

Standing instructions to use the “Specific Share Identification” method

Beginning January 1, 2011, *The Emergency Economic Stabilization Act of 2008* requires financial services firms, including TIAA-CREF Trust Company, FSB, to begin tracking and reporting to the Internal Revenue Service (IRS) an investor’s adjusted cost basis for certain securities purchased after that date. This reporting will use a revised IRS Form 1099-B. The information included here provides additional details on these changes.

What is changing?

Before January 1, 2011, the gross proceeds from the sale of a security were reported to you and to the IRS on Form 1099-B. The “cost basis” of the security was not reported. The “cost basis” is, for federal income tax purposes, the purchase price of a security, plus fees and commissions. After the initial purchase, an investor’s cost basis can be adjusted for several reasons (such as stock splits or certain dividends).

Beginning in 2011, financial firms, including the Trust Company, will also need to report, on an expanded Form 1099-B, the cost basis, the holding period, the long-term or short-term gain/loss information of “covered securities,” and whether the sold security was covered or non-covered. A “covered security” is defined as a share of corporate stock purchased on or after January 1, 2011. Sales of securities that were acquired before January 1, 2011 will be reported on Form 1099-B as “non-covered,” and thus the additional cost basis information noted above will not be included.

The legislative changes will be implemented in stages, as follows:

- **Phase I.** Cost basis information is required for sales of shares of corporate stock that are acquired on or after January 1, 2011, except for shares of regulated investment companies (e.g., mutual funds) or shares that are part of a Dividend Reinvestment Plan.
- **Phase II.** Cost basis information is required for sales of regulated investment companies (e.g., mutual funds) and shares of corporate stock that are part of a Dividend Reinvestment Plan acquired on or after January 1, 2012.
- **Phase III.** Cost basis information is required for other securities (including commodities, debt instruments, options, etc.) that are acquired on or after January 1, 2013, or some later date to be determined by the IRS.

What action, if any, do you need to take?

In order for financial firms to report the adjusted cost basis of a covered security, a cost basis method must be selected and used and, based on the recent changes, this selection must be made no later than on the settlement date of the transaction. The IRS recognizes three different methods for calculating cost basis:

- **Specific Share Identification.** Under this method, the account owner, or the account owner’s agent, identifies which shares are sold first.
When this method is used, the Trust Company, as the agent for the account owner, first sells those shares that have the highest cost basis.
- **First-In, First-Out (FIFO).** Under this method, shares of the security are sold in the order in which they were acquired.
- **Average Cost.** Under this method, the total cost of all shares in the account is divided by the total number of shares in the account.

The new legislation provides that if you do not select a cost basis method at the time of the transaction, sales of covered securities that are included in Phase 1 must be disposed using the **FIFO** cost basis method (meaning the shares that were acquired first are sold first). However, the current standing instructions that we have from you, as stated on the front page of your account statement, direct us to use the **Specific Share Identification** method. As noted above, using this method, as your agent the Trust Company will first sell those shares that have the highest cost basis. **If we do not hear from you, we will assume that we have your consent to continue to use this method.**

These standing instructions do not have to be revisited each time a security is sold, but apply to all trade activity, unless otherwise requested.

If you wish to change this method, please contact your Portfolio Manager. Any change in method will apply for future transactions only. Because any change may have an impact on your gain/loss calculation and reporting, we recommend that you consult with your tax advisors on how any changes would affect you.

A note about IRS Consolidated 1099 tax reporting statements for calendar year 2010

At TIAA-CREF Trust Company, FSB, we are committed to providing you with accurate and timely tax information. If your account held certain investments, such as real estate investment trusts (REITs) or certain mortgage backed securities (MBSs), we must wait for information from the fund before we can issue the consolidated 1099 statements. Much of this information is not received until after the February 15 deadline for mailing the statement to you. Therefore, we will request a 30-day extension until March 15, 2011 to mail the consolidated 1099s to you. Please be assured that we will issue the consolidated 1099s as quickly as the information becomes available to us.

Questions?

If you have any questions or require further information about the information stated in this section, please contact your Portfolio Manager. If you hold an account with no designated Portfolio Manager, please contact your account administrator. We value our relationship and appreciate your continued support.