

2003

TAX GUIDE

Explaining Your 1099 Forms

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Bear Stearns' 2003 tax guide was prepared in a continuing effort to provide quality service and to familiarize you with changes in the tax reporting due to the "Jobs and Growth Tax Relief Reconciliation Act" signed into law on May 28, 2003. The Consolidated Form 1099-INT-DIV-B-OID will include, if applicable, a separate Form 1099-MISC and/or Form 1099-CAP (new form), along with a detailed income statement of both taxable and non-taxable income.

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 each page, and specific instructions are shown on the front of the Form 1099-CAP. Information reported in one category is not duplicated in another. Bear Stearns® 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 and 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. **RETAIN YOUR CONSOLIDATED FORM 1099, FORM 1099-MISC, FORM 1099-CAP 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 Consolidated Form 1099. 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.

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.

2003 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
4 00-0000000	5 000-00000
Recipient's ID Number	Account Executive
6 000-00-0000	7 XXXXXXXXXX

Copy B for Recipient

8 Original / / 04 9 2nd B Notice

10 PLEASE READ THE ENCLOSED TAX GUIDE FOR A COMPLETE EXPLANATION OF THE TAX INFORMATION ON YOUR 2003 CONSOLIDATED FORM 1099. INCLUDED WITH THE CONSOLIDATED FORM 1099 IS AN INCOME SUMMARY STATEMENT OF YOUR 1099 REPORTABLE AND NONREPORTABLE INVESTMENT ACTIVITY. ALL AMOUNTS ON THE CONSOLIDATED FORM 1099 WILL BE REPORTED TO THE IRS. KINDLY CONTACT YOUR ACCOUNT EXECUTIVE WITH QUESTIONS CONCERNING THE COST BASIS OR ANY OTHER INFORMATION.

11 2003 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. Federal Income Tax Withheld	.00
5. Investment Expenses	.00
6. Foreign Tax Paid	.00

12 2003 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. Post-May 5 Capital Gain Distributions	.00
2c. Qualified 5-Year Gain	.00
2d. Unrecaptured Section 1250 Gain	.00
2e. Section 1202 Gain	.00
2f. Collectibles (28%) Gain	.00
3. Nontaxable Distributions	.00
4. Federal Income Tax Withheld	.00
5. Investment Expenses	.00
6. Foreign Tax Paid	.00
8. Cash Liquidation Distributions	.00
9. Noncash Liquidation Distributions	.00

13 2003 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	
01/13	Bank Hawaii Corp	062540109	0.00	0.00	SHORT SALE
	Quantity 15,000				
02/07	New York St Dorm Auth	649834WN4	0.00	0.00	REDEMPTION
	Quantity 50,000				
04/14	Andrx Group	034553107	0.00	0.00	
	Quantity 2,000				
07/28	Federal National Mtg Assn	31392FHX8	0.00	0.00	PRN PAYDOWN
	DUE 05/25/2030 08.414%				
10/06	Hanger Orthopedic Group Inc	41043FAB5	0.00	0.00	TENDER
	Quantity 46				
10/17	Chateau Communities Inc	161726104	0.00	0.00	MERGER

6 Items Total

14 2003 FORM 1099-OID: ORIGINAL ISSUE DISCOUNT (OMB NO. 1545-0117)

(BOX)	(AMOUNT)
1. Original Issue Discount for Tax Year 2003*	1,500.00
5. HOUSEHOLD CAPITAL TRUST I Due 06/30/2025	
6. Original Issue Discount on US Treasury Obligations*	.00
1. Original Issue Discount for Tax Year 2003*	.00
5. U S TREAS STRIP-TINT-2/15/05 Due 02/15/2005	
6. Original Issue Discount on US Treasury Obligations*	3,000.00
1 Item - Other Than US Treasury Obligations	1,500.00
1 Item - US Treasury Obligations	3,000.00

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

15 2003 FORM 1099-MISC: MISCELLANEOUS INCOME (OMB NO. 1545-0115)

NO REPORTABLE 2003 1099-MISC INCOME
 REMIC/CMO TAX INFORMATION IS NOT INCLUDED ON THIS 1099 BUT WILL BE PROVIDED ON AN AMENDED 1099 BY MARCH 15, 2004.

