV and 1099-INT transaction details, as well as your monthly statements, to ensure you have captured all the information you need to complete your tax return. *Refer to IRS Publication 529 for more complete information.*

Q24. What do I do if my Form 1099 included income that needs to be reported by someone else?

A24. Pursuant to federal tax regulations, FCC is required to report all income on a jointly owned account under only one taxpayer identification number, which is why you were requested to designate a “primary owner” when the account was opened. If you received income as a “Nominee” for another person on a Form 1099, however, the “Recipient Instructions” on the reverse side of your mailing page explain what you need to do. For example, if you received a Form 1099-DIV that includes dividend payments that should be reported by a joint tenant owner of a brokerage account, you would obtain a blank Form 1099-DIV from a local IRS office and complete that form showing the amount reportable to that person. Give that person Copy B of the Form 1099-DIV, and then mail Copy A to the IRS along with the IRS Transmittal Form 1096. Then, on Schedule B of your Form 1040, include on line 5 all the dividends you received, including as a Nominee, and enter a subtotal. Below the subtotal, write “Nominee Distribution,” and show the amounts received as Nominee. Subtract those distributions from the subtotal and enter the result on line 6. See the IRS Instructions for Schedule B for more detailed information.

“KIDDIE” TAX

Q25. What is the “kiddie tax” for 2008?

A25. Remember that in 2006 Congress increased the age to which the minor child tax provisions apply from under 14 to under 18 years of age. Effective January 1, 2008, the “kiddie tax” rule applies to children under age 19 (or under age 24 if the child is a full-time student). The new “limited standard deduction” on unearned income for 2008 is \$900 in investment income (interest, dividends and capital gains) being free of tax. The next \$900 is taxed at the child’s rate, which is typically 10%. Anything above \$1,800 is taxed at the parents’ rates. The minor child tax credit does not apply to a minor child who is married and files a joint tax return or provides more than half of his or her own support. The 2006 tax law change also created an exception for distributions from certain qualified disability trusts. For Tax Year 2009, the amounts are increased to \$950 and \$1,900, respectively.

IRS DEADLINES AND PUBLICATIONS

February 2009

2/02/09	Since the typical deadline of 1/31 falls on a Saturday, this is the deadline for issuing Form 1099-R reporting IRA distributions and federal tax withheld (if any).
2/17/09	<p>Since the typical deadline of 1/31 falls on a Saturday, this is the deadline for issuing Form 1099-Q for tuition distributions from a Coverdell ESA plan, or for a qualified state tuition plan sponsor to issue the same form.</p> <p>The Emergency Economic Stabilization Act of 2008 moved the postmark date for Form 1099 reporting for a brokerage account where “composite” reporting is used to February 15th, starting with Tax Year 2008. Since 2/15 falls on Sunday and Monday is a federal holiday, this is the postmark deadline for issuing Composite Form 1099 statements reflecting reportable brokerage account activity and backup withholding (if any) during 2008.</p> <ul style="list-style-type: none"> • NOTE: Holders of mutual funds, REITs, UITs, foreign securities and corporate stock for companies whose fiscal year ends after the calendar year can expect to receive one or more amended forms for those issuers who provide dividend allocation information after these original forms are printed. Holders of REMIC securities should note the due date below.

March 2009

3/16/09	Since 3/15 falls on Sunday, this is the postmark deadline for issuing IRS Form 1099-OID for REMIC and CDO investments. <i>This is additional – not corrected – information you will need to complete your tax returns if you held these types of securities.</i>
3/31/09	<p>NOTE: Starting with Tax Year 2009, this will be the due date in 2010 for WHFIT statements where additional information needs to be provided to investors for completing their tax return.</p> <p>Deadline for issuing Forms 2439 reflecting any undistributed capital gains declared by mutual funds and REITs whose taxable year ended on 12/31. If fund or REIT had a tax year that ended prior to 12/31, you may receive a Form 2439 earlier.</p> <p>Deadline for royalty trusts to issue tax booklets directly to you for any royalty trust you held in 2008.</p>

