

# 2006

## TAX GUIDE

### *Explaining Your 1099 Forms*

<i>Sample Consolidated Form 1099</i> . . . . .	2	<i>Gross Proceeds (1099-B)</i> . . . . .	9
<i>Sample Miscellaneous Income Form</i> . . . . .	4	<i>Original Issue Discount (1099-OID)</i> . . . . .	10
<i>Key to Abbreviations</i> . . . . .	5	<i>REMIC/CMO Information</i> . . . . .	10
<i>Explanation of Detailed Income Statement</i> . . . . .	5	<i>Other Types of 1099s &amp; Reportable Income</i> . . . . .	11
<i>Explanation of Illustrated 1099</i> . . . . .	6	<i>Corrected 1099s</i> . . . . .	11
<i>Administrative Information</i> . . . . .	6	<i>Not Reported on This 1099</i> . . . . .	11
<i>Interest Income (1099-INT)</i> . . . . .	7	<i>Contact Information</i> . . . . .	11
<i>Dividends &amp; Distributions (1099-DIV)</i> . . . . .	8		

**B**ear Stearns' 2006 tax guide was prepared in a continuing effort to provide quality service and to keep you informed of any changes in tax reporting. The Consolidated Form 1099-INT-DIV-B-OID will include, if applicable, a separate Form 1099-MISC along with a detailed income statement of both taxable and tax exempt income.

**Please review all information on your 1099 forms and detailed income statement. While we verify the information reported, reclassification of income by an issuer such as a mutual fund may necessitate a corrected Consolidated Form 1099. Please refer to page 11 for additional details. If you hold mutual funds and/or REIT securities, you may wish to consider this before filing your return. If you have any questions relating to the information reported, or believe there is an error, immediately contact your account executive (AE). In addition, we suggest that you discuss your tax reporting questions with a qualified tax advisor.**

In accordance with Internal Revenue Service (IRS) regulations, all tax information required to be sent to both you and the IRS on the Consolidated Form 1099 was prepared with detailed instructions on the back of page 1, and specific instructions are shown on the front of Form 1099-MISC. Information reported in one category is not duplicated in another. *Bear Stearns*<sup>®</sup> mails a Consolidated Form 1099 to the last known address for each account held in the client's name. If you have received a Consolidated Form 1099 with an account number of 158-00001 through 159-99999, please refer to "Other Types of 1099s & Reportable Income" on page 11.

Only one copy of each form is produced. For additional copies, send us a written request. You also may be able to download them from [www.bearstearns.com](http://www.bearstearns.com). **RETAIN YOUR CONSOLIDATED FORM 1099, FORM 1099-MISC, AND THE DETAILED INCOME STATEMENT FOR YOUR TAX RECORDS.**

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



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

Telephone Number (212) 272-0495

Page 1

**2** INTRODUCING FIRM  
XYZ CORPORATION

**3** Recipient's Name, Street Address, City, State and Zip Code

CUSTOMER NAME  
ADDRESS  
CITY, STATE, ZIP CODE

Payer's Federal ID Number	Account Number
<b>4</b> 00-0000000	<b>5</b> 000-00000
Recipient's ID Number	Account Executive
<b>6</b> 000-00-0000	<b>7</b> XXXXXXXXXXX

Copy B for Recipient

**8** Original / / 06

**9**  2nd TIN Notice

**10** PLEASE READ THE ENCLOSED TAX GUIDE FOR A COMPLETE EXPLANATION OF THE TAX INFORMATION ON YOUR 2006 CONSOLIDATED FORM 1099. WHILE WE VERIFY THE INFORMATION REPORTED, RECLASSIFICATION OF INCOME BY AN ISSUER SUCH AS A MUTUAL FUND MAY REQUIRE A CORRECTED CONSOLIDATED FORM 1099. KINDLY CONTACT YOUR ACCOUNT EXECUTIVE WITH QUESTIONS CONCERNING THE COST BASIS OR ANY OTHER INFORMATION.

**11 2006 FORM 1099-INT: INTEREST INCOME (OMB NO. 1545-0112)**

(BOX)	(AMOUNT)
1. Interest Income Not Included in Box 3	0.00
2. Early Withdrawal Penalty	0.00
3. Interest on US Savings Bonds & Treas. Obligations	0.00
4. <b>Federal Income Tax Withheld</b>	<b>0.00</b>
5. Investment Expenses	0.00
6. Foreign Tax Paid	0.00
8. Tax-exempt Interest	0.00
9. Specified Private Activity Bond Interest	0.00

