A Comprehensive Guide to Your

2012 Tax Information Statement
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At Hilliard Lyons, providing excellent service to clients is our highest priority. Over the past year, we have worked diligently to enhance and refine the support we provide you, as you fulfill your tax reporting obligations.

First, you will find that we have improved the formatting of the tax documents (such as 1099s) that we provide you. Second, we have made it very easy for you or your tax preparer to download your data straight into TurboTax®.

Now, we are pleased to provide you with this guide, which defines terms and describes how and where to report certain transactions on your 2012 federal income tax return.

The guide has been organized so as to make it as easy as possible for you to quickly find the information you’re looking for. It is our sincere hope that through all of these improvements, you will experience a better tax preparation season than ever before. As always, we are grateful for the opportunity to be of service.

Hilliard Lyons does not provide tax advice. This material is presented for informational purposes only. Consult your tax advisor concerning any issues that may affect your tax situation.

Important note: In accordance with IRS regulations, please be advised that, unless otherwise expressly stated, any U.S. federal or state tax advice in this communication is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of (i) avoiding penalties that may be imposed under federal or state law or (ii) promoting, marketing or recommending to another party any transaction or tax-related matter(s) addressed herein.
Before preparing your tax return, please note the following important information.

This guide describes how and where to report certain transactions on your federal income tax return and is 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). Your tax professional can provide further advice as to federal, foreign, state and local tax reporting requirements.

Separate Accounts
You will receive a separate Tax Information Statement for each of your brokerage accounts.

Transferred Accounts
If your account was transferred to us during 2012, your Tax Information Statement will only include activity (including income accruals) during the time you conducted business with us. Your former firm should provide tax forms 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, or visiting the IRS website at www.irs.gov. The following IRS publications provide useful tax information related to reporting securities transactions: Pub 550 – Investment Income and Expense; Pub 938 – Real Estate Mortgage Investment Conduits (REMICs) Reporting Information (and Other Collateralized Debt Obligations (CDOs); Pub 1212 – Guide to Original Issue Discount (OID) Instruments; and Pub 590 – Individual Retirement Accounts.

Deminimis Threshold
If your reportable content is below the deminimis threshold of $10 as established by regulation, we will not generate a Tax Information Statement for you, nor will such amounts be reported to the IRS.

Foreign Tax Credit
The IRS has eliminated the requirement for mutual funds to report foreign source income and foreign tax on a country-by-country basis. Instructions for Form 1116 (Foreign Tax Credit) provide that “You do not need to report income passed through from a mutual fund or other regulated TIP investment company (RIC) on a country-by-country basis. Total all income, in the applicable category, passed through from the mutual fund or other RIC and enter the total in a single column in Part I. Enter “RIC” on line (g). Total all foreign taxes passed through and enter the total on a single line in Part II for the applicable category”. Please consult a qualified tax advisor and refer to the instructions in IRS Form 1116 for detailed instructions.
Widely Held Fixed Investment Trusts (WHFIT’s)
WHFIT’s are generally not considered business entities for tax purposes; rather, the Trust Interest Holder (TIH) is deemed to hold an undivided beneficial interest in the assets of the trust and, accordingly, assumes an expanded scope of responsibility for tax reporting purposes. Reporting of WHFIT tax information may vary depending on the trust.

Royalty Trusts
If you held interests in Royalty Trusts, you may obtain a copy of the Trust Tax Information Package at www.hilliard.com. You can also notify your Financial Consultant that you wish to receive a printed copy of the Trust Tax Information Package to be mailed to you. Please consult with a qualified tax advisor for guidance on the use of this information.

Master Limited Partnerships
Information reporting for partnership income is provided directly to you by the partnership on Form 1065 Schedule K-1 which may be received after April 15 if the partnership has an extension of time to file. Please contact the partnership directly for inquiries about your Schedule K-1. Please refer to www.k1support.com for partnership contact information.

Substitute Payments
If you have a margin account with a debit balance, securities in the account can be loaned to a broker. If you had shares loaned out over a dividend record date, you may receive a substitute payment instead of a dividend payment. Substitute payments are taxed at ordinary income tax rates and are reported on Form 1099-MISC.

