# A Comprehensive Guide to Your Tax Statement Tax Year 2024

**Hilltop Securities does not provide tax advice.**
**This material is presented for informational purposes only.**
**You should consult your tax advisor on all issues and questions concerning your tax situation.**

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## Hilltop's Obligation to Report to You and the IRS

Federal tax law requires financial institutions to report certain tax information to their customers and the Internal Revenue Service ("IRS"). Pursuant to these regulations, Hilltop provides you with Tax Information Statements for interest, dividends, proceeds of sale, and certain other financial transaction and payment types, including retirement distributions and Puerto Rico reporting statements if you invest in Puerto Rican securities. As noted, most of this information is also provided to the IRS, with the Puerto Rico forms being given to the Puerto Rican Treasury (the "Hacienda"). These regulators rely on this information when processing tax returns for the purpose of matching what taxpayers report on their returns with what financial institutions have reported.

The IRS provides a series of statements to be used by financial institutions for tax reporting. These statements are designed to be sent individually (1099-INT, 1099-B, 1099-DIV, etc.). However, the regulations permit financial firms to combine certain of these forms into a Composite Substitute Tax Statement, provided the information presented conforms to IRS-specified requirements in IRS Publication 1179. Our Composite Substitute Tax Statement (the "Tax Statement") includes reporting on payments consisting of the proceeds of brokerage and barter transactions, dividends, substitute payments in lieu of dividends and interest, interest, original issue discount, patronage dividends, and royalties. This Tax Guide is designed to take you through your Hilltop Tax Statement and to assist you in using the information it provides. Our Tax Guide also addresses other statements which some of our customers receive, including the Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, the retirement related statements Forms 1099-R and 5498, and Puerto Rico tax information statements (Forms 480.6 series).

Prior to utilizing the information contained in your Tax Statement, please review the section "Tax Information - Terms and Rules" at the end of this guide, as it contains helpful information for tax return preparation.

## What's New?

This year there were no substantive changes to the 1099 statements. Instead, the IRS has been focused on other areas of tax reporting, including finalizing regulations for Digital Assets. There has also been a focus on the tax reporting portion of the new rules under Internal Revenue Code Section 1446(f) - Special Rules for Withholding on Dispositions of Partnership Interests for Form 1042-S. In recent Tax Guides we kept you updated on the status of the issuance of these regulations which are now in full effect. They impose non-resident alien (NRA) withholding on proceeds from sales of Publicly Traded Partnership securities and withholding on certain returns of capital as well. We discuss the impact of this regulation further in the Non-resident Alien section below.

Please note that, as always, along with changing reportable tax information statements to reflect IRS changes, we may also have revised our nonreportable statements, supporting schedules and our Tax Ledger and Investor Tax Summary statements as appropriate.

## About the Composite 1099 Tax Statement We Prepare for You

IRS regulations permit us to roll up several of your tax statements into one consolidated form – The Composite 1099 Tax Statement, The Tax Statement is a permitted substitute for official IRS forms and also includes supplemental information. Among the forms that may be included on the Tax Statement that Hilltop provides are:

- Form 1099-B (this form is presented in two areas on the Statement: Section 1256 Contracts and Proceeds from Broker and Barter Exchange Transactions)
- Form 1099-DIV (except for certain dividends)
- Form 1099-INT (except for certain interest)
- Form 1099-MISC (for royalty and substitute payments in lieu of dividends and interest only)
- Form 1099-OID

The supplemental information provided in your Tax Statement is designed to facilitate your tax return preparation. We provide schedules that include:

- Non-Reported Income, Fees, Expenses and Expenditures
- Detail of Miscellaneous Income
- Detail of Tax-Exempt Interest
- Fees & Payments Received
- Schedule of Management Fees (not currently deductible for tax purposes)
- Regulated Futures and Section 1256 Contract transaction details
- Mutual Funds

On sales of non-covered securities reported on Form 1099-B, we may include basis if it is available in our records. We are not required to so, and do not report such information to the IRS. We also provide explanatory remarks on basis adjustments for covered lots and descriptions of transaction types (buy to close, redemptions, etc.).

Each individual statement within the Tax Statement is subject to a de minimis reporting threshold except for Form 1099-B. De minimis transactions will not be reported to you, however you still have the obligation to include such amounts in your tax filings. Included in the de minimis threshold reporting exception are payments of interest (1099-INT), original interest discount (1099-OID), dividends (1099-DIV), and substitute dividend payments (1099-MISC). This de minimis reporting exception applies to amounts less than $10. Form 1099-B does not have a de minimis threshold. All transactions subject to reporting on the Form 1099-B must be reported regardless of amount. These threshold amounts are not applicable to statement corrections (see **Revised (Corrected) Tax Information Statements** below).

## Non-resident Alien (NRA) Reporting

For our account holders who are not US residents and receive Form 1042-S rather than Form 1099 Tax Statements, we would like to draw your attention to a few important matters to consider when you review the Form 1042-S tax statement(s) we send to you. We are not permitted to include multiple income codes on a single Form 1042-S statement. We are required to report a single income type per form, rather than providing you with one Form 1042-S covering several categories of income. As a

result, you may receive several Forms 1042-S with each representing a different category of income (interest, dividends, etc.).

If you are claiming a reduced treaty rate or an exemption from tax it is mandatory that you provide Hilltop with your Foreign Taxpayer Identification Number (FTIN) and we place it on the Form 1042-S. As a means of protecting your personal identification information, Hilltop truncates NRA account holders' FTINs. We will only display the last 4 digits with all other numbers represented by an X. There are exceptions to this mandatory FTIN disclosure requirement for individuals living in the British Virgin Islands, the Cayman Islands, Bermuda, Australia, and Japan. Though this list has remained the same as last year, it may increase or decrease in future years. We want to remind you that the "Limitation on Benefit" code in Box 13j is no longer used for individuals. Therefore, NRA accounts for individuals at Hilltop do not have any entry in box 13J. All non-individual entity accounts continue to have their Limitation on Benefit code reflected in box 13J.

In general, the rate of withholding on most payments, including dividends and interest is 30% unless an exemption or reduced rate applies. Please note that the rate of withholding on a publicly traded partnership distribution of income effectively connected to a U.S. trade or business is 21% for corporate partners and 37% for all other partners. Should you believe that you are entitled to a refund of money withheld as part of the Non-resident Alien Withholding Tax, you should obtain a Form 1040-NR or 1120-F and file a return making such a claim.

Now we would like to address the impact of new regulations under Internal Revenue Code (IRC) Section 1446(f). Beginning with tax year 2023, there is a new 10% withholding tax that is being applied under certain circumstances to proceeds of sales of publicly traded partnerships (PTPs) and certain distributions made by those PTPs. These new regulations require all PTPs, worldwide, to determine whether their partners should be subject to the 10% tax based on the PTP's United States nexus as determined under IRC Section 864(c)(8). All partnerships are required to submit a quarterly Qualified Notice (or in some circumstances an annual statement) indicating whether or not the 10% withholding should be applied. Then it is our obligation at Hilltop to withhold on any sales that occur within the next 92 days. Additionally, if the PTP makes a distribution of an amount in Excess of Cumulative Net Income (ECNI), that too may be subject to 10% withholding.

One final point of interest is the possibility of Hilltop having to issue two Forms 1042-S for one single distribution. It is possible that a payment of Effectively Connected Income (ECI) may also contain a portion that is treated as ECNI. If so, this would require two Forms 1042-S to be sent to you. For individuals, one form would reflect 37% ECI withholding and the other would reflect the 10% ECNI withholding. Thus, the total withholding on a single distribution could be 47%.

## Puerto Rico Informative Statements

If you are a Puerto Rican resident or purchase securities issued in Puerto Rico, you may be subject to Puerto Rico tax information reporting. Generally, Puerto Rico forms report the same types of income as the 1099 series required by the IRS. However, the presentation of the forms differs in several ways. First, the forms are not organized by the type of income. Rather, the guiding principles are residency and tax withholding. Second, withholding tax is shown separately for each type of income instead of as an aggregate amount on each form. It should be noted that a US citizen account holder can receive a Form 1099 for a specific transaction (i.e. 1099-INT or 1099-DIV), and a Form 480.6C for the same transaction

reflecting Puerto Rico withholding, if the source of the income is Puerto Rican. Additionally, a Puerto Rican resident may receive a Form 1099-B and a Form 480.6A for the same Puerto Rico-sourced investment proceeds. However, if you are classified as a bona fide Puerto Rico resident in accordance with the three-part test under IRC 937 you will not receive a Form 1099-B from us for proceeds transactions. Such proceeds are only taxable in Puerto Rico. There are four Puerto Rican information forms that Hilltop issues. They are:

**480.6A** - Form 480.6A is intended for residents of Puerto Rico. It covers gross proceeds and investment income that is not subject to withholding.
**480.6B** - Form 480.6B is intended for residents of Puerto Rico. It covers investment income that has been subjected to Puerto Rico source withholding.
**480.6C** - Form 480.6C is intended for non-residents of Puerto Rico. It covers investment income that has been subjected to Puerto Rico source withholding.
**480.6D** - Form 480.6D is intended for residents of Puerto Rico. It covers exempt income and income subject to the Puerto Rico Alternate Basic Tax (ABT). Non-residents may also receive this form for certain fund investments, payments from which are not subject to withholding, but the Puerto Rican authorities monitor total payments from those funds, withholdable or not.

Rather than use the official forms issued by Puerto Rico's Treasury, Hilltop has created its own form for each of these 480.6 forms. These forms have been approved by Puerto Rico for delivery to our customers.

Puerto Rico requires disclosure of cost basis of a security sold and reported as proceeds on form 480.6A. Brokers must include, along with that form, detail that includes the cost of sales related to the gross proceeds reported to the payee. To satisfy this requirement, Hilltop provides a supplemental statement to our customers, but this is not given to the government. We believe we are only required to provide cost basis on covered securities, so to meet this requirement, Hilltop has developed a gain/loss page with cost basis information, which is delivered as an addendum to Form 480.6A.

Tax year 2023 introduced the possibility of separate reporting for jointly held Puerto Rico accounts. Under this new regime an informative return (i.e., Forms 480.6A and 480.6B) may be filed for each individual account owner (the "Co-owners") reflecting its allocated participation in every line-item payment received by the joint account. This allocation among the Co-owners is required only when requested by the Co-owners. If you have requested to have individual accounts created for a joint account in the manner prescribed by the Puerto Rico Treasury, we will provide individual tax statements (Forms 480.6A and 480.6B), reflecting the specific percentage holdings of each individual account owner. If you have any questions, please contact your Hilltop Financial Advisor.

## Exempt Accounts and Non-Reportable Transactions

We are not required to report information for certain accounts which are exempt from most IRS Form 1099 income, adjustments and proceeds reporting and backup withholding requirements. Among the account types this exemption extends to are "C" corporations, individual retirement accounts (IRAs), charitable organizations, foreign accounts, certain WHFITs, and most federal, state, and local government accounts. If you maintain such an exempt account with us and receive a tax statement reflecting income, adjustments or proceeds information but do not understand why, please contact your Financial Advisor here at Hilltop. This may be because your account has been set up for delivery of non-

reportable statements. Under this service, we provide the account holder with information similar in form to an individual Form 1099 or a Tax Statement. However, we do not report this information to the IRS.

**Retirement Accounts**

Retirement account information reporting occurs through Form 5498 (IRA contributions) and Form 1099-R (distributions from pensions, IRAs, etc.). IRS regulations do not permit us to include these forms in your Tax Statement. You will receive these statements separately in accordance with the "Important Dates" timeline below. Form 1099-R reports on monies distributed from a retirement account. It does not report on transactions (other than distributions) or income earned in the account. Form 5498 reports contributions made into a retirement account, information related to valuation of assets in the account and important information about RMDs.

As noted in our What's New section, the final SECURE Act 2.0 legislation is now in effect the change to the RMD age from age 72 to age 73 as of January 1, 2023. The RMD is reported on the Form 5498 for the year the form is received, not the tax year date on the form. The 5498 form has 3 boxes related to the RMD: Box 11 is checked if the account holder must take an RMD distribution in the year the Form 5498 is being delivered. All account holders that receive a tax year 2024 Form 5498 in 2025 that has box 11 checked must take an RMD distribution in tax year 2025. Box 12a is the date that the RMD must be entirely distributed by. Typically, this is December 31st of the RMD distribution year. However, if this is the first year an RMD is required to be taken, it will be April 1st of the following year. Box 12b presents the amount required to be distributed.

The new law also changed the catch-up contributions and indexes for inflation. Effective for taxable years beginning after December 31, 2024, the limit on catch-up contributions to a retirement plan increases to $10,000 (or 50% more than the regular catch-up amount) for certain individuals. The increased amounts are indexed for inflation after 2025.

There were previously scheduled changes for 2024 as well. The contribution limit for employees who participate in 401(k)s increased to $23,000 for 2024. The limit on annual contributions to an IRA increased to $7,000 in 2024. The catch-up contribution limit for employees aged 50 and over who participate in 401(k)s and certain other plans increased to $7,500 in 2023 and remains that amount in 2024.

## Revised (Corrected) Tax Statements

If we receive corrected or updated information, we will report it to you and to the IRS, if required, on a revised Tax Statement. Corrected transactions will show a "C" in the 'Notes' column of the revised Tax Statement.

Generally, we are required to correct a Form 1099 statement within three years after issuing the original form. Additionally, a broker that transfers an account must furnish corrected information for a transferred tax lot up to 18 months after the original transfer. This could also lead to a corrected 1099 statement being sent to you. Corrections are usually the result of income reallocation transactions, corporate action adjustments and revisions resulting from changes to wash sale transactions. (See "Tax Information - Terms and Rules" below.)

In recent years, amendments to the tax reporting laws established thresholds for correction reporting. These correction thresholds only require corrected reporting if the error amount exceeds $100 for an individual amount on a form or the correction is for a withholding amount greater than $25.

