

Important year-end tax information

We are pleased to provide you with the 2012 year-end tax guide. The guide is designed to assist you or your tax advisor with the preparation of your federal and state income tax returns.

Please note that this guide is intended to be used as reference only; it is not a complete source of general tax information. Please also refer to the enclosed 2012 tax reporting documents. You should consult your tax advisor regarding your specific tax return requirements.

NOTEWORTHY CHANGES FOR 2012

As a result of legislation enacted by the U.S. Congress, as part of their annual tax reporting process, brokers are required to report cost basis information to the Internal Revenue Service (IRS) beginning with tax year 2011. The cost basis reporting law is phased in over multiple years. Generally, brokers are required to report cost basis on securities that are acquired on or after the below effective dates.

IMPLEMENTATION PHASE	COVERED	NONCOVERED
Equities	Acquired on or after January 1, 2011	Acquired prior to January 1, 2011
Mutual Fund, DRPs	Acquired on or after January 1, 2012	Acquired prior to January 1, 2012
Fixed Income, Options	Acquired on or after January 1, 2014	Acquired prior to January 1, 2014

As of January 1, 2012, shares acquired in Regulated Investment Companies and securities purchased in connection with a qualified dividend reinvestment plan (DRP) are generally considered to be “covered” and are subject to cost basis reporting to you and the IRS. This information is reported on Form 1099-B (Proceeds From Broker and Barter Exchange Transactions).

EXEMPT-INTEREST DIVIDENDS

Exempt-interest dividends from a mutual fund are now reported in Box 10 on Form 1099-DIV (Dividends and Distributions). These payments were previously reported on Form 1099-INT (Interest Income).

WHAT'S NEW ON FORM 1099-B

Enhancements to Form 1099-B for 2012:

- Summary totals included at the start of Form 1099-B
- Layout updated to include details that can be used to complete Form 8949 (Sales and Other Dispositions of Capital Assets)

Short Sales The IRS instituted the below changes related to the reporting of short sales on Form 1099-B:

- Box 1a: Date the security was delivered to close the short sale (settlement date of closing transaction)
- Box 1b: Acquisition date of the security delivered to close the short sale (trade date of closing transaction)
- Box 1c: Whether any gain or loss on the closing of the short sale is short term or long term based on the acquisition date of the security delivered to close the short sale

New boxes have been added to Form 1099-B:

- Box 1d: Stock or symbol
- Box 1e: Quantity
- Box 6b: Basis reported to IRS

S Corporations Brokers must report a Form 1099-B to S Corporations and the IRS for the sale of covered securities that were acquired on or after January 1, 2012. Historically, S Corporations were considered “exempt recipients.” Reporting of both gross proceeds and basis is now required.

GROSS PROCEEDS (1099-B)

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. Any sale with a 2012 trade date settling in January 2013 will be recorded on the 2012 Form 1099-B. Principal payment for mortgage and asset-backed securities is reported on Form 1099-B based on effective date. Proceeds from Treasury bills sold before redemption are reportable on Form 1099-B.

WASH SALES

In general, a wash sale occurs when you sell (or trade) stock or securities at a loss, and within 30 days before or after the sale you buy substantially identical stock or securities.

The adjusted basis of the purchased security will be increased by the amount of loss disallowed on the sale transaction. For our reporting to you, the wash sale rules are applied only if both the sale and purchase transaction occur in the same account with respect to securities with the same CUSIP number. For covered securities, the amount of loss that is disallowed will be reported on Form 1099-B in addition to gross proceeds and unadjusted basis for the sale transaction. You should consult your tax advisor about your individual situation.

DIVIDENDS AND DISTRIBUTIONS (1099-DIV)

Form 1099-DIV reports all ordinary dividend income (qualified and non-qualified), return-of-capital distributions, capital gain distributions, partial liquidations and short-term capital gain distributions. Dividends paid on money market and bond funds are non-qualified dividends.

Fund Distributions—Income Reallocations Certain mutual funds, real estate investment trusts (REITs) and unit investment trusts (UITs) pay distributions throughout the year. These distributions are classified as income when paid. Subsequent to the end of the year, these distributions may be reallocated for tax purposes from income to capital gain and/or return of capital. These reallocations will represent differences in income reported on your Form 1099-DIV and your client statement.

Fund Distributions—“Year-End” Dividends Dividends from certain mutual funds and REITs are considered taxable income when declared but are not reflected on the monthly statement until the dividend is paid. This may present a timing issue. For example, if a dividend is declared in December but is not paid until January, the dividend may be reportable on your 2012 Form 1099-DIV, but it will appear on your January 2013 monthly statement.

INTEREST INCOME (1099-INT)

Form 1099-INT includes interest paid from corporate bonds, federal agency bonds, credit balances, commercial paper, taxable and tax-exempt municipal bonds. The rebate fee earned on short security positions in your account will be included. 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.

Discount Short-Term Obligations Interest earned on discounted short-term obligations sold prior to maturity, including U.S. Treasury bills, are included in gross proceeds on Form 1099-B and supporting tax reporting documents. Such interest is not reported on Form 1099-INT.