April 2009

4/15/09	<p>Deadline to file personal income tax returns with the IRS.</p> <p>Deadline for a master limited partnership to issue Form 1065 (Schedule K-1) to limited partners. This is not issued by FCC.</p> <p>Generally, the deadline for filing traditional and ROTH Individual Retirement Account (IRA) documents to establish an account and make contributions for the 2008 tax year. (See specific requirements in <i>IRS Publication 590</i>.) For SEP IRAs, April 15, 2008 is the deadline to establish an account and make <i>employee contributions</i> for the 2008 tax year. <u>Always document in writing on your contribution form, check or wire transfer request if it is a prior year contribution; otherwise, FCC must legally assume the contribution is for the current year.</u> Employers may make SEP contributions designated as 2009 contributions until their tax filing deadline in 2008; however, the only type of employer contributions included in 2008 reporting (Forms 5498) will be those made during the 2008 <i>calendar</i> year. Employer contributions made after December 31, 2008 will be reflected on 2009 Forms 5498. For SIMPLE IRA account establishment and contribution regulations, contact your Financial Advisor or Consultant.</p> <p>Deadline for a filing a Form 990-T to report and pay unrelated business and trade income (“UBTI”) tax due from an IRA account with an master limited partnership (MLP) investment. If the MLP or IRA participant does not provide Schedule K-1 information in a timely manner, FCC will request a 90-day extension, but late payment penalties and interest could ensue.</p>
4/30/09	Deadline for issuing 2008 Form 5498-ESA reporting contributions and rollovers for Coverdell ESA plans.

June 2009

6/01/09	Since 5/31 falls on a Sunday, this is the postmark deadline for issuing 2008 Form 5498 (reporting contributions, rollovers, and fair market value) to holders of traditional, ROTH, SEP, and SIMPLE IRAs.
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USEFUL PUBLICATIONS AVAILABLE FROM THE IRS WEB SITE (www.irs.gov)

17	<i>Your Federal Income Tax</i>	550	<i>Investment Income and Expenses</i>
54	<i>Tax Guide for U.S. Citizens and Resident Aliens Abroad</i>	564	<i>Mutual Fund Distributions</i>
514	<i>Foreign Tax Credit for Individuals</i>	590	<i>Individual Retirement Arrangements (IRAs) – (Including Roth IRAs)</i>
525	<i>Taxable and Nontaxable Income</i>	950	<i>Introduction to Estate and Gift Taxes</i>
529	<i>Miscellaneous Deductions</i>	970	<i>Tax Benefits for Education (Including Coverdell Education Savings Accounts)</i>
544	<i>Sales and Other Dispositions of Assets</i>	1212	<i>List of Original Issue Discount Instruments</i>

For more in-depth answers to your federal tax questions, call the IRS Taxpayer Assistance line at 1-800-829-1040. If you have not received a prompt resolution to a question, call the Taxpayer Advocate’s Help line at 1-877-777-4778.

YOUR FORMS 1099

The Forms 1099 package issued by FCC provides you with comprehensive year-end information. The summary page displays the total amounts that you should report on your tax return. IRS regulations require you to report Form 1099-C and "other income" reported on Form 1099-MISC separately. In addition, REMIC and CDO information is provided later (by March 15th).

The basic format for your statement is to report income items first (dividends, interest and original issue discount), then gross proceeds amounts that can create gain or loss and must be individually reported and reconciled on Schedule D of your Form 1040. You are required to report on your tax return the amount shown on a Form 1099, although you have the right in some instances to include adjusting entries based on your unique situation. Please consult with your tax advisor about items eligible for adjustment based on your particular situation.

Finally, the statement provides information which we do not report to the IRS, but might be needed for a state or local tax return, or for cost basis and other adjustments. These include the "Miscellaneous Activity," "Options Activity," and "Purchase Activity" sections. If your statement includes realized gain/loss information — which also is not provided to the IRS — you should carefully review the disclaimers regarding the information being provided in that section.

When preparing your tax return, use the information provided on your Forms 1099 rather than your monthly statements. Because of IRS requirements, amounts shown on your Forms 1099 often do not correspond to what appears on your account statements. If you have securities registered in your name, you will receive a Form 1099 directly from those companies.

The following pages provide a brief description of what information is included in each section and how and where that information should be reported on a tax return. For additional explanations of Forms 1099, please refer to the official IRS Form 1099 instructions on the reverse side of the mailing page of your year-end package.

On all Forms 1099, Box 4 (Federal Income Tax Withheld) shows the Federal income tax withheld (on income subject to withholding) if you did not furnish a valid Form W-9 or Form W-8, or if you were otherwise subject to backup withholding for either a mismatched name and taxpayer identification number ("B-Notice") or the IRS has determined you have underreported income ("C-Notice"). Include this amount on your 1040, 1040-A, or 1040-NR as federal income tax withheld.

DIVIDENDS AND DISTRIBUTIONS (FORM 1099-DIV)

IRS Box #	Activities
1a	Total Ordinary Dividends Optional Stock Dividends (Equivalent Cash Value)
1b	Qualified Dividends
2a	Total Capital Gain Distributions (Includes amounts in Boxes 2b, 2c and 2d)
2b	Unrecaptured Section 1250 Gain
2c	Section 1202 Gain
2d	Collectibles (28%) Gain
3	Non-dividend Distributions (Return of Capital)
4	Federal Income Tax Withheld
5	Investment Expenses
6	Foreign Tax Paid
7	Foreign Country or U.S. Possession
8	Cash Liquidation Distributions
9	Non-cash Liquidation Distributions

Box 1a (Total Ordinary Dividends): This box reflects total ordinary dividends, including those from money market funds and net short-term capital gain distributions from mutual funds, and other distributions on stock. Box 1a also includes investment expenses (as reflected in Box 5) and the equivalent cash value of reinvested dividends. Include this amount on Line 9a of Form 1040 or 1040A. Short-term gains reported by a mutual fund must be treated as ordinary income and cannot be used to offset a capital loss.