Currently, we process all dollar amount corrections through March 15th of the year subsequent to the tax reporting statement year. Thereafter, if we discover a need to correct a statement, we will apply the threshold amount of greater than $100 to generate the correction as this is considered the "material amount" threshold for our company. Likewise, we apply the $25 threshold for withholding amounts.

## Account Transfers and Their Statement Impacts

Understanding your Tax Statement requires an understanding of how account and security transfers are processed. Our year-end tax information reporting is limited to sales we have effected on your behalf. If your account was transferred to Hilltop this year, you will receive 1099 statements for transactions executed and income earned in your previous account from your former broker. When your account transferred in, your open security positions were transferred to us. In the case of covered securities, we should have also received the basis for individual tax lots. If your broker failed to provide basis for covered securities and did not respond adequately to our notification of such failure, we treat those securities as non-covered, and basis reporting is not required. If you transferred an open short position, and subsequently closed it through Hilltop, we will issue a 1099-B, reporting both the cost and original proceeds you received when you opened the transaction in your prior account before the transfer.

## Important Dates

We will mail the following single tax forms on or before January 31, 2025. However, of the forms highlighted immediately below, if they are eligible to be part of a Tax Statement, they need not be mailed individually by January 31st.

- Form 1099-INT
- Form 1099-OID
- Form 1099-DIV
- Form 1099-R
- Form 1099-SA
- Form 1099-Q
- 1099-MISC (if you are reporting payments in only box 8 or 10) must be furnished by February 15, 2025
- Form 1099-NEC
- Form 1099-C
- Form 5498

On or before February 18, 2025, we will be mailing single Form 1099-Bs and the 1099 Tax Statements. When you get one of these statements will depend on the holdings in your account. Most accounts with mutual funds, unit investment trusts, real estate investment trusts, and other securities subject to income reclassification will be mailed by February 18, 2025, but accounts pending final reclassifications will be mailed after February 15 and on or before March 20 , 2025. We will obtain an IRS authorized extension to delay mailing these accounts. By awaiting the delivery of statements with late

reclassifications to file your tax return, you may avoid having to amend your tax return to reflect these changes, which typically impact income and basis of securities. Hilltop works closely with industry experts to obtain reclassification information as soon as it is available to expedite the delivery of any delayed statements.

We will be mailing our 1042-S Non-resident Alien tax statements on or before March 18, 2025. On or before May 31, 2025, we will mail Form 5498, prior year IRA Contribution made in 2025.

## Important Information to Know When Preparing Your Tax Return

Before preparing your tax return, you should familiarize yourself with the following important information. Familiarity with some or all these topics will help you understand the fundamentals of the information being reported to you in your tax statement(s) and how to use it when preparing your tax return. Your tax professional can provide further information regarding specific reporting and/or return preparation requirements. Note that further information helpful to your tax return preparation is furnished in the Tax Information – Terms and Rules section below.

### Payer

The "payer" for all transactions on your Tax Information Statement is Hilltop Securities (Taxpayer Identification Number 75-1382137). This name and TIN are listed wherever the payer's name is requested on an IRS form with respect to amounts reported on the Tax Statement.

### Taxpayer Identification Number

Please use this opportunity to verify that your name and Taxpayer Identification Number (or truncated number) as displayed on your Tax Statement are correct. If there is an error, please provide an executed IRS Form W-9 (Request for Taxpayer Identification Number and Certification) to your Hilltop Financial Advisor. If more than one name is shown, please ensure that the TIN on the Tax Statement belongs to the individual whose name is listed first. Again, please contact your Financial Advisor if there is an issue here. Backup withholding may be instituted if your name and/or Taxpayer Identification Number are incorrect. If they are incorrect there is a process we must follow which may ultimately result in 24% backup withholding on certain transactions including interest, dividends and proceeds of sale.

### IRS Publications

You can get IRS publications from your local IRS office, by calling the IRS Forms Distribution Center at (800) TAX-FORM or visiting the IRS website at www.irs.gov. The following IRS publications provide useful tax information related to reporting securities transactions:

- **Pub 550** – Investment Income and Expense
- **Pub 590** – Individual Retirement Accounts (590-A Contributions 590-B Distributions)
- **Pub 938** – Real Estate Mortgage Investment Conduits (REMICs) Reporting Information; (and Other Collateralized Debt Obligations (CDOs)
- **Pub 1212** – Guide to Original Issue Discount (OID) Instruments
- **Pub 515** – Withholding of Tax on Non-resident Aliens

### Separate Accounts

We are required to deliver a separate tax statement for each of your accounts maintained with us. However, the fact that securities holdings are held in different accounts does not change the requirements for applying tax regulations. Whether you have a second account with us or an account at another brokerage firm, tax regulations may require netting or matching transactions and positions across accounts (i.e. wash sales). Purchasing options and short positions can require holding period adjustments to other stock positions. We recommend that you consult with your tax advisor in these and other situations when multiple accounts are involved.

### Timing Differences

You may encounter timing differences between your Tax Statement and your Hilltop Brokerage Account Statement. Dividends and interest declared and made payable by mutual funds and REITs in October, November, or December of 2024 should be reported on this year's Tax Statement, despite their being paid in January of 2025. This is similar for dividends and interest paid on widely held fixed investment trusts ("WHFITs") and widely held mortgage trusts ("WHMTs"), which may be declared in 2024 but actually paid in January or February 2025. These dividend types are referred to as "spillover dividends." There may also be a timing difference when reporting the closing of profitable short sales. If the transaction occurs over year-end, your Tax Statement will not reflect the closing transaction until the subsequent year, but you must report and recognize the income in your current year's tax filing. Again, we recommend consulting your tax advisor.

### Margin Accounts - Substitute Payments / Tax-Exempt Bonds

If securities you own are held in a margin account you must keep the following in mind. If the securities are lent out by Hilltop and a dividend is paid on them, you may receive a substitute payment instead of a dividend payment. Substitute payments are reported on Form 1099-MISC, not Form 1099-DIV, and they are taxed as ordinary income. Note that the specific payment is not eligible to be treated as a "qualified dividend" payment and the tax benefit of such treatment is not applicable. Additionally, if you have borrowed funds to buy a tax-exempt bond, the interest expense is not deductible. Borrowed funds used for and directly traceable to the purchase of a tax-exempt instrument are not a deductible investment expense. You should discuss with your tax advisor how to track and make certain your borrowing for investment purposes does not open the door to possible IRS interpretation that such borrowing should be allocated to tax-exempt instruments, rather than those subject to tax, and therefor non-deductible.

### Federal Income Tax Withheld (Backup Withholding)

If an account holder fails to furnish a valid TIN or other appropriate certification, we may be required to withhold 24% federal income tax from all reportable dividends, interest, and gross proceeds paid to the account. This is called "backup withholding." Exempt recipient accounts (such as a Qualified Retirement Plan or charity), are not subject to backup withholding and neither are foreign persons if they have furnished an appropriate withholding certificate (Form W-8). Amounts withheld as backup withholding are reported separately on the 1099-B, 1099-DIV, 1099-INT, and 1099-OID sections of your Tax Statement. When filing your tax return, you must combine these amounts and report them in the aggregate on IRS Form 1040, line 25b.

### Form 8949 and Schedule D

Our Tax Statement is designed to facilitate use of Form 8949 when reporting sales and exchanges of capital assets. The form allows you and the IRS to reconcile amounts that were reported on Form 1099-B with the amounts reported on your Form 1040, Schedule D. Information on Form 8949 is presented in various short-term and long-term categories which when aggregated into category totals can be transferred to Schedule D. The portion of our Tax Statement that presents Form 1099-B information indicates what information should be placed on the Form 8949 and under which categories it should appear.

### TurboTax® and H&R Block®

You can download your Hilltop tax information to your TurboTax® or H&R Block® software. You will need to know your account number and the document ID. Please follow the instructions for importing information presented with the software you are using.

## Your 1099 Tax Statement[1]

The 1099 Tax Statement that we deliver to you contains information reported to the IRS and supplemental information for your use which has not been reported to the IRS. The categories of supplemental information may or may not be applicable to your tax information and as such some supplemental schedules may not appear on your Tax Statement. Summary displays are provided which you may find helpful in preparing your tax returns. Certain summary displays also include information not provided to the IRS.

### The First and Second Pages

**The First Page** of your Tax Statement (see next page below) contains account and payer required information in the top section. Immediately below that information the "Summary Information" section begins. In that portion, the following sections are presented and serve as substitute Form 1099 statements.

- Dividends and Distributions 2024 1099-DIV
- Miscellaneous Information 2024 1099-MISC
- Section 1256 Contracts 2024 1099-B

The above referenced statements are presented in the aggregate and are not required to be presented on a transactional or position basis. The information reported to the IRS as it appears on this section of the statement satisfies Hilltop's 1099 reporting requirement for these statements or categories on a statement.

The bottom third of the page displays a single section called the Summary of Proceeds, Gains & Losses, Adjustments and Withholding. This summarizes all Form 1099-B transactions (other than 1256 and regulated futures contracts). This summary is not provided to the IRS. It is for your use. Please note the

[1] Please note that this information is for the limited purpose of displaying how a Tax Statement appears. Numbers on the statement are solely for presentation purposes and may not foot or add up correctly. Note that zero amounts may also have been used. Further note that the original IRS forms use "Boxes" and our Tax Statement uses "Lines" and "columns." We may use the terms box, line, and column interchangeably when referring to items on the Tax Statement.

Column “Form 8949 type” which indicates where on Form 8949 the line of summary information should be presented. This can also be used as a check when reconciling your Form 8949 details to added totals.

| HILLTOP SECURITIES INC.<br>717 N. HARWOOD STREET, SUITE 3400<br>DALLAS, TX 75201<br><br>PAYER'S TIN: 75-1382137 | Tax Information<br>Account 10000018<br><br>JANE Q PUBLIC<br>76 COVE PLACE<br>DALLAS TX 75201<br><br>RECIPIENT'S TIN: XXX-XX-XXXX | Statement Date: 01/03/2025<br>Document ID: 27CQ 667 KZ8V<br><br>JOHN DOE<br>903-555-1212<br><br>Office Code: 3N Rep<br>Code: 3N01 | 2024 |
|---|---|---|---|

11 - [ ] FATCA filing requirement (see instructions) **Summary Information** 13 - [ ] FATCA filing requirement (see instructions)

**DIVIDENDS AND DISTRIBUTIONS 2024 1099-DIV*** OMB No. 1545-0110

| | | |
|---|---|---|
| 1a- Total ordinary dividends (includes lines 1b, 5, 2e) | | 445,857.60 |
| 1b- Qualified dividends | | 835.33 |
| 2a- Total capital gain distributions (includes lines 2b, 2c, 2d, 2f) | | 2,777.79 |
| 2b- Unrecaptured Section 1250 gain | | 444.14 |
| 2c- Section 1202 gain | | 444.74 |
| 2d- Collectibles (28%) gain | | 1,444.44 |
| 2e- Section 897 ordinary dividends | | 0.01 |
| 2f- Section 897 capital gain | | 0.03 |
| 3- Nondividend distributions | | 111.11 |
| **4- Federal income tax withheld** | | **443.33** |
| 5- Section 199A dividends | | 33.33 |
| 6- Investment expenses | | 444.94 |
| 8- Foreign country or US possession: See detail | 7- Foreign tax paid: | 66.66 |
| 9- Cash liquidation distributions | | 444.41 |
| 10- Noncash liquidation distributions | | 2,444.44 |
| 12- Exempt-interest dividends (includes line 13) | | 888,888.88 |
| 13- Specified private activity bond interest dividends (AMT) | | 333,333.33 |

**MISCELLANEOUS INFORMATION 2024 1099-MISC*** OMB No. 1545-0115

| | |
|---|---|
| 2- Royalties | 302.00 |
| 3- Other income | 2,047.00 |
| **4- Federal income tax withheld** | **300.00** |
| 8- Substitute payments in lieu of dividends or interest | 304.00 |

**SECTION 1256 CONTRACTS 2024 1099-B*** OMB No. 1545-0715

| | |
|---|---|
| 8- Profit or (loss) realized in 2024 on closed contracts | 0.00 |
| 9- Unrealized profit or (loss) on open contracts-12/31/2023 | 0.00 |
| 10- Unrealized profit or (loss) on open contracts-12/31/2024 | 0.00 |
| 11- Aggregate profit or (loss) on contracts | 0.00 |

*If applicable, proceeds from sale transactions appear summarized below and are detailed in subsequent sections of this document.*

*** 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.**

**SUMMARY OF PROCEEDS, GAINS & LOSSES, ADJUSTMENTS AND WITHHOLDING**

*Refer to the 1099-B and Proceeds not reported to the IRS pages to ensure that you consider all relevant items and to determine the correct gains and losses. The amounts shown below are for informational purposes.*

| Term | Form 8949 type | Proceeds | Cost basis | Market discount | Wash sale loss disallowed | Net gain or loss(-) |
|---|---|---|---|---|---|---|
| Short | A (basis reported to the IRS) | 53,942.98 | 48,799.99 | 1,000.00 | 0.00 | 4,142.99 |
| Short | B (basis not reported to the IRS) | 16,072.65 | 16,762.00 | 0.00 | 54.35 | -660.00 |
| Short | C (Form 1099-B not received) | 5,000.00 | 4,950.00 | 0.00 | 0.00 | 50.00 |
| | **Total Short-term** | **75,015.63** | **70,511.99** | **1,000.00** | **54.35** | **3,532.99** |
| Long | D (basis reported to the IRS) | 28,000.00 | 21,555.55 | 0.00 | 0.00 | 6,555.55 |
| Long | E (basis not reported to the IRS) | 28,000.00 | 8,000.00 | 0.00 | 0.00 | 6,000.00 |
| Long | F (Form 1099-B not received) | 5,000.00 | 6,050.00 | 0.00 | 0.00 | -1,050.00 |
| | **Total Long-term** | **61,000.00** | **35,605.55** | **0.00** | **0.00** | **11,505.55** |
| Undetermined | B or E (basis not reported to the IRS) | 1,912.56 | 0.00 | 0.00 | 0.00 | 0.00 |
| Undetermined | C or F (Form 1099-B not received) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total Undetermined-term** | **1,912.56** | **0.00** | **0.00** | **0.00** | **0.00** |
| | **Grand total** | **137,928.19** | **106,117.54** | **1,000.00** | **54.35** | **15,038.54** |

| Withholding | Amount |
|---|---|
| Federal income tax withheld | 1,313.13 |

Changes to dividend tax classifications processed after your original tax form is issued for 2023 may require an amended tax form.