**12 2006 FORM 1099-DIV: DIVIDENDS & DISTRIBUTIONS (OMB NO. 1545-0110)**

(BOX)	(AMOUNT)
1a. Total Ordinary Dividends	0.00
1b. Qualified Dividends	0.00
2a. Total Capital Gain Distributions	0.00
2b. Unrecaptured Section 1250 Gain	0.00
2c. Section 1202 Gain	0.00
2d. Collectibles (28%) Gain	0.00
3. Nondividend Distributions	0.00
4. <b>Federal Income Tax Withheld</b>	<b>0.00</b>
5. Investment Expenses	0.00
6. Foreign Tax Paid	0.00
8. Cash Liquidation Distributions	0.00
9. Noncash Liquidation Distributions	0.00

**13 2006 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCH. TRANS. (OMB NO. 1545-0715)**

(1A) DATE OF SALE OR EXCH	(7) DESCRIPTION	(1B) CUSIP	(2) STOCKS, BONDS, ETC. GROSS PROCEEDS	(4) FED INC TAX WITHHELD			
01/14	Northland Cranberries Inc Quantity 50	666499207	2250.00	0.00	TENDER		
02/02	Lexmark International Inc Quantity 1,000	529771107	168,000.00	0.00	SHORT SALE		
05/15	***EMI Group PLC Quantity 10,000	G3035P100	17,000.00	0.00			
06/21	California Res Efficiency Fing Due 04/01/2006 05.250% Quantity 50,000	130570AJ3	50,000.00	0.00	REDEMPTION		
08/24	Reebok International Ltd	758110100	180,000.00	0.00	MERGER		
09/28	Federal Natl Mtg Assn Due 04/25/2034 00.516%	31393YBM6	3,000.00	0.00	PRN PAYDOWN		
	6 Items Total		420,250.00	0.00			
(1A) DATE OF SALE OR EXCH	CORPORATION'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE	(1B) CUSIP NO.	(2) STOCKS, BONDS, ETC. (SEE NOTE ON BACK)	(4) FED INC TAX WITHHELD	(5) NO. OF SHARES EXCH'D	(6) CLASSES OF STOCK EXCH'D	(12) NO LOSS (SEE NOTE ON BACK)
03/17	Coventry Corp 123 Evanston Road Rockville, MI 10637 EIN# 12-3456789	746935762	855.47	0.00	364	Common	X
07/26	A Second Corporation 8 Corporation Drive Spring Mill, MN 28749 EIN# 98-6457268	379283804	2,534.34	0.00	268	Preferred	
11/09	Reorganized Corp 1 The Reorganized Lane Springville, CA 03562 EIN# 64-8461231	537658337	83.56	0.00	54	Other	X
	3 Items Total		3,473.37	0.00			

**14 2006 FORM 1099-OID: ORIGINAL ISSUE DISCOUNT (OMB NO. 1545-0117)**

(BOX)	(AMOUNT)
1. Original Issue Discount for Tax Year 2006* .....	450.00
5. Hillman Group Capital Tr – 11.600% .....	Due 09/30/2007
6. Original Issue Discount on US Treasury Obligations .....	.0.00
1. Original Issue Discount for Tax Year 2006* .....	.0.00
5. US Treasury SEC .....	Due 11/15/2020
6. Original Issue Discount on US Treasury Obligations .....	2,100.00
1 Item - Other Than US Treasury Obligations .....	450.00
1 Item - US Treasury Obligations .....	2,100.00

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

**15 2006 FORM 1099-MISC: MISCELLANEOUS INCOME (OMB NO. 1545-0115)**

\*\*\*NO REPORTABLE 2006 1099-MISC INCOME\*\*\*  
 REMIC/CMO TAX INFORMATION IS NOT INCLUDED ON THIS 1099 BUT WILL BE PROVIDED ON AN AMENDED 1099 BY MARCH 15, 2007.

**16 END OF 2006 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 OR OTHER SANCTION MAY BE IMPOSED ON YOU IF THIS INCOME IS TAXABLE AND THE IRS DETERMINES THAT IT HAS NOT BEEN REPORTED.

**Sample Miscellaneous Income Form (1099-MISC)**

**2006 FORM 1099-MISC**

Payer's Name, Street Address, City, State, Zip Code and Telephone Number  
 BEAR STEARNS  
 Telephone Number (212) 272-0495

Page 1  
 INTRODUCING FIRM  
**XYZ CORPORATION**  
 Recipient's Name, Street Address, City, State and Zip Code  
 CUSTOMER NAME  
 ADDRESS  
 CITY, STATE, ZIP CODE

Payer's Federal ID Number	Account Number
<b>4</b> 00-0000000	<b>5</b> 000-00000
Recipient's ID Number	Account Executive
<b>6</b> 000-00-0000	<b>7</b> XXXXXXXXXXX

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**2006 FORM 1099-MISC: MISCELLANEOUS INCOME**

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

(BOX)	(AMOUNT)
1. Rents .....	0.00
2. Royalties .....	0.00
3. Other Income .....	0.00
4. <b>Federal Income Tax Withheld</b> .....	<b>0.00</b>
7. Nonemployee Compensation .....	0.00
8. Substitute Payments in Lieu of Dividends or Interest .....	0.00
14. Gross Proceeds Paid to an Attorney .....	0.00

**END OF 2006 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 OR OTHER SANCTION MAY BE IMPOSED ON YOU IF THIS INCOME IS TAXABLE AND THE IRS DETERMINES THAT IT HAS NOT BEEN REPORTED.

