

STIFEL UNRELATED BUSINESS TAXABLE INCOME (UBTI) RELATED TO QUALIFIED ACCOUNTS

Stifel, Nicolaus & Company, Incorporated (Stifel) is an approved Non-Bank Custodian of Retirement Accounts and Qualified Plans. With this designation, Stifel is required to issue and file certain returns on behalf of our clients. One of the returns Stifel is required to file on our clients' behalf is IRS Form 990-T (Exempt Organization Business Income Tax Return).

Assets within qualified accounts, such as Individual Retirement Accounts (IRAs) and Education Savings Accounts (ESAs) are generally tax-exempt. The owner of the account does not pay any tax until the assets start to be withdrawn and reported to the taxpayer on a Form 1099R or 1099Q. The exception to this rule is: if a taxpayer holds a flow-through entity, such as a Limited Partnership (LP) or Master Limited Partnership (MLP), that generates \$1,000 or more in Unrelated Business Taxable Income (UBTI) within the tax reporting year. This information can be found on the K-1 issued by each partnership. Please keep in mind the K-1s are issued directly by the partnership and not by Stifel. Visit the "Helpful Sites and Phone Numbers" tab to assist you in finding certain K-1s. If you sold the partnership during the taxable year, a portion of the partnership liabilities may be allocated to you, the partner, and these liabilities may be treated as acquisition indebtedness. This, in turn, could subject a portion of the gain from your sale to be taxed as Unrelated Business Income (UBI).

Stifel has hired PricewaterhouseCoopers (PWC) to assist us with preparing and filing the 990-Ts on our clients' behalf. Stifel, with the assistance of PWC, will gather clients' current year K-1s. If you have unused UBTI loss on specific partnerships in prior years, you may be able to use the prior year losses to offset current year UBTI income. Evidence of prior year losses can be obtained from your prior year K-1s or previously filed 990-Ts that contain a loss carryforward. If you would like to use these losses and have the proper documentation, please submit to Stifel prior to April 15. Keep in mind, you can only offset a partnership's losses against that partnership's future gains on Form 990-T. You cannot aggregate partnership losses on Form 990-T.

If this is the first year your tax-deferred account has incurred UBTI, Stifel will apply for an Employer Identification Number (EIN) on your behalf. In doing so, we are required to provide your client information to the IRS. Therefore, you will receive confirmation of the EIN assignment mailed directly to you. Please keep this notice in a safe place with your other Stifel account documents. This will be the EIN number you will use in future years should your IRA warrant additional 990-T filings. If you have had to file a 990-T in a previous year, Stifel will use the number previously assigned to you. Please contact your Financial Advisor to provide Stifel with your previously assigned EIN.

For those clients that do incur UBTI, penalties and interest may be assessed by the IRS and included in the 990-T filing calculation if no estimated payments were made on your behalf. In these situations, PWC will calculate the additional amounts due as part of their 990-T tax return preparation. If you would like to make estimated payments to avoid additional penalties and interest, please contact your Financial Advisor for additional information.

Due to the late mailing of most K-1s and the time needed to prepare a Form 990-T, it will be necessary to file for an extension to avoid late filing penalties. This will not avoid penalties and interest that may be included in your calculations due to non-payment of taxes. As indicated previously, to avoid any additional penalties and interest calculations, estimated payments would be required. An IRS extension approval notice may be mailed to you directly from the IRS. This IRS extension approval information is for your records.

All appropriate taxes and fees will be automatically debited from your accounts when Stifel files the 990-T on your behalf. Stifel will charge a standard \$200 fee for the preparation and filing of the return. All applicable taxes, penalties, and interest related to the taxable UBTI income will be submitted to the IRS directly from the related retirement account.

Stifel will obtain copies of all Form 990-T returns filed on your behalf with the IRS. A copy of your form can be obtained and viewed via Stifel Access. If you are not signed up for Stifel Access and would like a copy of your Form 990-T, please contact your Financial Advisor.