If your total ordinary dividends exceed \$1,500, you must complete Schedule B of IRS Form 1040, or Schedule 1 of IRS Form 1040A. You are not eligible to use Form 1040EZ if you have dividend income.

Box 1b (Qualified Dividends): This box shows the portion of the amount in Box 1a that may be eligible for the capital gains rate of 15% for persons in an income tax bracket above 15%. Report this amount on line 9b, Form 1040 or 1040A. See the instructions for Form 1040/1040A for more information on how to report these dividends and ordinary dividends (shown in Box 1a).

Box 2a (Total Capital Gain Distributions – Includes amounts in Boxes 2b – 2d): This box shows the total capital gain distributions (long-term) from a regulated investment company (mutual fund) or real estate investment trust (REIT). Report the amounts shown in Box 2a on Schedule D (Form 1040), line 13. But, if **no amount** is shown in Boxes 2c – 2d **and** your **only** capital gains and losses are capital gain distributions, you may be able to report the amounts shown in Boxes 2a on line 13 of Form 1040 (line 10 of Form 1040A) rather than on Schedule D. See the Form 1040/1040A instructions.

Box 2b (Unrecaptured Section 1250 Gain): This box shows the portion of the amount in Box 2a that is unrecaptured section 1250 gain from certain depreciable real property. Report this amount on the Unrecaptured Section 1250 Gain Worksheet in the Schedule D instructions (Form 1040). Please see "Unrecaptured Section 1250 Gain Worksheet—Line 19" on page D-9 in the *2008 Instructions for Schedule D (Form 1040)*.

Box 2c (Section 1202 Gain): This box shows the portion of the amount in Box 2a that is section 1202 gain from certain small business stock that may be subject to a 50% exclusion. Please see the information under "Exclusion of Gain on Qualified Small Business (QSB) Stock" on page D-4 in the *2008 Instructions for Schedule D (Form 1040)*. Mutual funds or REITs inform us whether your long-term capital gain distribution is a result of this type of holding.

Box 2d (Collectibles (28%) Gain): This box shows 28% rate gain from sales or exchanges of collectibles. If required, use this amount when completing the "28% Rate Gain Worksheet — Line 18" in the instructions for Schedule D (Form 1040) on page D-8. Mutual funds or REITs inform us whether your long-term capital gain distribution is a result of this type of transaction.

Box 3 (Non-dividend Distributions): Box 3 reflects distributions which are nontaxable as long as they are a return of your cost. Your cost basis can be reduced by amounts in this box until the basis of your stock has been reduced to zero. Once the basis of your stock has been reduced to zero, this amount becomes reportable as capital gains on Schedule D (Form 1040). Please see the *IRS 2008 1040 Instructions (line 9a, page 21) and IRS Publication 550*.

Box 5 (Investment Expenses): This amount is your share of expenses of a non-publicly offered regulated investment company. This is also included as dividend income in Box 1. See Form 1040, Schedule A (line 23) and instructions to determine if deductions are applicable.

Box 6 (Foreign Tax Paid): The amount of tax withheld by a foreign payor (not FCC) from foreign corporate dividend distributions. For more details, see “Foreign Dividends and Interest” on page 11.

Box 7 (Foreign Country or U.S. Possession): As noted in the IRS instructions, mutual fund companies are no longer required to provide country-specific information.

Boxes 8 and 9 (Cash and Noncash Liquidation Distributions): Distributions received during a partial or complete liquidation of a corporation (including Real Estate Investment Trusts). These amounts are not taxable to you until you have recovered the basis of your stock. After the basis has been reduced to zero, you must report the liquidation distribution as capital gain.

RICs Payments: Dividends paid by a RIC or REIT having record dates in October, November or December and paid prior to February 1 of the following year are reportable and taxable in the year of the record date. These dividends will be identified on your 2008 Form 1099-DIV with a symbol and a footnote and will not be reported on your 2009 Form 1099-DIV.

Optional Stock Dividends: Companies sometimes offer shareholders the option of receiving a dividend in either cash or additional stock. If an optional stock dividend or spin-off distribution increases your proportionate interest in the corporation’s assets or earnings and profits, or provides the option to take cash or other property, it is taxable and reported on your Form 1099-DIV in the same manner as regular cash payments.