**Instructions for Recipient - Miscellaneous Income**

**Amounts shown may be subject to self-employment (SE) tax.** If your net income from self-employment is \$400 or more, you must file a return and compute your SE tax on **Schedule SE (Form 1040)**. See **Pub. 334**, Tax Guide For Small Businesses, for more information. If no income or Social Security and Medicare taxes were withheld and you are still receiving these payments, see **Form 1040-ES**, Estimated Tax for Individuals.

Individuals must report as explained below. Corporations, fiduciaries, or partnerships report the amounts on the proper line of your tax return.

**Lines 1 and 2.** Report rents from real estate on Schedule E (Form 1040). If you provided significant services to the tenant, sold real estate as a business, or rented personal property as a business, report on Schedule C or C-EZ (Form 1040). For royalties on timber, coal, and iron ore, see **Pub. 544**, Sale and Other Dispositions of Assets.

**Line 3.** Generally, report this amount on the "Other Income" line Form 1040 and identify the payment. The amount shown may be payments received as the beneficiary of a deceased employee, prizes, awards, taxable damages, Indian gaming profits or other taxable income. See **Pub. 525**, Taxable and Nontaxable Income. If it is trade or business income, report this amount on Schedule C, C-EZ, or F (Form 1040).

**Line 4.** Shows backup withholding or withholding on Indian gaming profits. Generally, a payer must backup withhold at a 28% rate if you did not furnish your taxpayer identification number. See **Form W-9**, Request for Taxpayer Identification Number and Certification, for more information. **Report this amount on your income tax return as tax withheld.**

**Line 7.** Shows nonemployee compensation. If you are in the trade or business of catching fish, box 7 may show cash you received for the sale of fish. If payments in this box are SE income, report this amount on Schedule C, C-EZ, or F (Form 1040), and complete Schedule SE (Form 1040). You received this form instead of Form W-2 because the payer did not consider you an employee and did not withhold income tax or Social Security and Medicare taxes. Contact the payer if you believe this form is incorrect or has been issued in error. If you believe you are an employee, report this amount on line 7 of Form 1040 and call the IRS for information on how to report any Social Security and Medicare taxes.

**Line 8.** Shows substitute payments in lieu of dividends or tax-exempt interest received by your broker on your behalf as a result of a loan of your securities. Report on the "Other Income" line of Form 1040.

**Line 14.** Shows gross proceeds paid to an attorney in connection with legal services. Report only the taxable part as income on your return.

**In accordance with IRS regulations, if you earned miscellaneous income, you will receive a separate Form 1099-MISC. If not, your Consolidated Form 1099 will indicate "NO REPORTABLE 2006 FORM 1099-MISC INCOME."**

- Line 1.** Report rents from real estate on Schedule E (Form 1040). If you provided significant services to the tenant, sold real estate as a business, or rented personal property as a business, report on Schedule C or C-EZ (Form 1040).
- 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 may include prizes, awards (not for services rendered), punitive and other taxable damages paid over \$600.00 (e.g., contract fees).

- 4.** Federal income tax withheld, either by IRS mandate or if you have not provided certification of your tax TIN. **Include this amount on your income tax return as tax withheld.**
- 7.** May include 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. Payments in lieu of interest and dividends are required to be reported on Form 1099-MISC for certain accounts, including corporate accounts.
- 14.** Shows gross proceeds paid to an attorney in connection with legal services. Report only the taxable part as income on your return.

## Key to Abbreviations

<b>AE</b>	Account Executive	<b>MLP</b>	Master Limited Partnership
<b>CMO</b>	Collateralized Mortgage Obligation	<b>OID</b>	Original Issue Discount
<b>CUSIP</b>	Committee on Uniform Security Identification Procedures	<b>QUIDS</b>	Quarterly Income Debt Securities
<b>EIN</b>	Employee Identification Number	<b>REIT</b>	Real Estate Investment Trust
<b>FASIT</b>	Financial Asset Securitization Investment Trust	<b>REMIC</b>	Real Estate Mortgage Investment Conduit
<b>FMV</b>	Fair Market Value	<b>RIC</b>	Regulated Investment Company (Mutual Funds)
<b>FORM 1040</b>	Federal Income Tax Return	<b>SSA</b>	Social Security Administration
<b>IRA</b>	Individual Retirement Account	<b>SSN</b>	Social Security Number
<b>IRS</b>	Internal Revenue Service	<b>TEFRA</b>	Tax Equity and Fiscal Responsibility Act
<b>LLC</b>	Limited Liability Company	<b>TIN</b>	Taxpayer Identification Number
<b>MIDS</b>	Monthly Income Debt Securities	<b>YTD</b>	Year to Date

