Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation

or Section 4947(a)(1) Trust Treated as Private Foundation

▶ Do not enter Social Security numbers on this form as it may be made public.
▶ Information about Form 990-PF and its separate instructions is at *www.irs.gov/form990pf.*

OMB No 1545-0052

2013

Open to Public Inspection

For calendar year 2013 or tax year beginning , 2013, and ending , 20

Name of foundation LATO FAMILY FOUNDATION, INC.	A Employer identification number 20-5677633
Number and street (or P O box number if mail is not delivered to street address) — Room/suite S27 W29293 JENNIE COURT	B Telephone number (see instructions) 262 968-3403
City or town, state or province, country, and ZIP or foreign postal code WAUKESHA, WI 53188	C If exemption application is pending, check here ▶ ☐

G Check all that apply: ☐ Initial return ☐ Initial return of a former public charity ☐ Final return ☐ Amended return ☐ Address change ☐ Name change

D 1. Foreign organizations, check here ▶ ☐
2. Foreign organizations meeting the 85% test, check here and attach computation ▶ ☐

H Check type of organization: ☑ Section 501(c)(3) exempt private foundation ☐ Section 4947(a)(1) nonexempt charitable trust ☐ Other taxable private foundation

E If private foundation status was terminated under section 507(b)(1)(A), check here ▶ ☐

I Fair market value of all assets at end of year *(from Part II, col. (c), line 16)* ▶ $ 1,567,784

J Accounting method: ☐ Cash ☑ Accrual ☐ Other (specify) *(Part I, column (d) must be on cash basis)*

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ▶ ☐

Part I **Analysis of Revenue and Expenses** *(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see instructions))*

		Line	Description	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1		Contributions, gifts, grants, etc., received (attach schedule)				
	2		Check ▶ ☐ if the foundation is **not** required to attach Sch. B				
	3		Interest on savings and temporary cash investments	100	100	100	
	4		Dividends and interest from securities	61,764	61,764	61,764	
	5a		Gross rents				
	b		Net rental income or (loss)				
	6a		Net gain or (loss) from sale of assets not on line 10	0			
	b		Gross sales price for all assets on line 6a 344,649				
	7		Capital gain net income (from Part IV, line 2)		0		
	8		Net short-term capital gain			0	
	9		Income modifications				
	10a		Gross sales less returns and allowances				
	b		Less: Cost of goods sold				
	c		Gross profit or (loss) (attach schedule)				
	11		Other income (attach schedule)				
	12		**Total.** Add lines 1 through 11	61,864	61,864	61,864	
Operating and Administrative Expenses	13		Compensation of officers, directors, trustees, etc				
	14		Other employee salaries and wages				
	15		Pension plans, employee benefits				
	16a		Legal fees (attach schedule)				
	b		Accounting fees (attach schedule)				
	c		Other professional fees (attach schedule)				
	17		Interest				
	18		Taxes (attach schedule) (see instructions)				
	19		Depreciation (attach schedule) and depletion				
	20		Occupancy				
	21		Travel, conferences, and meetings	8,483	8,483	8,483	8,483
	22		Printing and publications				
	23		Other expenses (attach schedule)	33,822	33,822	33,822	33,822
	24		**Total operating and administrative expenses.** Add lines 13 through 23	42,305	42,305	42,305	42,305
	25		Contributions, gifts, grants paid	167,100			167,100
	26		**Total expenses and disbursements.** Add lines 24 and 25	209,405	42,305	42,305	209,405
	27		Subtract line 26 from line 12:				
	a		**Excess of revenue over expenses and disbursements**	-147,541			
	b		**Net investment income** (if negative, enter -0-)		19,559		
	c		**Adjusted net income** (if negative, enter -0-)			19,559	

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Part II **Balance Sheets** Attached schedules and amounts in the description column should be for end-of-year amounts only. (See instructions.)

		Beginning of year (a) Book Value	End of year (b) Book Value	(c) Fair Market Value
Assets	1 Cash—non-interest-bearing	373,253	107,584	107,584
	2 Savings and temporary cash investments			
	3 Accounts receivable ▶			
	Less: allowance for doubtful accounts ▶			
	4 Pledges receivable ▶			
	Less: allowance for doubtful accounts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions)			
	7 Other notes and loans receivable (attach schedule) ▶			
	Less: allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10a Investments—U.S. and state government obligations (attach schedule)			
	b Investments—corporate stock (attach schedule)	1,386,115	1,446,156	1,460,199
	c Investments—corporate bonds (attach schedule)			
	11 Investments—land, buildings, and equipment: basis ▶			
	Less: accumulated depreciation (attach schedule) ▶			
	12 Investments—mortgage loans			
	13 Investments—other (attach schedule)			
	14 Land, buildings, and equipment: basis ▶			
	Less: accumulated depreciation (attach schedule) ▶			
	15 Other assets (describe ▶)			
	16 **Total assets** (to be completed by all filers—see the instructions. Also, see page 1, item I)	1,759,368	1,553,740	1,567,784
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable	27,700	82,100	
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 **Total liabilities** (add lines 17 through 22)	27,700	82,100	
Net Assets or Fund Balances	**Foundations that follow SFAS 117, check here ▶ ☐ and complete lines 24 through 26 and lines 30 and 31.**			
	24 Unrestricted	1,731,668	1,471,640	
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, check here ▶ ☐ and complete lines 27 through 31.			
	27 Capital stock, trust principal, or current funds			
	28 Paid-in or capital surplus, or land, bldg , and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds			
	30 **Total net assets or fund balances** (see instructions)	1,731,668	1,471,640	
	31 **Total liabilities and net assets/fund balances** (see instructions)	1,759,368	1,553,740	