Accrued Interest 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” and is not deducted from the total interest reported. Accrued interest earned as part of the gross proceeds on a bond sale is reported as interest on Form 1099-INT based on settlement date.

Interest related to Real Estate Mortgage Investment Conduits (REMICs), Financial Asset Securitization Investment Trusts (FASITs) and Collateralized Mortgage Obligations (CMOs) is not included on the original Form 1099; instead, it will be recalculated on an accrual basis and reported on a corrected Form 1099 that will be mailed no later than March 15, 2013.

MISCELLANEOUS INCOME (1099-MISC)

Form 1099-MISC reports information on rent, royalty income (K-1 was not issued), non-employee compensation, substitute payments, attorney fees and other income. Substitute payments are payments made in lieu of dividends generated from a security that is lent to a third party during the period that a dividend is paid. The substitute payment received is not considered a qualified dividend, and is taxed at ordinary income rates.

COLLATERALIZED OBLIGATIONS AND WIDELY HELD FIXED INVESTMENT TRUSTS (REMIC/CMO/UIT/WHFIT INFORMATION)

WHFITs are fixed investment trusts where at least one interest in the trust is held by a middleman on behalf of the owner of the trust. There are two unique subcategories: Widely Held Mortgage Trusts (WHMTs) and Non-Mortgage Widely Held Fixed Investment Trusts (NMWHFITs). WHMTs are mortgage-backed security (MBS) pools issued by agencies such as Fannie Mae, Ginnie Mae and Freddie Mac.

NMWHFITs are unit investment trusts (UITs), royalty trusts, commodity trusts or HOLDERS trusts. WHFIT reporting is based on when the income was received by the trust entity, rather than when it was paid out to the interest holder. Any WHFIT that returns part of your investment as principal payment will be reported on Form 1099-B. Since income from WHFITs is reported on an accrual (not cash) basis, the taxable income might be different than the cash you received during the year.

The WHFIT information will be included in Forms 1099, where applicable and/or in supplemental information schedules.

Related information may include items of income, expense and credit; non *pro-rata* principal payments; detail of asset sales and dispositions; redemptions and sales of WHFIT interests; information regarding bond premium and market discount; and other information necessary for a trust interest holder to report.

ORIGINAL ISSUE DISCOUNT (1099-OID)

Form 1099-OID reports OID interest 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 that you obtain a copy of IRS Publication 1212 and/or consult with your tax advisor.

REMIC/CDO/CMO/WHFIT/UIT statements will be mailed by March 15, 2013, because of the time it takes issuers to calculate the required tax reporting information. If you hold these securities in your account, you may expect to receive an updated tax package after the initial mailing.

INFORMATION NOT REPORTED ON FORM 1099

Master Limited Partnership and Limited Liability Company

Master limited partnership (MLP) and limited liability company (LLC) distributions will be reported by the MLP/LLC on schedule K-1, which should be mailed directly to you by March 15, 2013.

Non Reportable Margin interest and management fees 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.

CORRECTED CONSOLIDATED FORM 1099

A corrected Consolidated Form 1099 may be required if:

- A newly signed W-9 Form, changing SSN or EIN reflected on the original 2012 Consolidated Form 1099 was received
- You owned REMICs, CMOs, WHFITs or UITs
- There was a reclassification of income by an issuer

- 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, J.P. Morgan Clearing Corp. must forward to you this information on Form 1099-B
- J.P. Morgan Clearing Corp. discovered a reporting error that made it necessary to issue a revised Consolidated Form 1099

OTHER TYPES OF REPORTABLE INCOME

Intermediary Accounts If you received a Consolidated Form 1099 with an account number beginning in 158 or 159 and AE number of "IMY," you are a beneficial owner in a non-qualified intermediary/non-withholding foreign partnership account held at J.P. Morgan Clearing Corp. The name, address and account number of the non-qualified intermediary/non-withholding foreign partnership account will appear at the end of the detailed income statement.

Municipal Bond Interest If your primary address is in the state of California, Connecticut, Minnesota or New York, J.P. Morgan Clearing Corp. is required to file a report of municipal bond interest statement to that state.

Puerto Rico Residents Forms 480.6A and 480.6B are mailed to end-clients by February 28, 2013.

Foreign Currency If you had transactions in foreign currency (e.g., yen or euros), your gross proceeds, dividends and interest will be converted to U.S. dollars on the trade or payment date.

Regulated Futures Contracts Regulated futures contracts are reported on a separate Form 1099.

Disclaimer: 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. If you hold mutual funds, REIT securities and/or a widely held fixed investment trust, 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.

IRS Circular 230 Disclosure: JPMorgan Chase & Co. and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with JPMorgan Chase & Co. of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

Contact information

TAX REPORTING HOTLINE

General inquiries, withholding tax (TEFRA, NRA),
Form 1099, Form 1042S
212.272.0495

RETIREMENT SERVICES

General inquiries, Form 1099-R, IRA distributions
347.643.9603

INTERNAL REVENUE SERVICE (IRS)

800.829.1040
www.irs.gov

SOCIAL SECURITY ADMINISTRATION (SSA)

800.772.1213
www.ssa.gov