## Explanation of Detailed Income Statement

The detailed income statement (not shown) is a summary of your 2006 Consolidated Form 1099 reportable and nonreportable investment activity. The statement includes totals for the various types of income, e.g., dividends, capital gain distributions, substitute payments and interest. Also detailed are purchases and all option transactions, including those that will settle after December 29, 2006, and the original issue discount (OID) for each applicable debt obligation held.

### Interest Details

- Bonds listed alphabetically and chronologically by payment
- Classified as nongovernment interest and US government interest
- A separate total of nongovernment interest and US government interest
- A total of credit interest
- A total of margin interest (will have a minus [-] after the nonreportable amount)
- Short accrued interest—accrued interest paid on the purchase of a bond, which is not deducted from the total interest reported

### Tax-exempt Income

- Tax-exempt interest from municipal bonds
- Tax-exempt dividends from mutual funds or other regulated investment companies
- A separate total for interest subject to alternative minimum tax (AMT)
- A total for tax-exempt interest/dividends

### Dividends

- Securities listed alphabetically and chronologically by payment
- A total per security for qualifying dividends, nonqualifying dividends, long-term gains, unrecaptured section 1250 gains, section 1202 gains, collectibles 28% gain, return of capital, liquidations and, if applicable, TEFRA or foreign tax withheld (which will have a minus [-] after the total)
- Master limited partnerships (MLPs)
- ADR fees—a nondeductible fee charged on dividend payments of foreign securities
- Distribution totals

### Investment Activity Details

- All 2006 purchases, principal accretions and reinvestments
- Listed in CUSIP, date order
- All purchases will include the date, security description, quantity, price, CUSIP number and amount
- Other distributions, including stock spin-offs and stock splits
- Separate section for option trades—includes purchases, sales and expirations (broker-dealers are not required to report option trades to the IRS; therefore, they are not included on Form 1099-B)

**Sales proceeds are provided only on the 2006 Consolidated Form 1099-B.**

### Original Issue Discount

- Securities are listed under “US Treasury obligations” and “other than US Treasury obligations”
- Description of instrument, quantity, and total OID amount for each security

### Miscellaneous Income

- Rent
- Royalty income (K-1 was not issued)
- Other income
- Nonemployee compensation
- Substitute payments
- Attorney fees

## Explanation of Illustrated 1099

### 2006 CONSOLIDATED FORM 1099

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

Telephone Number (212) 272-0495

Page 1

**2** INTRODUCING FIRM  
XYZ CORPORATION

**3** Recipient's Name, Street Address, City, State and Zip Code

CUSTOMER NAME  
ADDRESS  
CITY, STATE, ZIP CODE

Payer's Federal ID Number	Account Number
<b>4</b> 00-0000000	<b>5</b> 000-00000
Recipient's ID Number	Account Executive
<b>6</b> 000-00-0000	<b>7</b> XXXXXXXXXX

Copy B for Recipient

**8** Original / / 06

**9**  2nd TIN Notice

**10** PLEASE READ THE ENCLOSED TAX GUIDE FOR A COMPLETE EXPLANATION OF THE TAX INFORMATION ON YOUR 2006 CONSOLIDATED FORM 1099. WHILE WE VERIFY THE INFORMATION REPORTED, RECLASSIFICATION OF INCOME BY AN ISSUER SUCH AS A MUTUAL FUND MAY REQUIRE A CORRECTED CONSOLIDATED FORM 1099. KINDLY CONTACT YOUR ACCOUNT EXECUTIVE WITH QUESTIONS CONCERNING THE COST BASIS OR ANY OTHER INFORMATION.

