

## AMORTIZATION AND ACCRETION (A/A) ELECTIONS

The third phase of the Emergency Economic Stabilization Act of 2008 requires financial institutions, such as Wedbush Securities Inc., to begin reporting the cost basis of debt instruments and option contracts purchased on and after January 1, 2014. You can choose an election other than the firm default on how you would like the amortization of the premium or the accretion of your discount calculated. Referenced below are the four elections to choose from.

**NOTE:** For debt instruments purchased after January 1, 2015, the IRS has changed the broker default of Market Discount Computation from Straight Line to the Constant Yield method. This change was instituted by the IRS in response to industry commenters who indicated that the use of the constant yield method would generally result in a more favorable tax result for most 1099-B recipients. Due to the complexity of these bond elections and accrual methods, you are encouraged to consult your tax professional to determine what methods best meet your tax situation.

	Election	Description	Broker Default	Taxpayer Election	Revocation
1	<b>Market Discount Computation Method</b>	Indicates whether the Constant Yield or the Straight Line method is used for calculating the Market Discount	Constant Yield	Straight Line	Not permitted
2	<b>Treat all interest as OID to amortize premium</b>	Indicates if the Taxable Debt Interest, Amortization and Accretion is treated as OID	No	Yes	Permitted, with the consent of the Commissioner
3	<b>Recognition of market discount income</b>	Indicates if the Market Discount is included in income currently or at the time of sale	At sale, redemption or maturity	Current inclusion	Permitted, with the consent of the Commissioner
4	<b>Amortize Taxable Bond Premium</b>	Indicates if Taxable Bond Premium should be Amortized	Yes	No	Permitted, with the consent of the Commissioner

All taxpayer elections must be made in writing by completing the attached Letter of Authorization and sent to us at one of the following by 12/31 of the year of the purchase:

**Wedbush Securities Inc.**

Attn: Reorganization Dept.

1000 Wilshire Blvd. 8th Fl.

Los Angeles, CA 90017

E-mail: [Reorganization@Wedbush.com](mailto:Reorganization@Wedbush.com)

Phone No. (213) 688-4375

Fax No. (213) 688-8078

## AMORTIZATION AND ACCRETION (A/A) ELECTIONS Letter of Authorization

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Account Name: \_\_\_\_\_

\_\_\_\_\_

Account Number: \_\_\_\_\_

In accordance with these regulations, I hereby make the following elections:

1. The IRS broker default for Market Discount Computation Method is Constant Yield.

Check here to elect the Straight Line method

2. The IRS broker default for Treatment of Interest is to Treat Only OID as OID.

Check here to elect to Treat All Interest as OID

**\*Please provide list of cusips for elections 1 and 2 above.**

3. The IRS broker default for Recognition of Market Discount Income is Recognized at the time of Sale, Redemption or Maturity.

Check here to elect to Accrue Market Discount Each Year

4. The IRS broker default is to Amortize Taxable Bond Premium.

Check here to elect Not to Amortize Taxable Bond Premium

I understand that elections 3 and 4 apply to all covered bonds purchased in and after the year of the election.

I understand that all elections except election 1 may be revoked with consent of the IRS Commissioner and that if revoked, I will send a notice of revocation in writing to my Investment Executive.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_