Part III **Analysis of Changes in Net Assets or Fund Balances**

1	Total net assets or fund balances at beginning of year—Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	1,759,368
2	Enter amount from Part I, line 27a	2	-147,541
3	Other increases not included in line 2 (itemize) ▶	3	
4	Add lines 1, 2, and 3	4	1,611,827
5	Decreases not included in line 2 (itemize) ▶ CAPITAL LOSS	5	58,087
6	Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	1,553,740

Part IV Capital Gains and Losses for Tax on Investment Income

	(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse; or common stock, 200 shs MLC Co)	(b) How acquired P—Purchase D—Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr)
1a	CHARLES SCHWAB CAPITAL GAIN DISTRIBUTIONS	P	VAR	VAR
b	CHARLES SCHWAB SHORT TERM CAPITAL GAIN - SEE STATEMENT	P	VAR	VAR
c	CHARLES SCHWAB LONG TERM CAPITAL GAIN - SEE STATEMENT	P	VAR	VAR
d				
e				

	(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a	15,317			15,317
b	76,813		73,410	3,403
c	252,519		329,326	-76,807
d				
e				

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69

	(i) F M V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col (i) over col (j), if any	(l) Gains (Col (h) gain minus col (k), but not less than -0-) or Losses (from col (h))
a				
b				
c				
d				
e				

2	Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 / If (loss), enter -0- in Part I, line 7 }	2	-58,087
3	Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c) (see instructions). If (loss), enter -0- in Part I, line 8	3	

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income)

If section 4940(d)(2) applies, leave this part blank.

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period? ☐ Yes ☑ No
If "Yes," the foundation does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year, see the instructions before making any entries.

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col (b) divided by col (c))
2012	238,170	1,624,596	0.146603
2011	273,102	1,920,800	0.142181
2010	300,717	1,983,124	0.151638
2009	283,391	1,808,774	0 156676
2008	66,197	949,641	0.069707

2	**Total** of line 1, column (d)	2	0.666805
3	Average distribution ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	0.133361
4	Enter the net value of noncharitable-use assets for 2013 from Part X, line 5	4	1,544,193
5	Multiply line 4 by line 3	5	205,935
6	Enter 1% of net investment income (1% of Part I, line 27b)	6	196
7	Add lines 5 and 6	7	206,131
8	Enter qualifying distributions from Part XII, line 4	8	209,209

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see instructions)

1a	Exempt operating foundations described in section 4940(d)(2), check here ▶ ☐ and enter "N/A" on line 1. Date of ruling or determination letter: ________ (attach copy of letter if necessary—see instructions)		
b	Domestic foundations that meet the section 4940(e) requirements in Part V, check here ▶ ☑ and enter 1% of Part I, line 27b	1	196
c	All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b).		
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	2	
3	Add lines 1 and 2	3	196
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	4	
5	**Tax based on investment income.** Subtract line 4 from line 3. If zero or less, enter -0-	5	196
6	Credits/Payments:		
a	2013 estimated tax payments and 2012 overpayment credited to 2013 — 6a: 1,819		
b	Exempt foreign organizations—tax withheld at source — 6b		
c	Tax paid with application for extension of time to file (Form 8868) — 6c		
d	Backup withholding erroneously withheld — 6d		
7	Total credits and payments. Add lines 6a through 6d	7	1,819
8	Enter any **penalty** for underpayment of estimated tax Check here ☐ if Form 2220 is attached	8	
9	**Tax due.** If the total of lines 5 and 8 is more than line 7, enter **amount owed** ▶	9	
10	**Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ▶	10	1,623
11	Enter the amount of line 10 to be: **Credited to 2014 estimated tax** ▶ 1,623 **Refunded** ▶	11	

Part VII-A Statements Regarding Activities

			Yes	No
1a	During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?	1a		✓
b	Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see Instructions for the definition)?	1b		✓
	*If the answer is "Yes" to **1a** or **1b**, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities*			
c	Did the foundation file **Form 1120-POL** for this year?	1c		✓
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year **(1)** On the foundation. ▶ $ ________ **(2)** On foundation managers. ▶ $ ________			
e	Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. ▶ $ ________			
2	Has the foundation engaged in any activities that have not previously been reported to the IRS? *If "Yes," attach a detailed description of the activities.*	2		✓
3	Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes*	3		✓
4a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		✓
b	If "Yes," has it filed a tax return on **Form 990-T** for this year?	4b		
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If "Yes," attach the statement required by General Instruction T.*	5		✓
6	Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	6	✓	
7	Did the foundation have at least $5,000 in assets at any time during the year? *If "Yes," complete Part II, col (c), and Part XV*	7	✓	
8a	Enter the states to which the foundation reports or with which it is registered (see instructions) ▶ WISCONSIN			
b	If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by *General Instruction G? If "No," attach explanation*	8b	✓	
9	Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2013 or the taxable year beginning in 2013 (see instructions for Part XIV)? *If "Yes," complete Part XIV*	9		✓
10	Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses*	10		✓