## 1-10 Administrative Information

- 1** Bear Stearns is the payer that clears and reports your transactions both to you and the IRS. The firm's name, address and telephone number are provided for questions regarding this Consolidated Form 1099.
- 2** Telephone number of introducing firm that handles your transactions, if applicable. This firm clears its transactions on a fully disclosed basis through Bear, Stearns Securities Corp., making Bear, Stearns Securities Corp. the payer and tax reporting agent.
- 3** Your name and address on file as of December 29, 2006.
- 4** Tax identification number of Bear Stearns.
- 5** Your account number at Bear Stearns.
- 6** Your Social Security number or employer identification number. Please check to ensure that this number corresponds with the name in the recipient's name and address box. Advise your AE of any discrepancy.
- 7** Account executive's (AE) identification number. The name and number of your AE appear on your monthly statement. If you do not know the name of your AE, call Bear Stearns or the firm handling your transactions for assistance.
- 8** The original and/or corrected Consolidated Form 1099 will be dated.
- 9** 2nd TIN Notice: This box will be checked on behalf of the IRS if Bear Stearns has notified you twice within the past three years that your tax identification number (TIN) is incorrect or missing. To rectify this discrepancy, contact your local Social Security Administration (SSA) office and request a copy of Form SSA-7028, which will verify your Social Security number (SSN). To find the office nearest you, call Social Security's toll-free number, 800-772-1213. If you have an employer identification number (EIN), verify this number by requesting Letter 147C from the IRS. The toll-free number for the IRS is 800-829-1040. In accordance with IRS regulations, failure to correct an SSN or EIN will result in government-regulated 28% backup withholding tax on all reportable transactions.
- 10** Bear Stearns tax message.

## 2006 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> .....	<b>.00</b>
5. Investment Expenses .....	.00
6. Foreign Tax Paid .....	.00
8. Tax-exempt Interest .....	.00
9. Specified Private Activity Bond Interest .....	.00

- Line 1.** Includes all taxable interest, except on US savings bonds and Treasury obligations. May include total amount of credits from clean renewable energy bonds and Gulf bonds that must be included in your interest income. These amounts were treated as paid to you during 2006 on the credit allowance dates (March 15, June 15, September 15 and December 15). For more information, see Form 8912, Clean Renewable Energy Bond and Gulf Bond Credit.
- 2.** Interest or principal forfeited because of early withdrawal of time savings.
- 3.** Includes the periodic interest earned on long-term (greater than one year) debt obligations, US savings bonds, Treasury notes and Treasury bonds. Also includes short-term OID interest on US Treasury bills. This interest is exempt from state and local income taxes. **This amount is not included on line 1.**
- 4.** Federal income tax (TEFRA) withheld and remitted to the IRS either by IRS mandate or if you have not provided certification of your tax TIN. **Include this amount on your income tax return as tax withheld.**
- 5.** Any amount shown 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 on Schedule A (Form 1040), subject to the 2% limit. **This amount is included in line 1.**
- 6.** All money withheld by foreign governments at the time of distribution. The gross amount of the distribution and the amount of the withholding is reflected on your monthly statement, followed by the notation "**foreign taxes paid.**" You can determine the foreign country to which taxes were paid by referring to the prospectus for the specific security or by contacting your AE. You may or may not be eligible to take the entire amount shown in line 6 as a foreign tax credit.
- 8.** All tax-exempt interest, including exempt dividends from mutual funds or other regulated investment companies. Report this amount on line 8b of Form 1040 or Form 1040A.
- 9.** Tax-exempt interest subject to alternative minimum tax. This amount is included in line 8. See the Instructions for Form 6251, Alternative Minimum Tax-Individuals.

### What interest income is reported?

The interest income reported on Form 1099-INT includes interest paid from corporate bonds, federal agency bonds, credit balances, commercial paper, tax-exempt dividends, taxable and tax-exempt municipal bonds. The rebate fee earned on short security positions in your account will be included on line 1. Municipal bond interest is generally not taxable if it relates to a debt obligation issued by the state

or locality. However, some municipal bond interest may be taxable for federal tax purposes. Municipal bonds issued after August 7, 1986 may be subject to the alternative minimum tax in addition to full interest income disclosure. As required by recent tax law changes, when available, Bear Stearns reports AMT income on Form 1099-INT, line 9.

Bear Stearns tracks the purchase price of short-term (less than one year) instruments (on line 1) and US Treasury bills (on line 3), and calculates the accurate short-term OID amount. However, if the securities are not redeemed from the account in which they were originally purchased, Bear Stearns defers to IRS Publication 1212. Therefore, the amount reported may require an adjustment upon preparing your tax return.

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

Interest relating to REMICs, FASITs and CDOs is not included on the original Form 1099; instead it will be recalculated on an accrual basis and reported on a corrected Form 1099 no later than March 15, 2007. Interest income from these obligations is reported on Form 1099-OID and/or Form 1099-INT, line 1. These obligations are not treated as US Treasuries for federal and state income tax purposes because the underlying obligations (i.e., mortgages) are not issued by the US government.

Some MIDS, QUIDS, etc. are subordinated debt securities paying deferrable interest on a monthly or quarterly basis, and are actually OID instruments. 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 US 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 is reported as interest income on the settlement date. Accrued interest paid by you on bond purchases is included on the detailed income statement as "short accrued interest." It is not deducted by Bear Stearns from the reportable interest income total. Accordingly, you 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 2006, "NO REPORTABLE 2006 FORM 1099-INT INCOME" will appear on your 1099.**



2006 FORM 1099-DIV: DIVIDENDS & DISTRIBUTIONS

(OMB NO. 1545-0110)

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

**Line 1a.** Includes all taxable ordinary dividends and any short-term capital gain distributions from mutual funds that are fully taxable.