17 END OF 2003 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 (1099-MISC) Form

2003 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
4 00-0000000	5 000-00000
Recipient's ID Number	Account Executive
6 000-00-0000	7 XXXXXXXXXXX

Copy B for Recipient
 Original / / 04 2nd B Notice

2003 FORM 1099-MISC: MISCELLANEOUS INCOME

(OMB NO. 1545-0115)

(BOX)	(AMOUNT)
2. Royalties	0.00
3. Other Income	0.00
4. Federal Income Tax Withheld	0.00
7. Nonemployee Compensation	0.00
8. Substitute Payments in Lieu of Dividends or Interest	0.00

END OF 2003 FORM 1099-MISC

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Sample Changes in Corporate Control and Capital Structure (1099-CAP) Form

2003 FORM 1099 CAP

Broker's Name, Street Address, City, State, Zip Code and Telephone Number
 BEAR STEARNS
 Telephone Number (XXX) XXX-XXXX

Page 1
 INTRODUCING FIRM
XYZ CORPORATION

Shareholder's Name, Street Address, City, State and Zip Code
 CUSTOMER NAME
 ADDRESS
 CITY, STATE, ZIP CODE

Broker's Federal ID Number	Account Number
4 00-0000000	5 000-00000
Shareholder's ID Number	Account Executive
6 000-00-0000	7 XXXXXXXXXXX

Copy B For Shareholder
 Original / / 04 Filed By Broker

IRS TEMPORARY REGULATIONS SECTION 1.6045-4T REQUIRES BROKERS TO ISSUE TO ACTUAL SHAREHOLDERS AND FILE WITH THE IRS FORM 1099-CAP IF A CORPORATION WAS ACQUIRED OR UNDERWENT A SUBSTANTIAL CHANGE IN CAPITAL STRUCTURE.

2003 FORM 1099-CAP: CHANGES IN CORPORATE CONTROL & CAPITAL STRUCTURE (OMB NO. 1545-1814)

(BOX)	
1. Date of Sale or Exchange	12/12/03
2. CUSIP Number	483105AD3
5. Number of Shares Exchanged	1,330
7. Classes of Stock Exchanged	OTHER
8. FMV of Stock Received	23,150.00
10. Description	GHI EXCHANGE CORPORATION 33-9876543

If this box is checked, you cannot take a loss on your tax return.

1 Item - Total

END OF 2003 FORM 1099-CAP

Instructions For Shareholder

A corporation in which you own stock that has had a change in control or a substantial change in capital structure must send you this statement by January 31 (February 28 if sent by your broker) of the year following the calendar year of the change. You have received this statement because the corporation has reasonably determined that you may be required to recognize gain from the receipt of cash, stock or other property that was exchanged for the corporation's stock. Report any gain from the exchange on **Schedule D (Form 1040)**, Capital Gains and Losses. However, if the box below Box 10 is checked (marked with an X), you cannot take a loss on your tax return. **Do not** report this loss on Schedule D (Form 1040).

Note: If you received this form from your broker, the broker may use this form to report all proceeds from this transaction. The broker is not required to also send you **Form 1099-B**, Proceeds From Broker and Barter Exchange Transactions, to report cash proceeds from this transaction. However, you may receive **Form 1099-B** from the broker for other transactions with this corporation. (Important note: You have received this form from your broker. Cash proceeds, if any from this transaction, are reported in the Form 1099-B section of the **Consolidated Form 1099**).

- Box 1.** Shows the date the stock was exchanged for cash, stock or other property.
- Box 2.** If filed by a broker, may show the CUSIP (Committee on Uniformed Security Identification Procedures) number of the item reported.
- Box 5.** Shows the number of shares of the corporation's stock that you held which were exchanged in the transaction.
- Box 7.** Shows the class or classes of stock that were exchanged.
- Box 8.** Shows the fair market value (FMV) of any stock you received in exchange for the stock you held.
- Box 10.** If filed by a broker, shows the corporation's name and EIN (Employer Identification Number).