Part VII-A Statements Regarding Activities *(continued)*

		Line	Yes	No
11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)	11		✓
12	Did the foundation make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If "Yes," attach statement (see instructions)	12		✓
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	✓	

Website address ▶ NONE

14 The books are in care of ▶ GARY J. LATO Telephone no. ▶ 262 968-3403
Located at ▶ S27 W29293 JENNIE COURT, WAUKESHA, WI ZIP+4 ▶ 53188

15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of **Form 1041**—Check here ▶ ☐
and enter the amount of tax-exempt interest received or accrued during the year ▶ 15

		Line	Yes	No
16	At any time during calendar year 2013, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country?	16		✓
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ▶			

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

			Line	Yes	No
1a	During the year did the foundation (either directly or indirectly):				
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	☐ Yes ☑ No			
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	☐ Yes ☑ No			
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	☐ Yes ☑ No			
	(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	☐ Yes ☑ No			
	(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	☐ Yes ☑ No			
	(6) Agree to pay money or property to a government official? (**Exception.** Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.)	☐ Yes ☑ No			
b	If any answer is "Yes" to 1a(1)–(6), did **any** of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see instructions)?		1b		
	Organizations relying on a current notice regarding disaster assistance check here	▶☐			
c	Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2013?		1c		✓
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):				
a	At the end of tax year 2013, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2013?	☐ Yes ☑ No			
	If "Yes," list the years ▶ 20 ___ , 20 ___ , 20 ___ , 20 ___				
b	Are there any years listed in 2a for which the foundation is **not** applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to **all** years listed, answer "No" and attach statement—see instructions.)		2b		✓
c	If the provisions of section 4942(a)(2) are being applied to **any** of the years listed in 2a, list the years here. ▶ 20 ___ , 20 ___ , 20 ___ , 20 ___				
3a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	☐ Yes ☑ No			
b	If "Yes," did it have excess business holdings in 2013 as a result of **(1)** any purchase by the foundation or disqualified persons after May 26, 1969; **(2)** the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or **(3)** the lapse of the 10-, 15-, or 20-year first phase holding period? *(Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2013.)*		3b		
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?		4a		✓
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2013?		4b		✓

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required *(continued)*

5a During the year did the foundation pay or incur any amount to:

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? ☐ Yes ☑ No

(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive? ☐ Yes ☑ No

(3) Provide a grant to an individual for travel, study, or other similar purposes? ☐ Yes ☑ No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see instructions) ☐ Yes ☑ No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals? ☐ Yes ☑ No

b If any answer is "Yes" to 5a(1)–(5), did **any** of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)? **5b**

Organizations relying on a current notice regarding disaster assistance check here ▶ ☐

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? ☐ Yes ☐ No

If "Yes," attach the statement required by Regulations section 53.4945–5(d).

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☑ No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? **6b** ✓

If "Yes" to 6b, file Form 8870.

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? ☐ Yes ☑ No

b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction? **7b**

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation (see instructions).

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
JOAN M. LATO S27 W29293 JENNIE COURT, WAUKESHA, WI 53188	PRES 8 HOURS	0	0	0
GARY J. LATO S27 W29293 JENNIE COURT, WAUKESHA, WI 53188	VP/TRES 20 HOURS	0	0	0

2 Compensation of five highest-paid employees (other than those included on line 1—see instructions). If none, enter "NONE."

(a) Name and address of each employee paid more than $50,000	(b) Title, and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
NONE				

Total number of other employees paid over $50,000 ▶ 0

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors *(continued)*

3 Five highest-paid independent contractors for professional services (see instructions). If none, enter "NONE."

(a) Name and address of each person paid more than $50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over $50,000 for professional services . . . . ▶		0

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc	Expenses
1 NONE	
2	
3	
4	

Part IX-B Summary of Program-Related Investments (see instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 NONE	
2	
All other program-related investments See instructions 3	
Total. Add lines 1 through 3 . . . . ▶	0

Part X **Minimum Investment Return** (All domestic foundations must complete this part. Foreign foundations, see instructions.)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:		
a	Average monthly fair market value of securities	1a	1,383,836
b	Average of monthly cash balances	1b	183,873
c	Fair market value of all other assets (see instructions)	1c	
d	**Total** (add lines 1a, b, and c)	1d	1,567,709
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) . . . 1e		
2	Acquisition indebtedness applicable to line 1 assets	2	
3	Subtract line 2 from line 1d	3	1,567,709
4	Cash deemed held for charitable activities. Enter 1 ½ % of line 3 (for greater amount, see instructions)	4	23,516
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3. Enter here and on Part V, line 4	5	1,544,193
6	**Minimum investment return.** Enter 5% of line 5	6	77,210

Part XI **Distributable Amount** (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ▶ ☐ and do not complete this part.)