**The Second Page** of the Tax Statement is the substitute Form 1099-INT (see next page below). The information in the upper left-hand quadrant is reported to the IRS as it is presented here. The remaining four information summaries on this page are not reported to the IRS. The summary on the upper righthand side labeled, Original Issue Discount and Adjustments is a summary of information presented on the Forms 1099-OID in this Tax Statement. Similar to Form 1099-B, Form 1099-OID is not an aggregate presentation but rather an individual tax position/lot presentation. The other three Information Summaries on this page are not reported to the IRS, but rather are presented to support your tax return preparation. Reconciliations, Fees, Expenses and Expenditures and State Tax Withheld are self-explanatory. The summary immediately below the Form 1099-INT is described in the Interest Income (Form 1099-INT) section below.

Note that tax-exempt OID summaries appear in the Original Issue Discount and Adjustments summary. Additionally, all corresponding acquisition premium and market discount is summarized here as well. However, all instances of bond premium are presented on Form 1099-INT, including bond premium on an OID instrument purchased above its redemption price. This treatment aligns these amounts with the cash distributions (interest) that they offset.

HILLTOP SECURITIES INC. Account 10000018

**Summary Information**

2024 (continued) 01/03/2025

**INTEREST INCOME** **2024 1099-INT** OMB No. 1545-0112

**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.**

| | |
|---|---|
| 1- Interest income (not included in line 3) | 3,561.11 |
| 2- Early withdrawal penalty | 500.00 |
| 3- Interest on US Savings Bonds & Treasury obligations | 5,000.00 |
| **4- Federal income tax withheld** | **1,500.00** |
| 5- Investment expenses | 11.11 |
| 7- Foreign country or US possession: See detail 6- Foreign tax paid: | 1.11 |
| 8- Tax-exempt interest (includes line 9) | 2,400.00 |
| 9- Specified private activity bond interest (AMT) | 1,200.00 |
| 10- Market discount (covered lots) | 23.23 |
| 11- Bond premium (covered lots) | 4.99 |
| 12- Bond premium on Treasury obligations (covered lots) | 750.00 |
| 13- Bond premium on tax-exempt bonds (categorized below) | 398.00 |
| *Tax-exempt obligations (covered lots)* | 201.00 |
| *Tax-exempt private activity obligations (AMT, covered lots)* | 197.00 |
| 14- Tax-exempt and tax credit bond CUSIP number | See detail |
| FATCA filing requirement [ ] | |

*The following amounts are not reported to the IRS. They are presented here for your reference when preparing your tax return(s).*

| | |
|---|---|
| Taxable accrued interest paid | 0.00 |
| Taxable accrued Treasury interest paid | 0.00 |
| Tax-exempt accrued interest paid | 0.00 |
| Tax-exempt accrued interest paid (AMT) | 0.00 |
| Taxable accrued nonqualified interest paid | 0.00 |
| Tax-exempt accrued nonqualified interest paid | 0.00 |
| Tax-exempt accrued nonqualified interest paid (AMT) | 0.00 |
| Nonqualified interest | 0.00 |
| Tax-exempt nonqualified interest | 0.00 |
| Tax-exempt nonqualified interest (AMT) | 0.00 |
| Interest shortfall on contingent payment debt | 0.00 |
| Bond premium- Non Treasury obligations (noncovered lots) | 5.97 |
| Bond premium- Treasury obligations (noncovered lots) | 33.17 |
| Bond premium- Tax-exempt obligations (noncovered lots) | 199.00 |
| Bond premium- Tax-exempt obligations (AMT, noncovered lots) | 17.17 |
| Market discount (noncovered lots) | 23.23 |

**STATE TAX WITHHELD**

*Use the details of the State Tax Withholding page(s) to determine the appropriate amounts for your income tax return(s). The amounts shown in this section are for your reference.*

| | |
|---|---|
| 1099-DIV total withheld | 765.95 |
| 1099-INT total withheld | 77.00 |
| 1099-OID total withheld | 0.00 |
| 1099-MISC total withheld | 0.00 |
| 1099-B total withheld | 489.97 |

**ORIGINAL ISSUE DISCOUNT AND ADJUSTMENTS**

*Use bond-by-bond details from the Form 1099-OID page(s) to determine amounts of Original Issue Discount income for your income tax return(s). The amounts shown in this section are for your reference when preparing your income tax return(s).*

| | |
|---|---|
| Original issue discount for the year | 7,333.00 |
| Acquisition premium (covered lots) | 117.00 |
| Acquisition premium (noncovered lots) | 0.00 |
| Original issue discount on Treasury obligations | 211.00 |
| Acquisition premium, Treasury obligations (covered lots) | 0.00 |
| Acquisition premium, Treasury obligations (noncovered lots) | 44.00 |
| Tax-exempt OID | 900.00 |
| Tax-exempt OID (lots not reported) | 1,425.00 |
| Acquisition premium (covered) | 40.00 |
| Acquisition premium (lots not reported) | 40.00 |
| Tax-exempt OID on private activity bonds | 120.00 |
| Tax-exempt OID on private activity bonds (lots not reported) | 120.00 |
| Acquisition premium (AMT, covered) | 50.00 |
| Acquisition premium (AMT, lots not reported) | 10.00 |
| Market discount (all lots) | 140.00 |
| Early withdrawal penalty | 0.00 |
| Investment expenses | 0.00 |

**RECONCILIATIONS, FEES, EXPENSES AND EXPENDITURES**

*The amounts in this section are not reported to the IRS. They are presented here for your reference when preparing your income tax return(s).*

| | |
|---|---|
| Other Receipts & Reconciliations- Partnership distributions | 0.00 |
| Other Receipts & Reconciliations- Foreign tax paid- partnership | 0.00 |
| Other Receipts & Reconciliations- Return of principal | 0.00 |
| Other Receipts & Reconciliations- Deferred income payment | 0.00 |
| Other Receipts & Reconciliations- Deemed premium | 0.00 |
| Other Receipts & Reconciliations- Income accrual- UIT | 0.00 |
| Other Receipts & Reconciliations- Basis adjustments | 0.00 |
| Other Receipts & Reconciliations- Foreign tax pd beyond treaty | 0.00 |
| Fees & Expenses- Margin interest | 1,111.11 |
| Fees & Expenses- Dividends paid on short position | 0.00 |
| Fees & Expenses- Interest paid on short position | 0.00 |
| Fees & Expenses- Non reportable distribution expense | 0.00 |
| Fees & Expenses- Other expenses | 0.00 |
| Fees & Expenses- Severance tax | 0.00 |
| Fees & Expenses- Organizational expense | 0.00 |
| Fees & Expenses- Miscellaneous fees | 0.00 |
| Fees & Expenses- Tax-exempt investment expense | 0.00 |
| Foreign Exchange Gains & Losses- Foreign currency gain/loss | 0.00 |

### Original Issue Discount (Form 1099-OID)

OID is the difference between a debt instrument's stated redemption price at maturity and its (adjusted) issue price. A debt instrument, such as a bond or note, generally has OID when it is issued for a price less than its stated redemption price. OID is a form of interest. Owners of taxable OID instruments are generally required to include a portion of the OID in gross income each year they hold the obligation, even if they do not receive any cash payments.

In complying with the requirement to report the OID income on a per security or per lot basis Hilltop utilizes the Form 1099-OID presented below. We segment the form into four parts:

- Non-treasury Original Issue Discount
- Treasury Original Issue Discount
- Tax-exempt Original Issue Discount
- Tax-exempt Original Issue Discount on Private Activity Bonds

Taxpayers are also required to report each debt instrument's OID separately on their tax returns. The amounts should be reported exactly as they appear on your Tax Statement as the IRS may attempt to match these items to your tax return. The following is a brief description of the line items which appear on the Non-treasury Original Issue Discount section.

**OID (column 1)** – Amounts in this column reflect the OID on each obligation for the part of the year in which it was owned.

**Early Withdrawal Penalty (column 3)** – Shows interest or principal forfeited if you withdrew before maturity. See instructions on Form 1040 for guidance on where this amount may be deducted.

**Market Discount (column 5)** – Shows the discount accretion for the year if the debt instrument was purchased at a market discount and you chose to recognize this interest income currently.

**Acquisition Premium (column 6)** – Shows the amount of acquisition premium amortization for the year. This amount is generally considered a reduction of OID reported to you. See the instructions for Form 1040, Schedule B for where this amount may be deducted.

**Investment Expenses (column 9)** – This represents your share of investment expenses for a single-class REMIC. Your share of unit investment trust ("UIT"), WHFIT, and WHMT expenses are also reported on this line. You should consult your tax advisor as to the deductibility of these expenses when preparing your tax return(s).

**HILLTOP SECURITIES INC.** Account 10000018

**Original Issue Discount**

**2024** 01/03/2025

*Original Issue Discount (OID) income is organized into sections for Non Treasury, Treasury, Tax-exempt and Tax-exempt Private Activity Bonds (subject to AMT). Tax lots are grouped under the security description headings which include the CUSIP numbers. Where information is available, tax lots are identified by the original cost and date of purchase and/or a unique tax lot ID number. Subtotals are provided for each bond and for each section. These amounts may not be the correct figures to report on your tax return(s). See the instructions.*

*If tax-exempt OID was reported to you for purchases made prior to tax year 2017, the amounts were included in the tax-exempt interest totals. Although this income is presented on these pages along with taxable OID, current regulations do not require that all tax-exempt OID be reported to the Internal Revenue Service (IRS). Only tax-exempt OID from covered securities acquired on or after January 1, 2017 must be reported. For your convenience, however, any amounts not reported to the IRS are shown in the column titled "Tax-exempt OID Not Reported to IRS."*

*Columns are also included for market discount and acquisition premium. Market discount is displayed, however, only if you have elected to recognize it currently rather than at the time of sale or maturity. Wherever the letter "N" appears next to an amount of market discount or acquisition premium it has not been reported to the IRS due either to the tax lot's noncovered status or its date of purchase.*

*Totals for OID income and related acquisition premium or market discount for the above referenced sections are found in* Original Issue Discount and Adjustments. *For securities presented in this section, detail of all interest transactions and bond premium amortization are found in either* Detail for Interest Income *or* Detail for Tax-exempt Interest.

*Income and adjustment totals at the end of the tax-exempt sections are categorized by your state of residence, US possessions and other states.*

FATCA filing requirement [ ]

**NON TREASURY ORIGINAL ISSUE DISCOUNT**

**7- Description:**

| Tax lot identifier or Cost and date acquired | Quantity | Begin date | 1-Original issue discount for the year | 3- Early withdrawal penalty | 5- Market discount | 6- Acquisition premium | 9- Investment expenses | Notes |
|---|---|---|---|---|---|---|---|---|
| FITC2ACA9 Non Treasury w OID 0.060%/ CUSIP: FITC2ACA9 | | | | | | | | |
| | 0.00 | 06/03/23 | 1,333.00 | 0.00 | 0.00 | 117.00 | 0.00 | |
| | | **Tax lot totals:** | **1,333.00** | **0.00** | **0.00** | **117.00** | **0.00** | |
| FITC2MCA3 Taxable Corp/ CUSIP: FITC2MCA3 | | | | | | | | |
| | 0.00 | 06/03/23 | 6,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| | | **Tax lot totals:** | **6,000.00** | **0.00** | **0.00** | **0.00** | **0.00** | |

| Non Treasury Totals | |
|---|---|
| Original issue discount | 7,333.00 |
| Acquisition premium covered | 117.00 |

The Treasury Original Issue Discount section features a column 8, Original Issue Discount on US Treasury Obligations. The amount here is the OID on a US Treasury obligation for that part of the year you held the instrument.

| HILLTOP SECURITIES INC. | | Account 10000018 |
|---|---|---|
| 2024 | Original Issue Discount (continued) | 01/03/2025 |

**TREASURY ORIGINAL ISSUE DISCOUNT**

7- Description:

| Tax lot identifier or Cost and date acquired | Quantity | Begin date | 8-Original issue discount on US Treasury obligations | 3- Early withdrawal penalty | 5- Market discount | 6- Acquisition premium | 9- Investment expenses | Notes |
|---|---|---|---|---|---|---|---|---|
| Treasury OID/ CUSIP: TREASOID2 | | | | | | | | |
| | 15.00 | 09/03/24 | 211.00 | 0.00 | 0.00 | 44.00 | 0.00 | |
| | | Tax lot totals: | 211.00 | 0.00 | 0.00 | 44.00 | 0.00 | N |

| Treasury Totals | |
|---|---|
| OID on US Treasury obligations | 211.00 |
| Acquisition premium noncovered | 44.00 |

The Tax-Exempt Original Issue Discount section features column 11, Tax-exempt OID. The amount reported here is all tax-exempt OID earned for the year on the specific instrument.

