



## FREQUENTLY ASKED QUESTIONS

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### What is cost basis?

Cost basis generally refers to the original value (usually the purchase price) of a security for tax reporting purposes adjusted for various transactions that might occur after, the purchase.

### Why do I have to report cost basis on my tax return?

Shareholders have always been required to report cost basis on their individual tax returns. However, because of the Emergency Economic Stabilization Act of 2008, transfer agents such as Equatex must now report cost basis for certain types of securities acquired after January 1, 2011, to both the security holder and the IRS.

### How will I know what Equatex is reporting to the IRS?

Equatex will send you an IRS Form 1099-B that reports the details of your sale. The same information will be sent to the IRS. In addition, for share transfers to brokers, Equatex will be required to furnish your broker with basis information on covered shares.

### What does 'covered' mean?

Covered means that transfer agents, such as Equatex, are required by the IRS to report cost basis to the individual and the IRS for such securities.

### What does 'noncovered' mean?

Noncovered, or Uncovered, means that cost basis reporting is not required of transfer agents for such securities under the existing law. However, the security holder is still responsible for calculating cost basis for their individual tax returns.

### What determines whether shares are "covered" or "noncovered"?

Any corporate stock and plan shares acquired for cash on or after 1/1/2011 will be considered covered. Noncovered shares are shares acquired prior to the cost basis regulations taking effect for that type of security, or for security types not yet included under the law.

### What is adjusted cost basis?

Adjusted cost basis represents the initial dollar value of a security adjusted as necessary for items that impact cost

basis. Examples of these include, but are not limited to, compensatory income, fees, corporate actions, return of capital payments and wash sales.

### Which cost basis reporting method will Equatex use when I sell my shares now that the cost basis regulation is in place?

Sales will be processed using the First In, First Out (FIFO) method. There are no additional instructions required from you in order for us to process your transaction using the FIFO method.

### What if I transfer or sell all of my shares; do I need to do anything?

If transacting on your entire position, cost basis reporting methods become irrelevant. Cost basis calculation methods are only used when there is a partial sale, transfer or certificate issuance by the holder. When a holder sells or transfers their entire covered stock position the basis for the entire position is provided.

### Which cost basis reporting method will Equatex use when I transfer part of the shares from my account?

Equatex will process a request to transfer part of the shares in the account using the FIFO method. Specific identification of shares is not available.

### How does cost basis reporting differ for shares acquired under employee plans?

The IRS requires cost basis for shares acquired through employee plans to only include the cash paid for the award. For employee stock purchase plans, this is the discounted purchase price. For stock options, it is the exercise price. For vesting restricted stock and stock units, and exercises of stock-settled SARs, the shares acquired are noncovered when no cash is paid to acquire them. The compensatory income associated with these awards should be added to the cash paid to determine the complete cost basis reported on the individual's tax return.

Equatex may provide supplemental information with Form 1099-B to assist participants with this calculation in year-end statements and sale confirmations.



**Equatex, part of the Computershare group, recommends consulting with your tax advisor for information on cost basis and its impact to your specific situation.**

**Acquisition Date** – Trade date of shares; can be an adjusted trade date based on wash sale trade date adjustments.

**Adjusted Cost Basis** – Represents the dollar cost of a share lot acquisition adjusted as necessary for compensatory income, fees, corporate actions, return of capital payments, reinvest dividends, wash sale and other processing with impact to cost basis.

**Average Cost** – Cost basis calculation method where the cost of all share lots is totaled and divided by the number of shares, all with the same CUSIP, in an account to determine the average cost per share. Generally this only applies to Mutual Fund shares.

**Awaiting Cost Basis Status** – Shares received from broker without cost basis [i.e. date/price]. Broker has 15 days to provide cost basis.

**Cost Basis (also Tax Basis)** – The original value of an asset for tax purposes (usually the purchase price), adjusted for stock splits, dividends and return of capital distributions. This value is used to determine the capital gain.

**Constructive Receipt** – Transactions reportable at the time of the effective date of the corporate event.

**Covered Securities/Covered Shares** – Investments for which mandatory cost basis reporting is required under the legislation. The timeline for this is: Corporate Stock and plan shares acquired after 1/1/2011; mutual fund shares acquired after 1/1/2012; and all other securities acquired after 1/1/2013.

**Fair Market Value (FMV)** – The price that a given property or asset would be valued at in the marketplace.

**First In First Out (FIFO)** – Cost basis calculation method where the first shares purchased in an account are the first shares sold from that account. Ordering of disposition of shares must take holding period revisions resulting from wash sale into account.

**Highest Price First Out (HIFO)** – Cost basis calculation method where the shares with highest price purchased in an account are the first shares sold from that account.

**Holding Period** – The amount of time elapsed between the acquisition of shares and the disposal (i.e.) sale or transfer of the same shares.

**Last In First Out (LIFO)** – Cost basis calculation method where the last shares acquired in an account are the first shares sold from that account.

**Long Term Gain/Loss** – A gain or loss from a qualifying investment owned for longer than 12 months and then sold. The capital gain or loss is the difference between the sale value and the adjusted cost basis.

**Lot (also Share Lot)** – A group of shares associated with a single purchase/reinvest or transfer transaction. Shares in a lot share key data elements such as acquisition date and share price, including basis adjustments.

**Lowest Price First Out (LOWFO)** – Cost basis calculation method where the shares with the lowest price acquired in an account are the first shares sold from that account.

**Noncovered shares (Uncovered)** – Shares obtained prior to cost basis timeframe for that class. [Example: Corporate Stock and plan shares acquired before 1/1/2011, mutual fund shares acquired before 1/1/2012, and all other securities acquired before 1/1/2013]. Also, any shares received for no cash payment (e.g. restricted stock, SAR exercises)

**Return of Capital (ROC)** – A distribution of capital that is not deemed by the issuer to be ordinary income. Return of Capital cost basis may be adjusted by the issuer months after a payment is made.

**Short Term Gain/Loss** – A gain or loss from a qualifying investment owned equal to or less than one year and then sold. The capital gain or loss is the difference between the sale value and the adjusted cost basis.

**SIFMA** – Securities Industry and Financial Markets Association.

**Specific Lot Identification** – Cost basis calculation method where the shareholder selects which share lots to sell when initiating a transaction and such selection is confirmed by the broker/agent to the shareholder in writing.

**Wash Sale Rule (30-Day Wash-Sale Rule)** – An Internal Revenue Service (IRS) rule prohibiting a taxpayer from claiming a loss on the sale of an investment when the same investment, or any portion of it, was purchased within 30 days before or after the sale date.