1	Minimum investment return from Part X, line 6			1	77,210
2a	Tax on investment income for 2013 from Part VI, line 5	2a	196		
b	Income tax for 2013. (This does not include the tax from Part VI.)	2b			
c	Add lines 2a and 2b			2c	196
3	Distributable amount before adjustments Subtract line 2c from line 1			3	77,014
4	Recoveries of amounts treated as qualifying distributions			4	
5	Add lines 3 and 4			5	77,014
6	Deduction from distributable amount (see instructions)			6	
7	**Distributable amount** as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1			7	77,014

Part XII **Qualifying Distributions** (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:		
a	Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26	1a	209,405
b	Program-related investments—total from Part IX-B	1b	
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	
b	Cash distribution test (attach the required schedule)	3b	
4	**Qualifying distributions.** Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	209,405
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b (see instructions)	5	196
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	209,209

Note. The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years.

Part XIII Undistributed Income (see instructions)

			(a) Corpus	(b) Years prior to 2012	(c) 2012	(d) 2013
1	Distributable amount for 2013 from Part XI, line 7					77,014
2	Undistributed income, if any, as of the end of 2013					
a	Enter amount for 2012 only				0	
b	Total for prior years: 20___,20___,20___			0		
3	Excess distributions carryover, if any, to 2013:					
a	From 2008	19,475				
b	From 2009	194,102				
c	From 2010	203,735				
d	From 2011	177,062				
e	From 2012	157,098				
f	**Total** of lines 3a through e		751,472			
4	Qualifying distributions for 2013 from Part XII, line 4: ▶ $ 209,405					
a	Applied to 2012, but not more than line 2a				0	
b	Applied to undistributed income of prior years (Election required—see instructions)			0		
c	Treated as distributions out of corpus (Election required—see instructions)		0			
d	Applied to 2013 distributable amount					77,014
e	Remaining amount distributed out of corpus		883,863			
5	Excess distributions carryover applied to 2013 *(If an amount appears in column (d), the same amount must be shown in column (a).)*		0			0
6	**Enter the net total of each column as indicated below:**					
a	Corpus. Add lines 3f, 4c, and 4e. Subtract line 5		883,863			
b	Prior years' undistributed income. Subtract line 4b from line 2b			0		
c	Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed			0		
d	Subtract line 6c from line 6b. Taxable amount—see instructions			0		
e	Undistributed income for 2012. Subtract line 4a from line 2a. Taxable amount—see instructions				0	
f	Undistributed income for 2013. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2014					0
7	Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)		0			
8	Excess distributions carryover from 2008 not applied on line 5 or line 7 (see instructions)		19,475			
9	**Excess distributions carryover to 2014.** Subtract lines 7 and 8 from line 6a		864,388			
10	Analysis of line 9:					
a	Excess from 2009	194,102				
b	Excess from 2010	203,735				
c	Excess from 2011	177,062				
d	Excess from 2012	157,098				
e	Excess from 2013	132,391N				

Part XIV Private Operating Foundations (see instructions and Part VII-A, question 9)

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2013, enter the date of the ruling . . . . . . ▶ N/A

b Check box to indicate whether the foundation is a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5)

	Tax year	Prior 3 years			(e) Total
	(a) 2013	(b) 2012	(c) 2011	(d) 2010	
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon.					
a "Assets" alternative test—enter: (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test—enter: (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the foundation had $5,000 or more in assets at any time during the year—see instructions.)

1 Information Regarding Foundation Managers:

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2).)

NONE

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

NONE

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:

Check here ▶ ☐ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

a The name, address, and telephone number or e-mail address of the person to whom applications should be addressed:

JOAN M. LATO, S27 W29293 JENNIE COURT, WAUKESHA, WI 53188

b The form in which applications should be submitted and information and materials they should include:

NONE

c Any submission deadlines:

NONE

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:

NONE

Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during the year*				
SEE STATEMENT ATTACHED				167,100
Total . . . . ▶ 3a				167,100
b *Approved for future payment*				
Total . . . . ▶ 3b				

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (See instructions.)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
1 Program service revenue:					
a N/A					
b					
c					
d					
e					
f					
g Fees and contracts from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments					
4 Dividends and interest from securities					
5 Net rental income or (loss) from real estate:					
a Debt-financed property					
b Not debt-financed property					
6 Net rental income or (loss) from personal property					
7 Other investment income					
8 Gain or (loss) from sales of assets other than inventory					
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory					
11 Other revenue: a					
b					
c					
d					
e					
12 Subtotal. Add columns (b), (d), and (e)					

13 **Total.** Add line 12, columns (b), (d), and (e) . . . . 13 N/A

(See worksheet in line 13 instructions to verify calculations.)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. ▼	Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes) (See instructions)
	N/A

Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

			Yes	No
1	Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?			
a	Transfers from the reporting foundation to a noncharitable exempt organization of:			
	(1) Cash	1a(1)		✓
	(2) Other assets	1a(2)		✓
b	Other transactions:			
	(1) Sales of assets to a noncharitable exempt organization	1b(1)		✓
	(2) Purchases of assets from a noncharitable exempt organization	1b(2)		✓
	(3) Rental of facilities, equipment, or other assets	1b(3)		✓
	(4) Reimbursement arrangements	1b(4)		✓
	(5) Loans or loan guarantees	1b(5)		✓
	(6) Performance of services or membership or fundraising solicitations	1b(6)		✓
c	Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1c		✓

d If the answer to any of the above is "Yes," complete the following schedule. Column **(b)** should always show the fair market value of the goods, other assets, or services given by the reporting foundation If the foundation received less than fair market value in any transaction or sharing arrangement, show in column **(d)** the value of the goods, other assets, or services received.

