



IMPORTANT INFORMATION REGARDING UPCOMING CHANGES TO COST BASIS REPORTING

As part of the Emergency Economic Stabilization Act of 2008, new requirements for cost basis reporting were enacted that require mutual fund companies to capture and report to shareholders and the Internal Revenue Service (“IRS”) detailed cost basis information on redemptions of certain shares. The new regulation is effective January 1, 2012. Prior to this new regulation, Driehaus Mutual Funds reported redemption proceeds on transactions to the IRS, but shareholders were responsible for calculating and reporting cost basis and short and long term capital gains and losses on their tax returns. Generally, for shares purchased on or after January 1, 2012 (called “covered shares”), we will track cost basis information for redeemed or exchanged shares, and will begin reporting the information on Form 1099-B starting in early 2013.

The Driehaus Mutual Funds have selected **average cost** as the default cost basis accounting method for covered shares. **If you would like to use the average cost method, no action is required at this time.** If you decide to select an alternate cost basis accounting method, please complete and return the attached Cost Basis Election Form. Because the cost basis accounting method you select can affect the amount you pay in taxes, you may wish to consult with your tax advisor before selecting your method.

Below is a list of frequently asked questions to explain the changes related to cost basis reporting and how they might affect you.

Q. What is cost basis?

A. The cost basis of mutual fund shares is generally the original cost paid for the shares when they were initially purchased, including commissions. Cost basis may be adjusted by various tax items including return of capital and wash sales. When the shares are sold, the capital gain or loss is the difference between the sales price and the cost basis, adjusted for any commissions and other fees. There are various methods for calculating cost basis and shareholders may choose the method they feel is appropriate given their personal tax situation.

Q. Is the determination of cost basis a new requirement? What is changing?

A. No, taxpayers have always been required to determine their cost basis in order to report any capital gains and losses on their Schedule D of Form 1040. Mutual fund companies have been responsible for reporting gross proceeds to the IRS when a shareholder sold shares.

What is changing is that mutual fund companies will now be required to track the basis and holding period of shares on behalf of the shareholder and in the event of a sale of the shares, the basis of the shares will be reported to both the shareholder and the IRS. There is also a new requirement for the mutual fund company to provide this same information to the IRS for accounts owned by S Corporations.

Q. What kind of accounts are subject to mandatory cost basis reporting?

A. All non-retirement accounts that are subject to Form 1099-B reporting are subject to mandatory cost basis reporting.

Q. What shares are subject to the new reporting requirements?

A. The new reporting requirements apply only to what the IRS defines as “covered shares”. Covered shares for mutual funds are shares purchased on or after January 1, 2012. Mutual fund shares acquired before 2012 (“noncovered shares”) are not covered by the new legislation and Driehaus Mutual Funds will not report cost basis information to the IRS for noncovered shares.

Q. What cost basis methods are available?

A. Driehaus Mutual Funds will offer the following cost basis accounting methods for covered shares:

1. Average Cost: Average cost is calculated by adding up the cost of all covered purchases in an account and dividing by the total number of covered shares in the account. Under the average cost method, shares will be redeemed on a first-in, first-out order, but the cost basis for all shares will be the calculated average cost. This is the most common method for mutual funds and, as noted below, it is the default method selected by Driehaus Mutual Funds.

2. First-In, First-Out (FIFO): Oldest shares purchased are redeemed first.

- 3. Last-In, First-Out (LIFO):** Newest shares purchased are redeemed first.
- 4. Highest Cost, First-Out (HIFO):** Most expensive shares are redeemed first.
- 5. Lowest Cost, First-Out (LOFO):** Least expensive shares are redeemed first.
- 6. Highest Cost Long Term, First-Out (HILT):** Most expensive long-term shares are redeemed first.
- 7. Highest Cost Short Term, First-Out (HIST):** Most expensive short-term shares are redeemed first.
- 8. Lowest Cost Long Term, First-Out (LILT):** Least expensive long-term shares are redeemed first.
- 9. Lowest Cost Short Term, First-Out (LIST):** Least expensive short-term shares are redeemed first.
- 10. Specific Lot ID:** You specify the share lots in your account to be redeemed or exchanged each time shares are sold.

Q. What happens if I do not select a cost basis method?

A. While the legislation allows shareholders the ability to select a cost basis method, it also requires mutual fund companies to select a default method for those shareholders who have not chosen one.

Q. What is the Driehaus Mutual Funds' default cost basis method?

A. Driehaus Mutual Funds has selected **average cost** as the default method on all of our funds that are owned directly. If you want to use the average cost method, you do not need to take any action at this time. The default method for funds owned through brokers will be chosen by the brokers.

Q. How do I change the method on my account(s)?

A. Please complete and return the attached Cost Basis Election Form if you would like to change your cost basis methodology.

This form is also available at www.driehaus.com. You do **not** need to complete and return the form if you are selecting the average cost method since that is the default method for the Driehaus Mutual Funds.

Q. Am I still responsible for reporting cost basis to the IRS?

A. Yes. You are still responsible to report cost basis to the IRS for both covered and noncovered shares. Please consult your tax advisor for any questions about how your own tax returns need to be filed.

Q. If I have covered and noncovered shares in my account, which will be depleted first?

A. If you redeem shares after January 1, 2012, the depletion order will be determined by your cost basis methodology for your covered shares. For example, First-In, First-Out (FIFO) and Average Cost will deplete noncovered shares first.

Q. What changes will I see in how cost basis information is reported starting with tax year 2012?

A. If you sell covered shares in 2012, you will receive a Form 1099-B reporting the cost basis of those shares. The Form 1099-B will also include the gross proceeds received from the sale and whether the gain or loss was short- or long-term. This information will also be reported to the IRS.

Q. Where can I get more information?

A. Please contact your tax or other advisor with any questions regarding the new cost basis reporting and how it may affect your specific tax situation. More information may also be found at www.irs.gov.

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Please consider the investment objectives, risks, fees and expenses of the Funds carefully prior to investing. The prospectus and summary prospectus contains this and other important information about the Funds. To obtain a copy of the prospectus and/or summary prospectus, please call us at (800) 560-6111. To obtain a copy of the Driehaus Active Income Fund and/or the Driehaus Select Credit Fund prospectus/summary prospectus, please call us at (877) 779-0079. Please read the prospectus and summary prospectus carefully before investing.

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