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Key to Abbreviations

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

Explanation of Detailed Income Statement

The detailed income statement (not shown) is a summary of your 2003 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 31, 2003, 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 amount—nonreportable)
- Short accrued interest

Nonreportable Income

- Municipal bonds
- Short accrued interest—accrued interest paid on the purchase of a bond, which is **not** deducted from the total interest reported
- Tax-exempted dividends
- A separate total for interest subject to alternative minimum tax (AMT)
- A separate total for other nonreportable income

Dividends

- Securities listed alphabetically and chronologically by payment
- A total per security for qualifying dividends, nonqualifying dividends, qualifying long-term gains, 5-year gains, qualified 5-year 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 2003 purchases, principal accretions and reinvestments
- Listed in CUSIP, date order
- All purchases will include the date, security description, quantity, price, CUSIP number, amount, type of transaction and, if applicable, a separate line for TEFRA tax withheld
- 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 2003 Consolidated Form 1099-B.

Original Issue Discount

- Securities listed separately as US Treasury obligations and other than US Treasury obligations
- Detailed description of instrument, days held, quantity, OID rate, type (e.g., daily) and total OID amount for each security
- Separate totals for all US Treasury obligations and other than US Treasury obligations

Miscellaneous Income

- Royalty income (K-1 was not issued)
- Other Income
- Nonemployee compensation
- Substitute payments

Form 1099-CAP

- Date of sale or exchange
- CUSIP number
- Cash received
- Federal income tax withheld
- Number of shares exchanged
- Classes of stock exchanged
- Fair market value (FMV) of stock received
- FMV of other property received
- Description
- Box will be checked if you **cannot** take a loss on your tax return

Explanation of Illustrated 1099

2003 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
4 00-0000000	5 000-00000
Recipient's ID Number	Account Executive
6 000-00-0000	7 XXXXXXXXX

Copy B for Recipient

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9 2nd B Notice

10

PLEASE READ THE ENCLOSED TAX GUIDE FOR A COMPLETE EXPLANATION OF THE TAX INFORMATION ON YOUR 2003 CONSOLIDATED FORM 1099. INCLUDED WITH THE CONSOLIDATED FORM 1099 IS AN INCOME SUMMARY STATEMENT OF YOUR 1099 REPORTABLE AND NONREPORTABLE INVESTMENT ACTIVITY. ALL AMOUNTS ON THE CONSOLIDATED FORM 1099 WILL BE REPORTED TO THE IRS. 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** Introducing firm that handles your transactions, if applicable, and its telephone number. 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 31, 2003.
- 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 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 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 backup withholding tax on all reportable transactions. From January to May 2003, the withholding rate was 30%, then was reduced to 28% for the remainder of the year.
- 10** Bear Stearns tax message.

2003 FORM 1099-INT: INTEREST INCOME		(OMB NO. 1545-0112)
(BOX)		(AMOUNT)
1.	Interest Income Not Included in Box 300
2.	Early Withdrawal Penalty00
3.	Interest on US Savings Bonds & Treas. Obligations00
4.	Federal Income Tax Withheld00
5.	Investment Expenses00
6.	Foreign Tax Paid00

Line 1. Includes all taxable interest, except on US savings bonds and Treasury obligations.

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 at the client's request. **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 box 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 box 6 as a foreign tax credit.

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 and taxable 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. In either case, 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 2003 is included on your December statement as well as in the detailed income statement.

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, 2004. 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 issued prior to February 2, 2004. 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 (except tax-exempt municipal 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 2003, "NO REPORTABLE 2003 FORM 1099-INT INCOME" will appear on your 1099.