**TAX-EXEMPT ORIGINAL ISSUE DISCOUNT**

7- Description:

| Tax lot identifier or Cost and date acquired | Quantity | Begin date | 11- Tax-exempt OID | Tax-exempt OID not reported to IRS | 5- Market discount | 6- Acquisition premium | Notes |
|---|---|---|---|---|---|---|---|
| TEOID2222 TREASOID2 0.000%/ CUSIP: TEOID2222 | | | | | | | |
| | 100.00 | 08/01/24 | 0.00 | 575.00 | 0.00 | 15.00 | |
| | 100.00 | 09/03/24 | 550.00 | 0.00 | 0.00 | 15.00 | |
| | 100.00 | 10/01/24 | 0.00 | 475.00 | 0.00 | 25.00 | |
| | 100.00 | 11/01/24 | 0.00 | 0.00 | 15.00 | 0.00 | |
| | 100.00 | 12/02/24 | 0.00 | 375.00 | 15.00 | 0.00 | |
| | 100.00 | 12/02/24 | 350.00 | 0.00 | 50.00 | 25.00 | |
| | | Tax lot totals: | 900.00 | 1,425.00 | 80.00 | 80.00 | N |

| Other states | Reported to IRS | Not reported to IRS |
|---|---|---|
| Original issue discount | 900.00 | 1,425.00 |
| Acquisition premium noncovered | 15.00 | 15.00 |
| Acquisition premium covered | 25.00 | 25.00 |
| Market discount | 40.00 | 40.00 |

The final portion of your Form 1099-OID is for Tax-Exempt OID on Private Activity Bonds. This amount is also included in the Tax-Exempt OID section and is useful for calculating your Alternative Minimum Tax.

**TAX-EXEMPT ORIGINAL ISSUE DISCOUNT ON PRIVATE ACTIVITY BONDS**

7- Description:

| Tax lot identifier or Cost and date acquired | Quantity | Begin date | 11- Tax-exempt OID | Tax-exempt OID not reported to IRS | 5- Market discount | 6- Acquisition premium | Notes |
|---|---|---|---|---|---|---|---|
| TEOIDAMT9 TEOIDAMT9/ CUSIP: TEOIDAMT9 | | | | | | | |
| | 20,000.00 | 12/02/24 | 0.00 | 0.00 | 20.00 | 0.00 | |
| | 10,000.00 | 12/02/24 | 120.00 | 120.00 | 40.00 | 60.00 | |
| | | Tax lot totals: | 120.00 | 120.00 | 60.00 | 60.00 | N |

| Other states | Reported to IRS | Not reported to IRS |
|---|---|---|
| Original issue discount | 120.00 | 120.00 |
| Acquisition premium noncovered | 10.00 | 10.00 |
| Acquisition premium covered | 40.00 | 0.00 |
| Market discount | 40.00 | 20.00 |

Note that the amounts of OID we report on your Tax Statement may not be the exact amounts on which you should pay tax, and as such you should calculate your OID adjustments. See IRS Publication 1212, Guide to Original Issue Discount, for details. Report OID on IRS Form 1040, Schedule B, Part 1 Interest, and report acquisition premium as an adjustment thereto. If there is a difference between your calculation and our form 1099-OID, you should footnote this on your tax return.

### Proceeds from Broker and Barter Exchange Transactions (Form 1099-B)

Below, we provide a sample Summary of Form 1099-B information that appears on the first page of your Tax Statement. The summary is very useful when filling out Form 8949 for Schedule D purposes. Note

that the second column of information has alphabetic indicators that align the category totals of Form 1099-B transactions to Form 8949.

**SUMMARY OF PROCEEDS, GAINS & LOSSES, ADJUSTMENTS AND WITHHOLDING**

*Refer to the 1099-B and Proceeds not reported to the IRS pages to ensure that you consider all relevant items and to determine the correct gains and losses. The amounts shown below are for informational purposes.*

| Term | Form 8949 type | Proceeds | Cost basis | Market discount | Wash sale loss disallowed | Net gain or loss(-) |
|---|---|---|---|---|---|---|
| Short | A (basis reported to the IRS) | 53,942.98 | 48,799.99 | 1,000.00 | 0.00 | 4,142.99 |
| Short | B (basis not reported to the IRS) | 16,072.65 | 16,762.00 | 0.00 | 54.35 | -660.00 |
| Short | C (Form 1099-B not received) | 5,000.00 | 4,950.00 | 0.00 | 0.00 | 50.00 |
| | **Total Short-term** | **75,015.63** | **70,511.99** | **1,000.00** | **54.35** | **3,532.99** |
| Long | D (basis reported to the IRS) | 28,000.00 | 21,555.55 | 0.00 | 0.00 | 6,555.55 |
| Long | E (basis not reported to the IRS) | 28,000.00 | 8,000.00 | 0.00 | 0.00 | 6,000.00 |
| Long | F (Form 1099-B not received) | 5,000.00 | 6,050.00 | 0.00 | 0.00 | -1,050.00 |
| | **Total Long-term** | **61,000.00** | **35,605.55** | **0.00** | **0.00** | **11,505.55** |
| Undetermined | B or E (basis not reported to the IRS) | 1,912.56 | 0.00 | 0.00 | 0.00 | 0.00 |
| Undetermined | C or F (Form 1099-B not received) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total Undetermined-term** | **1,912.56** | **0.00** | **0.00** | **0.00** | **0.00** |
| | **Grand total** | **137,928.19** | **106,117.54** | **1,000.00** | **54.35** | **15,038.54** |

| Withholding | Amount |
|---|---|
| Federal income tax withheld | 1,313.13 |

Changes to dividend tax classifications processed after your original tax form is issued for 2024 may require an amended tax form.

The following is a table that matches 1099-B transactions with Form 8949:

| **Form 1099-B Section** | **Form 8949 Part and Box** |
|---|---|
| • Short-Term transactions - basis reported to IRS | A – Basis reported to the IRS |
| • Short-Term transactions - basis not reported to IRS | B – Basis not reported to the IRS |
| • Short-Term transactions - no Form 1099-B received | C – Form 1099-B not received |
| • Long-Term transactions - basis reported to IRS | D – Basis reported to the IRS |
| • Long-Term transactions - basis not reported to IRS | E – Basis not reported to the IRS |
| • Long-Term transactions - no Form 1099-B received | F – Form 1099-B not received |
| • Undetermined Term - basis not reported to the IRS | B or E – Basis not reported to the IRS |
| • Undetermined Term - 1099-B not received | C or F – Form 1099-B not received |

The individual Forms 1099-B are provided in listings in the Tax Statement grouped by the same categories above. Long-term and short-term transactions are segregated both on the Summary and the individual 1099-Bs. Sales of those securities covered by basis reporting regulations are separated from non-covered securities transactions. This 1099-B format simplifies your process of recording or transcribing each transaction from the 1099-B to Form 8949.

The following table matches boxes from Form 1099-B, which report information for covered securities transactions, and the corresponding columns on IRS Form 8949. Note that although the Form 1099-B designates a separate box for wash sales and market discount, the Form 8949 reports those amounts using column (f) for a code and column (g) for the dollar amount.

| **Form 1099-B Box** | **Corresponding Form 8949 Column** |
|---|---|
| Item 1a – Description of property | (a) Description of Property |
| Item 1b – Date acquired | (b) Date acquired |
| Item 1c – Date sold or disposed | (c) Date sold or disposed of |
| Item 1d – Proceeds | (d) Proceeds (sales price) |
| Item 1e – Cost or other basis | (e) Cost or other basis |
| Item 1f – Accrued market discount, if any | (f) Codes from instructions |
| Item 1g – Wash sale loss disallowed, if any | (g) Amount of adjustment |

The following is the first page of the Form 1099-B. It includes required information, annotations updating you about the statement and a section on Income Tax Withheld (backup withholding) if such was the case. Immediately beneath the withholding section, the statement presents Short Term Transactions for Covered Tax Lots.

**HILLTOP SECURITIES INC.** Account 10000018

**Proceeds from Broker and Barter Exchange Transactions**

**2024 1099-B*** OMB No. 1545-0715 01/03/2025

*Sales transactions are organized into sections according to term (long, short or undetermined) and covered status (covered or noncovered). For tax lots whose term is undetermined, use your historical documents to establish the cost basis and date of purchase. The* Box 12, Check if basis reported to IRS *checkmark, is reflected as being checked in the title of the covered securities pages of* Forms 1099-B, *short-term and long-term. The title pages of the noncovered securities pages for* Forms 1099-B *reflect that* Box 12 *is not being checked, as these securities are not being reported to the IRS.*

*Several columns include both an amount and a qualifying notation to its right. Where proceeds are the result of an option exercise or assignment, there is indication of whether the amount is N (net of option premium) or G (Gross). Accrued market discount and wash sale loss disallowed appear in the same column, identified by the letters D or W, respectively. Where you are not permitted to recognize a loss, an indication of X (change in control or capital structure) or Z (other corporate action) is used. The change in control condition is reported to the IRS for covered lots. Neither the disallowance of loss due to a corporate action nor the amount of gain or loss is reported to the IRS in any instance.*

*Some tax lots may have notations in the column of* Additional Information *because they require special treatment on your tax returns. Sales of securities such as Contingent Payment Debt Instruments (CPDI) are marked as "Ordinary" because gains and losses on these instruments generally do not qualify as short- or long-term capital transactions. Similarly, lots noted as "3 - [X] Collectible" are handled distinctly under the tax code. These conditions are reported to the IRS. You may wish to consult with your tax advisor, the IRS or your state tax authority regarding the proper treatment for these scenarios. With further regard to* Box 3, *there is also a checkmark to indicate the proceeds of sale are from a Qualified Opportunity Zone Fund investment - a QOF. If the proceeds are from a QOF the Additional Information column will reflect the following - "3 - [X] Proceeds from QOF." The tax treatment for QOF investments can be complex and you may wish to consult your tax advisor about such sales.*

*Closing of written options is presented in a distinct manner in accordance with IRS regulations. For these transactions the* Cost or other basis *(column 1e) is always presented as $0.00 and the* Proceeds *(column 1d) is the net of the amount received when the option was written and the cost to close the position.*

FATCA filing requirement [ ]

**INCOME TAX WITHHELD**

| 1a- Description of property/CUSIP/Symbol<br>1c- Date sold or disposed | Federal Tax Withheld | State Tax Withheld | 14- State Name | 15- State ID Number |
|---|---|---|---|---|
| APPLE INC / CUSIP: 037833100 / Symbol: AAPL | | | | |
| 11/15/24 | | 250.00 | NY | 1533333 |
| **Security total:** | **0.00** | **250.00** | | |
| JOHNSON & JOHNSON COM COMMON STOCK / CUSIP: 478160104 / Symbol: JNJ | | | | |
| 08/01/24 | | 230.00 | NY | 1533333 |
| 09/03/24 | 1,313.13 | 9.97 | NY | 1533333 |
| **Security total:** | **1,313.13** | **239.97** | | |
| **4- Total Federal income tax withheld** | **1,313.13** | **16- Total State tax withheld** **489.97** | | |

The following is a brief description of the line items which appear on this form.

**Description of Property (column 1a)** – Name and/or CUSIP of security sold.

**Quantity (part of column 1a)** – The number of shares displayed under the quantity column is considered a part of the description of property included in 1a. If fractional shares are included, the fractional amount will be shown.

**Short-Term Transactions for Covered Lots (Lines 2 & 5)** – This caption addresses the information requirement in boxes 2 and 5 on the Form 1099-B. It indicates all transactions appearing in this section are covered and short-term.

**Proceeds (column 1d) & Reported Gross / Net (column 6)** – This is the amount of proceeds received from the sale with an indication if an option premium was netted in the sale.

**Date acquired (column 1b)** – For covered short sales, the date shown is the acquisition date of the security delivered to close the short sale. The word "VARIOUS" will display in this column if the securities sold were acquired on a variety of dates.

**Cost or other basis (column 1e)** – The cost or other basis for disposition transactions is shown here.

**Accrued Market Discount (column 1f) & Wash Sale Loss Disallowed (column 1g)** – For transactions that resulted in a wash sale, the nondeductible amount of the loss is displayed with code (W) alongside. For

securities with recognition of market discount the amount of market discount would be displayed with a (D) alongside.

**Gain or loss (Column 7)** – The amount of gain or loss on the transaction is shown here but not reported to the IRS (Z). However, if the loss is not allowed as a result of a reportable change in control or structure it will be indicated here with an X and reported to the IRS.

**Additional Information (End Column)** – This column is used to indicate various possible features of the transaction. For example, there is a requirement to indicate if the Form 1099-B represents the sale of a Qualified Opportunity Fund (QOF). This will be indicated as "**3 – Proceeds from QOF.**"

**SHORT TERM TRANSACTIONS FOR COVERED TAX LOTS [Ordinary gains or losses are identified in the Additional information column]** *(Lines 2 & 5)*
Report on Form 8949, Part I with Box A checked. Basis is provided to the IRS. *(Line 12)*
"Gain or loss (-)" is NOT reported to the IRS.

| 1a- Description of property/CUSIP/Symbol<br>1c- Date sold or disposed | Quantity | 1d- Proceeds & 6- Reported (G)ross or (N)et | 1b- Date acquired | 1e- Cost or other basis | 1f- Accrued mkt disc (D) & 1g- Wash sale loss disallowed (W) | Gain or loss(-) & 7- Loss not allowed (X) also not reported (Z) | Additional information |
|---|---|---|---|---|---|---|---|
| APPLE INC AAPL MAR 17 2023 190.0 CALL / CUSIP: / Symbol: | | | | | | | |
| | *2 transactions for 03/14/23. Total proceeds and cost reported to the IRS.* | | | | | | |
| | *3.000* | *-28.51* | *03/14/23* | *0.00* | ... | *-28.51* | *1 of 2 - Short sale closed- option Option written: 03/10/23* |
| | *3.000* | *-28.51* | *03/14/23* | *0.00* | ... | *-28.51* | *2 of 2 - Short sale closed- option Option written: 03/10/23* |
| 03/14/23 | 6.000 | -57.02 | Various | 0.00 | ... | -57.02 | Total of 2 transactions |
| APPLE INC / CUSIP: 037833100 / Symbol: AAPL | | | | | | | |
| 04/02/23 | 25.000 | 5,000.00 | 12/28/22 | 1,000.00 | ... | 4,000.00 | Sale<br>Original basis: $1,000.00 |
| HARRIS NATL ASSN CHICAGO ILL CD INDEX LNKD 10.000% 01/31/2017 / CUSIP: 41456TMC0 / Symbol: | | | | | | | |
| 01/31/23 | 10,000.000 | 10,000.00 | 07/03/22 | 10,999.99 | ... | -999.99 | Redemption<br>Ordinary gain/loss |
| JOHNSON & JOHNSON COM COMMON STOCK / CUSIP: 478160104 / Symbol: JNJ | | | | | | | |
| 12/28/23 | 100.000 | 14,000.00 | 01/02/23 | 12,800.00 | ... | 1,200.00 | Sale |
| FITC2MCA3 Taxable Corp / CUSIP: FITC2MCA3 / Symbol: | | | | | | | |
| 12/28/23 | 25,000.000 | 25,000.00 | 06/02/23 | 24,000.00 | 1,000.00 D | 0.00 | Sale |
| **Totals :** | | **53,942.98** | | **48,799.99** | **1,000.00 D** | **4,142.99** | |

After Short Term transactions for covered securities are displayed, the statement presents Short Term Transactions for Noncovered Securities.

