

# IMPORTANT TAX INFORMATION REGARDING YOUR 1099 FORMS FOR 1998

**A**s part of our continuing effort to provide quality service, we have designed this 1998 tax information booklet to answer frequently asked tax-reporting questions regarding the enclosed 1998 Consolidated 1099-INT-DIV-OID-B and the detailed income statement, and a separate 1099 MISC if applicable.

The detailed income statement is a condensed summary of your 1998 Form 1099 reportable and non-reportable investment activity. The statement includes aggregate totals for the various types of capital-gain distributions, interest, dividends, and substitute payments. It includes also the original issue discount for each obligation held, purchase, and/or sale activity traded in 1998.

In accordance with IRS regulations, the Consolidated 1099 was prepared with detailed instructions on the reverse side for all tax information required to be furnished to both you and the IRS.

**Information reported in one category is not duplicated in another.**

Bear Stearns will mail a Consolidated 1099 to the last known address for each individual account held in each client's name. Only one copy of the 1099 Forms are produced. Requests for additional copies must be submitted in writing by the client before we can issue duplicates.

**RETAIN BOTH YOUR CONSOLIDATED 1099 AND MISC FORMS AND THE DETAILED INCOME STATEMENT FOR YOUR TAX RECORDS.**

Please review all information on your 1099 Forms and detailed income statement. While we verify the information reported, reclassification of income by an issuer or its paying agent may necessitate a corrected 1099. If you believe there is an error warranting a corrected Consolidated 1099, or have any questions relating to the information reported, contact your account executive or a qualified tax advisor immediately.

**It is important that you understand all possible implications of the current tax laws. The penalties for incorrect reporting may greatly outweigh the cost of seeking professional advice.**

**THIS TAX BOOKLET IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS TAX ADVICE.**

**1998 CONSOLIDATED FORM 1099**

**1** Payer's Name, Street, City, State, Zip Code and Telephone Number  
**BEAR STEARNS**

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INTRODUCING FIRM  
**XYZ CORPORATION**

Telephone Number (212) 272-0495

Recipient's Name, Street, City, State and Zip Code

CUSTOMER NAME  
 ADDRESS  
 CITY, STATE, ZIP CODE

**2** Original / / 99 **3**  2nd B Notice

PAYER'S FED ID NUMBER	ACCOUNT NUMBER	ACCOUNT EXECUTIVE	RECIPIENT'S FED ID NUMBER
<b>4</b> 00-000000	<b>5</b> 00-000000	<b>6</b> xxxxxxxxxx	<b>7</b>

**10** THE IRS RESTRUCTURING AND REFORM ACT OF 1998 HAS CHANGED THE INCOME TAX RATE PERCENTAGES ON CAPITAL-GAINS. PLEASE READ THE ENCLOSED 1998 TAX BOOKLET FOR INSTRUCTIONS ON HOW TO REPORT CAPITAL-GAIN DISTRIBUTIONS PAID BY MUTUAL FUNDS AND REITS ON YOUR FORM 1040 AND SCHEDULE D. CONTACT YOUR ACCOUNT EXECUTIVE WITH QUESTIONS CONCERNING THE COST BASIS OR ANY OTHER INFORMATION ON THE CONSOLIDATED FORM 1099.

**11 1998 FORM 1099-INT: INTEREST INCOME (OMB NO. 1545-0112)**

(BOX)	(AMOUNT)
1. Interest Income not included in Box 3 . . . . .	.00
2. Early Withdrawal Penalty . . . . .	.00
3. Interest on US Savings Bonds & Treas. Obligations . . . . .	.00
4. <b>Federal Income Tax Withheld</b> . . . . .	.00
5. Foreign Tax Paid . . . . .	.00

**12 1998 FORM 1099-DIV: DIVIDENDS & DISTRIBUTIONS (OMB NO. 1545-0110)**

(BOX)	(AMOUNT)
1. Ordinary Dividends . . . . .	.00
2a. Capital Gain Distributions . . . . .	.00
2b. 28% Rate Gain . . . . .	.00
2c. Unrecap Section 1250 Gain . . . . .	.00
2d. Section 1202 Gain . . . . .	.00
3. Nontaxable Distributions . . . . .	.00
4. <b>Federal Income Tax Withheld</b> . . . . .	.00
5. Investment Expenses . . . . .	.00
6. Foreign Tax Paid . . . . .	.00
8. Cash Liquidation Distributions . . . . .	.00
9. Noncash Liquidation Distributions . . . . .	.00

