



THIRD AVENUE MANAGEMENT

Important Information Regarding New Cost Basis Reporting and Your Account

Please Read Before Completing the Accompanying Cost Basis Election Form

Dear Shareholder:

The Emergency Economic Stabilization Act of 2008 generally requires mutual fund transfer agents to provide cost basis and holding period reporting to both the Internal Revenue Service (“IRS”) and shareholders for sales (including redemptions) or exchanges of mutual fund shares that are acquired on or after January 1, 2012.

What this Means for You

- When you sell (including by redemption) or exchange shares of a mutual fund you may have a capital gain or loss which would be reportable on your income tax returns. Such gain or loss would generally be equal to the difference between the amount received and your cost basis for such shares. Long-term capital gains may be entitled to preferential tax treatment. Therefore, it is important to determine the cost basis and holding period of any shares that are sold or exchanged.
- If you have not already done so you must choose a cost basis method or one will be chosen for you by default. To make this choice you should complete and return the accompanying election form. We recommend that you consult your tax adviser.
- Cost basis reporting will generally be required with respect to mutual fund shares purchased on or after January 1, 2012 (“covered securities”).
- Cost basis reporting is generally not required with respect to mutual fund shares purchased before January 1, 2012 (“noncovered securities”).
- Form 1099-B has traditionally been issued to report gross proceeds from the sale or exchange of your mutual fund shares. Beginning with the 2012 tax year, your Form 1099-B, will also provide you with cost basis and holding period (short term versus long term) information with respect to covered securities. This cost basis and holding period information will be reported to you and to the IRS for covered securities. While gross proceeds from the sale or exchange of noncovered securities will continue to be reported on Form 1099-B, cost basis and holding period information for noncovered securities will not be reported to the IRS on Form 1099-B.
- The taxpayer filing deadline has not changed as a result of the cost basis reporting regulations.
- Even though only covered securities will be subject to cost basis reporting, you are still required to report any realized gains or losses from covered securities as well as noncovered securities on your tax return.

Choosing a Cost Basis Method

Third Avenue Funds (the “Funds”) offers you the option to choose one of the following cost basis methods.

Please use the accompanying Election Form to make your choice.

FIFO (First In, First Out) - The oldest shares purchased are treated as the first shares sold in order to determine the tax basis and holding period of the shares which are sold. **Third Avenue Funds has selected FIFO as the Funds’ default method.**

AC (Average Cost) - The tax basis of any covered securities sold is determined by taking the cumulative tax basis of covered securities and dividing by the number of covered securities in the account. The average cost of noncovered securities is calculated separately and is not reported to the IRS. For purposes of determining holding period and whether sales are from



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covered or noncovered securities, the oldest shares purchased are treated as the first shares sold.

LIFO (Last In, First Out) - The most recent shares purchased are treated as the first shares sold in order to determine the tax basis and holding period of the shares which are sold.

Specific Lot Depletion (also known as Specific Identification) - You will be required to specify the particular shares to be sold (e.g., purchase date, per share cost basis) at the time of such sale, but no later than the settlement date. This method gives you more control over the amount of gain or loss to be recognized and whether gain or loss will be short term or long term. If you elect the Specific Lot Depletion method and do not properly specify the particular shares to be sold for a particular transaction, the FIFO method will be applied in determining which shares were sold in that transaction. Specific Lot Depletion may not be appropriate if your shares are part of a Systematic Withdrawal Plan or similar plan.

Your election will be good for all future transactions, unless you either revoke or change such election. You may also choose the cost basis method to be used at the time you request to redeem your shares, although **any election to either switch to or from the Average Cost method for covered securities must be in writing.**

Updating or Changing Your Cost Basis Method Election

Subject to the following restrictions, you may generally change your cost basis method at any time. This includes changing an actual election or changing from the default method if an election has not previously been made. The cost basis method in effect on the date of a particular sale, redemption or exchange of shares may generally not be changed with respect to such transaction after the settlement date of such transaction. If the Average Cost method is being used, you will only be permitted to revoke this method retroactively up to the point in time when the first covered securities subject to the Average Cost method are sold. Under the IRS regulations, any revocation of the Average Cost method after that time may only be applied going forward for covered securities acquired in the future.