2003 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. Post-May 5 Capital Gain Distributions	.00
2c. Qualified 5-Year Gain	.00
2d. Unrecaptured Section 1250 Gain	.00
2e. Section 1202 Gain	.00
2f. Collectibles (28%) Gain	.00
3. Nontaxable Distributions	.00
4. Federal Income Tax Withheld	.00
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.** Shows the portion of qualified dividends that may be eligible for the new 15% or 5% capital gains rate.
- 2a.** Total capital gain distributions (long term) from a regulated investment company (RIC) or real estate investment trust (REIT). Report the amounts shown in lines 2a and 2b on Schedule D (Form 1040), line 13. However, if **no amount** is shown on lines 2c-2f and your only capital gains and losses are capital gain distributions, you may be able to report the amounts shown on lines 2a and 2b on lines 13a and 13b of Form 1040 (lines 10a and 10b of Form 1040A), rather than Schedule D. See the Form 1040/1040A for instructions.
- 2b.** Portion of long-term capital gain distribution that took place after May 5 and is eligible for the new 15% and 5% capital gains rate.
- 2c.** Qualified five-year gain that may be taxed at an 8% capital gains rate.
- 2d.** Unrecaptured section 1250 gain for certain qualified depreciable property. Use the Unrecaptured Section 1250 Gain Worksheet on Schedule D (Form 1040) for instructions.
- 2e.** Section 1202 gain from certain small business stock may be subject to a 50% exclusion. See Schedule D (Form 1040) instructions.
- 2f.** 28% rate gain from sales or exchanges of collectibles. If required, use this amount when completing the **28% Gain Worksheet-Line 20** 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 at the client's request. **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 box 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 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 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 short-term capital gain distributions paid by tax-exempt mutual funds.

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

There are three 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 nontaxable and are not recorded on the 1099, but are included by security on the detailed income statement.
- 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 payers. Their dividends can have a record date in 2003, but are payable in January 2004. Even though these dividends are not recorded on your December statement, they are reportable in 2003.

How are capital gain distributions reported?

The 2003 Form 1099-DIV reports dividend distributions separately by capital gain types. The detailed income statement that is enclosed with your 2003 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 2003 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 alternate 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). The IRS does not require the AMT to be reported on Form 1099-DIV, and Bear Stearns does not provide this information on the detailed income statement. We suggest that you discuss your tax reporting questions with a qualified tax advisor.

How is a UK (United Kingdom) foreign withholding tax credit handled?

IRS Revenue Procedure 2000-13 allows a US investor to **elect** to take (on his or her US return) a foreign tax credit as the result of receiving dividends from a UK company. Most investors must actively elect to take the credit by filing Form 8833 with their tax returns. The investor making such election is treated as having received an "additional" dividend equal to the gross amount of the tax credit. The investor, thus, must include in income the gross payment deemed received and may claim that amount as a foreign tax credit. Please note that because of the new US/UK treaty, the foreign tax credit is generally available for dividends paid from January 1, 2003 to May 1, 2003. Bear Stearns reported on Form 1099-DIV the actual amount you received in cash. Consult with your tax advisor for specific assistance.

If you did not receive reportable dividend income in 2003, "NO REPORTABLE 2003 FORM 1099-DIV INCOME" will appear on your 1099.

13 Gross Proceeds (1099-B)

2003 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	
01/13	Bank Hawaii Corp Quantity 15,000	062540109	0.00	0.00	SHORT SALE
02/07	New York St Dorm Auth Quantity 50,000	649834WN4	0.00	0.00	REDEMPTION
04/14	Andrx Group Quantity 2,000	034553107	0.00	0.00	
07/28	Federal National Mtg Assn DUE 05/25/2030 08.414%	31392FHX8	0.00	0.00	PRN PAYDOWN
10/06	Hanger Orthopedic Group Inc Quantity 46	41043FAB5	0.00	0.00	TENDER
10/17	Chateau Communities Inc	161726104	0.00	0.00	MERGER
6 Items Total					

Form 1099-B reports 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, federal income tax (TEFRA) withheld, if applicable, and quantity. The column to the right of each transaction denotes the source of revenue as shown here:

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

Any sale with a 2003 trade date settling in January 2004 will be recorded on the 2003 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 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 2003 must be adjusted. You are required to reconcile and explain any differences to the IRS on Form 1040, Schedule D.

The detailed income statement provides investment activity transactions not required to be reported on Form 1099-B by broker-dealers. It includes 2003 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 2003, "NO REPORTABLE 2003 FORM 1099-B TRANSACTIONS" will appear on your 1099.

