When and Where Will This Information Be Reported?

You will find all of this information in the 1099-B section of the 1099 Consolidated Statement for tax year 2011 that will be mailed to you in early 2012.

Gifts/Inheritance

In the past, cost basis adjustments for gifted securities were not tracked. Due to the new legislation, tracking of cost basis adjustments will occur. Cost basis will be automatically adjusted after the sale or redemption of a gifted security due to the IRS gifting rules. Please specify the security(s) you are transferring as gifts so that these adjustments can be tracked properly.

Note: Positions in securities acquired pre or after 01/01/2011 transferred from one account to another account, which the individual account owner is not an owner on the new account, could have the basis "stepped up" to current market value. "Stepping up" of the cost will cause the position to become "covered" if the activity occurs after 01/01/2011.

What Happens to Cost Basis When Assets Are Transferred Into, or Out Of, Your Account?

Brokerage firms, mutual fund companies and banks, as well as transfer agents, are required to provide the receiving firm the client's adjusted cost basis for covered securities (those covered by the new law under the phases specified above). Cost basis information will be transferred using the FIFO accounting method unless the client states differently when a partial account transfer occurs.

California and Maine State Withholding

An account is considered uncertified if a taxpayer identification number is not provided on a properly authorized W-9 within 30 days of opening an account or if the taxpayer identification number is deemed incorrect. Uncertified accounts for residents of California and Maine that are subject to Federal Withholding will be subject to additional state income tax withholding beginning January 1st, 2011. Any income withheld in the first 30 days of the account opening will be refunded back to the account upon receipt of a valid W-9. However, after 30 days all withheld income is remitted to the state of residence.

California residents will be withheld at a rate of 7% for all proceeds, capital gains, and miscellaneous income.

Maine residents will be withheld at a rate of 5% for all income.

What To Do If You Have Further Questions?

Please consult your tax advisor on which choices are best for you. Contact your Investment Executive with any other questions.

WEDBUSH SECURITIES INC.

(As clearing agent for your broker/dealer)

Important Tax Reporting Information

2010 and 2011

The IRS deadline to mail tax statements has changed from January 31st to February 15th

DELAYED MAILING of 1099 STATEMENTS for Holders of RICs & REITs

As we have done in the past, the mailing of your 1099 Consolidated Statement will be delayed until the third week of February to holders of RICs (i.e., Mutual Funds, which include Close-End Funds and certain equities) or REITs (i.e., Real Estate Investment Trusts) that distributed income in 2010. RICs and REITs typically reallocate income from one category to another. Unfortunately, these changes are not always announced in a timely manner, which causes us to issue you a corrected 1099 statement. In addition, you may want to file your tax return closer to the IRS deadline in the event a corrected 1099 is issued due to a late report of income reallocation by RICs/REITs. However, if you do not hold RICs or REITs, we will mail your 1099 Consolidated Tax Statement by the IRS deadline, February 15th, 2011.

Important Changes to Tax Reporting Starting in 2011

To date, Wedbush Securities Inc., as your broker/dealer's clearing agent, has never reported to the IRS the cost basis of securities owned by clients that were subsequently sold or redeemed. However, the Emergency Economic Stabilization Act of 2008 requires financial institutions to begin such reporting for certain securities purchased after 2010. These securities are classified as "covered" by the IRS.

Choices You Need to Make Now Regarding Tax Lot Accounting Methods

It is possible that the securities you hold are made up of multiple tax lots due to multiple purchases or corporate actions. Each of the tax lots usually contain different purchase dates, unit cost amounts, and cost amounts.

Currently, when you sell a portion of a security that is made up of multiple tax lots, the FIFO (First In First Out) accounting method will be applied. We recommend that you consult with your tax advisor to determine if other accounting methods would best suit your tax needs. If so, please contact your Investment Executive to apply an accounting method other than FIFO. Below is a quick guideline that lists all the available accounting methods in regards to selling your security position:

- **FIFO** - Close tax lots on a First In, First Out basis
- **LIFO** - Close tax lots on a Last In, First Out basis
- **HIFO** - Close tax lots on a Highest Cost, First Out basis
- **LOFO** - Close tax lots on a Lowest Cost, First Out basis
- **LCLT** - Close tax lots on a Lowest Cost of the Long Term lots basis
- **HCLT** - Close tax lots on a Highest Cost of the Long Term lots basis
- **LCST** - Close tax lots on a Lowest Cost of the Short Term lots basis
- **HCST** - Close tax lots on a Highest Cost of the Short Term lots basis

The ability to specifically identify a tax lot to be sold when selling a portion of a security is also available. Please note that the new legislation states that when a specific tax lot is identified to be sold and that identified tax lot is deemed "covered", you will only have until settlement date of the trade to properly identify the tax lot to be used. The FIFO accounting method will be applied to all accounts unless otherwise instructed.

When Will Cost Basis Reporting Begin?

The reporting of cost basis to the IRS by financial institutions will be phased in over the next three years. Cost basis will be reported beginning with the tax year indicated below for each type of security. Any security purchased before 2011 is deemed "uncovered" by the IRS. Therefore, cost basis information will not be reported to the IRS whenever such securities are sold or redeemed except in certain limited situations (Please see following section on Gifts/Inheritance).

- **Tax year 2011** - Cost basis on sales of equities, both common and preferred, Exchange Traded Funds (ETF), and Real Estate Investment Trusts (REIT) purchased in 2011. Reporting for Wash Sales and Short Sales will also begin.

- **Tax year 2012** - Cost basis on sales of Mutual Fund and Dividend Reinvestment Plan shares purchased in 2012.

- **Tax year 2013** - Cost basis on sales of bonds, fixed income securities, Master Limited Partnerships (MLP), Unit Investment Trusts (UIT), and all other tradable securities, purchased in 2013.

What Cost Basis Related Information Will Be Reported to the IRS?

Currently, the gross proceeds for any sale or redemption is reported. Based on the type of security and beginning in the tax year for which reporting is required (see preceding section), reporting the adjusted cost basis, realized gain or loss, and holding period for sales or redemptions will occur. The adjusted cost basis reported will be the original amount paid for the security, adjusted for any and all previous sales as well as corporate actions, such as mergers, spin-offs, and splits, that might have affected the cost basis.