Undistributed Capital Gains – Form 2439: Some mutual funds (RICs) and REITs keep their long-term capital gains and pay taxes on those amounts. You must report as long-term capital gains any amounts that the mutual fund allocated to you as capital gain distributions, even if you did not actually receive them. No later than April 1st, we will send you (if applicable) a Form 2439 showing the amount of the undistributed capital gains and the tax paid. Box 1a reflects the total undistributed long-term capital gain, including the amounts in Boxes 1b, 1c and 1d. Box 1b reflects the Section 1250 unrecaptured gain; Box 1c reflects Section 1202 gain; and Box 1d reflects the collectibles (28%) gain.

If the fund has paid a tax on the capital gains (Box 2, Form 2439), you are allowed a credit for the tax as it is considered paid by you. Take this credit by entering on line 64, Form 1040 the amount of tax shown on Form 2439 (Box 2). Attach Copy B of Form 2439 to your return. Decrease your basis in the stock by the difference between the amount of undistributed capital gains that you report and the amount of tax paid for you by the fund (generally 65% of the amount reported in Box 1a). Keep Copy C of Form 2439 with your records to confirm decreases in the basis of the mutual fund or REIT. The undistributed capital gains reported on Form 2439 should be reported in addition to any capital gains reported on Form 1099-DIV. Refer to IRS Publication 564.

INTEREST INCOME (FORM 1099-INT)

IRS Box #	Activities
1	Interest Income NOT Included in Box 3 Accrued Interest Credit Interest
3	Interest (U.S. Savings Bonds & Treasury Obligations)
4	Federal Income Tax Withheld
5	Investment Expenses
6	Foreign Tax Paid
8	Tax-Exempt Interest
9	Specified Private Activity Bond Interest

Box 1 (Interest Income NOT Included in Box 3): The amount of interest (not including U.S. Treasury interest) credited to your account during 2008. Box 1 also includes credit interest, accrued interest (except accrued interest on U.S. Treasury obligations) on bonds sold between interest dates and original issue discount on most short-term obligations (reportable upon maturity as interest income). See “Short-Term OID” on page 9. Furthermore, Box 1 reports your proportionate share of income and expenses of certain grantor trust Unit Investment Trust (UIT) securities. Since these items are reportable as interest income, your total interest amount may not match the interest actually credited to your account for these securities during 2008.

Box 3 (Interest on U.S. Treasury Obligations): The amount of interest income (including accrued interest) you received from U.S. Savings Bonds, Treasury Bills, Treasury Notes, and Treasury Bonds. While taxable by the Federal government, interest reflected in Box 3 is exempt from any state or local tax. Payments made by various agencies “backed” by the U.S. government (such as the Tennessee Valley Authority (TVA), FHA, FNMA, GNMA) are not direct obligations of the U.S. Treasury and may be subject to state taxes.

Box 5 (Investment Expenses): This amount is your share of investment expenses of a single-class REMIC. If you file Form 1040, you may deduct these expenses on the “Other expenses” line of Schedule A (Form 1040) subject to the 2% of AGI limit (3% if your AGI exceeds a certain amount depending on your filing status). This amount is also included as part of your interest income in Box 1.

Box 6 (Foreign Tax Paid): The amount of foreign tax withheld by the foreign payer (not FCC) and paid to a foreign government. For more details, see “Foreign Dividends and Interest” on page 11.

Box 8 (Tax-Exempt Interest): Shows tax-exempt interest, including tax-exempt dividends from a mutual fund or other RIC paid to you during the year. Report this amount on line 8b of Form 1040 or Form 1040A. Starting in 2007, this income became subject to backup withholding. Conversely, any original issue discount accrued on a tax-exempt bond is reported in the “Miscellaneous Activity” section of your tax package.

Box 9 (Specified Private Activity Bond Interest): Shows tax-exempt income that may be subject to the alternative minimum tax, assuming your adjusted gross income exceeds the applicable exemption. This amount is included in Box 8. See the “Instructions for Form 6251, Alternative Minimum Tax – Individuals”.

Bonds Sold Between Interest Payment Dates: When bonds are sold between interest payment dates, part of the sales price includes accrued interest from the date of the last interest payment date. For taxable bonds, we must report this amount as taxable interest income on this form. If you bought a bond between interest payment dates, that amount is found in the “Federal Nonreportable” section because you can make elections as to how to treat it.

Payments in Kind: The issuers of some corporate bonds may distribute additional bonds in lieu of cash interest payments. These “payments in kind” are reportable as interest, using the fair market value of the bonds on the date of distribution. The amount is included either as interest on Form 1099-INT or as original issue discount on Form 1099-OID.