REMIC/CMO/WHMT/MBS Information
All Mortgage Backed Income Reporting (AMBIR) information including Real Estate Mortgage Investment Conduits (REMICs), or Collateralized Debt Obligations/Collateralized Mortgage Obligations (CDOs/CMOs) and Widely Held Mortgage Trusts (WHMT’s) follow specialized reporting rules. Tax information for these securities is not included in your 2012 Tax Information Statement. Your Tax Information Statement will indicate if you are scheduled to receive a form for instruments of this type. AMBIR information, depending on the issuer, may be presented on an accrual basis, as opposed to a cash basis. Payments from such instruments credited to your account during the year may or may not equal the amount of reportable income. Expect to receive additional statements in March for your AMBIR content. Be certain to reconcile this content to your income tax return prior to filing. For additional information on OID reporting, please refer to IRS Publication 1212 (Guide to Original Issue Discount [OID] Instruments). Returns of principal received from REMIC/CDO/CMO/WHMT securities will be reported on Form 1099-B. Once you have received an amount equal to your cost (or other basis) for the security, further distributions are generally taxable as a capital gain.
The cost basis reporting requirements mandated by Congress, the Department of Treasury and the Internal Revenue Service took effect on January 1, 2011. The new tax rules require brokers to report cost basis information when covered securities in your taxable account are sold, exchanged or transferred.

**What is Covered in 2012?**
Covered securities include stock that was acquired on or after January 1, 2011, as well as dividend reinvestment plan shares (DRP) and mutual fund shares that were acquired on or after January 1, 2012.

**What The Cost Basis Changes Mean To You**
The cost basis of covered securities and the proceeds of sales, will be reported on IRS Form 1099-B. This form will also report whether the gain or loss is either short-term or long-term and if any loss is subject to disallowance under the broker wash sale rule. If you sold shares of stock in 2012 that were acquired before January 1, 2011, or if you sold shares of a dividend reinvestment plan (DRP) or mutual fund shares that were acquired before January 1, 2012, they are noncovered securities and their cost basis will not be reported on the 1099-B.

It is important to note that in addition to providing cost basis for all securities sold in 2012 on the Schedule D of the IRS form 1040, you must also provide the cost basis on securities sold in 2012 on the IRS Form 8949 (Sales and Other Dispositions of Capital Assets), which was introduced in 2011.

**Wash Sale Loss Disallowed**
Hilliard Lyons will generally report a loss as disallowed for broker wash sales which are invoked for substantially identical property within an account. Taxpayers generally continue to be subject to the terms of the broader wash sale regulation which establishes limitation on loss recognition for property sold at a loss and for which within 30 days before or after that date substantially identical property is acquired irrespective of the account. Please refer to IRS Publication 550 for guidance.

**Wash Sale Example**
You acquired 100 shares of XYZ Company for $2,200. You sell you 100 shares for $2,000 and within 30 days from the sale date you repurchase the same stock for $1800. 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 $2,000. The holding period for the repurchased lot is also adjusted to the acquisition date of the initial wash sale.
Other Important Details

- 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 securities acquired includes the holding period of those involved in a disallowed loss. Term (long/short) for realized and unrealized gain/loss will generally be determined by the adjusted trade date for affected lots.

Important note – You are still obligated to apply the wash sale rule across all of your applicable brokerage accounts for substantially identical securities when preparing your tax returns.

Additional Information

For additional information about wash sales and cost basis and its use during your tax preparation please refer to the following IRS publications: 2012 Instructions for Schedule D (and Form 8949), IRS Pub. 550 (Investment Income and Expenses) and IRS Pub.551 (Basis of Assets). These publications can be found at www.irs.gov or by calling the IRS Forms Distribution Center at (800) TAX FORM
General Information about Your Tax Information Statement

Exempt Accounts
Certain accounts are exempt from IRS Form 1099 reporting and backup withholding requirements. These accounts generally include accounts for C-corporations, qualified retirement accounts (QRP), individual retirement accounts (IRAs), certain WHFITs, charitable organizations, foreign accounts, and most federal, state and local government accounts. A more complete list of exemption criteria can be found 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 receive a Tax Information Statement, please contact your financial consultant.

Taxpayer Identification Number
The IRS allows filers of 1099 forms 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. These identification numbers are displayed on your Tax Information Statement in the following format: XXX-XX-1234.