(a) Line no	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements
N/A			

2a Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☑ No

b If "Yes," complete the following schedule.

(a) Name of organization	(b) Type of organization	(c) Description of relationship

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ [signature] 11/14/14 ▶ VICE PRESIDENT / TREASURER

Signature of officer or trustee — Date — Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☑ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
PAUL A. PETITJEAN	[signature]	11/14/14		P00636676
Firm's name ▶ PAUL A. PETITJEAN, JD, CPA			Firm's EIN ▶	
Firm's address ▶ 805 TALON TRAIL, BROOKFIELD, WI 53045			Phone no	

LATO FAMILY FOUNDATION, INC
Form 990-PF
Year Ended December 31, 2013

Part XV, Supplemental Information
Line 3(a), Grants and Contributions Paid During the Year

Recipient Name	Purpose of Grant	Amount
Tyndale Seminary	General Operations	$ 4,000
In Medias Res	General Operations	12,500
Campus Crusade for Christ	General Operations	5,300
Global Development Services	General Operations	7,500
BrookLink, Inc.	General Operations	6,000
Frontiers	General Operations	4,800
Intervarsity Christian Fellowship	General Operations	2,000
Milwaukee Rescue Mission	General Operations	10,000
Elmbrook Church	General Operations	18,500
Telling the Truth, Inc.	General Operations	38,500
Clapham Institute	General Operations	20,000
Time of Grace, Inc.	General Operations	1,500
John Jay Institute	General Operations	12,000
Broom Tree Ministries	General Operations	7,500
Global Scholars	General Operations	3,000
GPS Education Partners	General Operations	2,000
United World Mission	General Operations	3,000
Wedgewood Circle Institute	General Operations	8,500
The Philanthropy Roundtable	General Operations	500
Total Grants		$167,100

LATO FAMILY FOUNDATION, INC
Form 990-PF
Year Ended December 31, 2013

Part I, Supplemental Information

Line 23, Other Expenses

Other Expenses:	Amount
Legal & Professional	$ 900
Eternity Investors, LLC	30,000
Federal Excise Taxes	1,500
Annual Report	10
Foreign Taxes Paid	1,412
Total Other Expenses	$33,822

2013 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss)

Accounting Method
Mutual Funds. Average
All Other Investments: First In First Out [FIFO]

Short-Term	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
ALPINE GLOBAL PREMIER FD AWP	100 0000	12/10/12	02/08/13	$783.18	$715 10	$68 08
ALPINE GLOBAL PREMIER FD· AWP	200 0000	12/10/12	02/08/13	$1,565.74	$1,430 20	$135.54
ALPINE GLOBAL PREMIER FD: AWP	2,700 0000	12/10/12	02/08/13	$21,135 18	$19,307 65	$1,827.53
Security Subtotal				**$23,484.10**	**$21,452.95**	**$2,031.15**
COACH INC COH	300 0000	02/15/13	04/22/13	$15,326 11	$14,483 05	$843.06
Security Subtotal				**$15,326.11**	**$14,483.05**	**$843.06**
ISHARES MSCI KOREA IDX CAPPED INDEX FUND: EWY	200 0000	03/12/13	05/01/13	$11,545 19	$12,034 95	($489.76)
Security Subtotal				**$11,545.19**	**$12,034.95**	**($489.76)**
OMNIVISION TECHNOLOGIES OVTI	100 0000	03/06/12	02/20/13	$1,556 27	$1,672 18	($115 91)
OMNIVISION TECHNOLOGIES· OVTI	100 0000	03/06/12	02/20/13	$1,556 27	$1,672 28	($116 01)
OMNIVISION TECHNOLOGIES OVTI	200 0000	03/06/12	02/20/13	$3,112.54	$3,344 36	($231.82)
OMNIVISION TECHNOLOGIES OVTI	300 0000	03/06/12	02/20/13	$4,668 81	$5,019 53	($350.72)

charles SCHWAB

Schwab One® Account of
LATO FAMILY FOUNDATION, INC.

Account Number
[redacted]

Report Period
January 1 - December 31, 2013

2013 Year-End Schwab Gain/Loss Report

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Realized Gain or (Loss) (continued)

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
OMNIVISION TECHNOLOGIES: OVTI	300.0000	10/17/12	02/20/13	$4,668.81	$4,403.95	$264.86
Security Subtotal				**$15,562.70**	**$16,112.30**	**($549.60)**
PENGROWTH ENERGY CORP F. PGH	2,000.0000	03/04/13	08/20/13	$10,894 86	$9,326.95	$1,567.91
Security Subtotal				**$10,894.86**	**$9,326.95**	**$1,567.91**
Total Short-Term				**$76,812.96**	**$73,410.20**	**$3,402.76**