**13 1998 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCH. TRANS. (OMB NO. 1545-0715)**

(1A) DATE OF SALE	(5) DESCRIPTION	(1B) CUSIP	(2) STOCKS, BONDS, ETC GROSS PROCEEDS	(4) FED TAX WITHHELD	
01/02	Kentucky HSG Corp HSG Rev Amt	491308YB	0.00	0.00	Redemption
01/20	GNMA Pass Thru Pool 001363M	36202BQQ	0.00	0.00	PRN Paydown
03/12	Ralphs Grocery Co	751258AA	0.00	0.00	Tender
04/24	Walt Disney Co Holding Co	25468710	0.00	0.00	
06/04	Lycos Inc	55081810	0.00	0.00	Short Sale
07/20	Waste Management Inc Del	94106L10	0.00	0.00	Cash in Lieu
6 Items Total			0.00	0.00	

**14 1998 FORM 1099-OID: ORIGINAL ISSUE DISCOUNT (OMB NO. 1545-0117)**

	(AMOUNT)
1. Original Issue Discount for Tax Year 1998* . . . . .	.00
5. Description: Westchester CNTY NY . . . . . Due 12/15/2006	
1. Original Issue Discount for Tax Year 1998* . . . . .	.00
5. Description: Bethlehem PA . . . . . Due 12/07/2007	
2 Items Total	0.00

\* This may not be the correct figure to report on your income tax return. See instructions on the back.

**15 1998 FORM 1099-MISC: MISCELLANEOUS INCOME (OMB NO. 1545-0115)**

\*\*\*NO REPORTABLE 1998 FORM 1099-MISC INCOME\*\*\*

**16** REMIC/CMO TAX INFORMATION IS NOT INCLUDED ON THIS 1099 BUT WILL BE PROVIDED ON AN AMENDED 1099 BY MARCH 15, 1999.

**END OF 1998 CONSOLIDATED FORM 1099**

THIS IS IMPORTANT TAX INFORMATION AND IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE. IF YOU ARE REQUIRED TO FILE A RETURN A NEGLIGENCE PENALTY WILL BE IMPOSED ON YOU IF ANY OF THIS INCOME IS TAXABLE AND THE IRS DETERMINES THAT IT HAS NOT BEEN REPORTED.

**1998 FORM 1099 - MISC**

**1** Payer's Name, Street, City, State, Zip Code and Telephone Number  
BEAR STEARNS

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INTRODUCING FIRM  
**XYZ CORPORATION**

**8**

Telephone Number (212) 272-0495

Recipient's Name, Street, City, State and Zip Code

CUSTOMER NAME  
ADDRESS  
CITY, STATE, ZIP CODE

**9**

**2** Original / / 99 **3**  2nd B Notice

PAYER'S FED ID NUMBER	ACCOUNT NUMBER	ACCOUNT EXECUTIVE	RECIPIENT'S FED ID NUMBER
<b>4</b> 00-000000	<b>5</b> 00-000000	<b>6</b> XXXXXXXXXXX	<b>7</b>

**1998 FORM 1099-MISC: MISCELLANEOUS INCOME**

**(OMB NO. 1545-0115)**

(BOX)	(AMOUNT)
2. Royalties .....	.00
3. Other Income .....	.00
4. <b>Federal Income Tax Withheld</b> .....	.00
7. Non-Employee Compensation .....	.00
8. Substitute Payments In Lieu of Dividends or Interest .....	.00

**END OF 1998 FORM 1099-MISC**

THIS IS IMPORTANT TAX INFORMATION AND IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE. IF YOU ARE REQUIRED TO FILE A RETURN A NEGLIGENCE PENALTY WILL BE IMPOSED ON YOU IF ANY OF THIS INCOME IS TAXABLE AND THE IRS DETERMINES THAT IT HAS NOT BEEN REPORTED.

