

IMPORTANT TAX NOTICE

New IRS Cost Basis Reporting Regulations

The Emergency Economic Stabilization Act of 2008 requires that mutual fund companies report cost basis information to the Internal Revenue Service (IRS) on Form 1099-B for any sale of mutual fund shares acquired after January 1, 2012. The objective of the new requirement is to help ensure that investors accurately report investment gains and losses on their annual tax filings. As part of these new regulations, shareholders will also be required to elect a cost basis method.

Definition of Cost Basis

Cost basis is generally the original purchase price paid for shares of a mutual fund, adjusted for reinvested dividends and capital gain distributions, return of capital, and sales charges if applicable. The difference between the cost basis and the value of the mutual fund shares at the time of sale will determine if an investor needs to report a capital gain or capital loss to the IRS.

Covered vs. Non-Covered Shares

Covered shares are mutual fund shares acquired after the effective date of January 1, 2012. All covered shares are subject to the new cost basis reporting legislation. Cost basis information will be reported to the IRS on Form 1099-B upon the sale of any covered shares. **As a result of the new legislation shareholders must use the cost basis information provided on Form 1099-B when filing your 2012 federal income tax return.**

Non-covered shares are mutual fund shares that were acquired prior to the effective date of January 1, 2012. Cost basis information will not be reported to the IRS or shareholder upon the sale of any non-covered mutual fund shares. Non-covered shares will be redeemed first.

Available Cost Basis Calculation Methods

The IRS has approved the following three methods for calculating the cost basis of mutual fund shares:

- **Average Cost** – the total cost of all shares in the account divided by the total shares in the account
- **First-In-First-Out (FIFO)** – shares are sold in the order in which they were acquired
- **Specific Share Manual Selection** – the shareholder identifies specific share lots to be sold

Fund Default Election

Under the new regulations, mutual funds must select a default cost basis calculation method and apply that method on the sale of any covered shares in which an IRS approved method was not specifically elected by the shareholder. **Average Cost**, which is the mutual fund industry standard, has been selected as the fund default cost basis calculation method for your account(s).

Shareholder Action May Be Required

This form is only used to change an existing cost basis election to another IRS approved methodology
No action is required to elect the fund default method of Average Cost

If a shareholder determines that an IRS approved cost basis calculation method other than the fund default is more appropriate, the new regulations require that a **written cost basis election** be submitted to the mutual fund company in advance of the sale of covered shares that are to be subject to that election. **Please note that IRS regulations do not permit the change of a cost basis election on previously executed trades.**

A cost basis election form has been incorporated on the reverse of this shareholder correspondence for your use, if applicable.

As each person's tax situation is different, it is suggested that you consult a qualified tax advisor regarding the most appropriate cost basis calculation methodology for your situation prior to the submission of the cost basis election form.

Cost Basis Election Change Form

FORM USED ONLY to change existing cost basis election to another IRS approved methodology

Use this form to identify the cost basis calculation method you wish to apply to your account(s). Changes to your cost basis calculation method will be effective on the date this form is received in good order.

You may choose one of the IRS approved cost basis calculation methods to apply to all funds under one account or you may choose a different cost basis calculation method for each fund held within one account. You must use a separate cost basis election form for each separate account registration.

You are strongly encouraged to consult a tax professional with respect to any decisions related to the election of a cost basis calculation method prior to submitting this form. Please note that the IRS regulations do not permit the change of a cost basis election on executed trades.

1. Account Registration

Owner/Account Title (as listed on statement)

Account Number (Required)

2. Cost Basis Election for Covered Shares

Please consult your most recent account statement to determine the current cost basis election methodology

My accounts are currently subject to the fund default (Average Cost) and I now want to apply the cost basis method selected below:

Select ONE

First-In, First-Out (FIFO)*

Last-In, First Out (LIFO)*

Highest-Cost, First-Out (HIFO)*

Specific Share Identification**

****All Non-Covered shares will be liquidated first***

*****If Specific Share Identification is selected and no instruction is provided as to which shares should be redeemed, First-In, First-Out (FIFO) will be used***

My accounts are currently subject to a cost basis calculation method other than the fund default (Average Cost) and I now want to apply the cost basis method selected below:

Select ONE

First-In, First-Out (FIFO)*

Last-In, First Out (LIFO)*

Highest-Cost, First-Out (HIFO)*

Specific Share Identification**

Average Cost*

****All Non-Covered shares will be liquidated first***

*****If Specific Share Identification is selected and no instruction is provided as to which shares should be redeemed, First-In, First-Out (FIFO) will be used***

3. Application of New Cost Basis Election – *If no selection is made, default election will be prospective only*

Select ONE

Election is prospective only
(applies shares purchased after election)

Election applies to all existing covered shares*
(not applicable for covered shares previously sold)

****If changing to Average Cost – all covered shares will be used in averaging calculation***

****If changing from Average Cost – revokes previous average cost election***

4. Acknowledgement and Signature (All account owners/trustees must sign. For UGMA/UTMAs, custodian should sign.)

I certify that I am the person(s) authorized to make this cost basis calculation method election. I understand that this election revokes all previous elections and is effective the date on which the form was received in good order.

Authorized Signature (owner, custodian, trustee)

Additional Authorized Signature (owner, custodian, trustee)

Return by mail: **Shareholder Services P.O. Box 46707 Cincinnati, OH 45246**

Return by fax: **(513) 587-3438**