Please check your name and Taxpayer Identification Number (or truncated number) displayed on your Tax Information Statement. If it is either missing or incorrect, promptly provide an executed IRS Form W-9 (Request for Taxpayer Identification Number and Certification) to your financial consultant. 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 contact your financial consultant. To avoid backup withholding, it is important to ensure that your name and Taxpayer Identification Number 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: TIN

Q. My child’s stock was sold through a custodial account. 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). Submit this form to your financial consultant to be applied to the account prospectively.
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 (such as a QRP, or charity), please furnish your Financial Consultant with an executed IRS Form W-9, including 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.

We report federal income tax withheld separately in the 1099-B, 1099-DIV, 1099-INT and 1099-OID sections of your statement. You should combine these amounts and report them on IRS Form 1040, line 62.

When withholding is required, we remit the amount withheld directly to the IRS, you should generally report these amounts on IRS Form 1040, line 62.

Nominee Recipients
If your SSN or Employer Identification Number (EIN) is shown on your Tax Information Statement, and the statement includes amounts that belong 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. File the applicable IRS Form 1099 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 1099. You must furnish an IRS Form 1099 to the other owner(s). 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 J.J.B. Hilliard, W.L. Lyons, LLC (Taxpayer Identification Number 26-2333067). 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. Transactions that have been corrected will show a “C” in the ‘Notes’ column of the 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 2012 are reported on the 2012 Tax Information Statement, even when the dividends are actually paid in January 2013. Dividends and interest paid on WHFITs and WHMTs in October, November or December 2012 are reported on the 2012 Tax Information Statement, even when the dividends and interest are actually paid in January or February 2013. The dividends are referred to as “spillover dividends” and will not be reported again on the 2013 Tax Information Statement.

TurboTax®
You can download your Hilliard Lyons tax information to your TurboTax® software. You will need to know your account number and the document ID. Please see the TurboTax® import instructions at www.hilliard.com for more detailed information.

U.S. Treasury Interest from Funds and Municipal Bond Fund Income
Your Hilliard Lyons online account contains a personalized report with source percentages for funds paying exempt income in your account. You can locate source percentage income in your account, including U.S. Treasury interest and municipal bond interest income, expressed as a percentage of the amounts paid to you. To obtain the “Tax-Source Income %” report for your account, please log in to your online account, or contact your Financial Consultant to obtain this information.

State Taxation of Mutual Funds
State taxation of mutual fund distributions may vary from that of the federal government:
- Funds invested in direct obligations of the U.S. Government are generally exempt from state income taxes. By logging in to your online account, you can access a “Tax-Source Income %” report for your account, if it is not already contained within your Tax Information Statement under the Mutual Fund and UIT Supplement Information section.
- In most states, municipal interest from in-state issues is usually tax-exempt. States generally will impose tax on income derived from obligations of other states.
- Some states do not grant reduced rates for capital gains.
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.

Summary of Information We Report to the IRS

<table>
<thead>
<tr>
<th>Dividends and Distributions</th>
<th>2012 1099-DIV</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a. Total ordinary dividends (includes 1b)</td>
<td>82,006.87</td>
</tr>
<tr>
<td>1b. Qualified dividends</td>
<td>63,908.21</td>
</tr>
<tr>
<td>2a. Total capital gain distributions (includes lines 2b, 2c, 2d)</td>
<td>0.00</td>
</tr>
<tr>
<td>2c. Section 1221 gain</td>
<td>0.00</td>
</tr>
<tr>
<td>2d. Section 1242 gain</td>
<td>0.00</td>
</tr>
<tr>
<td>2e. Sales by partnerships or S corporations</td>
<td>0.00</td>
</tr>
<tr>
<td>2f. Non-qual dividends</td>
<td>0.00</td>
</tr>
<tr>
<td>4. Federal income tax withheld</td>
<td>0.00</td>
</tr>
<tr>
<td>5. Investment expenses</td>
<td>0.00</td>
</tr>
<tr>
<td>6. Foreign tax paid</td>
<td>976.98</td>
</tr>
<tr>
<td>7. Due to foreign income or US possession</td>
<td>0.00</td>
</tr>
<tr>
<td>8. Due to noncash liquidation distributions</td>
<td>0.00</td>
</tr>
<tr>
<td>11. Due to nonqual dividends (includes line 11)</td>
<td>0.00</td>
</tr>
<tr>
<td>12. Due to state</td>
<td>0.00</td>
</tr>
<tr>
<td>13. Due to state tax withheld</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Miscellaneous Income</th>
<th>2012 1099-MISC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Royalties</td>
<td>0.00</td>
</tr>
<tr>
<td>2. Other income</td>
<td>0.00</td>
</tr>
<tr>
<td>3. Federal income tax withheld</td>
<td>0.00</td>
</tr>
<tr>
<td>4. Substitute payments in lieu of dividends or interest</td>
<td>0.00</td>
</tr>
<tr>
<td>5. State tax withheld</td>
<td>0.00</td>
</tr>
<tr>
<td>6. State income tax withholding</td>
<td>0.00</td>
</tr>
<tr>
<td>7. State</td>
<td>0.00</td>
</tr>
<tr>
<td>8. State income tax withholding</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Summary of Gross Proceeds and Original Issue Discount