**GLOSSARY of TERMS**

<b>AE:</b>	Account Executive	<b>MLP:</b>	Master Limited Partnership
<b>CDO:</b>	Collateralized Debt Obligation	<b>OID:</b>	Original Issue Discount
<b>FORM 1040:</b>	Federal Income Tax Return	<b>QUIDS:</b>	Quarterly Income Debt Securities
<b>IRA:</b>	Individual Retirement Account	<b>REIT:</b>	Real Estate Investment Trust
<b>IRS:</b>	Internal Revenue Service	<b>REMIC:</b>	Real Estate Mortgage Investment Conduit
<b>LLC:</b>	Limited Liability Company	<b>SSA:</b>	Social Security Administration
<b>MIDS:</b>	Monthly Income Debt Securities	<b>YTD:</b>	Year-to-Date

## DEFINITION and EXPLANATION of ILLUSTRATED 1099

1998 CONSOLIDATED FORM 1099			
<b>1</b> Payer's Name, Street, City, State, Zip Code and Telephone Number BEAR STEARNS	Page 1		<b>8</b> INTRODUCING FIRM XYZ CORPORATION
Telephone Number (212) 272-0495	Recipient's Name, Street, City, State and Zip Code		<b>9</b> CUSTOMER NAME ADDRESS CITY, STATE, ZIP CODE
<b>2</b> Original / / 99	<b>3</b> <input type="checkbox"/> 2nd B Notice		
<b>4</b> PAYER'S FED ID NUMBER 00-000000	<b>5</b> ACCOUNT NUMBER 00-000000	<b>6</b> ACCOUNT EXECUTIVE XXXXXXXXXX	<b>7</b> RECIPIENT'S FED ID NUMBER
<b>10</b> THE IRS RESTRUCTURING AND REFORM ACT OF 1998 HAS CHANGED THE INCOME TAX RATE PERCENTAGES ON CAPITAL-GAINS. PLEASE READ THE ENCLOSED 1998 TAX BOOKLET FOR INSTRUCTIONS ON HOW TO REPORT CAPITAL-GAIN DISTRIBUTIONS PAID BY MUTUAL FUNDS AND REITS ON YOUR FORM 1040 AND SCHEDULE D. CONTACT YOUR ACCOUNT EXECUTIVE WITH QUESTIONS CONCERNING THE COST BASIS OR ANY OTHER INFORMATION ON THE CONSOLIDATED FORM 1099.			

- 1** Bear Stearns is the payor that clears and reports your transactions to you and the IRS. The firm's name, address and telephone number are provided for questions regarding this 1099.
- 2** The original and/or corrected Consolidated 1099 will be dated.
- 3** 2nd B Notice: This box will be checked on behalf of the IRS if Bear Stearns has notified you, twice within the past three years, that you have provided an incorrect TIN (tax identification number). To rectify this discrepancy, you must either obtain Form SSA-7028 from your local Social Security Administration office verifying your SSN or Letter 147C from the IRS confirming your EIN. Failure to correct a SSN or EIN will result in a 31% backup withholding tax on all reportable transactions, as required by IRS regulations.
- 4** Tax identification number of Bear Stearns.
- 5** Account number at Bear Stearns.
- 6** Account executive's identification number. The name and number of your AE appear on your monthly statement. If you do not know who is your account executive, call Bear Stearns or the firm handling your transactions for assistance.
- 7** Social security number or employee identification number. Please check to insure that the Social Security Number (SSN) or Employer Identification Number (EIN), located in the Recipient's ID Number box area, corresponds to the name in the Recipient's Name and Address box area. Advise your account executive of any discrepancy.
- 8** Introducing firm: The firm that handles your transactions, and their telephone number, if applicable. This firm clears its transactions on a fully-disclosed basis through Bear, Stearns Securities Corp. and therefore Bear, Stearns Securities Corp. is the payor and tax reporting agent.
- 9** Your name and address on file as of December 31, 1998.
- 10** Bear Stearns tax message.