14 Original Issue Discount (1099-OID)

2003 FORM 1099-OID: ORIGINAL ISSUE DISCOUNT		(OMB NO. 1545-0117)
(BOX)		(AMOUNT)
1.	Original Issue Discount for Tax Year 2003*	1,500.00
5.	HOUSEHOLD CAPITAL TRUST I Due 06/30/2025	
6.	Original Issue Discount on US Treasury Obligations*	0.00
1.	Original Issue Discount for Tax Year 2003*	0.00
5.	U S TREAS STRIP-TINT-2/15/05 Due 02/15/2005	
6.	Original Issue Discount on US Treasury Obligations*	3,000.00
	1 Item - Other Than US Treasury Obligations	1,500.00
	1 Item - US Treasury Obligations	3,000.00

* 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.**

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.

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 CDO securities are not included on the original Consolidated Form 1099; instead they will be reported on a corrected Consolidated Form 1099, mailed and postmarked no later than March 15, 2004.

If you did not receive reportable original issue discount income in 2003, "NO REPORTABLE 2003 FORM 1099-OID INCOME" will appear on your 1099.

15 Miscellaneous Income (1099-MISC)

2003 FORM 1099-MISC		(OMB NO. 1545-0115)								
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								
<table border="1"> <tr> <td>Payer's Federal ID Number</td> <td>Account Number</td> </tr> <tr> <td>4 00-0000000</td> <td>5 000-00000</td> </tr> <tr> <td>Recipient's ID Number</td> <td>Account Executive</td> </tr> <tr> <td>6 000-00-0000</td> <td>7 xxxxxxxxxxx</td> </tr> </table>	Payer's Federal ID Number	Account Number	4 00-0000000	5 000-00000	Recipient's ID Number	Account Executive	6 000-00-0000	7 xxxxxxxxxxx	Copy B for Recipient <input checked="" type="checkbox"/> 8 Original / / 04 <input type="checkbox"/> 9 2nd B Notice	
Payer's Federal ID Number	Account Number									
4 00-0000000	5 000-00000									
Recipient's ID Number	Account Executive									
6 000-00-0000	7 xxxxxxxxxxx									
2003 FORM 1099-MISC: MISCELLANEOUS INCOME										
(BOX)		(AMOUNT)								
2.	Royalties	0.00								
3.	Other Income	0.00								
4.	Federal Income Tax Withheld	0.00								
7.	Nonemployee Compensation	0.00								
8.	Substitute Payments in Lieu of Dividends or Interest	0.00								
END OF 2003 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.										

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 2003 FORM 1099-MISC INCOME."

- 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 may include prizes, awards (not for services rendered), punitive and other taxable damages paid.
- 4.** Federal income tax withheld, either by IRS mandate or at

the client's request. **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.