Gross Proceeds Summary

- Gross proceeds of tax-exempt bonds: $89,990.62
- Federal income tax withheld: 0.00

Original Issue Discount Summary

- Original issue discount for 2012: 0.00
- Other periodic interest: 0.00
- Federal income tax withheld: 0.00
- Original issue discount on U.S. Treasury obligations: 0.00
- Investment expenses: 0.00

Changes to dividend tax classifications processed after the date of this statement may lead to a revised Form 1099.
Summary of Information We Do Not Report to the IRS

**Summary of Gains and Losses** – “Summary of Gains and Losses” under the Supplemental Information section in your Tax Information Statement is provided for your convenience and is presented for informational purposes only. Cost basis totals include only amounts that were available to us. Refer to the appropriate detail sections in your package to ensure that you have considered all relevant items on your income tax return.

**Summary of Non-reported Income, Fees, Expenses and Expenditures** - Items appearing in this area of the Supplemental Information section are presented for informational purposes only. This information is not reported to the IRS, but may be useful as you prepare your income tax returns.

**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. If your investment interest expense is deductible, this is reported as an itemized deduction on IRS Form 1040, Schedule A, line 14.

*Please consult with your tax advisor regarding use of the Supplemental Information in your Tax Information Statement.*
New this year: Exempt-interest dividends from a mutual funds or other regulated investment company (RIC) are now reported on Form 1099-DIV. They will no longer be reported on Form 1099-INT, Interest Income. Visit your online account at www.hilliard.com for a personalized report consisting of the source percentages for your exempt income, or ask your Financial Consultant to provide a copy to you.

Dividends and Distributions 1099-DIV

Total Ordinary Dividends (1a) – Ordinary dividends which include any net short-term capital gains from a mutual fund are fully taxable. 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.

Qualified Dividends (1b) – The portion of your dividends that is eligible for the 15% or 0% capital gain rate is reported as Qualified Dividends on line 1b 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.

Exceptions: Some dividends that are reported as Qualified Dividends on line 1b may not be Qualified Dividends depending on your circumstances, including those described below.

- Dividends on stock or mutual fund shares 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 number of days you held the stock, include the day you disposed of the stock, but not the day you acquired it.
Qualified Dividends – Exceptions continued

- For dividends on preferred stock, when the dividend is attributed 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 generally nonqualified dividends. As such, these dividends are reported in line 1a of Form 1099-DIV.

For more information about determining if your dividends qualify for taxation at the Long Term Capital Gains rate, please see IRS Publication 550 or the instructions to IRS Form 1040.

Total Capital Gain Distributions (2a) – Total capital gain distributions (long-term) from a mutual fund or REIT are included in this section of your Tax Information Statement. 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 separate Capital Gain Distributions lines 2b, 2c and 2d.

Unrecaptured Section 1250 Gain (2b), Section 1202 Gain (2c), Collectibles (28%) Gain (2d) – If your Tax Information Statement contains amounts on any of these lines, see the Instructions for IRS Form 1040, Schedule D (Capital Gains and Losses) for information on how to report this income.
**Nondividend Distributions (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 distributions carefully to determine if any generally represent a return of capital.


**Investment Expenses (5)** – Your share of investment expenses is reported on line 5. You may deduct these expenses (subject to 2% limit) on the “other expenses” line on Form 1040, Schedule A, line 23. These expenses are included in line 1a.

**Foreign Tax Paid (6)** – Your Tax Information Statement includes foreign tax paid (withheld) from foreign-source dividends credited to your account.

**Cash and Noncash Liquidation Distributions (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 was credited to your account.