## 11 INTEREST INCOME (1099-INT)

1998 FORM 1099-INT: INTEREST INCOME		(OMB NO. 1545-0112)
(BOX)		(AMOUNT)
1.	Interest Income not included in Box 3	.00
2.	Early Withdrawal Penalty	.00
3.	Interest on US Savings Bonds & Treas. Obligations	.00
4.	<b>Federal Income Tax Withheld</b>	.00
5.	Foreign Tax Paid	.00

- Line 1.** Includes all taxable interest except for U.S. Savings Bonds and Treasury Obligations.
- 2.** Interest or principal forfeited because of early withdrawal.
- 3.** Includes the periodic interest earned on long-term debt-obligations (greater than one year), U.S. Savings Bonds, Treasury Notes and Treasury Bonds. Also includes short-term OID interest on U.S. Treasury Bills. This interest is exempt from state and local income taxes. **THIS AMOUNT IS NOT INCLUDED IN LINE 1.**
- 4.** Federal income tax withheld (tefra tax) and remitted to the IRS either by IRS mandate or at client's request.
- 5.** All money withheld at the time of distribution by foreign governments. The gross amount of the distribution is reflected on your monthly statement followed by the notation "**foreign taxes paid**" so is the amount of the withholding. You can determine the foreign country to which taxes were paid by referring to the prospectus for the specific security or by contacting your account executive. You may or may not be eligible to take the entire amount shown in box 5 as a foreign tax credit.

### What interest income is reported?

The interest income reported on Form 1099-INT will include interest paid from corporate bonds, federal agency bonds, credit balances, commercial paper, and taxable municipal bonds. Municipal bond interest may be taxable unless the interest relates to a debt-obligation issued by the state or locality in which you reside, however, it must be reported on Form 1040. Municipal bonds issued after August 8, 1986, may be subject to the Alternative Minimum Tax in addition to full interest income disclosure. Interest received on tax-exempt obligations for 1998 is included on your December statement and the detailed income statement.

Bear Stearns has a system for tracking the purchase price of short-term (less than one year) instruments and U.S. Treasury Bills. As a result, we are able to calculate the accurate short-term OID amount which is included on line 1 and on line 3 for U.S. Treasury Bills. However, if the securities are no longer in the account in which they were originally purchased, Bear Stearns defers to IRS Publication 1212. Therefore, the amount reported may need an adjustment when you prepare your tax return.

### Why do the December statement and 1099-INT totals differ?

Interest relating to REMICs and CDOs is not included on the original Consolidated 1099 but will be recalculated and reported on a corrected Consolidated 1099 on an accrual basis, no later than March 15, 1999. Interest income from these obligations is reported on Form 1099-OID and/or Form 1099-INT, line 1. These obligations are not treated as U.S. Treasuries for federal and state income tax purposes, because the underlying obligations (i.e., mortgages) are not issued by the U.S. Government.

Some MIDS, QUIDS, etc. are subordinated debt securities paying deferrable interest either on a monthly or quarterly basis, but they are actually an Original Issue Discount (OID) instrument. For 1099 reporting, an interest payment previously shown on a monthly statement is recalculated on an accrual basis and reported on Form 1099-OID. The interest payment will continue to accrue income for United States federal income tax purposes even though interest may not be paid on a current basis.

### How is accrued interest reported?

Accrued interest earned on the sale of bonds (except tax-exempt municipal bonds) is reported as interest income on settlement date. Accrued interest paid by you on bond purchases is included on the detailed income statement, but is not deducted by Bear Stearns from the reportable interest income total. Accordingly, the investor should subtract the accrued interest paid on the purchase of a bond from the amount reported on Form 1099-INT. Both of these amounts should be listed separately on Form 1040, Schedule B.

**If you did not receive reportable interest income in 1998, \*\*\*NO REPORTABLE 1998 FORM 1099-INT INCOME\*\*\* will appear on your 1099.**

## 12 DIVIDEND and DISTRIBUTIONS (1099-DIV)

### 1998 FORM 1099 DIV: DIVIDENDS & DISTRIBUTIONS

(OMB NO. 1545-0110)

(BOX)	(AMOUNT)
1. Ordinary Dividends	.00
2a. Capital Gain Distributions	.00
2b. 28% Rate Gain	.00
2c. Unrecap Section 1250 Gain	.00
2d. Section 1202 Gain	.00
3. Nontaxable Distributions	.00
4. <b>Federal Income Tax Withheld</b>	.00
5. Investment Expenses	.00
6. Foreign Tax Paid	.00
8. Cash Liquidation Distributions	.00
9. Noncash Liquidation Distributions	.00