**1b.** The portion of the amount in box 1a that may be eligible for the 15% or 5% capital gains rates. See the Form 1040/1040A instructions for how to determine this amount. Report the eligible amount on line 9b, Form 1040 or 1040A.

**2a.** Total capital gain distributions (long term) from a regulated investment company (RIC) or real estate investment trust (REIT). Report the amount shown on line 2a on line 13 of Schedule D (Form 1040). However, if **no amount** is shown on lines 2c-2d and your only capital gains and losses are capital gain distributions, you may be able to report the amount shown on line 2a on line 13 of Form 1040 (line 10 of Form 1040A), rather than Schedule D. See Form 1040/1040A for instructions.

**2b.** 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-Line 19 in the Schedule D instructions (Form 1040).

**2c.** 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. See the Schedule D (Form 1040) instructions.

**2d.** 28% rate gain from sales or exchanges of collectibles. If required, use this amount when completing the **28% Gain Worksheet-Line 18** in the instructions for Schedule D (Form 1040).

**3.** The total amount of nontaxable distributions, if determinable. This includes return-of-capital payments that reduce your cost basis of the stock. This part of the distribution is nontaxable because it is a return of your cost (or other basis).

You must reduce your cost (or other basis) by this amount for calculating gain or loss when you sell your stock. But if you receive all your cost (or other basis), you must report future nontaxable distributions as capital gains, even though this form shows them as nontaxable. For more information, see Publication 550, Investment Income and Expenses.

**4.** Federal income tax withheld (TEFRA) and remitted to the IRS, either by IRS mandate or if you have not provided certification of your tax TIN. **Include this amount on your income tax return as tax withheld.**

**5.** The stockholder's pro rata share of certain amounts deductible by a nonpublicly offered RIC (generally a nonpublicly offered mutual fund) in computing its taxable income. If you file Form 1040, you may deduct these expenses on the "Other expenses" line on Schedule A (Form 1040), subject to the 2% limit. This amount is included in line 1a.

**6.** All money withheld by foreign governments at the time of distribution. The gross amount of the distribution and the amount of the withholding is reflected on your monthly statement, followed by the notation "foreign taxes paid." You can determine the foreign country to which taxes were paid by referring to the prospectus for the specific security or by contacting your AE. You may be able to claim the foreign tax as a deduction or a credit on Form 1040.

**8.** Cash amount distributed as a partial liquidating payment.

**9.** The fair market value (noncash) of stock on the date of 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 short-term capital gain distributions paid by tax-exempt mutual funds.

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

There are two 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 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.
2. Some mutual funds and REITs are considered constructive receipt payers. Their dividends will have a record date in 2006, but are payable in January 2007. Even though these dividends are not recorded on your December statement, they are reportable in 2006.



### How are capital gain distributions reported?

The 2006 Form 1099-DIV reports dividend distributions separately by capital gain types. The detailed income statement that is enclosed with your 2006 Consolidated Form 1099 categorizes the type of income received for each security distribution. We suggest that you consult with your tax advisor or use the 2006 IRS Instructions for Schedule D (Form 1040), Capital Gains and Losses, and Publication 550, Investment Income and Expenses, to assist you in filing your Form 1040 return.

### How is alternative minimum tax reported?

A percentage of the income generated from mutual funds that include municipal bond funds may be subject to the alternative minimum tax (AMT). As required by recent tax law changes, income subject to AMT is reported on Form 1099-INT, line 9, when available. We suggest that you discuss your tax reporting questions with a qualified tax advisor.

**If you did not receive reportable dividend income in 2006 "NO REPORTABLE 2006 FORM 1099-DIV INCOME" will appear on your 1099.**