Federal tax regulations generally require that any election to either adopt or revoke the Average Cost method for covered securities must be made in writing. Therefore, any future change to either adopt the Average Cost method or revoke the Average Cost method must be made by mailing a letter of instruction to Third Avenue Funds. Otherwise you may generally change your election at any time by either mailing a letter of instruction to Third Avenue Funds, calling (800) 443-1021, or by making the change on our website (www.thirdave.com) at the "Access Your Account" link. Letters of instruction should be mailed to:

Third Avenue Funds
c/o BNY Mellon Investment Servicing
P.O. Box 9802
Providence, RI 02940-5215.

If You Do NOT Choose a Cost Basis Method

In order to perform the required reporting, the tax regulations require that mutual funds select a default method for shareholders who do not provide us with their choice of a cost basis method. **The Funds have chosen the FIFO (First In, First Out) method as the default method for shareholders who do not make a choice.** Unless you elect otherwise the FIFO method will be used to determine which specific share lots will be sold and for purposes of reporting covered security sales on your Form 1099-B.



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When You Sell Shares

When you sell or redeem shares from your account, we will deplete shares and calculate the cost basis on any covered securities according to your cost basis method election. Cost basis and holding period information related to the sale of noncovered securities will not be reported to the IRS. If you do not properly designate the cost basis reporting method to be used prior to, or at the time of the sale, the trade will be processed using the default method of **FIFO (First In, First Out)**.

Tax Reporting

If you sell covered securities from your account, the Form 1099-B that you will receive will provide cost basis and holding period information specific to the covered securities sold.

The Funds do not give tax advice and nothing herein should be construed as such. We strongly encourage that you consult your tax adviser if you have any questions about your cost basis reporting options. Information can also be obtained by visiting the IRS website at www.irs.gov.

If you have questions, you may also refer to “Understanding Cost Basis Reporting” on our website at www.thirdave.com or contact one of our customer service representatives at (800) 443-1021, Monday through Friday between 9:00 a.m. and 7:00 p.m. Eastern Time.

Sincerely,

Third Avenue Funds



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COST BASIS ELECTION FORM

Account Number _____

Name _____

Social Security Number or Tax ID Number _____

Phone Number (Day/Evening) _____

Address _____

IRS regulations generally require the Third Avenue Funds' transfer agent to report cost basis with respect to sales, redemptions or exchanges of mutual fund shares which are purchased after January 1, 2012. Please complete this form to elect or change your Third Avenue Funds cost basis reporting method with respect to shares of all Funds held in the above referenced account. **If you hold more than one account a separate election form is required for each account.**

If you do not make an election, Third Avenue Funds will apply its default method, which is the First In, First Out method, to your account.

We recommend that you consult your Tax Adviser and/or Financial Professional before making important tax elections for your taxable account(s).

Please choose ONE cost basis reporting method from the list of reporting methods below by marking an X in the appropriate box. Cost Basis reporting does not apply to retirement accounts, C corporations and exempt organizations.

- | | | | |
|-----------------------------------------------------|-----------|--------------------------|-------------|
| 1. First in, First Out (FIFO) (Fund Default) | 1. | <input type="checkbox"/> | [FI] |
| 2. Average Cost (AC) | 2. | <input type="checkbox"/> | [AC] |
| 3. Last in, First Out (LIFO) | 3. | <input type="checkbox"/> | [LI] |
| 4. Specific Lot Depletion (SLDM)* | 4. | <input type="checkbox"/> | [SL] |

**Please note that if you choose this method you will need to identify the lot(s) at the time of your redemption request. If you do not, the redemption will be processed using the FIFO method.*

By signing below, I/we certify that I/we am/are authorized to make this tax election. I/we understand that the Third Avenue Funds does not provide tax advice and is not responsible for the election(s) I/we am/are making for my/our account(s).

Signature #1 _____

Date: _____

Signature #2 _____

Date: _____

Title: _____

Phone: _____

All joint owners must sign this form. When signing as executor, administrator, attorney, trustee, guardian, or as custodian for a minor, please give full title as such. If a corporation, partnership or LLC, this form must be signed by an authorized party.

Please return this form in the enclosed courtesy reply envelope. If you have any questions about this form, please call (800) 443-1021 Monday through Friday between 9:00 a.m. and 7:00 p.m. Eastern Time.

Send to: Third Avenue P.O. Box 9802 Providence, R.I. 02860-1427

Please keep a copy of this Election Form for your files.