



Cost Basis Reporting

As part of the Emergency Economic Stabilization Act of 2008, the Internal Revenue Service (“IRS”) issued regulations regarding how mutual fund companies report the cost basis of mutual fund shares you own. Mutual fund companies are now required to report cost basis information to both shareowners and the Internal Revenue Service (“IRS”) on the sale or exchange of fund shares acquired on or after January 1, 2012, known as “covered shares.”

What is Cost Basis?

Cost basis is generally the price you pay for your shares. The price includes reinvested dividends and capital gains, as well as any sales or transaction fees. Cost basis is used to determine gains and losses on any shares that you sell in taxable mutual fund accounts.

Covered versus Non-Covered shares.

The new regulations make the distinction between covered and non-covered shares in a taxable account.

- Covered shares are any shares acquired on or after January 1, 2012. We are required to report the cost basis for any sales of covered shares to you and the IRS.
- Non-Covered shares are any shares acquired before January 1, 2012, and any shares for which cost basis is unknown. Because they are not covered by the new rules, we are not required to report cost basis for these shares to you or the IRS. However, when known, cost basis for non-covered shares will continue to be available to you for informational purposes.

Cost Basis Accounting Method.

We provide several IRS-approved methods for determining your cost basis on covered shares - each with different tax implications.

Please consult your tax adviser to determine which method should be considered for your individual tax situation.

Default Method

First In, First Out (FIFO)

Description

Shares acquired first are sold first.

If you would like to use FIFO for your covered shares, you do not need to do anything.

Although we will not report cost basis for non-covered shares to the IRS, we will generally continue to report it to you.

Other Methods

Average Cost

Description

Determined by dividing the total cost of the shares owned at the time of the sale by the total number of shares owned to produce an average cost per share.

You should be aware that shares using Average Cost at the time of redemption will use “average cost per share” for as long as the position is held.

Last In, First Out (LIFO)

Shares acquired last are sold first.

High Cost, First Out (HIFO)

Shares with the highest purchase price are sold first.

Low Cost, First Out (LOFO)

Shares with the lowest purchase price are sold first.

Specific Lot Identification

You identify the specific shares you want to sell or exchange at the time of each sale. The original purchase dates and prices of the shares you choose will determine your cost basis and holding period.