**SHORT TERM TRANSACTIONS FOR NONCOVERED TAX LOTS [Ordinary gains or losses are identified in the Additional information column]** *(Line 5)*
Report on Form 8949, Part I with Box B checked. Basis is NOT provided to the IRS. *(Line 12)*
"Date acquired," "Cost or other basis," "Accrued market discount," "Wash sale loss disallowed" and "Gain or loss (-)" are NOT reported to the IRS.

| 1a- Description of property/CUSIP/Symbol<br>1c- Date sold or disposed | Quantity | 1d- Proceeds & 6- Reported (G)ross or (N)et | Date acquired | Cost or other basis | Accrued mkt disc (D) & Wash sale loss disallowed (W) | Gain or loss(-) & 7- Loss not allowed (X) also not reported (Z) | Additional information |
|---|---|---|---|---|---|---|---|
| Bitcoin USD / CUSIP: BTCUSD / Symbol: | | | | | | | |
| 02/18/23 | 0.002 | 40.00 | 01/13/23 | ... | ... | 15.00 | Sale<br>Original basis: $25.00 |
| 02/19/23 | 0.002 | 50.00 | 01/13/23 | 25.00 | ... | 25.00 | Sale |
| | **Security total:** | **90.00** | | **25.00** | **...** | **40.00** | |
| LAZARD LTD CL A MLP / CUSIP: G54050102 / Symbol: LAZ | | | | | | | |
| 12/15/23 | 400.000 | 15,982.65 | 02/22/23 | 16,737.00 | 54.35 W | -700.00 | Sale |
| **Totals :** | | **16,072.65** | | **16,762.00** | **54.35 W** | **-660.00** | |

Note that Line 2 is not mentioned because duration is not reportable for noncovered securities, and the title indicates Box 5 is checked as a noncovered security. The information here is generally the same. However, since basis is not required to be captured or reported on noncovered securities this section may not include cost, and even if it does, this will not be reported to the IRS. As the phase-in of covered securities concluded in 2016, it is unlikely that there will be many short-term noncovered security transactions in the future. But there may be some, as not all security types are subject to the basis reporting regulations yet, and this could change.

The next 1099-Bs presented are those for Long Term Transactions for Covered Tax Lots. Note that other than the description for Line 2, which is now Long Term, all columns and Lines 3 (Basis Reported to IRS) and 5 (Covered Lots) are the same as for Short Term covered transactions.

**LONG TERM TRANSACTIONS FOR COVERED TAX LOTS [Ordinary gains or losses are identified in the Additional information column]** *(Lines 2 & 5)*
Report on Form 8949, Part II with Box D checked. Basis is provided to the IRS. *(Line 12)*
"Gain or loss (-)" is NOT reported to the IRS.

| 1a- Description of property/CUSIP/Symbol<br>1c- Date sold or disposed | Quantity | 1d- Proceeds & 6- Reported (G)ross or (N)et | 1b- Date acquired | 1e- Cost or other basis | 1f- Accrued mkt disc (D) & 1g- Wash sale loss disallowed (W) | Gain or loss(-) & 7- Loss not allowed (X) also not reported (Z) | Additional information |
|---|---|---|---|---|---|---|---|
| HARRIS NATL ASSN CHICAGO ILL CD INDEX LNKD 10.000% 01/31/2017 / CUSIP: 41456TMC0 / Symbol: | | | | | | | |
| 01/31/23 | 10,000.000 | 10,000.00 | 07/04/17 | 10,555.55 | ... | -444.45 | Redemption<br>Ordinary gain/loss |
| JOHNSON & JOHNSON COM COMMON STOCK / CUSIP: 478160104 / Symbol: JNJ | | | | | | | |
| 04/02/23 | 25.000 | 4,000.00 | 07/05/20 | 2,000.00 | ... | 2,000.00 | Sale |
| 12/29/23 | 100.000 | 14,000.00 | 02/02/20 | 9,000.00 | ... | 5,000.00 | Sale |
| | **Security total:** | **18,000.00** | | **11,000.00** | **...** | **7,000.00** | |
| **Totals :** | | **28,000.00** | | **21,555.55** | | **6,555.55** | |

Long Term Transactions for Noncovered Tax Lots are then presented. Note that Box 2 is not mentioned because duration is not reportable for noncovered securities, and the title indicates Box 5 is checked as a noncovered security. The possibility of indicating that this long-term transaction also contains some "Ordinary" loss can be accomplished by indicating so in the Additional Information column.

**LONG TERM TRANSACTIONS FOR NONCOVERED TAX LOTS [Ordinary gains or losses are identified in the Additional information column]** *(Line 5)*
Report on Form 8949, Part II with Box E checked. Basis is NOT provided to the IRS. *(Line 12)*
"Date acquired," "Cost or other basis," "Accrued market discount," "Wash sale loss disallowed" and "Gain or loss (-)" are NOT reported to the IRS.

| 1a- Description of property/CUSIP/Symbol<br>1c- Date sold or disposed | Quantity | 1d- Proceeds & 6- Reported (G)ross or (N)et | Date acquired | Cost or other basis | Accrued mkt disc (D) & Wash sale loss disallowed (W) | Gain or loss(-) & 7- Loss not allowed (X) also not reported (Z) | Additional information |
|---|---|---|---|---|---|---|---|
| JOHNSON & JOHNSON COM COMMON STOCK / CUSIP: 478160104 / Symbol: JNJ | | | | | | | |
| 12/29/23 | 100.000 | 13,000.00 | 01/03/00 | 8,000.00 | ... | 6,000.00 | Sale |
| THE ADT CORPORATION / CUSIP: 00101J106 / Symbol: ADT | | | | | | | |
| 04/14/23 | 50.000 | 1,912.56 | N/A | ... | ... | ... | Sale [31] |
| **Totals :** | | **1,912.56** | | **...** | | **...** | |

After covered and noncovered tax lot transactions are presented, the Tax Statement may include transactions for which the term of a transaction is undetermined.

**UNDETERMINED TERM TRANSACTIONS FOR NONCOVERED TAX LOTS [Ordinary gains or losses are identified in the Additional information column]** *(Line 5)*
Report on Form 8949, Part I with Box B checked or Part II with Box E checked. Basis is NOT provided to the IRS. *(Line 12)*
"Date acquired," "Cost or other basis," "Accrued market discount," "Wash sale loss disallowed" and "Gain or loss (-)" are NOT reported to the IRS.

| 1a- Description of property/CUSIP/Symbol<br>1c- Date sold or disposed | Quantity | 1d- Proceeds & 6- Reported (G)ross or (N)et | Date acquired | Cost or other basis | Accrued mkt disc (D) & Wash sale loss disallowed (W) | Gain or loss(-) & 7- Loss not allowed (X) also not reported (Z) | Additional information |
|---|---|---|---|---|---|---|---|
| THE ADT CORPORATION / CUSIP: 00101J106 / Symbol: ADT | | | | | | | |
| 04/14/23 | 50.000 | 1,912.56 | N/A | ... | ... | ... | Sale [31] |
| **Totals :** | | **1,912.56** | | **...** | | **...** | |

There is also a section on proceeds not reported to the IRS. With similar columns and information these sections present securities that may not require reporting (i.e. short-term instruments).

**HILLTOP SECURITIES INC.** Account 10000018

**Proceeds Not Reported to the IRS**

**2024** 01/03/2025

*This section of your tax information statement provides proceeds transactions that are not reported to the IRS, but may have a tax impact. They are grouped by term (long, short or undetermined). For tax lots whose term is undetermined, use your historical documents to establish the cost basis and date of purchase.*

*Several columns include both an amount and a qualifying notation to its right. Where proceeds are the result of an option exercise or assignment, there is indication of whether the amount is N (net of option premium) or G (Gross). Accrued Market Discount and Wash Sale Loss Disallowed appear in the same column, identified by the letters D or W, respectively. Where you are not permitted to recognize a loss, an indication of X (change in control or capital structure) or Z (other corporate action) is used.*

*Some tax lots may have notations in the column of additional information because they require special treatment on your tax returns. Sales of securities such as Contingent Payment Debt Instruments (CPDI) are marked as "Ordinary" because gains and losses on these instruments generally do not qualify as short- or long-term capital transactions. Similarly, sales of collectibles, noted as "3 - Proceeds from Collectibles [X]" are handled distinctly under the tax code. You may wish to consult with your tax advisor, the IRS or your state tax authority regarding the proper treatment for these scenarios. With further regard to Box 3, there is also a checkmark to indicate the proceeds of sale are from a Qualified Opportunity Zone Fund investment - a QOF. If the proce eds are from a QOF the Additional Information column will reflect the following - "3 - [X] Proceeds from QOF." The tax treatment for QOF investments can be complex and you may wish to consult your tax advisor about such sales.*

**SHORT TERM TRANSACTIONS [Ordinary gains or losses are identified in the Additional information column]**
Report on Form 8949, Part I, with Box C checked.

| Description of property<br>Date sold or disposed | Quantity | Proceeds & Reported (G)ross or (N)et | Date acquired | Cost or other basis | Accrued mkt disc (D) & Wash sale loss disallowed (W) | Gain or loss(-) & Loss not allowed (X) also not reported (Z) | Additional information |
|---|---|---|---|---|---|---|---|
| LAZARD LTD CL A MLP / CUSIP: G54050102 / Symbol: LAZ | | | | | | | |
| 12/15/23 | 100.000 | 5,000.00 | 02/22/23 | 4,950.00 | ... | 50.00 | Maturity of short term security |
| **Totals:** | | **5,000.00** | | **4,950.00** | **...** | **50.00** | |

**LONG TERM TRANSACTIONS [Ordinary gains or losses are identified in the Additional information column]**
Report on Form 8949, Part II, with Box F checked.

| Description of property<br>Date sold or disposed | Quantity | Proceeds & Reported (G)ross or (N)et | Date acquired | Cost or other basis | Accrued mkt disc (D) & Wash sale loss disallowed (W) | Gain or loss(-) & Loss not allowed (X) also not reported (Z) | Additional information |
|---|---|---|---|---|---|---|---|
| LAZARD LTD CL A MLP / CUSIP: G54050102 / Symbol: LAZ | | | | | | | |
| 12/16/23 | 100.000 | 5,000.00 | 01/04/16 | 6,050.00 | ... | -1,050.00 | Gain or loss |
| **Totals:** | | **5,000.00** | | **6,050.00** | **...** | **-1,050.00** | |

### Dividends and Distributions (Form 1099-DIV)

On page 1 of the Tax Statement, Form 1099-DIV is presented as appears below.

**11 - [ ] FATCA filing requirement (see instructions)**

**DIVIDENDS AND DISTRIBUTIONS 2024 1099-DIV*** OMB No. 1545-0110

| | |
|---|---|
| 1a- Total ordinary dividends (includes lines 1b, 5, 2e) | 39,392.17 |
| 1b- Qualified dividends | 31,568.66 |
| 2a- Total capital gain distributions (includes lines 2b, 2c, 2d, 2f) | 0.00 |
| 2b- Unrecaptured Section 1250 gain | 0.00 |
| 2c- Section 1202 gain | 0.00 |
| 2d- Collectibles (28%) gain | 0.00 |
| 2e- Section 897 ordinary dividends | 0.00 |
| 2f- Section 897 capital gain | 0.00 |
| 3- Nondividend distributions | 0.00 |
| **4- Federal income tax withheld** | **0.00** |
| 5- Section 199A dividends | 0.00 |
| 6- Investment expenses | 0.00 |
| 8- Foreign country or US possession: 7- Foreign tax paid: | 0.00 |
| 9- Cash liquidation distributions | 0.00 |
| 10- Noncash liquidation distributions | 0.00 |
| 12- Exempt-interest dividends (includes line 13) | 1,420.80 |
| 13- Specified private activity bond interest dividends (AMT) | 333,333.33 |

The following describes the many types of information conveyed on the Form 1099-DIV.

**Total Ordinary Dividends (1a)** – Ordinary dividends, including net short-term capital gains from a mutual fund, are fully taxable. Exempt-interest dividends from a mutual fund or other regulated investment company (RIC) are reported on Form 1099-DIV, Line 12. They are not reported on Form 1099-INT, Interest Income.

**Qualified Dividends (1b**) – A portion of your dividends may be eligible for taxation at capital gains rates. This is the amount that appears as Qualified Dividends on line 1b. You should report the eligible amount on IRS Form 1040, line 3a. For information on Qualified Dividends, see Tax Information – Terms and Rules below. For guidance on determining whether your dividends qualify for taxation at the Long-Term Capital Gains rate, see IRS Publication 550 or the instructions to IRS Form 1040.