## 13 Gross Proceeds (1099-B)

2006 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCH. TRANS.				(OMB NO. 1545-0715)			
(1A) DATE OF SALE OR EXCH	(7) DESCRIPTION	(1B) CUSIP	(2) STOCKS, BONDS, ETC. GROSS PROCEEDS	(4) FED INC TAX WITHHELD			
01/14	Northland Cranberries Inc Quantity 50	666499207	2250.00	0.00	TENDER		
02/02	Lexmark International Inc Quantity 1,000	529771107	168,000.00	0.00	SHORT SALE		
05/15	***EMI Group PLC Quantity 10,000	G3035P100	17,000.00	0.00			
06/21	California Res Efficiency Fing Due 04/01/2006 05.250% Quantity 50,000	130570AJ3	50,000.00	0.00	REDEMPTION		
08/24	Reebok International Ltd	758110100	180,000.00	0.00	MERGER		
09/28	Federal National Mtg Assn Due 04/25/2034 00.516%	31393YBM6	3,000.00	0.00	PRN PAYDOWN		
6 Items Total			420,250.00	0.00			
(1A) DATE OF SALE OR EXCH	CORPORATION'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE	(1B) CUSIP NO.	(2) STOCKS, BONDS, ETC. (SEE NOTE ON BACK)	(4) FED INC TAX WITHHELD	(5) NO. OF SHARES EXCH'D	(6) CLASSES OF STOCK EXCH'D	(12) NO LOSS (SEE NOTE ON BACK)
03/17	Coventry Corp 123 Evanston Road Rockville, MI 10637 EIN# 12-3456789	746935762	855.47	0.00	364	Common	X
07/26	A Second Corporation 8 Corporation Drive Spring Mill, MN 28749 EIN# 98-6457268	379283804	2,534.34	0.00	268	Preferred	
11/09	Reorganized Corp 1 The Reorganized Lane Springville, CA 03562 EIN# 64-8461231	537658337	83.56	0.00	54	Other	X
3 Items Total			3,473.37	0.00			

Form 1099-B reports both gross proceeds and changes in corporate control and capital structure, 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, federal income tax (TEFRA) withheld on settlement date, if applicable, and quantity. Additionally, changes in control or changes in capital structure transactions will include the corporation's name, address and EIN number, class type of the exchange and whether or not you can report the loss. The column to the right of each transaction denotes the source of revenue as shown here:

<b>Adjustment</b>	Foreign transactions converted to US dollars; corrections of previous 1099-B entries
<b>Cancel</b>	
<b>Cash-in-Lieu</b>	Greater than \$20
<b>Merger</b>	
<b>No Code</b>	Sale
<b>PRN Paydown</b>	Principal paydown
<b>Redemption</b>	
<b>Short Sale</b>	
<b>Tender</b>	For any stock or debt obligation

Any sale with a 2006 trade date settling in January 2007 will be recorded on the 2006 Form 1099-B. **If federal income tax (TEFRA) was withheld, it is deducted on settlement date and will not be reported until 2007.** 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 to analyze 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 mortgage- 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 may not be taxable this year. Also, the original cost basis for obligations receiving principal paydowns and reported in 2006 must be adjusted. You are required to reconcile and explain any differences to the IRS on Form 1040, Schedule D. Additionally, you may be required to recognize a gain from the receipt of cash, stock or other property that was exchanged by the corporation's stock. However, if box 12 is checked, you cannot take a loss on your tax return based on gross proceeds from an acquisition of control or substantial change in capital structure reported in line 2.

The detailed income statement provides investment activity transactions not required to be reported on Form 1099-B by broker-dealers. It includes 2006 purchases, principal accretions and dividend reinvestments. Details for option purchases, sales and expired option transactions will be listed separately. The detailed statement will include the trade date, description, type of transaction, price, CUSIP number, amount, comment and quantity. The information for proceeds on sales will be listed only on the Consolidated Form 1099-B.

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

**If you did not receive reportable gross proceeds income in 2006, "NO REPORTABLE 2006 FORM 1099-B TRANSACTIONS" will appear on your 1099.**

## 14 Original Issue Discount (1099-OID)

### 2006 FORM 1099-OID: ORIGINAL ISSUE DISCOUNT

(OMB NO. 1545-0117)

(BOX)	(AMOUNT)
1. Original Issue Discount for Tax Year 2006* . . . . .	450.00
5. Hillman Group Capital Tr – 11.600% . . . . .	Due 09/30/2007
6. Original Issue Discount on US Treasury Obligations . . . . .	0.00
1. Original Issue Discount for Tax Year 2006* . . . . .	0.00
5. US Treasury SEC . . . . .	Due 11/15/2020
6. Original Issue Discount on US Treasury Obligations . . . . .	2,100.00
1 Item - Other Than US Treasury Obligations . . . . .	450.00
1 Item - US Treasury Obligations . . . . .	2,100.00

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

- Line 1.** OID calculation is based on the number of days the obligation is held by you (per IRS Publication 1212).
- 5.** Description and maturity date of an individual obligation.
- 6.** OID on a US Treasury obligation. Report this amount on your federal income tax return; refer to IRS Publication 1212 for any adjustments to this amount. **This OID is exempt from state and local income taxes and is not included in line 1.**

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 that you obtain a copy of IRS Publication 1212 and/or consult with your tax advisor.

**Details on OID for REMIC and CMO securities are not included on the original Consolidated Form 1099; instead they will be reported on a corrected Consolidated Form 1099, mailed and post-marked no later than March 15, 2007.**

**If you did not receive reportable original issue discount income in 2006, "NO REPORTABLE 2006 FORM 1099-OID INCOME" will appear on your 1099.**

The OID 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.

