



WHAT YOU NEED TO KNOW – NEW COST BASIS REPORTING REQUIREMENTS

What is Changing?

Beginning in 2012 mutual fund companies will be required to report cost basis information to you and to the IRS on the sale or exchange of fund shares acquired on or after January 1, 2012 – called “covered” shares. Cost basis is defined as the cost of the fund shares you purchased, including reinvested dividends and capital gains distributions. When you sell shares in a taxable account, the cost basis accounting method you choose helps determine how your gain or loss is calculated.

Historically, MEMBERS Funds has used the Average Cost method to report cost basis to you and we will continue to use that method to report basis information to you for “noncovered” shares in the future.

For covered shares, MEMBERS Funds has selected Average Cost as its default method for reporting cost basis to you and the IRS. **If you would like to use Average Cost for your covered shares, no action is required on your part.** Your account will default to that option unless you select another method.

Covered Versus Noncovered Shares

The new regulation treats the sale of mutual fund shares differently, depending on their purchase date:

- **Covered shares** are shares acquired on or after January 1, 2012. Cost basis for any sales or exchanges of covered shares will be reported to you and the IRS.
- **Noncovered shares** are shares acquired before January 1, 2012, and any shares for which cost basis is unknown. Because they are not covered by the new rules, we are not required to report cost basis to the IRS for these shares, but as a courtesy we will still provide the information to you.

If you sell or exchange shares after January 1, 2012, noncovered shares will be redeemed from your account before covered shares for any cost basis calculation methods except Specific Lot Identification.

Selecting a Cost Basis Method

We provide several IRS-approved methods for calculating your cost basis on covered shares -- each with different tax implications. **If you would like to select a method other than Average Cost for your covered shares, you can make your election using the form on the reverse side of this notice.** The form is also available online at www.membersfunds.com. In November you will also have the ability to make or change your election online. Please note that any change to or from Average Cost must be conducted online or using the Cost Basis Method Election form.

A change to your cost basis method, regardless of whether you make an initial election or your account is placed into the Fund default method, applies to all covered shares up until the date of the first redemption from your account, while a cost basis method change on or after the date of the first redemption from your account applies only to future redemptions.

For More Information

To find out more about cost basis, please visit our website at www.membersfunds.com. Our Cost Basis Reference Guide contains more information regarding each of the available cost basis methods and frequently asked questions regarding the new requirements. **You may want to consult your tax professional or financial advisor to determine which method best suits your specific tax situation.**

Upon receipt of the enclosed Cost Basis Method Election form, MEMBERS Funds will apply the method you elect to your account for shares acquired after January 1, 2012. **However, if you choose not to return the Election form, your account will default to the Average Cost method.**

Thank you.



COST BASIS METHOD ELECTION FORM

To elect the Cost Basis Method for your taxable account or to change a previously elected method, complete all sections below and sign and return the form to MEMBERS Mutual Funds. *Do not use this form for retirement, education savings or money market accounts.* **The Cost Basis Method you elect applies to all shares acquired and subsequently redeemed on or after January 1, 2012 – called “covered” shares, and to all identically registered existing and future accounts you may establish.** The Cost Basis Method you select will determine the order in which shares are redeemed from your account and how your cost basis information is calculated and subsequently reported to you and to the Internal Revenue Service (IRS) on Form 1099-B.

If you do not elect a method, the fund default of AVERAGE COST will be used. You may want to consult your tax professional or financial adviser to determine which Cost Basis Method best suits your specific tax situation.

For assistance, please call us at **1-800-877-6089**. **Mail your completed form to: MEMBERS Mutual Funds, P.O. Box 8390, Boston, MA 02266-8390. Express Mail: MEMBERS Mutual Funds, C/O BFDS, 30 Dan Road, Canton, MA 02021-2809.**

1. CURRENT ACCOUNT INFORMATION (PLEASE PRINT)

A Cost Basis Method election applies only to identically registered accounts; a separate form is required for different account types.

Name (as it appears on account)		Account Number
Street Address		
City	State	ZIP

2. COST BASIS METHOD ELECTION

Primary Method for Covered Shares (select only one):

- Average Cost** – averages the purchase price of all covered shares; shares acquired first are sold first to determine the holding period.
- First In, First Out** – shares acquired first are sold first.
- Last In, First Out** – shares acquired last are sold first.
- High Cost, First Out** – shares with the highest purchase price are sold first.
- Low Cost, First Out** – share with the lowest purchase price are sold first.
- Loss/Gain Utilization** – shares are sold by taking losses first (short-term, then long-term) and gains last (long-term, then short-term).
- Specific Lot Identification** – you must specify the shares lots to be sold at the time of redemption. This method requires you elect a Secondary Method, which will be used in the event that specific lot depletion information is not provided (e.g. systematic redemptions).

Secondary Method – applies only if Specific Lot Identification was elected as the Primary Method (select one only):

- First In, First Out**
- Last In, First Out**
- High Cost, First Out**
- Lost Cost, First Out**
- Loss/Gain Utilization**

Note: If a Secondary Method is not selected, First In, First Out will be used.

3. SIGNATURES (ALL ACCOUNT OWNERS MUST SIGN)

Individual Signature or Corporation, Owner, Custodian	Date	Co-owner (required for joint account)*	Date
Daytime Telephone Number			

* If account is registered in (1) joint names, both persons must sign, (2) a custodian for a minor, the custodian should sign, (3) a trust, the trustee(s) should sign, or (4) a corporation or other entity, an office should sign and print name and title on the space provided for the Co-owner.