Long-Term	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
ALGER SPECTRA FUND CL A· SPECX	2,050 0000	12/06/07	03/05/13	$30,114 50	$24,250.10	$5,864.40
Security Subtotal				**$30,114.50**	**$24,250.10**	**$5,864.40**
ALPINE TOTAL DYNAMIC FD AOD	1,200 0000	01/05/10	05/01/13	$4,968 23	$10,796 95	($5,828 72)
ALPINE TOTAL DYNAMIC FD AOD	1,300 0000	06/25/10	05/01/13	$5,382 25	$6,975.65	($1,593 40)
ALPINE TOTAL DYNAMIC FD. AOD	2,000 0000	06/28/10	05/01/13	$8,280 38	$10,086 95	($1,806.57)
ALPINE TOTAL DYNAMIC FD AOD	300 0000	10/26/10	05/01/13	$1,242 06	$1,690.07	($448 01)
ALPINE TOTAL DYNAMIC FD. AOD	2,200 0000	10/26/10	05/01/13	$9,108.42	$12,415.88	($3,307.46)

2013 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Long-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
ALPINE TOTAL DYNAMIC FD. AOD	1,800.0000	11/29/10	05/01/13	$7,452.34	$10,249 15	($2,796.81)
ALPINE TOTAL DYNAMIC FD. AOD	3,700 0000	06/21/11	05/01/13	$15,318.71	$22,205.25	($6,886 54)
Security Subtotal				**$51,752.39**	**$74,419.90**	**($22,667.51)**
BROCADE COMMUNS SYS NEW BRCD	100 0000	06/21/11	10/15/13	$829 64	$663 43	$166 21
BROCADE COMMUNS SYS NEW BRCD	200 0000	06/21/11	10/15/13	$1,659 09	$1,326 70	$332.39
BROCADE COMMUNS SYS NEW BRCD	300 0000	06/21/11	10/15/13	$2,488 91	$1,990 34	$498 57
BROCADE COMMUNS SYS NEW BRCD	1,400 0000	06/21/11	10/15/13	$11,614 94	$9,286 86	$2,328 08
Security Subtotal				**$16,592.58**	**$13,267.33**	**$3,325.25**
GLADSTONE CAPITAL CORP GLAD	1,000 0000	11/30/10	02/07/13	$9,026 32	$11,048 45	($2,022 13)
GLADSTONE CAPITAL CORP GLAD	200 0000	12/03/10	02/07/13	$1,805 87	$2,297 09	($491 22)
GLADSTONE CAPITAL CORP GLAD	800 0000	12/03/10	02/07/13	$7,223 46	$9,203 56	($1,980 10)
GLADSTONE CAPITAL CORP. GLAD	100 0000	05/18/11	02/07/13	$906 63	$1,085 45	($178 82)
GLADSTONE CAPITAL CORP GLAD	100 0000	05/18/11	02/07/13	$906 68	$1,085 45	($178 77)

CG1H2703-015894 419426

charles SCHWAB

Schwab One® Account of
LATO FAMILY FOUNDATION, INC.

Account Number
[redacted]

Report Period
January 1 - December 31, 2013

2013 Year-End Schwab Gain/Loss Report

Accounting Method
Mutual Funds. Average
All Other Investments: First In First Out [FIFO]

Realized Gain or (Loss) (continued)

Long-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
GLADSTONE CAPITAL CORP GLAD	100.0000	05/18/11	02/07/13	$906 63	$1,085 45	($178.82)
GLADSTONE CAPITAL CORP. GLAD	100.0000	05/18/11	02/07/13	$906 68	$1,085 45	($178.77)
GLADSTONE CAPITAL CORP. GLAD	400.0000	05/18/11	02/07/13	$3,630.13	$4,341 79	($711.66)
GLADSTONE CAPITAL CORP. GLAD	1,200 0000	05/18/11	02/07/13	$10,880 80	$13,025.36	($2,144 56)
Security Subtotal				**$36,193.20**	**$44,258.05**	**($8,064.85)**
GMX RESOURCES INC NEW GMXR	0 5384	11/05/09	01/07/13	$4.07	$85.63	($81 56)
GMX RESOURCES INC NEW· GMXRQ	14 8461	11/05/09	04/09/13	$5.01	$2,361.07	($2,356 06)
GMX RESOURCES INC NEW GMXRQ	138 4615	11/05/09	04/09/13	$46 74	$22,058 05	($22,011 31)
GMX RESOURCES INC NEW GMXRQ	76.9230	12/03/10	04/09/13	$25 97	$4,927 95	($4,901 98)
GMX RESOURCES INC NEW· GMXRQ	76 9230	08/26/11	04/09/13	$25 97	$2,507.95	($2,481 98)
GMX RESOURCES INC NEW· GMXRQ	7 6923	09/12/11	04/09/13	$2 60	$242 43	($239.83)
GMX RESOURCES INC NEW· GMXRQ	146 1538	09/12/11	04/09/13	$49.34	$4,606.50	($4,557 16)
Security Subtotal				**$159.70**	**$36,789.58**	**($36,629.88)**

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2013 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

Accounting Method
Mutual Funds Average
All Other Investments: First In First Out [FIFO]