- Line 1.** Includes all taxable ordinary dividends and any net short-term capital gains from mutual funds.
- 2a.** Total capital gain distributions (long-term) from a regulated investment company or real estate investment trust. **Box 2a includes amounts in boxes 2b, 2c, and 2d.** Report the amount in box 2a on Part II Schedule D (Form 1040). If an amount appears in boxes 2b-2d, you must report them on the proper lines of Schedule D (Form 1040).
- 2b.** Presently, the maximum rate on the adjusted net capital gain for an individual was reduced from 28% to 20%, for property held for 12 months. Retroactive to January 1, 1998 the Restructuring and Reform Act of 1998, will reduce the holding period to qualify for the 20% rate for capital gains from 18 months to 12 months. However, the elimination of the 18-month holding period under the IRS Restructuring and Reform Act of 1998 does not eliminate the 28% rate gain for 1998 mutual fund distributions. Therefore, mutual funds that had gains in November and December of 1997 may not have disbursed these amounts in 1997 or as spillovers in 1998. Consequently, certain mutual funds may account for these gains as taxable distributions in 1998. If these amounts represent a 28% gain, that gain will be reported in this box. Report this amount on Schedule D (Form 1040), Part II.
- 2c.** Unrecaptured section 1250 gain for certain qualified depreciable real property. Report this amount on Schedule D (Form 1040), Part IV.
- 2d.** Section 1202 gain from certain small business stock is subject to a 50% exclusion. See Schedule D (Form 1040) instructions.
- 3.** The total amount of non-taxable distributions, if determinable. This will include return-of-capital payments that reduce your cost basis of the stock.
- 4.** Federal income tax withheld (tefra tax) and remitted to the IRS either by IRS mandate or at client's request.
- 5.** The stockholder's pro rata share of certain amounts deductible by a nonpublicly offered regulated investment company in computing its taxable income. **THIS AMOUNT IS INCLUDED IN BOX 1.**
- 6.** All money withheld by foreign governments at the time of distribution. The gross amount of the distribution is reflected on your monthly statement followed by the notation "**foreign taxes paid**" so is the amount of the withholding. You can determine the foreign country to which the taxes were paid by referring to the prospectus for the specific security or by contacting your account executive. You may or may not be eligible to take the entire amount shown in box 6 as a foreign tax credit.
- 8.** Cash amount distributed as a partial liquidating payment.
- 9.** The fair market value of stock on the date of the distribution.

### What dividend income is reported?

The 1099-DIV section reports all ordinary dividend income, return-of-capital payments, capital-gain distributions, partial liquidations and includes short-term capital-gain distributions paid by tax-exempt mutual funds.

### Why do the December statement and 1099-DIV totals differ?

There are three primary reasons why the total on your Form 1099-DIV may differ from your December statement totals. Any, or all of the following, may contribute to the discrepancy:

1. Certain dividend distributions made during the year may be considered non-taxable and are not recorded on the 1099.
2. Certain mutual funds and REITs may reclassify part or all of the distributions made. The reclassifications often occur after year-end and are not recorded on the December statement.
3. Some mutual funds and REITs are considered constructive receipt payors. Their dividends can have a record date in 1998, but are payable in January 1999. Even though these dividends are not recorded on your December statement, they are reportable in 1998.

### Where are capital-gain distributions reported?

The Taxpayer Relief Act of 1997 and the IRS Restructuring and Reform Act of 1998 have changed the capital-gain distribution rates and reporting method for recipients. Capital-gain distributions, other than 28%, should be reported on Schedule D (Form 1040), line 13, column (f). The 28% capital-gain distributions should be reported on line 13, column (g). The 25% unrecaptured section 1250 capital-gain distributions should be reported on Schedule D (Form 1040), Part IV, line 25. The detailed income statement provides the percentage, or amount applicable, to each individual security distribution.

**If you did not receive reportable dividend income in 1998, \*\*\*NO REPORTABLE 1998 FORM 1099-DIV INCOME\*\*\* will appear on your 1099.**

## 13 GROSS PROCEEDS (1099-B)

1998 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCH. TRANS. (OMB NO. 1545-0715)				
(1A) DATE OF SALE	(5) DESCRIPTION	(1B) CUSIP	(2) STOCKS, BONDS, ETC GROSS PROCEEDS	(4) FED TAX WITHHELD
01/02	Kentucky HSG Corp HSG Rev Amt	491308YB	0.00	0.00 Redemption
01/20	GNMA Pass Thru Pool 001363M	36202BQQ	0.00	0.00 PRN Paydown
03/12	Ralphs Grocery Co	751258AA	0.00	0.00 Tender
04/24	Walt Disney Co Holding Co	25468710	0.00	0.00
06/04	Lycos Inc	55081810	0.00	0.00 Short Sale
07/20	Waste Management Inc Del	94106L10	0.00	0.00 Cash in Lieu
	6 Items Total		0.00	0.00

