

Important Information Regarding Cost Basis Reporting.

Beginning with the 2011 tax year, financial institutions must report to the IRS on clients' Forms 1099-B, not only gross proceeds, **but also the adjusted cost basis for covered securities sold, and whether the related gain or loss is long- or short-term.** A covered security is any security purchased or acquired on or after the following effective dates:

- Equity securities acquired on or after January 1, 2011
- Mutual fund and dividend reinvestment plan (DRIP) shares acquired on or after January 1, 2012
- Simple debt securities such as fixed-rate bonds, original issue discount (OID) bonds and zero coupon bonds, option rights and warrants acquired on or after January 1, 2014.
- More complex debt instruments acquired on or after January 1, 2016.

I understand that it is my responsibility to be aware of the tax consequences of my trading activity throughout the entire year and that **new IRS regulations dictate that changes to tax lots will not be permitted after the settlement date of the closing transaction.** I will consider consulting with my tax advisor to determine the best tax lot relief method for me and **if I would like to sell a specific tax lot, I will let my financial advisor know this at or before the time of the trade.**

In accordance with current Federal tax regulations, the default method is FIFO (First In First Out). To provide me with the flexibility to set an alternative relief method on an account-by-account basis, your clearing firm First Clearing, LLC will support a number of different tax lot relief methods beginning with the 2011 tax year. To assist me, an explanation of the alternative options on the Brokerage Account Section of this form is as follows:

FIFO - First In First Out - If the account is set up for First In First Out, the first security purchased is assumed to be the first security sold. If the trade requires additional units to be closed, the process will be repeated sequentially until the required number of shares is reached.

LIFO - Last In First Out - If the account is set up for Last In First Out, the most recent tax lot purchased will be the first closed. If the trade requires additional units to be closed, the process will be repeated sequentially until the required number of shares is reached.

HIFO - Highest In First Out - If the account is set up for Highest In First Out, the tax lot with the highest cost basis will be the first closed. If the trade requires additional units to be closed, the process will be repeated sequentially until the required number of shares is reached.

LOFO - Lowest Cost First Out - If the account is set up for Lowest Cost First Out, the tax lot with the lowest unit cost will be closed first, regardless of the holding period. If the trade requires additional units to be closed, the process will be repeated sequentially until the required number of shares is reached.

HCST - Highest Cost Short Term - If the account is set up for Highest Cost Short Term, the process will pick only the short term tax lots and the tax lot with the highest unit cost will be closed first. If the trade requires additional units to be closed, the process will be repeated sequentially until the required number of shares is reached. If no short term lots are found, or if the number of short-term units is insufficient to cover the sale, the process will look at long-term lots and continue to close HCLT.

HCLT - Highest Cost Long Term - If the account is set up for Highest Cost Long Term, the process will pick only the long term tax lots and the tax lot with the highest unit cost will be closed first. If the trade requires additional units to be closed, the process will be repeated sequentially until the required number of shares is reached. If no long term lots are found, or if the number of long-term units is insufficient to cover the sale, the process will look at the short-term lots and continue to close HCST.

LCLT - Lowest Cost Long Term - If the account is set up for Lowest Cost Long Term, the process will pick only the long term tax lots and the tax lot with the lowest unit cost will be closed first. If the trade requires additional units to be closed, the process will be repeated until the required number of shares is reached. If no long term lots are found, or if the number of long-term units is insufficient to cover the sale, the process will look at the short-term lots and continue to close LCST.

LCST - Lowest Cost Short Term - If the account is set up for Lowest Cost Short Term, the process will pick only the short term tax lots and the tax lot with the lowest unit cost will be closed first. If the trade requires additional units to be closed, the process will be repeated sequentially until the required number of shares is reached. If no short term lots are found, or if the number of short-term units is insufficient to cover the sale, the process will look at the long-term lots and continue to close LCLT.