Your total taxable interest income from FCC includes the total of Boxes 1 and 3 of your 1099-INT and Boxes 1, 2, and 6 of your 1099-OID. If your total amount of taxable interest income from all sources exceeds \$1,500, list it on Schedule B of Form 1040 (or Schedule 1 of Form 1040A). Show FCC as the “Payer” on Schedule B for any amounts reported on your Form 1099-INT or Form 1099-OID in this package.

ORIGINAL ISSUE DISCOUNT (FORM 1099-OID)

IRS Box #	Activities
1	Original Issue Discount
2	Interest and Accrued Interest
4	Federal Income Tax Withheld
6	Original Issue Discount on U.S. Treasury Obligations

Box 1 (Original Issue Discount for 2008): Generally, the difference between the issue price of the certificate and its maturity value attributable to your ownership of the certificate in 2008; however, accrual amounts may also be reportable for investments in contingent payment debt instruments and fixed-income securities that have deferred payments.

Box 2 OID: Interest credited to your account during the calendar year on an original issue discount security.

Box 6 (Original Issue Discount on U.S. Treasury Obligations): OID on a U.S. Treasury Obligation for the part of the year that you owned it. Although this OID is exempt from state and local income taxes and is not included in Box 1, it is reportable on your federal tax return.

Short-Term OID: Bonds with a maturity date of one year or less are called “short-term OID bonds.” If your short-term OID security was held until maturity, your redemption proceeds will not be reported on Form 1099-B. Instead, we are required to report interest income based on the difference between the purchase amount and the redemption proceeds. If FCC does not have record of your purchase amount, the reportable interest is calculated by using the original issue price, found in *IRS Publication 1212*. The actual redemption proceeds of the bond are not reportable and will not appear on your Forms 1099. However, if you sold your short-term OID obligation before its maturity date, the gross proceeds from the sale will be reflected on Form 1099-B.

Long-Term OID: If a security issued at a discount has a maturity of more than one year, the discount (as it accrues) is reported on Form 1099-OID. The accrual rates and OID are calculated using information in *IRS Publication 1212*. Outside resources are used to provide the most comprehensive reporting available. You may be able to adjust the amount reported to you if you did not acquire the obligation on the original issue date (see below). If long-term OID on any of your securities qualifies as “de minimus,” it is below the reporting threshold and is not included on your Forms 1099. See IRS Publication 1212 for a complete definition of de minimus OID.

OID Adjustments: Assuming your firm cleared through FCC at the time, starting with any U.S. Treasury STRIP purchased in 2003 and thereafter, your original issue discount accrual has been calculated to provide you with the actual OID based on your purchase price. In all other cases, your OID is reported as if you had purchased the security at its original issue price, as required by IRS guidance in its **Publication 1212**. If you did not purchase the security at original issue, you may be allowed an adjustment for acquisition or bond premium. [If we had your purchase information and your secondary market conditions including market discount or acquisition premium, we now provide that information to you.] Enter the full amount of OID shown on your Form 1099-OID on line 1, Part 1 of Schedule B (Form 1040). Below the subtotal of all interest income listed, write “OID Adjustment” and enter the difference between the full amount of OID shown on Form 1099-OID and the amount of OID that you are required to report. If the amount of OID you are required to report is less than the amount listed on your Form 1099, subtract the difference from

your subtotal. If the amount of OID you are required to report is more than the amount listed on your Form 1099-OID, add the difference to your subtotal.

Report the result on line 2, Part 1 of Schedule B (Form 1040) and on Form 1040, line 8a.

Many preferred securities and contingent-payment debt instruments are not eligible for OID reporting adjustments, because the adjusted basis will determine the capital gain or loss realized upon disposition of the security. Also, gain or loss on a contingent payment debt instrument must generally be recognized as ordinary income or loss. *You should refer to “How to Report OID” in IRS Publication 1212 and consult with your tax advisor.*

PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS (FORM 1099-B)

IRS Box #	Activities
2	Gross Proceeds
4	Federal Income Tax Withheld
5	No. of Shares Exchanged (Recapitalizations or Change of Corporation Control reporting only)
6	Classes of Stock Exchanged (Recapitalizations or Change of Corporate Control reporting only)
12	If this box is checked some of the gross proceeds reported in Box 2 cannot be taken as a loss because they relate to a corporate recapitalization or change in corporate control resulting in a company moving offshore to avoid U.S. tax.