Long-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
HEWLETT-PACKARD COMPANY: HPQ	1,000.0000	03/26/12	05/29/13	$24,973 62	$23,815.95	$1,157.67
Security Subtotal				**$24,973.62**	**$23,815.95**	**$1,157.67**
INTL RECTIFIER CORP. IRF	100 0000	06/21/11	12/23/13	$2,543.07	$2,600 39	($57.32)
INTL RECTIFIER CORP· IRF	500 0000	06/21/11	12/23/13	$12,716 81	$13,006 96	($290 15)
INTL RECTIFIER CORP IRF	300 0000	10/02/12	12/23/13	$7,630 08	$4,747 75	$2,882 33
Security Subtotal				**$22,889.96**	**$20,355.10**	**$2,534.86**
INVESCO MORTGAGE CAPITAL IVR	1,300 0000	06/21/11	03/05/13	$27,436 04	$27,147 35	$288 69
Security Subtotal				**$27,436.04**	**$27,147.35**	**$288.69**
OSHKOSH CORP. OSK	500 0000	07/08/10	01/08/13	$15,837 70	$15,548 95	$288 75
Security Subtotal				**$15,837.70**	**$15,548.95**	**$288.75**
PHOTRONICS INC: PLAB	100.0000	06/21/11	02/20/13	$662 63	$825 26	($162 63)
PHOTRONICS INC PLAB	100 0000	06/21/11	02/20/13	$662 73	$825 36	($162 63)
PHOTRONICS INC PLAB	303 0000	06/21/11	02/20/13	$2,009 28	$2,500 53	($491 25)
PHOTRONICS INC PLAB	500 0000	06/21/11	02/20/13	$3,313 63	$4,126 29	($812 66)

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charles SCHWAB

Schwab One® Account of
LATO FAMILY FOUNDATION, INC.

Account Number
[redacted]

Report Period
January 1 - December 31, 2013

2013 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Long-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
PHOTRONICS INC· PLAB	700.0000	06/21/11	02/20/13	$4,639.09	$5,776.81	($1,137 72)
PHOTRONICS INC· PLAB	797 0000	06/21/11	02/20/13	$5,281 94	$6,577 30	($1,295 36)
Security Subtotal				**$16,569.30**	**$20,631.55**	**($4,062.25)**
SUPERVALU INC: SVU	100 0000	06/25/10	03/21/13	$400 00	$1,203.35	($803 35)
SUPERVALU INC· SVU	1,100 0000	06/25/10	03/21/13	$4,400 00	$13,240.10	($8,840 10)
SUPERVALU INC: SVU	100 0000	07/09/10	03/21/13	$400.00	$1,107.50	($707 50)
SUPERVALU INC. SVU	100 0000	07/09/10	03/21/13	$400 00	$1,107 52	($707.52)
SUPERVALU INC. SVU	100 0000	07/09/10	03/21/13	$400 00	$1,107 57	($707.57)
SUPERVALU INC SVU	100 0000	07/09/10	03/21/13	$400 00	$1,107.60	($707.60)

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SIPC

2013 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

Accounting Method
Mutual Funds. Average
All Other Investments: First In First Out [FIFO]

Long-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
SUPERVALU INC SVU	900 0000	07/09/10	03/21/13	$3,600.00	$9,968 29	($6,368 29)
Security Subtotal				**$10,000.00**	**$28,841.93**	**($18,841.93)**
Total Long-Term				**$252,518.99**	**$329,325.79**	**($76,806.80)**
Total Realized Gain or (Loss)				**$329,331.95**	**$402,735.99**	**($73,404.04)**

Schwab has provided realized gain/loss information wherever possible for most investments Cost basis data may be incomplete or unavailable for some of your holdings See Terms and Conditions
Option Customers Realized gain/loss of underlying securities is adjusted to reflect the premiums of assigned or exercised options

Understanding Your Year-End Schwab Gain/Loss Report

This page provides an explanation of the terms used in the Year-End Schwab Gain/Loss Report in the order in which they appear.

Accounting Method: The accounting method noted on the report is the one in effect on the last day of the rep calendar year If you change your accounting method in the middle of a report period, you actually may have a mixed accounting method; however, the accounting method in effect at year-end will be the only method displayed FIFO accounting (see definition below) is the default method for the purpose of this report
Single Category Average Cost: The average cost of all shares held in a mutual fund regardless of how long they are owned. This includes shares acquired with reinvested dividends. This method is available for mutual funds and is the method used for open-end funds in this report
First In First Out (FIFO) The first investments acquired are the first investments sold This is the "default" method
Last In First Out (LIFO). The last investments acquired are the first investments sold
High Cost: Sell lots in order of highest unit cost to lowest unit cost This will minimize gains and maximize losses
Low Cost Sell lots in order of lowest unit cost to highest unit cost. This will maximize gains and minimize losses
Tax Lot Optimizer: A tax lot consists of one or more shares of a security purchased at the same price on the same day. Lots sold are selected in the following order
1 *Short-Term Losses* Lots that reflect a short-term loss are sold, beginning with lots that generate the greatest short-term loss down to the least short-term loss.
2 *Long-Term Losses* Lots that reflect a long-term loss are sold, beginning with lots that generate the greatest long-term loss down to the least long-term loss
3 *Short-Term No Gains or Losses:* Short-term lots are sold that reflect no gain or loss.
4 *Long-Term No Gains or Losses.* Long-term lots are sold that reflect no gain or loss
5 *Long-Term Gains* Lots that reflect a long-term gain are sold, beginning with lots that generate the least long-term gain up to the greatest long-term gain
6. *Short-Term Gains:* Lots that reflect a short-term gain, are sold, beginning with lots that generate the least short-term gain up to the greatest short-term gain
Specific Lot The IRS allows taxpayers to specifically identify lots sold Such identification can be made at the time of trade up until settlement date An "m" on this report indicates that the account holder has used Specific Lot and matched a sale against a particular lot held at the time of trade

Closing Transaction: The fulfillment of a contract causing an existing investment to end. A sale could be closing transaction for a long position, and a purchase could be a closing position for a short position.

