



## Madison Mosaic Mutual Funds 2009 Final Distribution Figures

### Long- and Short-Term Capital Gain Distributions

Record date --->	12/29/2009
Ex-Date --->	12/30/2009
Pay date --->	12/30/2009

### Income Distributions

Record date --->	12/30/2009
Ex-Date --->	12/31/2009
Pay date --->	12/31/2009

### STOCK FUNDS

	Mid-Cap (396)	Investors (399)	Balanced** (401)	Disc Equity (402)	Small/Mid-Cap (407)
Income*	NONE	0.055	0.028	0.013	NONE
ST Capital Gain	NONE	NONE	NONE	NONE	1.057
LT Capital Gain	NONE	NONE	NONE	NONE	NONE

### TAXABLE BOND FUNDS

	Core* (392)	Gov't* (395)	Inst Bond** (391)
Income*	0.017	0.023	0.029
ST Capital Gain	NONE	NONE	NONE
LT Capital Gain	NONE	0.032	NONE

### TAX-FREE BOND FUNDS

Tax-exempt Distributions	Monthly Virginia*	Monthly National*
	(394)	(397)
Income*	0.031	0.030

Taxable Distributions	Virginia*	National*
	(394)	(397)
ST Capital Gain	0.011	NONE
LT Capital Gain	0.037	0.048

### MONEY MARKET

Taxable Distributions	Government Money Market
	(400)
ST Capital Gain	0.000
LT Capital Gain	NONE

\* Fund distributes income monthly — above distribution represents just December distribution.

\*\* Fund distributes income quarterly — above distribution represents just 4th quarter distribution.

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## Frequently Asked Questions

### What are capital gain distributions?

When a stock or bond is sold for an amount greater than its purchase price that profit is called a capital gain. Over the course of a year, actively managed funds like ours have typically sold a number of holdings; each transaction will usually produce a loss or gain. Mutual funds are required by tax law to pass along realized net gains from these sales to shareholders at least once a year. Shareholders in a regular, or taxable account, are required to report these gains as part of their overall annual income.

The details of these distributions are reported on a form known as 1099-DIV, which is mailed by the end of January. (Shareholders in a tax advantaged account, such as an IRA, do not report these distributions and do not receive a 1099-DIV.) In order to help you and your tax preparers, we provide the following estimated distributions. Final figures will be available in January. Keep in mind that these figures are estimates, and are subject to change, in terms of final amount of gains and the characterization of that gain (short or long).

### 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.