Form 1099-B reports the gross proceeds, net of commissions, on a trade or effective-date basis. Each transaction listed on Form 1099-B includes the trade date, brief security description, cusip reference number, total amount of money received from the transaction and federal income tax withheld (tefra tax), if applicable. The column on the right of each transaction, denotes the source of revenue as one of the following:

**ADJUSTMENT: foreign transactions converted to U.S. dollars, corrections of previous 1099-B entries**

**NO CODE: sale**

**CANCEL**

**PRN PAYDOWN: principal paydown**

**CASH-IN-LIEU – greater than \$20**

**REDEMPTION**

**MERGER**

**SHORT SALE**

**MTE: exchanges involving MIDS, QUIDS or mutual funds**

**TENDER – for any stock or debt-obligation**

Any sale with a 1998 trade date settling in January 1999 will be recorded on the 1998 Form 1099-B. Proceeds from Treasury Bills sold before redemption are reported on Form 1099-B. Exchanges involving MIDS, QUIDS, mutual funds, etc. are reported at fair market value on the date the new security commences trading. Consult with your tax advisor in analyzing the federal, state and local tax consequences on these securities.

Accrued interest earned as part of the gross proceeds on a bond sale is reported separately on Form 1099-INT based on settlement date. Principal payment for mortgaged and asset-backed securities is reported based on effective date.

Proceeds required to be reported on your Capital-Gain and Loss schedule may be different than the amount Bear Stearns reported to you. For example, opening short sales listed on Form 1099-B portion may not be taxable this year. Also, the original cost basis for obligations receiving principal paydowns and reported in 1998 must be adjusted. You are required to reconcile and explain any differences to the IRS on Form 1040, Schedule D.

When a security is purchased or sold, you receive a trade confirmation and an end-of-month statement, both reflecting the cost basis. If you need a copy of your statement for transaction-specific information, please contact your account executive at Bear Stearns or the introducing firm indicated on the Consolidated 1099.

**If you did not receive reportable gross proceeds income in 1998, \*\*\*NO REPORTABLE 1998 FORM 1099-B TRANSACTIONS\*\*\* will appear on your 1099.**

## 14 ORIGINAL ISSUE DISCOUNT(1099-OID)

1998 FORM 1099-OID: ORIGINAL ISSUE DISCOUNT		(OMB NO. 1545-0117)
		(AMOUNT)
1.	Original Issue Discount for Tax Year 1998*	.00
5.	Description: Westchester CNTY NY Due 12/15/2006	
1.	Original Issue Discount for Tax Year 1998*	.00
5.	Description: Bethlehem PA Due 12/07/2007	
2 Items Total		0.00 0.00

\* This may not be the correct figure to report on your Income tax return. See instructions on the back.

**Line 1.** Original Issue Discount calculation is based on the number of days the obligation is held (per IRS publication 1212).

**5.** Description and maturity date of individual obligation.

The original issue discount interest reported on Form 1099-OID is based on the assumption that the debt instrument was bought on the date it was originally offered to the public at the initial offering price. OID represents the difference between the stated redemption price at maturity and the original issue price of the bond, debenture, note or other debt instrument. OID is reported as it accrues whether or not any payments are received prior to maturity. OID is taxable over the life of the obligation and is calculated based upon the number of days during the year that you actually held the security.

If the debt instrument was not bought at original issue price, an adjustment to the amount reported on Form 1099-OID may be necessary when preparing your tax return. However, the amount reported on Form 1099-OID should be included on Schedule B of your federal income tax return and adjusted based on your cost. We recommend you obtain a copy of IRS Publication 1212 and/or consult with your tax advisor.