16 Changes in Corporate Control & Capital Structure (1099-CAP)

Broker's Name, Street Address, City, State, Zip Code and Telephone Number BEAR STEARNS		2003 FORM 1099 CAP	
Telephone Number (XXX) XXX-XXXX		Page 1	INTRODUCING FIRM XYZ CORPORATION
		Shareholder's Name, Street Address, City, State and Zip Code CUSTOMER NAME ADDRESS CITY, STATE, ZIP CODE	
Broker's Federal ID Number	Account Number	Copy B For Shareholder	
4 00-000000	5 000-00000	Original / / 04 <input type="checkbox"/> Filed By Broker	
Shareholder's ID Number	Account Executive		
6 000-00-0000	7 XXXXXXXXXX		
IRS TEMPORARY REGULATIONS SECTION 1.6045-4T REQUIRES BROKERS TO ISSUE TO ACTUAL SHAREHOLDERS AND FILE WITH THE IRS FORM 1099-CAP IF A CORPORATION WAS ACQUIRED OR UNDERWENT A SUBSTANTIAL CHANGE IN CAPITAL STRUCTURE.			
2003 FORM 1099-CAP: CHANGES IN CORPORATE CONTROL & CAPITAL STRUCTURE (OMB NO. 1545-1814)			
(BOX)			
1. Date of Sale or Exchange	12/12/03		
2. CUSIP Number	483105AD3		
5. Number of Shares Exchanged	1,330		
7. Classes of Stock Exchanged	OTHER		
8. FMV of Stock Received	23,150.00		
10. Description	GHI EXCHANGE CORPORATION		
	33-9876543		
If this box is checked, you cannot take a loss on your tax return. <input checked="" type="checkbox"/>			
1 Item - Total			
END OF 2003 FORM 1099-CAP			
Instructions For Shareholder			
A corporation in which you own stock that has had a change in control or a substantial change in capital structure must send you this statement by January 31 (February 28 if sent by your broker) of the year following the calendar year of the change. You have received this statement because the corporation has reasonably determined that you may be required to recognize gain from the receipt of cash, stock or other property that was exchanged for the corporation's stock. Report any gain from the exchange on Schedule D (Form 1040) , Capital Gains and Losses. However, if the box below Box 10 is checked (marked with an X), you cannot take a loss on your tax return. Do not report this loss on Schedule D (Form 1040). Note: If you received this form from your broker, the broker may use this form to report all proceeds from this transaction. The broker is not required to also send you Form 1099-B , Proceeds From Broker and Barter Exchange Transactions, to report cash proceeds from this transaction. However, you may receive Form 1099-B from the broker for other transactions with this corporation. (Important note: You have received this form from your broker. Cash proceeds, if any from this transaction, are reported in the Form 1099-B section of the Consolidated Form 1099).			
Box 1. Shows the date the stock was exchanged for cash, stock or other property.			
Box 2. If filed by a broker, may show the CUSIP (Committee on Uniformed Security Identification Procedures) number of the item reported.			
Box 5. Shows the number of shares of the corporation's stock that you held which were exchanged in the transaction.			
Box 7. Shows the class or classes of stock that were exchanged.			
Box 8. Shows the fair market value (FMV) of any stock you received in exchange for the stock you held.			
Box 10. If filed by a broker, shows the corporation's name and EIN (Employer Identification Number).			
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.			

IRS Temporary Regulations Section 1.6045-4T requires brokers to issue to actual shareholders and file with the IRS Form 1099-CAP if a corporation was acquired or underwent a substantial change in capital structure. This form is issued if you received cash, stock or other property from an acquisition of control or a substantial change in capital structure. **Brokers must file this form to shareholders by March 1, 2004.**

1. Date of sale or exchange transaction

2. CUSIP number of security
5. Number of shares that were exchanged
7. Classes (e.g. common, preferred, etc.) of stock exchanged
8. FMV of stock received
10. Security name

This box will be checked if you **cannot** take a loss on your tax return.

17 REMIC/CMO Information

REMIC/CMO TAX INFORMATION IS NOT INCLUDED ON THIS 1099 BUT WILL BE PROVIDED ON AN AMENDED 1099 BY MARCH 15, 2004.

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, 2004. Please refer to the INT and OID sections for detailed explanations.

Highlights of the REMIC/CMO Securities Statement

- Titled "2003 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.
- Deals structured to allow investors to exchange the classes purchased for other securities backed by the same cash flow are 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.

Combinable and/or Exchangeable REMICs

- The additional OID statement CUSIP number could be different than the original purchased CUSIP number.

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 Florida or Kentucky, Bear Stearns is required to file an intangible tax report of security positions held as of December 2003. For California, Connecticut and New York residents, municipal bond interest must be reported by Bear Stearns. Your December 2003 statement will correspond to the positions reported, and the detailed income statement will provide the municipal bond interest. Residents of Puerto Rico will receive a 480.6A and/or 480.6B Form by March 1, 2004.

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 31, 2003. 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 2003 that was not payable until January 2004.
- 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-CAP by March 1, 2004.
- 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, 2004.
- 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 2003 Consolidated Form 1099, was received.

Not Reported on This 1099

- Income from municipal bond interest, dividend distributions on tax-exempt mutual funds, and gross proceeds on option contracts are provided on the detailed income statement, and are not included on the Consolidated Form 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:

Bear Stearns 1099 Tax Reporting	212-272-0495	
Bear Stearns Futures Operations	347-643-2542	
Bear Stearns Retirement Services	347-643-9603	
Internal Revenue Service	800-829-1040	www.irs.gov
Social Security Administration	800-772-1213	www.ssa.gov