State Tax-Exempt Income – Tax-exempt income is reported on Form 1099-INT as Tax-Exempt Interest (8), and as Specified Private Activity Bond Interest (9), if applicable. Line 10 reports the CUSIP number(s), if any of the tax-exempt bond(s) for which tax-exempt interest is reported on line 8. Please visit your online account for a personalized report of source percentages for your tax-exempt income, or ask your Financial Consultant to provide a copy to you.

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 at the end of March 2013. 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.

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**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.
Dividends and Distributions

Report Total Ordinary Dividends (1099-DIV, item 1a) on IRS Form 1040, Schedule B, line 5 as shown below. Total Qualified Dividends are entered on the IRS Form 1040, line 9b.

**Dividends and Distributions 1099-DIV**

**IRS Form 1040, Schedule B, Part II**

**HILLIARD LYONS**
Transfer the total of all ordinary dividends from IRS Form 1040, Schedule B, line 5 to IRS Form 1040, line 9a, as shown below.

IRS Form 1040

Report Qualified Dividends on IRS Form 1040, line 9b, as shown above. 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 based on your individual circumstances. If you have qualified dividends you should use the Qualified Dividends and Capital Gain Tax Worksheet in the IRS Instructions to Form 1040, or the Schedule D Tax Worksheet in the Instructions to Schedule D, whichever applies, to calculate your tax. The Instructions to IRS Form 1040 and Schedule D tell you which Tax Worksheet to complete to calculate your tax.

Individual dividend and distribution transactions can be found in the “Detail for Dividends and Distributions” section of your Tax Information Statement.
The amounts reported in this section of your Tax Information Statement reflect interest income credited to your account during 2012. The summary section 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.

**Interest Income 1099-INT**

**Interest Income (1)** – Interest income reported on this line was paid by corporations (U.S. and foreign) and U.S. government agencies, and may include interest on your credit balances. Total interest income reported on this line 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 illustrated on page 21.

**Interest on U.S. Savings Bonds and Treasury Obligations (3)** - Interest Income on this line was paid on U.S. Treasury notes, bonds, and bills. This interest income is not included in Interest Income (line 1), Tax-Exempt Interest (line 8) or Specified Private Activity Bond Interest (line 9). Total Interest on U.S. Savings Bonds and Treasury Obligations (line 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 page 21.
**Interest Income**

**Investment Expenses (5)** – The amount reported on this line represents your allocable share of investment expenses and may be attributed to direct investments such as UITs, WHFITs and WHMTs.

**Foreign Tax Paid (6)** – This amount represents taxes paid to foreign governments on interest from foreign sourced assets. You may choose to claim these taxes as a credit or as an itemized deduction on your federal income tax return.

**Tax-Exempt Interest (8)** – Interest income reported on this line represents interest paid on bonds issued by state, the District of Columbia, a U.S. possession, an Indian tribal government or a political subdivision. Total interest income reported on this line is also reported in the detail section of your Tax Information Statement as Detail for Tax-Exempt Interest. Generally, individuals should report this total on IRS Form 1040, line 8b.

**Specified Private Activity Bond Interest (AMT) (9)** – Interest income reported in this column was paid from specified private activity bonds. This interest may be considered in your alternative minimum tax (AMT) calculation, and is included in the Tax-Exempt Interest (line 8). You may be required to report this total on IRS Form 6251, Alternative Minimum Tax – Individuals.

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

If you held one or more of these investments, we may send you a revised Tax Information Statement as we may not have received final information by the time your form was issued. Some issuers may not make their final distribution information available until later dates. Distributions declared on these investments in October, November or December 2012 are considered received on December 31, 2012, even if the income or interest was not actually paid until January (in the case of RICs [or mutual funds] and REITs) or February (in the case of WHFITs and WHMTs) of 2013. Accordingly, these amounts are reported on your 2012 IRS Form 1099. UIT holders should expect to receive their original Tax Information Statement at the end of February after final information has been released by the issuers. Supplemental information, personalized for your account, regarding the percentage of tax-exempt income on municipal bond funds by state and the percentage of government agency, direct federal and foreign source income for funds will be available in your online account at www.hilliard.com.
Interest Income


Interest Income 1099-INT

Individual transactions can be seen in the “Detail for Interest Income” and “Detail for Tax-Exempt Income” in your Tax Information Statement.
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, we are required to report aggregate profit or loss and its three components as follows:

**Profit or (Loss) Realized in 2012 (9)** – This amount indicates the profit (or loss) realized from regulated futures contract transactions closed during 2012.

