

PARNASSUS INVESTMENTS

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Parnassus Funds 2009 Supplemental Tax Information

The information in this article is provided to assist shareholders in their tax preparation. If you have additional questions about how this information should be used, we recommend you contact a professional tax advisor.

Percentage of Direct Obligation and Agency Income and Qualified Income Dividends

Most states allow mutual funds to "pass through" the state tax exemption on income earned from investments in obligations of the U.S. government or its agencies. Mutual fund shareholders may be allowed to exclude income derived from these earnings from their state tax returns. However, because requirements vary by state, you should review your state's income tax return instructions or consult a qualified tax advisor.

For your convenience, the table below provides the percentage of income earned from direct obligations of the U.S. government, as well as income earned from agency and other miscellaneous securities. The information is presented in this format because certain states exempt only income earned from direct obligations of the U.S. government. These obligations include Treasury Bonds, Treasury Notes and Treasury Bills. Although some states do not exempt income earned from agency securities, such as GNMA or FNMA issues, your state may permit an exclusion for this income. Once again, you should verify your state's requirements to properly calculate your state income exclusion.

Percentage of Ordinary Income Earned over 12 months ending December 31, 2009 from:

Fund	U.S. Treasury Securities (a)	Other Direct U.S. Government Obligations (b)	Other Indirect U.S. Government Obligations (c)	Qualified Dividend Income QDI
Parnassus Fund	0.000%	0.043%	0.002%	100%
Parnassus Equity Income Fund	0.000%	0.084%	0.091%	100%
Parnassus Mid-Cap Fund	0.000%	0.079%	0.084%	100%
Parnassus Small-Cap Fund	0.000%	0.044%	0.042%	100%
Parnassus Workplace Fund	0.000%	0.006%	0.003%	34.85%
Parnassus Fixed-Income Fund	12.746%	14.623%	14.627%	1.03%

Notes:

- (a) Direct U.S. Government Obligations - U.S. Treasury Securities - includes bills, notes & bonds
- (b) Other Direct U.S. Government Obligations - Includes Federal Farm Credit Banks, Federal Home Loan Banks and Student Loan Marketing Association
- (c) Other Indirect U.S. Government Obligations - Includes Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Government National Mortgage Association

U.S. Government Income: Investment income paid from U.S. Government obligations

Qualified Dividend Income (QDI): Qualified dividends are those income dividends received by the respective Parnassus Fund from domestic corporations or qualified foreign corporations where the respective Fund has met the required holding period. A fund must hold the security for greater than 60 days during the 121 day period beginning 60 days before the ex-dividend date and 60 days after the ex-dividend date.

As a result of the 2003 Tax Act, a portion of the total ordinary dividends paid by the Parnassus Funds may be designated as qualified dividends. Qualified dividends are:

- Shown in Form 1099-DIV Box 1b
- Taxed at the lower long-term capital gain rates through 2009

To qualify for the reduced rates, you (the taxpayer) must hold your fund shares for a period of 61 days or longer. If this holding period requirement is not met, the qualified dividends will be taxed as ordinary dividend income.

Qualified dividends are subject to a maximum tax rate of 15% (5% for taxpayers whose other income is taxed at the 10% or 15% rate).