Short-Term/Long-Term: Gain or (loss) on the sale of a capital asset is labeled long-term if the property has been held for more than one year; it is labeled **short-term** if the property has been held for one year or less Investors need to provide the appropriate purchase date on some investments for the system generating this report to properly determine the holding period For instance, absent notification to the contrary, the report assumes the purchase date is the date of transfer for investments transferred from another brokerage account. All transactions are displayed at the lot level. A **lot** is a single unit of shares of an investment that was acquired or opened on a specific trade date and at a specific trade time.

Quantity/Par: The number of shares for each lot within each investment position in the account This is the number of shares for stocks and mutual funds; it is the number of contracts for options, and it is the face value bonds or notes Fractional shares are rounded for display purposes on this report

Acquired/Opened: The trade date, effective date or the date provided by the account holder for a particular lot This date generally establishes the holding period of the lot For short positions, the opening date is the date the short position is established If no date is available, the field will be left blank

Sold/Closed: The trade date, effective date or the date provided by the account holder For long positions, the closing date is the date on which the long position is disposed For short positions, the closing date is the date on which the short position is covered

Total Proceeds: The amount received upon disposition of the holding less commissions and applicable fees

Cost Basis: The amount paid for the lot including applicable commissions, fees and adjustments for corporate actions and return of capital payments For Short Sales, while the position remains open, the proceeds appear in the Cost Basis column with a negative value In the Realized Gain or (Loss) section, the Cost Basis is the amount paid to close the transaction and appears in the Cost Basis column The proceeds will appear in the Total Proceeds column For cash in your account, Cost Basis includes total cash less margin loan(s) outstanding at the time this report is printed Because it may include transactions which have not yet settled, please refer to your account statement for details

Adjusted Cost Basis: The amortized cost basis (for bonds bought at a premium) or the accreted cost basis (for bonds bought at a discount)

Realized Gain or (Loss): A realized gain or (loss) is shown when a closing transaction occurs in your account that requires recognition of a gain or loss To determine the Realized Gain or (Loss) for a lot, the Cost Basis is subtracted from the Total Proceeds

Adjusted Realized Gain or (Loss): The realized gain or (loss) that is calculated based on the Adjusted Cost Basis

Endnotes: Lettered footnotes are placed next to items that required additional explanation Footnotes are explained on the last page of the report
e - Data for this holding has been edited or provided by the account holder
i - Value includes incomplete cost basis If cost basis is not available for an investment, you may be able to provide updates
m - A sale was matched against a particular lot held at the time of trade.
S - Short sale

Disclaimer at bottom of each page of report
Schwab has provided accurate realized gain and loss information wherever possible for most investments Cost basis data may be incomplete or unavailable for some of your holdings. If all data for a given investment is not available, the investment will not be listed here

Option Customers Realized gain/loss of underlying securities is adjusted to reflect the premiums of assigned or exercised options.

Terms and Conditions

GENERAL INFORMATION
This report contains a gain or a loss summary of your account. This information is not a solicitation or a recommendation to buy or sell It may, however, be helpful for investment planning The Gain/Loss section(s) will not be provided to the IRS or to any other tax authorities Securities, products, and services are not in all countries and are subject to country-specific restrictions The information provided may or may not have relevance in other jurisdictions. We recommend that all customers (non-U S and U S) consult their investment advisors prior to using this information

Schwab has provided cost basis data wherever possible for most investments, based on information known at the time this report is prepared
This data may have been provided to Schwab by vendors of market prices and other data, or by other third parties. Although efforts have been made to ensure the quality of the information provided on this report, data may be inaccurate or incomplete and is subject to change Schwab accepts no responsibility for its accuracy, completeness or timely updating Taxpayers should verify such information against their own records

Currency: All figures are in U S dollars.

Accounting Methods: The default accounting methods used in this report are compliant with IRS accounting methods for individual investors.

Holding Period Computation: In computing the holding period, the day of acquisition is disregarded but the day of sale is included. For example, in order to obtain long-term capital gains treatment, property purchased on January 1, 2003, could not be sold until January 2, 2004 The trade date (not the settlement date) determines the date of purchase or sale.
If no date is available, a blank will be displayed

Special Accounting Rules: Certain situations including gifts, inheritance, tax-free exchanges, option exercises, short sales, wash sales, straddles, constructive sales, etc , can affect the computation of cost basis and/or holding period These situations may not be properly factored into the figures shown in this report Please consult your advisor for more information

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