



Madison Mosaic Mutual Funds 2008 Estimated/Final Distribution Figures

Special Message for Shareholders in Madison Mosaic Stock Funds: Taxable Gains Distribution in Down Years

Receiving taxable gains from a mutual fund in a year in which it logs losses can be puzzling and irritating to investors with taxable accounts. It is no less frustrating from our perspective as fund managers. Be assured that these distributions are not optional, but are a requirement based upon current mutual fund regulations.

Internal Revenue Service regulations for mutual funds relating to annual excise distribution requirements maintain that funds measure capital gains and losses based on an October 31 year-end. Madison Mosaic's stock funds operate on a fiscal year that ends December 31. Gains that occur in the period between the October 31st IRS excise year-end and the fund's December 31st year end must be distributed in the subsequent year, and can not be offset by losses that occur after December 31.

As you may recall, the stock market hit all-time highs in the fall of 2007 and our valuation discipline sparked a number of sales of stocks which had seen significant gains. These are the gains that we are required to pass through this year, even though the overall value of our funds have suffered since from the broad and deep

declines of the 2008 stock market. On the bright side, this distribution puts our stock funds in a highly favorable tax position for upcoming years.

We regret having to pay capital gain distributions in a year of overall capital losses, but the IRS rules require such a distribution for mutual funds in our circumstances. The mutual-fund industry continues to petition the IRS to revise its current rules and eliminate the timing discrepancy that creates this potential disparity between recognition of gains and losses and annual performance.

We also wanted to put this distribution into the context of the difficult times we're weathering. The uncertainty surrounding the credit crisis, housing bubble, market collapse, slowing economy and now job losses has resulted in anxiety for the entire nation. We share your concerns and promise to navigate through these uncharted waters with diligence and care. We are beginning to see modest progress in response to the massive stimulus that has been dedicated to restoring confidence in our financial system. However, it will take time to undue the damage that has been done to our markets and our economy.

| CAPITAL GAINS PER SHARE | | | | | | | |
|-------------------------|------------------------------------|------------------------|-------------------|-----------------------|----------------|---------------------|-----------------|
| | Fund | Short-Term Gain | Long-Term Gain | Total Distribution | Record Date | Ex-Dividend Date | Payable Date |
| FINAL | Investors | 0.226 | 0.707 | 0.933 | 12/23/08 | 12/24/08 | 12/24/08 |
| FINAL | Mid-Cap | 0.199 | 0.264 | 0.463 | 12/23/08 | 12/24/08 | 12/24/08 |
| | Balanced | 0.09** (See note 1) | 0.55 | 0.64 | 12/30/08 | 12/31/08 | 12/31/08 |
| | Disciplined Equity | 0.07 | 0.17 | 0.24 | 12/30/08 | 12/31/08 | 12/31/08 |
| | Government | 0.02* (See note 1) | None | 0.02 | 12/30/08 | 12/31/08 | 12/31/08 |
| | Core Bond | 0.02* (See note 1) | None | 0.02 | 12/30/08 | 12/31/08 | 12/31/08 |
| | Institutional Bond | 0.09** (See note 1) | 0.10 | 0.19 | 12/30/08 | 12/31/08 | 12/31/08 |
| | Corporate Income Shares (COINS) | 0.04* (See note 1) | None | 0.04 | 12/30/08 | 12/31/08 | 12/31/08 |
| | Tax-Free Virginia | 0.03 (See note 1) | 0.05 | 0.08 | 12/30/08 | 12/31/08 | 12/31/08 |
| | Tax-Free National | 0.03 (See note 1) | 0.07 | 0.10 | 12/30/08 | 12/31/08 | 12/31/08 |

Note 1: Mosaic Balanced and Institutional Bond distribute income on a quarterly basis. Mosaic Government, Core Bond and Corporate Income Shares (COINS) distribute income on a monthly basis. Mosaic's Tax-Free Funds distribute tax-advantaged income on a monthly basis. These funds did have a tax-advantaged income distribution in December as usual but is not shown here.

*This is a monthly distribution and does not reflect previous income from earlier 2008 months.

**This is a quarterly distribution and does not reflect previous income from earlier 2008 quarters.

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Frequently Asked Questions

Why do distributions vary so much from year-to-year?

It's true that mutual fund capital gain distributions can be quite different from year-to-year. It's possible for a fund to go several years without any taxable distributions, and then have a year with a large distribution. Keep in mind that the most important factor is the nature and result of the trades within the fund. For instance, a stock could be bought one year, steadily increase in value year-over-year, but only when sold (perhaps years later) would that increase in value be realized and create a taxable event. Another factor is the balance between losses and gains. Just as in a personal portfolio, a gain can be offset by a loss.

Aren't capital gain distributions linked to the annual return of a fund, so that large gains occur in years with large returns?

The net asset value of a fund (NAV) is calculated based on the market prices of the securities it owns. It's quite possible for the market price of these securities to fall over an annual period, even as individual securities are sold at gains from their original purchase price; purchases which may have been made years earlier. So capital gain distributions do require the sale of securities at a profit, but they are not tied to that year's total return.

What is the difference between short-term and long-term gains?

These categories are determined by IRS regulations, and have different tax treatments. *Short-term gains* result from a sale of a security held one year or less. These gains are taxed as ordinary income. *Long-term gains* result from the sale of a security that has been held more than a year. Long-term gains typically have preferred tax rates. Capital gains tax rates vary among tax-payers according to rules prescribed by the IRS.

If distributions are reinvested, are they still taxed?

Yes, reinvesting dividends does not change their tax status.

When will I hear about my capital gains?

Forms detailing your gains, known by their IRS designation 1099-DIV, are mailed by January 31.

Will I receive a 1099-DIV if my fund has no capital gains?

No, only shareholders who own funds with taxable gains will receive the IRS form.

What is the difference among record date, ex-date and payable date?

The *record date* defines which shareholders will receive the distribution. If you own shares on this date, you will receive the distribution.

The *ex-date* is the date that the distribution is effected: the NAV of the fund drops by the amount of the distribution, and shareholders who opt to reinvest their distribution will receive additional shares.

The *payable date* is the date that payments are sent to shareholders who do not reinvest.

What happens if I purchase shares in a taxable account just prior to the record date?

You would receive the distribution and assume whatever tax liability that distribution produces. This is one of the reasons we produce the previous estimates: investors should be aware that buying a fund prior to distribution can have negative tax consequences. Of course, shareholders investing in tax-advantaged accounts such as IRAs do not have to be concerned about the tax consequences of distributions.