## 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, 2007.

If you received a Consolidated Form 1099 with this message, it means that you will receive a corrected Consolidated Form 1099 with a detailed statement and an additional statement for REMIC/CMO securities by March 15, 2007. Please refer to the INT and OID sections for detailed explanations.

### Highlights of the REMIC/CMO Securities Statement

- Titled "2006 ADD'L OID INFORMATION."
- Separate statement for each security.
- Details for each security include description, CUSIP number, maturity date, amount reported on 1099-OID and/or 1099-INT, total position, days held, OID and/or INT rate, OID and/or INT amount accrued, market discount fraction and investment expenses, if applicable.

### Combinable and/or Exchangeable REMICs

- The additional OID statement CUSIP number could be different than the original purchased CUSIP number.
- A deal structured to allow investors to exchange the classes purchased for other securities backed by the same cash flow is referred to as a "combinable REMIC."
- Issuers of combinable REMICs include Fannie Mae (RCR), Freddie Mac (MACR) and Ginnie Mae (MX classes).
- The detailed income statement and the additional OID statement will reference the CUSIP number of the original position relating to the combinable REMIC.

## Other Types of 1099s & Reportable Income

- If you had **futures transactions**, you will receive a separate Form 1099. Questions should be directed to Bear Stearns Futures Operations at **347-643-2542**.
- If your **IRA, Keogh, pension plans or profit sharing trusts accounts** had reportable transactions, you will receive Form 1099-R. Please contact the Bear Stearns Retirement Services Department at **347-643-9603** with any questions.
- If you had transactions in a foreign currency (e.g., yen or pounds), your gross proceeds, dividends and interest will be converted to US dollars on the trade or effective date. These transactions will be reported on your applicable Form 1099.
- Although you are not a direct client of Bear Stearns, if you received a Consolidated Form 1099 with an account number beginning with 158 or 159 and AE number of "IMY" (refer to page 2, items 5 and 7), you are a beneficial owner in a nonqualified intermediary/nonwithholding foreign partnership account held at Bear

Stearns. The name, address and account number of the nonqualified intermediary/nonwithholding foreign partnership account will appear at the end of the detailed statement. In accordance with IRS regulations, the nonqualified intermediary/nonwithholding foreign partnership account must provide to Bear Stearns an allocation schedule of your share of the income distribution. Your percentage of income is then calculated and reported on the applicable 1099 tax form.

- If your primary address is in the state of California, Connecticut or New York, Bear Stearns is required to file a report of municipal bond interest. The 1099-INT section of the Consolidated Form 1099 provides the total amount reported to each state. Details with security descriptions are found in the detailed income statement. Residents of Puerto Rico will receive a 480.6A and/or 480.6B Form by February 28, 2007.

## Corrected 1099s

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

- Your mutual funds and/or REITs reclassified all or part of their distributions after December 29, 2006. Since these reclassifications occurred after the original Consolidated Form 1099 was issued, a correction was necessary.
- The mutual funds and/or REITs you own declared a dividend in the last quarter of 2006 that was not payable until January 2007.
- You owned stock in a corporation that had a change in control or a substantial change in capital structure and the corporation has reasonably determined that you may be required to report a gain

from the exchange. In accordance with IRS regulations, Bear Stearns, as the broker, must forward to you this information on Form 1099-B.

- You owned REMICs or CDOs. Interest relating to REMICs and CDOs is reported on an accrual basis. In accordance with IRS regulations, this information will be sent to you by March 15, 2007.
- 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 Consolidated Form 1099.
- A newly signed W-9 Form, changing the SSN or EIN reflected on the original 2006 Consolidated Form 1099, was received.

## Not Reported on This 1099

- Nonreportable items, including margin interest paid by you, short accrued interest, short debit fees, purchases and principal accretions (increase in your holding of a REMIC or CMO with a Z tranche), are listed under the applicable category of the detailed income statement.
- If you received distributions directly from a corporation because securities are registered in your name, then the corporation—not Bear Stearns—must provide you and the IRS with the applicable Form 1099.

- Master limited partnership (MLP) and limited liability company (LLC) distributions will be reported directly by the MLP/LLC on Schedule K-1.

## Contact Information

For your convenience, we have included the following telephone numbers and websites for your use in obtaining additional information:

<b>Bear Stearns 1099 Tax Reporting</b>	212-272-0495	
<b>Bear Stearns Futures Operations</b>	347-643-2542	
<b>Bear Stearns Retirement Services</b>	347-643-9603	
<b>Internal Revenue Service</b>	800-829-1040	<a href="http://www.irs.gov">www.irs.gov</a>
<b>Social Security Administration</b>	800-772-1213	<a href="http://www.ssa.gov">www.ssa.gov</a>

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