**Total Capital Gain Distributions (2a)** – Total capital gain distributions (long-term) from a mutual fund or REIT are included in this section of your Tax Statement. If your capital gain distributions contain additional classifications, the Tax Statement will include separate Capital Gain Distributions lines 2b, 2c and 2d.

**Unrecaptured Section 1250 Gain (2b), Section 1202 Gain (2c), Collectibles (28%) Gain (2d)** – If your Tax Information Statement contains amounts on any of these lines, see the Instructions for IRS Form 1040, Schedule D (Capital Gains and Losses) for information on how to report this income.

**Section 897 Ordinary / Capital Gain Dividends (2e/2f)** – These dividends, which are also included in boxes 1a and 2a, are only reported here to certain “pass-thru” entities and are not reported to our US individual clients.

**Non-dividend Distributions (3)** – Certain payments represent non-dividend distributions because they are a return of capital. You must reduce your cost (or other basis) by the amount of the non-dividend distribution for the purposes of calculating the gain or loss when the security is sold. If your security is a covered security, Hilltop will adjust the basis in our cost basis system for you. Once you have received an amount equal to your cost (or other basis) for the security, further distributions are taxable as a capital gain. You should review distributions on non-covered securities carefully to determine if any represent a return of capital. Hilltop does not track basis on such securities.

**Federal Income Tax Withheld (4)** – This is the amount of federal income tax withheld (backup withholding) and is reported as a payment by you on Form 1040, line 25b. Federal income tax withheld is 24% of the dividend amount.

**Section 199A Dividends (5)** - The Tax Cuts and Jobs Act created a “Deduction for Qualified Business Income of Pass-thru Entities” which applies to “qualified REIT dividends.” This is a category for reporting purposes known as Section 199A dividends and they are reported on Box 5. The regulations currently also permit RICs to pass-thru the REIT character of dividends to their shareholders as well. As a point of interest, twenty percent of the reported amount of Section 199A dividends generally is a tax deduction not subject to the itemized deduction limitation and can be claimed by taxpayers in addition to the standard deduction. To benefit from this deduction, shareholders must hold their RIC or REIT shares for more than 45 days during the 91-day period that begins 45 days prior to the dividend ex-date.

**Investment Expenses (6)** – Your share of investment expenses as reported by the issuer.

**Foreign Tax Paid (7)** – Your Tax Statement includes foreign tax paid (withheld) from foreign-source dividends credited to your account. (Box 8 requests the foreign country to which the tax is paid.)

**Cash and Noncash Liquidation Distributions (9 and 10)** – Generally, liquidation distributions are treated as amounts received from the sale or exchange of a capital asset and should be reported on IRS Form 8949 and Form 1040, Schedule D.

**Exempt-Interest Dividends (12)** – Exempt-interest dividends from mutual funds or other RICs are presented here. They include specified private activity bond interest dividends as presented in Box 13.

**Specified Private Activity Bond Interest Dividends (13)**– Exempt-interest dividends paid by a RIC on specified private activity bonds are presented here to the extent that the dividends are attributable to interest on the bonds received by the RIC minus an allocable share of the expenses. As noted above these dividends are also included in Box 12.

*Detail for Dividends and Distributions*

This 1099-DIV form is supplemented with the Detail for Dividends and Distributions which is presented after the Form 1099-B information. The example immediately below shows that the information is captured by security issue with sufficient detail to facilitate a determination of whether the dividend is eligible to be 'qualified.' Notice that in this example we display different descriptions for dividend types in the Transaction Type field.

**HILLTOP SECURITIES INC.** Account 10000018

**Detail for Dividends and Distributions**

**2024** 01/03/2025

*This section of your tax information statement contains the payment level detail of your taxable dividends, capital gains distributions, Section 199A dividends, Section 897 dividends and capital gains, exempt-interest dividends, nondividend distributions and liquidation distributions. Also shown are the fair market values of any taxable stock dividends or noncash liquidation distributions.*

*Federal, state and foreign tax withheld and investment expenses are presented as negative amounts but do not net against the reportable income totals. All amounts are grouped by security, with the transactions listed in chronological order. Subtotals for each security are provided. For situations in which the tax character of a distribution (or part thereof) is different than at the time it was paid, endnotes are provided for further explanation.*

*Note that a payment characterized as a "Qualified dividend" is only issuer-qualified. There is also a holder level criteria for a dividend to be treated as Qualified. If the payment is from a common stock you are required to have held it for more than 60 days during the 121-day period that begins 60 days before the ex-dividend date of the dividend. If the dividend is from preferred shares and covers a period greater than 366 days, you must have held the preferred stock for more than 90 days during the 181-day period that begins 90 days before the ex-dividend date of the dividend.*

*Amounts presented in Box 2e as Section 897* Ordinary Dividends *or Box 2f as Section 897* Capital Gains *apply only to foreign persons and entities whose income maintains its character when passed through or distributed to its direct or indirect foreign owners or beneficiaries, The IRS has indicated that boxes 2e and 2f are not applicable to recipients that are U.S. individuals. You should consult your tax advisor for further information.*

| Security description | CUSIP and/or symbol | State | Date | Amount | Transaction type | Notes | Ex-Date |
|---|---|---|---|---|---|---|---|
| APPLE INC | 037833100 AAPL | | 06/17/24 | 73.00 | Qualified dividend | | |
| | | | 07/22/24 | 73.00 | Qualified dividend | | |
| | | | 08/09/24 | 73.00 | Qualified dividend | | |
| | | | 10/17/24 | 73.00 | Qualified dividend | | |
| | | | | **292.00** | **Total Dividends & distributions** | | |
| COLUMBIA ACORN EMERGING MARKETS FD CL Z | 197199581 CEFZX | | 12/10/24 | 222.22 | Qualified dividend | | |
| | | | 12/10/24 | -66.66 | Foreign tax withheld-Various | | |
| | | | | **222.22** | **Total Dividends & distributions** | | |
| | | | | **-66.66** | **Total Foreign tax withheld** | | |
| GLADSTONE LD CORP REIT | 376549101 LAND | | 09/30/24 | 111.11 | Nondividend distribution | | |
| | | | 09/30/24 | 100.00 | Nonqualified dividend | | |
| | | | 09/30/24 | 33.33 | Section 199A dividend | | |
| | | | 09/30/24 | 0.03 | Section 897 capital gain | | |
| | | | 09/30/24 | 0.01 | Section 897 ordinary dividends | | |
| | | | | **244.48** | **Total Dividends & distributions** | | |
| HINES REAL ESTATE INVT TR INC | 433264108 | | 06/26/24 | 2,444.44 | Noncash liquidation distribution | | |
| | | | 06/26/24 | 1,444.44 | Collectibles 28% gain | | |
| | | | 06/26/24 | 444.74 | Section 1202 gain | | |
| | | | 06/26/24 | 444.49 | Nonqualified dividend | | |
| | | | 06/26/24 | 444.44 | Long-term capital gain | | |
| | | | 06/26/24 | 444.41 | Cash liquidation | | |
| | | | 06/26/24 | 444.14 | Unrecaptured section 1250 gain | | |
| | | | 06/26/24 | -443.33 | Federal tax withheld | | |
| | | | 06/26/24 | -444.84 | State tax withheld-NY | | |

**Interest Income (Form 1099-INT)**

The amounts reported in this section of your Tax Statement reflect interest income credited to your account. The summary section represents four totals for interest income: Interest Income, Interest on U.S. Savings Bonds and Treasury Obligations, Tax-Exempt Interest, and Specified Private Activity Bond Interest. We report these totals separately to the IRS.

**INTEREST INCOME** **2024 1099-INT** OMB No. 1545-0112

**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.**

| | | |
|---|---|---|
| 1- | Interest income (not included in line 3) | 3,561.11 |
| 2- | Early withdrawal penalty | 500.00 |
| 3- | Interest on US Savings Bonds & Treasury obligations | 5,000.00 |
| **4-** | **Federal income tax withheld** | **1,500.00** |
| 5- | Investment expenses | 11.11 |
| 7- | Foreign country or US possession: See detail 6- Foreign tax paid: | 1.11 |
| 8- | Tax-exempt interest (includes line 9) | 2,400.00 |
| 9- | Specified private activity bond interest (AMT) | 1,200.00 |
| 10- | Market discount (covered lots) | 23.23 |
| 11- | Bond premium (covered lots) | 4.99 |
| 12- | Bond premium on Treasury obligations (covered lots) | 750.00 |
| 13- | Bond premium on tax-exempt bonds (categorized below) | 398.00 |
| | *Tax-exempt obligations (covered lots)* | 201.00 |
| | *Tax-exempt private activity obligations (AMT, covered lots)* | 197.00 |
| 14- | Tax-exempt and tax credit bond CUSIP number | See detail |
| | FATCA filing requirement [ ] | |

The descriptions below correspond to the line items in the 1099-INT above.

**Interest Income (1)** – Interest income reported on this line was paid by corporations (U.S. and foreign) and U.S. government agencies. It may also include interest on your credit balances.

**Interest on U.S. Savings Bonds and Treasury Obligations (3)** – Interest Income on this line was paid on U.S. Treasury notes, bonds, and bills. This interest income is not included in Interest Income (line 1), Tax-Exempt Interest (line 8), or Specified Private Activity Bond Interest (line 9).

**Investment Expenses (5)** – The amount reported on this line represents your allocable share of investment expenses and may be attributed to direct investments such as UITs, WHFITs and WHMTs.

**Foreign Tax Paid (6)** – This amount represents taxes paid to foreign governments on interest from foreign sourced assets. You may be able to claim these taxes as a credit or as an itemized deduction on your federal income tax return. (Box 7 requests the foreign country to which the tax is paid.)

**Tax-Exempt Interest (8)** – Interest income reported on this line represents interest paid on bonds issued by U.S. states, the District of Columbia, a U.S. possession, an Indian tribal government or a political subdivision.

**Specified Private Activity Bond Interest (AMT) (9) –** Interest income reported in this line was paid from specified private activity bonds. This interest may be considered in your alternative minimum tax (AMT)

calculation and is included in the Tax-Exempt Interest (line 8). You may be required to report this total on IRS Form 6251, Alternative Minimum Tax – Individuals.

**Market Discount (10)** – If purchased at a market discount and the taxpayer has elected to recognize market discount income currently this box captures the annual reportable amount.

**Bond Premium Amounts (11, 12, 13)** – These boxes capture specific types of bond premium that can offset interest income and reduce basis. Tax-exempt bond premium is a reduction in basis only. Although Line 13 on the IRS Form 1099-INT is a single total of tax-exempt interest bond premium including that of Private Activity Bonds, we have broken that number down between the two categories for your convenience when preparing your tax return. For reporting purposes, the IRS permits reporting interest net of premium amortization on the interest line or gross with the premium displayed in boxes 11 through 13. Hilltop will show your interest in gross amounts with the corresponding premium reflected on the appropriate premium line. Note that the reporting of premium amortization is only required for covered securities.

*Detail of Interest Income*

The supporting Detail for Interest Income shows payments, indicating amount and other details. It includes Transaction Type which adds further clarity for tax preparation.

**HILLTOP SECURITIES INC.** Account 10000018

**Detail for Interest Income**

**2024** 01/03/2025

*This section of your tax information statement contains the payment level detail of taxable interest and associated bond premium. Market discount will be shown here only if you have elected to recognize it currently rather than at the time of sale or maturity. Bond premium and market discount for covered tax lots are totaled on Form 1099-INT and reported to the IRS. For noncovered tax lots, they are totaled and presented beneath the 1099-INT for informational purposes and are not reported to the IRS.*

*To provide a complete picture of activity for each investment, we also include here nonreportable transactions such as accrued interest paid on purchases and payment or receipt of nonqualified interest. Other amounts, such as federal, state and foreign tax withheld and investment expenses are shown as negative amounts but do not net against the reportable income totals.*

| Security description | CUSIP and/or symbol | Date | Amount | Transaction type | Notes |
|---|---|---|---|---|---|
| UNTS CLAYMORE INVESTMENT GRADE CORPORATE SERIES 3 | 183845429 | 04/30/24 | 111.11 | Interest | |
| | | 04/30/24 | -1.11 | Foreign tax withheld -Various | |
| | | 04/30/24 | -11.11 | Non-deductible Investment Expense | |
| | | | 111.11 | Total Interest | |
| | | | -11.11 | Total Investment expense | |
| | | | -1.11 | Total Foreign tax withheld | |
| GOLDMAN SACHS BK USA NY CD VAR 0.000% 12/27/2021 | 38147JF72 | 03/28/24 | 2,500.00 | Deposit interest | |
| | | 03/28/24 | -500.00 | Early withdrawal penalty | |
| | | | 2,500.00 | Total Interest | |
| | | | -500.00 | Total Early withdrawal penalty | |
| FITC2ACA9 Non Treasury w OID 0.060% | FITC2ACA9 | 09/30/24 | 250.00 | Interest | |
| | | 09/30/24 | 23.23 | Mkt disc covered | |
| | | 09/30/24 | 23.23 | Mkt disc noncovered | |
| | | 09/30/24 | -4.99 | Bd prem covered | |
| | | 09/30/24 | -5.97 | Bd prem noncovered | |
| | | 04/30/24 | 250.00 | Interest | |
| | | 04/30/24 | 250.00 | Interest | |
| | | | 750.00 | Total Interest | |
| | | | 46.46 | Total Market discount | |
| | | | -5.97 | Total Bd premium- noncovered lots | |
| | | | -4.99 | Total Bd premium- covered lots | |
| FITC2YNY3 Corp Bond 0.050% | FITC2YNY3 | 03/28/24 | 200.00 | Interest | |
| FITT2BCA0 Taxable Treasury 0.040% | FITT2BCA0 | 04/30/24 | 5,000.00 | Treasury interest | |
| | | 04/30/24 | -33.17 | Bd prem noncovered | |
| | | 04/30/24 | -750.00 | Bd prem covered | |
| | | 04/30/24 | -1,500.00 | Federal tax withheld | |
| | | | 5,000.00 | Total Interest | |
| | | | -33.17 | Total Bd premium- noncovered lots | |
| | | | -750.00 | Total Bd premium- covered lots | |
| | | | -1,500.00 | Total Federal tax withheld | |

There is also a Detail for Tax-Exempt Interest. The payment level detail of tax-exempt interest and associated bond premium are highlighted. Market discount will be shown here only if you have elected to recognize it currently rather than at the time of sale or maturity.