Box 2 (Gross Proceeds Less Commissions on Stocks, Bonds, etc.): FCC reports proceeds – **on a trade date basis** – resulting from the sale of securities, redemption proceeds, tender offers, taxable exchanges and mergers, and cash in lieu of fractional shares. Please note that federal tax regulations require the reporting of all debt obligations, including municipal bond sales and redemptions where the income paid by these securities is generally tax-exempt. The reason for that for many bonds purchased after 4/30/93 (including tax-exempt bonds) at a discount on the secondary market has reportable income implications if sold above the original or adjusted basis, or upon maturity if recognition of a market discount as ordinary income has been deferred. Any previous partial return of principal appeared in the “Federal Non-Reportable” section of the tax statement so that you could adjust your cost basis downward, resulting in little or no gain or loss recognition upon final redemption.

See the IRS Instructions for Schedule D of Form 1040 for information on the tax treatment of commissions, but generally, no basis adjustment is permitted for commissions paid for a sale since the proceeds are net that amount. Basis may be adjusted for commissions and fees paid for the acquisition of the security.

Short Sales: Even though a short position may be still open at year-end, we are required to report the sale based on the date you entered the short position by selling the security. Report the sale on Schedule D. If your short position is still open, attach an explanation postponing your gain or loss until the position is covered.

For positions sold “short against the box” (a short sale of a security that you already own), you generally must recognize gain (but not loss) on the date that you entered the short position as if it were disposed of at the fair market value. This gives you a new holding period for the position that begins on the date of the short sale. When the transaction is closed, reduce your gain (or increase your loss) by the gain recognized on the short sale. Refer to the official *IRS 2008 Instructions for Schedule D (Form 1040), Publication 550* or your tax advisor for exceptions to this rule.

Stock Options: Generally, when you exercise your option to buy stock through an employee stock purchase offer, you do not have a taxable event. Your taxable event occurs when you sell the shares of stock purchased through the option. You will receive Form 1099-B reflecting the proceeds from the sell of the stock. Depending on when you sold the shares purchased through the option, you also may receive Form W-2 from your employer. If your employer reports the

gain as income on your W-2, you can simply use that to adjust your cost basis on Schedule D and report no gain for the sale of the shares being reported on your Form 1099-B. For more information, refer to *IRS Publication 525* or consult your tax advisor.

Implicit Redemptions and Note Remarketing: Be aware that for some complex structured products, sales of part or all of that investment may occur outside your account, but will still be reportable. This includes “equity units” or similar structured products that include either a note or CD, along with a purchase contract. If the issuer sells the note and replaces it with another a debt obligation that will mature just prior the exchange date, the sale of the note creates proceeds that must be reported on Form 1099-B. **You must reconcile and report each transaction shown on Form 1099-B on Schedule D of Form 1040.**

MISCELLANEOUS INCOME (FORM 1099-MISC)

IRS Box #	Activities
1	Rents
2	Royalties
3	Other Income
4	Federal Income Tax Withheld
8	Substitute Payments in Lieu of Dividends

Box 1 (Rents) and 2 (Royalties): Generally, this is based on information provided by a royalty trust. You generally report royalties on Part 1, Schedule E (Form 1040). If you hold a royalty trust that has announced part of the distribution was Section 1231 gain, you need to report that type of gain on IRS Form 4979, Part I, line 2, columns (d) and (g), and on Schedule D of Form 1040.

Box 3 (Other Income): Includes payments received for any forward contracts that are part of various structured products, any “gross-up payment” of a substitute payment reported in the prior tax year, as well as consent payments (income received for consenting to a change in a security’s original indenture). You generally report this amount on line 21 of Form 1040.

Box 8 (Substitute Payments): Includes substitute payments in lieu of dividends or interest based on a random lottery to select shares that were loaned to others from your margin account (pursuant to your Customer Agreement) over a dividend payment record date. In addition, if you had a “short sale against the box” or other hedged position, any tax-favored payments received while that condition existed should be reported as a “substitute payment,” for example, a “qualified dividend” reported by FCC your Form 1099-DIV.

CANCELLATION OF DEBT (FORM 1099-C)

IRS Box #	Activities
2	Amount of Debt Cancelled

Box 2 (Amount of Debt Cancelled): Shows the amount of debt cancelled or forgiven if the amount was \$600 or more.

REMICS AND COLLATERALIZED DEBT OBLIGATIONS

This section of the tax package lists REMICs and Collateralized Debt Obligations (CDOs) that you owned during 2008. It describes, briefly, the REMIC reporting requirements and when you can expect your additional REMIC information if you owned this type of security. If you see this message, you should delay filing your tax return until you receive this additional information around March 15th.

“FEDERAL NON-REPORTABLE” SECTION

While FCC is not required to report the information in the sections identified below to the IRS or to you, the following information is provided for courtesy purposes because it is useful when completing some parts of your federal, state and local tax returns. Starting with Tax Year 2006, cash payments that included tax-exempt interest and dividends are now reportable to you and the IRS on the Form 1099-INT. Conversely, any OID accruals on tax-exempt debt obligations are reportable here and not on the Form 1099-INT.