**Unrealized Profit or (Loss) on Open Contracts 12/31/2011 (10)** – This amount was previously reported to you on your 2011 Tax Information Statement, as the contracts were marked to their market value at the end of 2011. It is reported here as an adjustment to your 2012 aggregate profit (or loss), since it should have been included in your income for 2011.

**Unrealized Profit or (Loss) on Open Contracts 12/31/2012 (11)** – This amount indicates unrealized profit (or loss) on open contracts as of December 31, 2012, based on their value at the end of the year.

**Aggregate Profit or (Loss) (12)** – This is a summary of your regulated futures contracts activity.
Royalties (2) – Gross royalties before reductions for fees, commissions and expenses are reported on line 2. This amount should be reported on IRS Form 1040, Schedule E.

Other Income (3) – Amounts reflected on line 3 or IRS Form 1099-MISC should generally be reported as “other income” on IRS Form 1040, line 21.

Substitute Payments In Lieu Of Dividends or Interest (8) – Line 8 of IRS Form 1099-MISC reflects payments that we receive on your behalf in lieu of dividends or tax-exempt interest as the result of a loan on your securities. A “substitute payment” is a payment in lieu of (1) a dividend or (2) 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.
Original Issue Discount (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 owned 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.

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 in your Tax Information Statement Form 1099-OID, and should be reported separately on your tax return. It is important that you report these amounts on your tax return in the same manner they appear on your Tax Information Statement. The IRS may attempt to match these items to your tax return.
Income earned on an OID 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 the detail section of your Tax Information Statement.

**OID (line 1)** – Amounts in this column reflect the OID on each obligation for the part of the year in which it was owned.

**Other Periodic Interest (line 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 on the Other Periodic Interest line. Also, when a REMIC is issued with an OID, we report the accrued interest earned on the REMIC as “other periodic interest”.

**OID on U.S. Treasury Obligations (line 6)** – 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 U.S. Treasury obligation separately on IRS Form 1040, Schedule B, line 1. This OID is generally exempt from state and local income taxes.

**Investment Expenses (line 7)** – This represents your share of investment expenses of a single-class REMIC. Your share of UIT, WHFIT and WHMT expenses are also reported on this line. If you file IRS Form 1040, you may deduct these expenses (subject to the 2% limit) on IRS Form 1040, Schedule A, line 23.
Since the amounts 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. Please see IRS Publication 1212, Guide to Original Issue Discount for information on how to report OID.

![Sample Tax Form](image)
Proceeds from Broker and Barter Exchange Transactions

Long-Term and Short-Term Transactions
Long-term and short-term transactions are segregated on your 1099-B form in a format comparable to the IRS Form 8949, for dispositions of covered securities. Noncovered securities transactions will also be displayed separately from covered securities transactions. The new 1099-B format will simplify your process of recording or transcribing each transaction from the 1099-B to IRS Form 8949.

Below is a list of the four sections on your Tax Information Statement Form 1099-B and the corresponding information for IRS Form 8949.

<table>
<thead>
<tr>
<th>Form 1099-B Section</th>
<th>Corresponding Form 8949 Part and Box</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Transactions for which Cost Basis Was Reported to the IRS</td>
<td>Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less and Box (A)</td>
</tr>
<tr>
<td>Short-Term Transactions for which Cost Basis Was Not Reported to the IRS</td>
<td>Part I or Part II and Box (B) or Box (C)</td>
</tr>
<tr>
<td>Long-Term Transactions for Which Cost Basis Was Reported to the IRS</td>
<td>Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year and Box (A)</td>
</tr>
<tr>
<td>Long-Term Transactions for Which Cost Basis Was Not Reported to the IRS</td>
<td>Part I or Part II and Box (B) or Box (C)</td>
</tr>
</tbody>
</table>

Below is a list of items on your Tax Information Statement Form 1099-B, which will report information for covered securities transactions and the corresponding columns on IRS Form 8949.