**Detail on OID for REMIC and CDO securities is not included on the original Consolidated 1099, but will be reported on a corrected Consolidated 1099 mailed and postmarked no later than March 15, 1999.**

**If you did not receive reportable original issue discount income in 1998, \*\*\*NO REPORTABLE 1998 FORM 1099-OID INCOME\*\*\* will appear on your 1099.**

## 15 MISCELLANEOUS INCOME (1099-MISC)

1998 FORM 1099-MISC: MISCELLANEOUS INCOME		(OMB NO. 1545-0115)
(BOX)		(AMOUNT)
2.	Royalties	.00
3.	Other Income	.00
4.	<b>Federal Income Tax Withheld</b>	.00
7.	Non-Employee Compensation	.00
8.	Substitute Payments In Lieu of Dividends or Interest	.00

**Line 2.** Income from royalty trust payments has been reported if you own a certificate or unit of beneficial interest in a royalty trust and you have not been issued a Schedule K-1.

**3.** Other income includes prizes, awards (**not** for services rendered), punitive and other taxable damages paid.

**4.** Federal income tax withheld, either by IRS mandate or at client's request.

**7.** Includes fees, commissions, prizes and awards for services rendered.

**8.** Payment in lieu of (a) tax-exempt interest to the extent that interest (including OID) has accrued while a short sale was open, and (b) a dividend, if the ex-dividend date is after the transfer of stock for use in a short sale, but before the closing of the short sale. 1099-MISC information is the only data required to be reported to the IRS for corporate accounts.

**In accordance with IRS regulations, any client with miscellaneous income will receive a separate Form 1099-MISC. All other clients' Consolidated Form 1099 will indicate \*\*\*NO REPORTABLE 1998 FORM 1099-MISC INCOME\*\*\*.**

## 16 REMIC/CMO INFORMATION

REMIC/CMO TAX INFORMATION IS NOT INCLUDED ON THIS 1099 BUT WILL BE PROVIDED ON AN AMENDED 1099 BY MARCH 15, 1999.

If you receive a Consolidated 1099 with this message, it means that you will receive a corrected Consolidated 1099 with complete 1099 information including REMIC/CDO by March 15, 1999. Please refer to the INT and OID sections for a detailed explanation.

## OTHER TYPES of 1099s and REPORTABLE INCOME

- Clients with transactions in futures will receive a separate 1099. Questions should be directed to Futures Operations at (212) 272-0548.
- Clients with IRA and Keogh accounts, Pension Plans or Profit Sharing Trusts may receive Form 1099-R. Please contact IRA/Keogh Operations at (212) 272-0595 with any inquiries.
- Clients with foreign currency transactions (i.e., yen, pounds) will have their gross proceeds, dividends or interest converted to U.S. dollars on trade or effective date. These transactions will be reported on the client's applicable 1099.
- For clients whose primary address is in the state of Florida or Kentucky, Bear Stearns is required to file an intangible tax report of security positions held as of December 1998. For California, Connecticut or New York residents, municipal bond interest must be reported by Bear Stearns. Your December 1998 statement will correspond to the positions reported and the detailed income statement will provide the municipal bond interest.

## WHY DID I RECEIVE A CORRECTED 1099?

You may receive an amended Form 1099 for one or more of the following reasons:

- Your mutual funds and/or REIT reclassified all or part of their distributions after December 31, 1998. Since these reclassifications occurred after the original Form 1099 was issued, it was necessary to correct your Form 1099.
- The mutual funds and/or REIT you own declared a dividend in the last quarter of 1998, that was not payable until January, 1999.
- Interest relating to REMICs and CDOs is reported on an accrual basis and the actual data is not available until the early part of March. IRS regulations require this information to be furnished to the holder by March 15, 1999.
- After verifying the reporting method and actual calculations from the issuing firm, Bear Stearns discovered a reporting error that made it necessary to issue a revised Form 1099.

## NOT REPORTED on this 1099

- Income from municipal bond interest, dividend distributions on tax-exempt mutual funds and gross proceeds on option contracts will not be included on the Consolidated 1099, but are provided on the detailed income statement.
- Non-reportable items including margin interest, short accrued interest and principal accretions (increase in your holding of a REMIC or CMO with a Z tranche) are listed on the applicable category of the detailed income statement.
- If you have received distributions directly from a corporation because securities are registered directly in your name, then the corporation not Bear Stearns, must provide you and the IRS with the applicable 1099.
- Master limited partnership and limited liability company distributions will be reported directly by the MLP/LLC on Schedule K-1.

Bear, Stearns Securities Corp.  
One MetroTech Center North  
Brooklyn, NY 11201-3859  
1099 Tax-Reporting Contact: (212) 272-0495