



## COST BASIS REPORTING NOTICE

Recently issued IRS regulations require that mutual funds track and report cost basis information. This information will be transmitted to the Internal Revenue Service (IRS) for fund shares purchased after January 1, 2012. The regulations require fund companies to report to the IRS the cost basis, proceeds and capital gain or loss realized on Covered shares sold or exchanged in any taxable (non-retirement) account and any account owned by an S Corporation (see Note, below). The new cost basis regulations define the shares you purchase after January 1, 2012 as **Covered shares**. Mutual fund shares acquired before the effective date (January 1, 2012) are **Non-Covered shares**. Mutual funds are not required to report cost basis for Non-Covered shares purchased prior to the effective date.

Cost basis represents the original price that you paid for your shares and is used to determine the gain or loss on the shares you redeem or exchange. If you redeem or exchange Covered shares in 2012, cost basis for those shares will be included on the 2012 Form 1099-B that will be mailed to you in February 2013.

**Your choice of cost basis method will affect the amount of gain or loss on sale of your shares that will be reported to the IRS on Form 1099-B. Your cost basis election may also affect the amount of taxable gains or losses that will be reported by you on your income tax return. We recommend that you discuss your personal tax situation with your tax advisor.**

**Average Cost is the Meridian Funds' default cost basis method for calculating and reporting the gain or loss on Covered shares. You can elect a different cost basis method by filing out, signing and returning the Cost Basis Election Form. The Cost Basis Election Form is available on our web-site at [www.meridianfund.com](http://www.meridianfund.com) or may be obtained by contacting the Fund at 1-800-446-6662.**

## COST BASIS METHODS

**AVERAGE COST** – A standing order to sell the oldest shares in the account first and report their average cost. Average Cost is calculated by adding up the cost of all shares in the account and dividing by the total number of shares in the account. The average cost per share is applied to the total number of shares sold to determine the cost basis of those shares being sold. The average cost of Covered shares is calculated separately from Non-Covered shares as if they were in two separate accounts.

**FIRST IN, FIRST OUT (FIFO)** – A standing order to sell the oldest shares in the account first.

**LAST IN, FIRST OUT (LIFO)** – A standing order to sell the newest Covered shares in the account first.

**HIGH COST IN, FIRST OUT (HIFO)** – A standing order to sell Covered shares purchased at the highest cost first.

**LOW COST IN, FIRST OUT (LOFO)** – A standing order to sell Covered shares purchased at the lowest cost first.

**SPECIFIC LOT IDENTIFICATION** – The shareholder designates specific Covered shares for redemption.. Please note that when the Specific Lot Identification method is selected and the Fund does not receive specific lot instructions in good order, then redemption requests will be processed using the First In, First Out cost basis method for all redeemed shares.

### **How you can change your cost basis election:**

After January 1, 2012, if you have elected the cost basis method applicable to Covered shares in your account or have defaulted to Average Cost and there have not been any redemptions or exchanges of Covered shares from your account, you may revoke your prior election and retroactively elect a different cost basis method for your Covered shares. However, once you sell shares using the Average Cost method, you may not change your cost basis method on existing shares in your account.

For all other cost basis methods, you may change your cost basis method on existing Covered shares at any time. Whether you are changing from Average Cost to another basis method or to average cost from one of the other methods, that request must always be in writing. This can be accomplished by marking the box for the cost basis method that you want to be applied to Covered shares in your account on the Cost Basis Election Form and signing and returning the Cost Basis Election Form.

The Cost Basis Election Form is available on our web-site at [www.meridianfund.com](http://www.meridianfund.com) or may be obtained by contacting the Fund at 1-800-446-6662.

If you have any questions regarding the cost basis methods available on your Meridian Fund investment, please feel free to contact us at 1-800-446-6662.

**This Cost Basis Reporting information is not intended to be a complete discussion covering all of your income tax requirements and should not be relied upon as a source of professional advice. If you require specific information concerning your individual tax situation or require assistance with determining which cost basis reporting method is appropriate for you, please consult your tax advisor.**

### **Note:**

All corporate shareholders are strongly encouraged to provide Form W-9 to identify whether they are an S-Corporation or C-Corporation. The new IRS rule removes the 1099-B reporting exemption for S-Corporations (C-Corporations will retain their exempt status). A CORPORATION THAT FAILS TO PROVIDE FORM W-9 WILL BE DEFAULTED TO AN S-CORPORATION AND WILL BE SUBJECT TO 1099-B REPORTING. The Funds' default method of Average Cost applies to S-Corporations, but a different cost basis method may be selected by reviewing the list of available cost basis methods, selecting only ONE option, and returning the completed Cost Basis Election Form. If you are a C-Corporation, you need only complete the Form W-9; you do not need to choose a cost basis reporting method.