<table>
<thead>
<tr>
<th>Form 1099-B Box</th>
<th>Corresponding Form 8949 Column</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 8 – Description / CUSIP</td>
<td>(a) Description of Property</td>
</tr>
<tr>
<td>Item 1e – Quantity</td>
<td>(a) Description of Property</td>
</tr>
<tr>
<td>Item 1a – Date of Sale or exchange</td>
<td>(d) Date sold</td>
</tr>
<tr>
<td>Item 1b – Date of acquisition</td>
<td>(c) Date acquired</td>
</tr>
<tr>
<td>Item 2a – Gross proceeds of stocks, bonds, etc.</td>
<td>(e) Sales price</td>
</tr>
<tr>
<td>Item 3 – Cost or other basis</td>
<td>(f) Cost or other basis</td>
</tr>
<tr>
<td>Item 5 – Wash Sale Loss Disallowed</td>
<td>(g) Adjustments to gain or loss</td>
</tr>
</tbody>
</table>
A – 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, redemptions, tenders offers and maturities. Each transaction in this section is reported to the IRS.

B – Covered transactions will be grouped and sorted by the security CUSIP within the following two subsections:

- **Short-Term Transactions for Which Cost Basis Was reported to the IRS;** Report on Form 8949, Part I, with Box A checked.

- **Long-Term Transactions for Which Cost Basis Was Reported to the IRS;** Report on Form 8949, Part II, with Box A checked.

C – Noncovered transactions will be grouped and sorted by the security CUSIP within the following subsection:

- **Transactions for Which Cost Basis Was Not Reported to the IRS;** Report on Form 8949 with Box B checked, in either Part I or Part II as appropriate.
1. **Type of Gain or Loss (1c)** – Type of gain or loss, short-term or long-term, for covered securities transactions.

2. **Covered or Noncovered (6)** - Transactions under “Covered tax lot for which cost basis is reported to the IRS” were covered securities sold and information may be provided in columns 1b, 1e, 2a and 3.

3. **Description (8) and Date of Sale or exchange (1a)** – The description of the security is displayed in this column. Below the description is the trade date of the sale or exchange is shown in this column.

4. **Quantity (1e)** – The number of shares is displayed under this column. If fractional shares are included, the fractional amount will be shown.

5. **Proceeds of stocks, bonds, etc. (2a)** – Proceeds from transactions involving stocks, bonds and other debt obligations are displayed in this column.

6. **Date of acquisition (1b)** – The word “various” will be displayed in this column if the securities sold were acquired on a variety of dates. For covered short sales (for 2012 tax year these are short sales closed in 2012) the date shown is the acquisition date of the security delivered to close the short sale.

7. **Cost or other basis (3)** – The cost or other basis for disposition transactions is shown in this column. See IRS Form 8949 and Schedule D (Form 1040) instructions and IRS Pub. 550 (Investment Income and Expenses) and IRS Pub. 551 (Basis of Assets) for details about cost basis.

8. **Gain or loss** – The amount of gain or loss on the transaction. Losses will be shown with a minus sign.

9. **Wash Sale Loss Disallowed** – For transactions that resulted in a wash sale, the nondeductible amount of the loss is displayed below the tax lot detail of the transaction.
Proceeds from Broker and Barter Exchange Transactions

Report each transaction separately on IRS Form 8949 and Form 1040, Schedule D, as either short-term or long-term, depending on the holding period. Short-term transactions should be itemized in Part I of Form 8949 and long-term transactions should be itemized in Part II of Form 8949. The sample statement below illustrates how this information is reported on your Tax Information Statement, and the sample tax form below illustrates how you should report this information on your tax return.

**Sample Statement**

<table>
<thead>
<tr>
<th>Proceeds from Broker and Barter Exchange Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 1099-B*</td>
</tr>
<tr>
<td>Account number is displayed here</td>
</tr>
</tbody>
</table>

**IRS Form 8949**

**Sales and Other Dispositions of Capital Assets**

Note: You must check one of the boxes below. Complete a separate Form 8949, page 1, for each box that is checked.

- [X] Short-term transactions reported on Form 1099-B with basis reported to the IRS
- [ ] Short-term transactions reported on Form 1099-B but basis not reported to the IRS
- [ ] Short-term transactions for which Form 1099-B basis was not reported to the IRS you cannot check box A or B

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

Cat. No. 376682
You would then take the totals at the bottom of IRS Form 8949, which could also include line item amounts from other 1099-B forms, to complete Line 1 of Form 1040, Schedule D.