**HILLTOP SECURITIES INC.** Account 10000018

**Detail for Tax-Exempt Interest**

**2024** 01/03/2025

*This section of your tax information statement contains the payment level detail of tax-exempt interest and associated bond premium. Market discount will be shown here only if you have elected to recognize it currently rather than at the time of sale or maturity. Market discount income is NOT federally tax-exempt. Bond premium and market discount for covered tax lots are totaled on* Form 1099-INT *and reported to the IRS. Totals for the noncovered lots are displayed in the section following the* Form 1099-INT.

*To provide a complete picture of activity for each investment, we also include here nonreportable transactions such as accrued interest paid on purchases and payment or receipt of nonqualified interest. Other amounts, such as federal and state tax withheld and investment expenses are shown as negative amounts but do not net against the reportable income totals.*

*Income and adjustment totals at the end of this section are categorized by your state of residence, US possessions and other states.*

| Security description | CUSIP and/or symbol | State | Date | Amount | Transaction Type | Notes |
|---|---|---|---|---|---|---|
| FIXM2ZNY3 Tax Exempt LT 0.450% | FIXM2ZNY3 | NY | 03/28/24 | -197.00 | Bd prem covered | Z6 |
| | | | 09/30/24 | 1,200.00 | Tax-exempt interest | Z6 |
| | | | 09/30/24 | 1,200.00 | Tax-exempt interest AMT | Z6 |
| | | | 09/30/24 | -17.17 | Bd prem noncovered | Z6 |
| | | | 09/30/24 | -199.00 | Bd prem noncovered | |
| | | | 09/30/24 | -201.00 | Bd prem covered | |
| | | | | 2,400.00 | Total Tax-exempt interest | |
| | | | | -398.00 | Total Bond premium- covered lot | |
| | | | | -216.17 | Total Bond premium- noncovered lot | |

| Other states | |
|---|---|
| Tax-exempt interest | 2,400.00 |
| Bond premium- covered lot | -398.00 |
| Bond premium- noncovered lot | -216.17 |

Also presented on the Second Page of the Tax Statement immediately below the Form 1099-INT is a listing of informational items related to your form 1099-INT. This information is not furnished to the IRS but is meant for your use when preparing your tax return(s). Note we highlight various types of interest you may have paid during the year which may offset interest income. We also provide information on bond premium and discount on noncovered securities. You should consult your tax advisor as to the applicability of any of these amounts to your tax situation.

*The following amounts are not reported to the IRS. They are presented here for your reference when preparing your tax return(s).*

| | |
|---|---|
| Taxable accrued interest paid | 0.00 |
| Taxable accrued Treasury interest paid | 0.00 |
| Tax-exempt accrued interest paid | 0.00 |
| Tax-exempt accrued interest paid (AMT) | 0.00 |
| Taxable accrued nonqualified interest paid | 0.00 |
| Tax-exempt accrued nonqualified interest paid | 0.00 |
| Tax-exempt accrued nonqualified interest paid (AMT) | 0.00 |
| Nonqualified interest | 0.00 |
| Tax-exempt nonqualified interest | 0.00 |
| Tax-exempt nonqualified interest (AMT) | 0.00 |
| Interest shortfall on contingent payment debt | 0.00 |
| Bond premium- Non Treasury obligations (noncovered lots) | 5.97 |
| Bond premium- Treasury obligations (noncovered lots) | 33.17 |
| Bond premium- Tax-exempt obligations (noncovered lots) | 199.00 |
| Bond premium- Tax-exempt obligations (AMT, noncovered lots) | 17.17 |
| Market discount (noncovered lots) | 23.23 |

*Excess Bond Premium*

If a bond you were holding was called this past year there is a possibility that you have “excess bond premium.” This is the situation where bond premium has offset all interest previously earned on the bond and a portion of the premium remains unamortized. In these situations, Treas. Reg. Section 1.171-2(a)(4)(i)(C) provides taxpayers the ability to deduct this “excess bond premium” as an itemized deduction not subject to the IRC Code Section 67 two percent floor on miscellaneous deductions. This often occurs in an environment of declining rates when many instruments are called early.

Amortization for taxable instruments is calculated using a yield to best call formula, which is usually calculated to redemption date, thus when an earlier call occurs there will generally be unamortized premium. The amount of such premium that is in excess of the redemption price, is excess bond premium subject to deduction on a tax return. We provide a breakdown of such premium in total for bonds that have been called. Please see the example below. We display the redemption of the bond lots. This particular group of bonds appear in the 1099-B section, noncovered, long-term tax lots.

**LONG TERM TRANSACTIONS [Ordinary gains or losses are identified in the Additional information column]**
Report on Form 8949, Part II, with Box F checked.

| Description of property<br>Date sold or disposed | Quantity | Proceeds & Reported (G)ross or (N)et | Date acquired | Cost or other basis | Accrued mkt disc (D) & Wash sale loss disallowed (W) | Gain or loss(-) & Loss not allowed (X) also not reported (Z) | Additional information |
|---|---|---|---|---|---|---|---|
| GALVESTON CNTY TEX, GENL OBL BUILD AMERICA BONDS DIRECT PAY / CUSIP: 364195BN6 / Symbol: | | | | | | | |
| | *3 transactions for 02/01/23* | | | | | | |
| | *65,000.000* | *65,000.00* | *08/04/10* | *65,000.00* | *0.00* | *0.00* | *Redemption* |
| | *400,000.000* | *400,000.00* | *07/25/13* | *400,000.00* | *0.00* | *0.00* | *Redemption* |
| | *185,000.000* | *185,000.00* | *08/06/13* | *185,000.00* | *0.00* | *0.00* | *Redemption* |
| 02/01/23 | 650,000.000 | 650,000.00 | Various | 650,000.00 | 0.00 | 0.00 | Total of 3 transactions |

The Detail of Interest section is where we provide a breakdown of the interest earned on the bond lots and also the amount of premium applied to the interest earned. In this example there is a total of $20,166.25 of interest and a total of $22,410.04 of bond premium. The difference between these amounts, $2,243.79, is the excess bond premium to be deducted on the tax return.

| Security description | CUSIP and/or symbol | Date | Amount | Transaction type | Notes |
|---|---|---|---|---|---|
| GALVESTON CNTY TEX, GENL OBL BUILD AMERICA BONDS DIRECT PAY | 364195BN6 | 02/01/23 | 20,166.25 | Interest | |
| | | 02/01/23 | -1,430.81 | Bd prem noncovered | |
| | | 02/01/23 | -6,514.61 | Bd prem noncovered | |
| | | 02/01/23 | -14,464.62 | Bd prem noncovered | |
| | | | 20,166.25 | Total Interest | |
| | | | -22,410.04 | Total Bd premium- noncovered lots | |

Excess bond premium is often misapplied as basis by taxpayers, thereby reducing what should be a deduction at ordinary rates to capital loss rates. To be certain you get the benefit of this deduction to its fullest, we suggest you scan your Schedule B details for any redemptions of bonds. If you have had any you should then go to the Detail of Interest section to determine if there is excess bond premium available for a tax deduction. We suggest you speak with your tax advisor for further specifics on this topic as every taxpayer has a unique situation and the information provided here is general in nature and should not be regarded as tax advice.

### Miscellaneous Information (Form 1099-MISC)

The Form 1099-MISC has limited application when it comes to reporting securities tax information. We report dividend and interest substitutes (as discussed previously) when margin account securities are lent out and a dividend or interest payment occurs. This amount is reported on the line item 8 – Substitute payments in lieu of dividends or interest. It is always treated as ordinary income by taxpayers.

13 - [ ] FATCA filing requirement (see instructions)

| MISCELLANEOUS INFORMATION | 2024 1099-MISC* | OMB No. 1545-0115 |
|---|---|---|
| 2- Royalties | | 302.00 |
| 3- Other income | | 2,047.00 |
| 4- Federal income tax withheld | | 300.00 |
| 8- Substitute payments in lieu of dividends or interest | | 304.00 |

This information in the 1099-MISC form is detailed further in the statement as presented here below.

HILLTOP SECURITIES INC. Account 10000018

**Detail for Miscellaneous Information**

2024 01/03/2025

| Security description | CUSIP and/or symbol | Date | Amount | Transaction type | Notes |
|---|---|---|---|---|---|
| CONTEST AWARD | | 05/01/24 | 1,000.00 | Other income | |
| BP PRUDHOE BAY ROYALTY TRUST UBI | 055630107 BPT<br>Note: BP | 04/23/24 | 333.00 | Make whole payment | |
| | | 05/23/24 | 305.00 | Contract fee | |
| | | 06/25/24 | 304.00 | Substitute payment | |
| | | 07/25/24 | 303.00 | Other income | |
| | | 08/26/24 | 302.00 | Royalty distribution | |
| | | 09/24/24 | 106.00 | Swap deal interest | |
| | | 10/25/24 | -300.00 | Federal tax withheld | |
| | | | 1,653.00 | Total Miscellaneous income | |
| | | | -300.00 | Total Federal tax withheld | |
| | | | **2,653.00** | **Total Miscellaneous income** | |
| | | | **-300.00** | **Total Federal tax withheld** | |

### Section 1256 and Other Financial Contracts

Section 1256 and other financial contracts are reported on the first page of your 1099 Tax Statement on Form 1099-B in boxes 8 through 11. This information is presented in the aggregate for all gains and losses arising from financial contract transactions. Box 8 presents the net realized aggregate gain or loss on your 2024 transactions. Box 9 displays the unrealized aggregate gain or loss from your holdings at the prior year end (12/31/2023). Box 10 reflects the unrealized aggregate gain or loss in your account as of the current year end (12/31/2024). Box 11 combines these numbers to arrive at your taxable aggregate gain or loss for 2024. See **Non-equity options** in **Tax Information - Terms and Rules** below for further information on tax reporting on financial contracts.

| SECTION 1256 CONTRACTS | 2023 1099-B* | OMB No. 1545-0715 |
|---|---|---|
| 8- Profit or (loss) realized in 2023 on closed contracts | | 311.09 |
| 9- Unrealized profit or (loss) on open contracts-12/31/2022 | | -1,311.09 |
| 10- Unrealized profit or (loss) on open contracts-12/31/2023 | | 2,311.09 |
| 11- Aggregate profit or (loss) on contracts | | 3,933.27 |

Although not required for tax reporting, Hilltop provides the following detail of your 1256 and other contract transactions in a supplemental section of the Tax Statement.

**HILLTOP SECURITIES INC.** Account 10000018

**Section 1256 Contracts - Regulated Futures and Nonequity Options**

**2024** 01/03/2025

*This section of your tax information statement provides contract-by-contract detail of regulated futures and section 1256 contracts. The contracts are placed in a sorting order of CUSIP - Security Description - Trade Date - Amount (ascending order). The total for each contract is the sum of the current year's realized and unrealized profit or loss minus the prior year unrealized profit or loss. The contract amounts from this section are then aggregated by* Form 1099-B *reporting categories of* Realized Profit/Loss, Unrealized Profit/Loss Prior Year, Unrealized Profit/Loss Current Year *and totaled in* Aggregate Profit or (Loss) on Contracts. *These annual totals for your account are reported in* Regulated Futures Contracts 1099-B *in the* Summary Information *at the beginning of this statement.*

| Security description | CUSIP and/or symbol | Date | Quantity | Amount | Transaction type | Notes |
|---|---|---|---|---|---|---|
| | NDX KHAD3WK | | 10.00 | 2,311.09 | Unrealized profit/loss current year | |
| | | | 10.00 | 311.09 | Realized profit/loss | |
| | | | 10.00 | -1,311.09 | Unrealized profit/loss prior year | |
| | | | | 311.09 | **Total Realized profit/loss** | |
| | | | | -1,311.09 | **Total Unrealized profit/loss prior year** | |
| | | | | 2,311.09 | **Total Unrealized profit/loss current year** | |
| | | | | 311.09 | **Total Realized profit/loss** | |
| | | | | -1,311.09 | **Total Unrealized profit/loss prior year** | |
| | | | | 2,311.09 | **Total Unrealized profit/loss current year** | |
| | | | | 3,933.27 | **Total Aggregate profit or (loss) on contracts** | |

### Other Statement Forms

The Tax Statement also includes detailed reporting information for Regulated Futures Contracts and Real Estate Mortgage Investment Conduit ("REMIC") and WHFIT Statements. There are information schedules that present mutual fund and UIT Supplemental Tax Detail, Tax-Exempt Interest Detail, and other miscellaneous schedules. If you receive any of these and are in need of explanation beyond what appears on the Tax Statement, you should consult your tax advisor.

One final page from the Tax Statement that we wish to call your attention to appears near the end of the statement. It is our 2024 End Notes page. This page enables us to communicate with you about the tax character of specific transactions or securities by CUSIP. The number notes (5, 31, etc.) will appear in the Notes column on the right-hand side of certain pages in the statement. The alphabetic notes (BP, Z6, etc.) will appear alongside a security on a statement with the word "Note:" before it (Note: BP). These notes provide further information to assist in the preparation of your tax return(s). Generally, a CUSIP level message will highlight a condition about a type of security, whereas transaction level messages will address the activity of a specific date such as a corporate action.