MARGIN DEBIT INTEREST

See IRS Form 4952 and its instructions as to the deductibility of interest charges on margin accounts.

MUNICIPAL BONDS – ORIGINAL ISSUE DISCOUNT (OID) AND “MAY BE SUBJECT TO AMT” INFORMATION

This tax-exempt income is excluded from reporting in Boxes 8 and 9 of Form 1099-INT pursuant to IRS regulations. Consult with your tax advisor about tax return reporting requirements. Whether or not it is subject to AMT reporting is based on information received by the issuer, and a percentage breakdown is generally not provided to us.

WIDELY HELD FIXED INCOME TRUSTS — EXPENSES AND OTHER ITEMS

This supplementary information is provided based on information we received from the trustee and is not verified. In many cases, an expense item found here reflects all or part of the grossed-up amount included in your gross proceeds, dividend or interest amount reported on Forms 1099-B, 1099-DIV or 1099-INT, respectively.

SCHEDULE K-1 REPORTING: MASTER LIMITED PARTNERSHIPS (MLP) AND S CORPORATIONS

If you have invested in either a limited partnership or S Corporation, you will receive a Schedule K-1 (Form 1065) directly from that entity. They are not required to provide this information to you until April 15. If you do not receive your K-1, or if you have further questions about it, you must contact the partnership directly. While FCC provides monthly notices to the MLP of investors held in “street name,” your receipt of this Schedule K-1 is dependent upon the General Partner updating their records. For more information, please see *IRS Publication 541*.

OPTIONS ACTIVITY

No options activity is reported on your Form 1099-B, pursuant to federal tax laws and regulations. However, if you received a realized gain/loss statement, the sale of the underlying stock might show a different proceeds amount. For example, if you wrote a call and it is exercised or assigned, the proceeds from the sale of the underlying stock will include the option premium. This section includes options activity information you may need to include on your tax return, even though it is not provided to the IRS. Please consult with your tax advisor.

PURCHASE ACTIVITY

This section of your statement lists purchase activity that has occurred in your account during 2008. Reinvested dividends are included in the “Purchase Activity” section with a description of “Purchase” so that you can track your cost basis and holding period.

ACCRUED INTEREST PAID — BONDS PURCHASED BETWEEN INTEREST PAYMENT DATES:

This shows the accrued interest you paid when you purchased a bond between interest payment dates. Since how you apply this is based on

your individual election (adjusting reportable income or cost basis), this is the most appropriate place to provide this information. When the interest for the entire period is paid to you and reported on Form 1099-INT, you can reduce your reportable interest by this amount as explained in the instructions for Schedule B (Form 1040); or you can adjust your basis downward for this return of your initial capital investment. To offset your interest income upon receipt on the next bond payment period, you may elect to show this amount separately below a subtotal of all interest income listed. Identify amounts as “Accrued Interest Paid,” and subtract it from the interest income subtotal. Report the result on line 2, Part 1 of Schedule B (Form 1040) and on Form 1040, line 8a.

REALIZED GAIN/LOSS STATEMENT

If you have elected to receive realized gain/loss information as part of your monthly statements, your package will include realized gain/loss information for your tax lots closed on our systems for the entire year (or part of the year if you transferred in from another broker-dealer). This information is not provided to the IRS and it is not verified. Discuss your unique tax reporting requirements with your tax advisor. For example, many investments are eligible for adjustments to basis for return of capital or principal, original issue discount accruals, bond premium, market discount, etc., which adjustments are often not included. The totals located at the bottom of the various columns may not be accurate

Miscellaneous Information

MONEY MARKET FUNDS – ADMINISTRATIVE FEES

In some instances, an administrative service (“sweep”) fee is charged on balances in money market funds available for cash sweeps. This fee is deducted automatically from monthly income in the form of a reduction in the dividends you receive. The dividends that appear on your monthly statement are net of this fee. However, federal tax laws and regulations require that we report the gross dividend that was distributed, regardless of any fee deducted. For this reason, the aggregate service fee for the year is added back to your net dividends, and the total is reported to the IRS as dividends received on your Form 1099-DIV. Refer to IRS Publication 529 and consult with your tax advisor to see if you are eligible to include this fee as a “miscellaneous itemized deduction.”

FIXED-RATE CAPITAL SECURITIES

Fixed-rate capital securities are a class of fixed-income preferred securities, such as Monthly Income Preferred Securities (MIPS), Monthly Income Debt Securities (MIDS), Quarterly Income Capital Securities (QUICS), Quarterly Income Preferred Securities (QUIPS), Quarterly Income Debt Securities (QUIDS), Canadian Original Preferred Securities (COPRS), and Trust Originated Preferred Securities (TOPRS). Most fixed-rate capital securities are structured as debt, securities and therefore income from these securities is reportable as interest or OID.