**HILLTOP SECURITIES** **2023 End Notes for Account 10000018**

31 This tax lot was acquired through an inheritance.

BP BP Prudhoe Bay Royalty Trust is a widely held fixed investment trust (WHFIT). Items of income, deduction, and credit, and any other information shown on this statement must be taken into account in computing taxable income and credits on your income tax return(s). You may be entitled to a depletion allowance which can be determined by referencing the additional information published by the trustee at bpt.q4web.com. If you can not access the information electronically and do not receive it from the trustee, you may request a hardcopy.

Z6 For California Residents - Under California law, we are required to inform you that we are reporting to the California Franchise Tax Board the information contained in this statement that presents payments of exempt-interest dividends, as described in Section 852(b)(5) of the Internal Revenue Code, that may not be exempt-interest dividends as described in Section 17145 of the California Revenue and Taxation Code, and any interest that is exempt from tax under Section 103(a) of the Internal Revenue Code or if the interest is exempt from tax, without regard to the identity of the holder.

### Tax Information - Terms and Rules

This section provides information to help you better understand some of the complex tax treatments of securities and transactions that appear on your Form 1099 Tax Statement. We urge you to consult your tax advisor for further explanations on its contents.

### Changing Ownership of Securities

**Gifted Securities** – Gifted securities present an unusual twist for basis and duration tracking. If you receive a gift of securities the basis attached to it will either be the basis that the donor had in the security or the fair market value (FMV) on the date of the gift. The holding period will either be that of the donor or begin on the date of the gift. The actual basis amount and holding period may not be determinable until you sell the securities.

If the FMV of the securities is equal to or greater than the donor's adjusted basis at the time of the gift, we will always use the donor's adjusted basis at the time you received the gift for calculating gain or loss. However, if the FMV of the security at the time of the gift was less than the donor's adjusted basis, your basis will depend on whether you have a gain or a loss when you sell the securities. Your basis for figuring gain is the same as the donor's adjusted basis plus or minus any required adjustment to basis while you held the security. Your basis for figuring loss is the FMV when you received the gift plus or minus any required adjustments to basis while you held the security. But if you use the donor's adjusted basis for figuring a gain and get a loss, and then use the FMV for figuring a loss and have a gain, we will report neither gain nor loss on the sale of the securities. While our basis tracking system does make this determination, this can be confusing, so we urge you to consult with your tax advisor at the time of sale of any gifted security that you hold.

**Inherited Securities** – If you received securities from an estate and they were transferred into Hilltop, generally they will be valued for basis tracking purposes as of the date of death or six months after under certain conditions. Regardless of whether these securities were covered or noncovered their valuation is adjusted under tax rules to either of the dates mentioned above. Additionally, a security that is inherited automatically becomes a long-term holding for the beneficiary.

### Covered Securities

Covered securities are those securities you acquired on or after a date certain (the "effective date") established by the basis reporting legislation. Generally, a security can only be a covered security if it is bought or acquired after the effective date. A security cannot mature into covered status by being held through the effective date for that security. In general, equities (including foreign equities) became covered securities beginning in 2011, mutual funds and equities acquired in connection with a dividend reinvestment plan (DRP) became covered in 2012, options and less complex fixed income instruments became covered in 2014 and in 2016 complex debt instruments became covered securities.

### Debt Instruments

**"Complex" Debt** – This is the term the IRS attributed to many fixed income instruments for which cost basis reporting is now required. The tracking of basis on these securities may be complicated by their unique structures and payment terms which are generally singled out for special treatment under the tax code. The regulations specific to some of these instruments, address the interaction of the securities with other fixed income regulations (premium, discount and OID rules, currency conversion, etc.). The

result is a series of tax rules that can vary significantly on treatment of premium and discount, the manner in which OID may accrue, the treatment for foreign denominated securities, the calculation of yield which may be modified or subject to revision during the instrument's life, and many other bond features requiring unique tax treatment. If you have purchased a complex debt instrument you should consult your tax advisor when reviewing our 1099 reporting of income, sales or credits resulting from these investments to help you gain a better understanding of the tax implications of your investment.

**Fixed Income Elections** – Cost basis rules require that we amortize premium for both your taxable and nontaxable bonds. You can elect to not amortize your taxable bonds, and we will not do so. You can also elect to accrete market discount on your bonds. Such an election would lead to more taxable interest each year but a smaller capital gain (or greater loss) when sold. We default to not accreting discount, so if you have not made a market discount election, you will not recognize any current income for this.

**Premium on a taxable bond** – Premium is amortized based upon a "yield-to-best" calculation. This means our amortization schedule (the time over which we will allocate the premium you paid to acquire the bond) will go to the point where your return on the investment would be the highest percentage rate. When premium is amortized annually, the amount for the year is used to offset your interest income on the bond. If the amount is greater than the interest income, tax rules permit rolling the amount forward or taking a deduction on your income tax return.

**Premium on a tax-exempt bond** – Tax-exempt premium must be amortized annually and be used to reduce your basis in the bond. The amortization schedule is the "yield-to-worst," meaning it will go to the call or redemption point that provides the lowest return on investment. Amortizing and reducing basis will ultimately increase your capital gain or reduce your capital loss. From a tax perspective, the premium is deemed to have been paid to generate the tax-free income stream and not the bond itself, which is why it is amortized as the interest is earned.

**Options**

**Stock Options** – The sale of a Stock Option (Section 1234 option), both puts and calls, is reported on a Form 1099-B. However, the manner of reporting depends upon which side of the option you are on. If you buy a put or call, then the cost to purchase the option is your cost basis and is reported on the Form 1099-B, Box 1e "Cost or other basis." But if you sell a put or a call to open a position, (write the option), the amount you pay to close out the position (the money paid to buy back the option) is treated as negative proceeds – not basis.

When we report a purchase and then sale of an option to you, it will have "Proceeds" in Box 1d and "Cost or other basis" in Box 1e. When we report your closing of a written option, we will report the net amount of your proceeds from the original sale with the cost to close it in Box 1d "Proceeds." If you bought the option to close and paid more than your original proceeds from the sale, we will report a netted, negative proceeds amount to you in Box 1d. If the option you wrote expires, we will report to you only proceeds with no associated cost.

When you exercise an option or get assigned we must fold in the premium you received or paid on the option into the basis of the underlying stock or proceeds of sale from the underlying shares. When the transaction is reported, Box 6 will be checked to indicate "Net proceeds."

**Non-equity Options** – A non-equity option (Section 1256 option) is treated very differently from Stock Options. In general, a non-equity option must be listed on an exchange and not be on a single stock. For example, an option on a bond would be a Section 1256 option, but an option on IBM stock would not. If the option is on an index of stocks, it may also be a Section 1256 option if it meets certain criteria, otherwise it will be treated as a Section 1234 option. Our cost basis system will figure that out.

A Section 1256 option is marked to market over year end, and they can be netted together with all your other Section 1256 options on a single Form 1099-B for reporting purposes. There is no tracking of duration, because any gain or loss is split 64/40 Long-term/Short-term. This does present a unique situation when a Section 1256 option is exercised or assigned. Because of the 60/40 concept, the underlying premium related to the option is never folded into the security involved in the exercise or assignment. Instead, we must report the transaction in two segments. The option is treated as if it expired and a Form 1099-B is issued for it. Note the gain or loss on the "expired" option will be 60/40. The underlying security is purchased or sold according to the option price but not with the premium folded in. When that transaction is eventually closed a 1099-B will be issued solely related to the security's proceeds and cost, with duration being determined by the holding period of that specific security.

**Qualified Dividends**

On Form 1099-DIV for tax year 2021, Box 1a – Total Ordinary Dividends reflects dividend payments made by Hilltop to you. Of that total amount a portion may also be reported in Box 1b – Qualified Dividends. These "qualified" dividends may be eligible for favorable tax treatment at long-term capital gains rates if certain criteria are satisfied. These criteria are layered, with two tests – the first test is at the security level and the second test is at the investor level to meet a holding period.

**Security level criteria of a Qualified Dividend payment:**

- The payment must be from a US or qualified foreign corporation.

**Holder level criteria of a Qualified Dividend payment:**

- The common stock of a company must be held by the taxpayer for more than 60 days during the 121-day period that begins 60 days before the ex-dividend date of the dividend.
- If the holder maintains a position that reduces the risk in the shares (i.e. an option to sell them, a short stock position, etc.), the days while such position is held are not counted for holding period purposes.
- The holding period need not be in consecutive days.

**Short Sales**

A short sale occurs when an investor sells securities that the investor does not own and then arranges to borrow securities that are delivered to settle the transaction. The short sale remains open until the investor purchases shares to close it out by delivering those shares to the firm that lent them to the investor at the time of the sale.

Reporting a short sale can sometimes create confusion. The short sale date information placed into Boxes 1b and 1c on Form 1099-B can be different from the information placed into the same boxes

when reporting the sale of a long position. For short sale reporting, Box 1b “Date acquired” (purchase date) reports the date the securities delivered to close the Short Sale were acquired. Box 1c “Date sold or disposed” reports the date those securities were delivered to close the short sale. Although the Form 1099-B is reporting a sale, neither date reports the actual date of the original short sale.

Note that in general, duration tracking is not necessary for a short sale as it is almost always short-term. If the shares delivered to cover the short sale (Box 1b) were acquired more than a year before the short sale was entered into, then the transaction would be long-term.

The potential confusion surrounding the difference between the reporting dates of a long sale versus a short sale can be compounded at year end when Box 1b and Box 1c straddle two years. Consider a purchase on December 31 to close an open short position. This transaction would settle in January of the following year when the shares would be delivered to close. The January settlement date would be the “date of sale or exchange” for the short sale, requiring us to report in the following year. However, there is a tax concept that states ‘constructive sales’ of an appreciated financial asset, including short stock positions, must be recognized by the taxpayer if there is a gain, as if such position was sold on the date of the constructive sale. Tax regulations provides that if a taxpayer holds an appreciated financial position that is a short sale, the acquisition of the same or substantially identical stock is a constructive sale transaction. Thus, you must realize the gain within the year you acquired the shares to close the position. However, if the tax lot is closed for a loss, then normal recognition would be required in the second year, coinciding with our issuing of the Form 1099-B. If you engage in short selling, we urge you to consult your tax advisor for the proper treatment of year-end short sales on your tax return filings.

**Wash Sales**

If you sold a security at a loss and repurchased it within a 61-day period, you cannot recognize the loss. It is considered a disallowed loss, and we must fold it into the basis of your replacement shares. Conceptually, this is to avoid the recognition of a loss while the taxpayer continues to maintain the security position. The timeframe during which you cannot purchase replacement shares is from 30 days before the date of sale that generated the disallowed loss to 30 days after the sale. The duration of a security with a disallowed loss includes the number of days the original position that created the disallowed loss was open. So if you have a position that was open for 120 days and you fold the loss into replacement shares, the date of acquisition is 120 days earlier than the date you acquired the replacement shares. Note you do not carry the security acquisition date using the date you purchased the original shares; instead, you add the number of days that position was open to the replacement share date.

We are not required to track wash sales for anything but the same security, which is generally defined as the same CUSIP or other identifying number. But the wash sale regulations require that you track wash sales for “substantially similar” securities. This means you may have to treat options and stocks as the same security for wash sale purposes, and some other securities as well (i.e., certain bonds, convertible stocks). We are also not required to “wash” your securities across accounts. So if we do maintain more than one account for you, we will not match IBM in one account with IBM in another account. You will have to do this when you prepare your tax return.

The wash sale rules apply to retirement accounts as well. So if you sell a security in your taxable account at a loss but within the 61-day window re-establish the position in your tax-free account, you cannot take the disallowed loss. Instead, you must increase the basis in your tax-free shares, which is of no value to you. This is a risk if you are not familiar with the wash sale rules. Note the application of the wash sale rule for transactions occurring entirely within the tax free account is not required since the account is tax free.

**Important Wash Sale Terms**

**61-Day Window** – That period of 30 days before and 30 days after a transaction, plus the transaction day itself, that gives rise to a disallowed loss. Any acquisition that reestablishes part or all of that disposed-of position during the 61-day window will be considered a wash sale and its basis will be adjusted to incorporate the disallowed loss.

**Broker Wash Sale Reporting Obligation** – The broker wash sale reporting obligation is limited to reporting on identical (the same CUSIP) shares of covered stock bought and sold in the same account. The taxpayer's obligation cuts across all accounts.

**Disallowed Loss** – The loss on a transaction that is disallowed for tax deductibility purposes because it is part of a wash sale string. The loss is used to adjust the basis (added to it) of the replacement shares and will be recognized upon sale of the replacement shares.

**Duration** – The length of time a security is held by a taxpayer. The duration of a holding period can be long-term or short-term. For most security transactions duration is calculated from the date of acquisition. For wash sale transactions it is equal to the number of days the transactions in the wash sale string are open.

**Identical and Substantially Identical Securities** – Under the Cost Basis Reporting regulations which require brokers to track wash sales, Identical Securities for wash sale purposes are those securities with the same CUSIP number. However, the taxpayer must apply a "substantially identical" test. A substantially identical security is so similar to another that the IRS does not recognize a difference between them. Substantially identical securities can include both new and old securities issued by a corporation that has undergone reorganization, convertible securities and common stock of the same corporation, and options on stock and the underlying shares.

**Replacement Shares** – Shares bought that replace the original shares that were sold within the 61day wash sale window, or shares sold to replace an original short position that was closed within the 61-day window.

**Taxpayer Wash Sale Reporting Obligation** – The taxpayer has the obligation to calculate wash sales for Schedule D reporting. The obligation requires matching identical and substantially identical securities across all of the taxpayer's accounts, including IRA and Roth accounts.

**Wash Sale** – A wash sale occurs when a security is sold at a loss and, within a period of 30 days before or 30 days after the sale, the identical or "substantially identical" security is reestablished. Under these circumstances, that loss will be disallowed and may not be considered in calculating a taxpayer's losses for income tax purposes.

**Wash Sale String** – Three or more transactions that, when linked together within the 61-day window, create a wash sale.