Most MIPS are structured as partnerships for federal income tax purposes. You will receive tax-reporting information directly from the issuer via Schedule K-1. As many issuers of other types of fixed-rate capital securities have the option to extend the interest payment period from time to time, income on these types of securities (non-MIPS issued prior to August 13, 1996) is reported as original issue discount. Income on these securities issued after August 13, 1996 is generally reportable as interest.

The amount of original issue discount (OID) that is reported on the 1099-OID may not equal the amount of income you actually received. Since the issuers have the option of extending the payment period, holders must recognize interest income under a constant yield basis over the life

if the system did not have complete purchase or sales price information for each tax lot, a security’s proceeds amount is based on pay-down factors, or the proceeds amount is based on a taxable merger or exchange which may or may not include the fair market value of any new shares you received.

ANNUAL STATEMENT INFORMATION

If your December 31 account value makes you eligible, you will receive an “Enhanced 1099” package that includes a recap of the monthly statements you received for the prior calendar year. Any advisory or management fees you paid in lieu of commissions appear on the “Income Summary” page. Please note that amendments will not contain this information. Be sure to separate and retain this information for future use.

THE REALIZED GAIN/LOSS REPORT AND THE ANNUAL STATEMENT INFORMATION INCLUDED WITH YOUR TAX FORMS ARE PROVIDED FOR COURTESY PURPOSES ONLY. UPDATED REALIZED GAIN/LOSS INFORMATION WILL BE PROVIDED ONLY WITH AN AMENDED TAX FORM THROUGH EARLY APRIL. PLEASE NOTE, THIS DOES NOT MEAN THAT AMENDMENTS CAN BE CREATED SOLELY FOR UPDATES TO REALIZED GAIN/LOSS INFO. AMENDED STATEMENTS CAN ONLY BE GENERATED FOR CHANGES TO TAX DATA.

of the security, regardless of the receipt of cash. This difference should only occur during years that the security was acquired or disposed of, or if the company elects to defer payment. If the company elects to defer payments, the holders of the security will continue to accrue income (OID) for tax purposes, even though payments are not being made. Unlike other OID securities, you do not need to make an OID adjustment if the security was bought on the secondary market, regardless of purchase price. The purchase price will determine the capital gain or loss realized upon disposition of the security.

FOREIGN DIVIDENDS AND INTEREST

If you owned shares of any foreign security in your account that paid dividends (or interest), you may be entitled to a foreign tax credit or deduction on Form 1040 (line 47) or Schedule A (line 8) if you are taking it as an itemized deduction. Form 1099-DIV (Box 1) will reflect the gross dividend distributed by the company and from which foreign tax was withheld (if the foreign entity paid interest, the gross amount of interest will be reflected in Box 1 of Form 1099-INT).

The total amount of foreign tax paid will be shown with an activity description of “Foreign Tax Withheld” in Box 6 of either your Form 1099-DIV or Form 1099-INT. For most foreign stock positions, the foreign country or U.S. possession where the tax was withheld (country of origin) is indicated by the two-letter code under the “Country” column for these items. If no country is indicated, this is because a mutual fund portfolio holds numerous foreign securities so that multiple country amounts apply. Except for any foreign tax amount that can be reclaimed from the foreign government, the IRS allows taxpayers to take a foreign tax credit without filing Form 1116 if their total foreign taxes are \$300 or less (\$600 or less on a joint return). Only if taxpayers are filing Form 1116 to claim a foreign tax credit do you need each country name, amount of the dividend received from that country and the tax withheld for that country. Starting with Tax Year 2008, mutual fund companies are no longer requiring country-specific information. To determine if you are eligible to claim a foreign tax credit and how to file, please refer to the following: IRS Publication 514, 2008 Instructions for Form 1116, 2008 1040 Instructions for Line 47, and the 2008 Instructions for Schedule A.

ROYALTY TRUSTS

Royalties from copyrights, patents, and oil, gas, and mineral properties are taxable as ordinary income. If you own a royalty trust, the royalty and other income generated from these instruments will be reflected on Form 1099-MISC. In late March or early April, you will receive a booklet from the royalty trust that details tax consequences and provides information on how to determine your pro-rata share of income and deductions attributable to your investment in the royalty trust security. You should follow the instructions in that booklet, because it is the primary source of information needed to complete your tax return. Most booklets explain how to reconcile the information we reported on a Form 1099 with the information they provide, often by deleting all or part of the amount on Schedule B of your tax return. If you received dividend income from a Canadian royalty trust, whether or not it is reportable as qualified dividend income depends solely on the information that the trust has filed with the Securities Exchange Commission, and not on what it posts on its web site. See *IRS Publication 525*.