



2nd Notice: Important Information Regarding Cost Basis Reporting

November, 2011

Dear Shareholder,

New Regulations Regarding Cost Basis Reporting

The Emergency Economic Stabilization Act of 2008 requires the reporting of mutual fund cost basis and holding period information to both the Internal Revenue Service (IRS) and shareholders on Form 1099B for gross redemption proceeds from shares acquired on or after January 1, 2012 (“covered shares”). Beginning with the 2012 tax year, Form 1099B will report the basis of all covered shares that are redeemed and the purchase date of those shares. This information will be reported to shareholders and to the IRS.

- Cost Basis Reporting is not required by (or reported to) the IRS for shares purchased before January 1, 2012 (“non-covered shares”).
- Once you have elected a Cost Basis Reporting method for covered shares, your election will apply to all future transactions in covered shares unless you either revoke or change the standing election.
- The taxpayer filing deadline has not changed as a result of the new Cost Basis Reporting regulations.

Consult Your Tax Adviser

We strongly encourage you to consult your professional tax adviser prior to making a Cost Basis Reporting election or redeeming shares, in order to discuss any questions you may have about your Cost Basis Reporting options. Neither the Funds nor BNY Mellon, the Shareholder Servicing Agent, are able to provide you with tax or legal advice.

Default Cost Basis Reporting Method

The new tax regulations require that Aquila Group of Funds elect a default Cost Basis Reporting method. Average Cost has been selected as the default Cost Basis Reporting method.

Unless BNY Mellon, the Fund Shareholder Servicing Agent, receives notification of the Cost Basis Reporting method you elect either prior to or at the time of the redemption of covered shares, the Default Method, which is Average Cost, will be applied to that transaction. Once a redemption transaction has settled, the Cost Basis Reporting method applied to the shares so redeemed cannot be altered.

Please note that when changing your Cost Basis Reporting method you must provide written instructions. You may do so by completing and signing the Cost Basis Election Form (available when you call 800-437-1000 or visit www.aquilafunds.com/CBR), or by sending a letter of instruction to BNY Mellon, Attn: Aquila Group of Funds, P.O. Box 9823, Providence, RI 02940 (For overnight delivery: BNY Mellon, Attn: Aquila Group of Funds, 4400 Computer Drive, Westborough, MA 01581).

Cost Basis Reporting Options

Aquila Group of Funds makes the following frequently used Cost Basis Reporting and share lot depletion methods available to Fund shareholders.

- Average Cost – Cost basis calculated as the average cost of shares based on each purchase date
- First-In, First-Out (FIFO) – The oldest shares purchased are redeemed first
- Specific Lot – You may specify, by original trade date, the share lot(s) which you are redeeming
- Last-In, First-Out (LIFO) – The most recently purchased shares are redeemed first

Additional Cost Basis Reporting methods are available and are described on our website at www.aquilafunds.com/CBR.

To elect a Cost Basis Reporting method other than the Default Method, which is Average Cost, please complete the Cost Basis Election Form (available when you call 800-437-1000 or visit www.aquilafunds.com/CBR), or provide instructions in writing to BNY Mellon, Attn: Aquila Group of Funds, P.O. Box 9823, Providence, RI 02940 (For overnight delivery: BNY Mellon, Attn: Aquila Group of Funds, 4400 Computer Drive, Westborough, MA 01581).

Opportunity to Amend Your Election

Once you have elected a Cost Basis Reporting method, your election applies to all future redemption transactions unless you either revoke or change the standing election. Please note that when changing your Cost Basis Reporting method you must provide written instructions. You may change your election of a Cost Basis Reporting method by completing the Cost Basis Election Form, or by providing a letter of instruction to BNY Mellon, Attn: Aquila Group of Funds, P.O. Box 9823, Providence, RI 02940 (For overnight delivery: BNY Mellon, Attn: Aquila Group of Funds, 4400 Computer Drive, Westborough, MA 01581).

We strongly encourage you to consult your professional tax adviser in order to discuss any questions you may have about changing your Cost Basis Reporting election. Neither the Funds nor BNY Mellon, the Shareholder Servicing Agent, are able to provide you with tax or legal advice.

When you Redeem Shares

When you redeem covered shares from your account, the Cost Basis on those shares will be calculated according to the Cost Basis Reporting method you have elected. If you have not designated the Cost Basis Reporting method to be used prior to, or at the time of, your redemption, the trade will be processed using the Default Method, which is Average Cost. Once a redemption transaction has settled, the Cost Basis Reporting method that was applied to the shares so redeemed cannot be altered.

Transaction Confirmations and Account Statements

Beginning January 1, 2012, transaction confirmations and account statements will indicate the Cost Basis Reporting method you have elected. Please refer to those documents, or call the Shareholder Servicing Agent at (800) 437-1000, to verify the Cost Basis Reporting method you have elected.

Questions

Please consult your professional tax adviser prior to electing a Cost Basis Reporting method or redeeming shares.

Our customer service representatives are available at (800) 437-1000 Monday through Friday between 8 a.m. and 6 p.m. Eastern Time to provide you with the Cost Basis Election Form and instructions for submitting a change of election.

For your future reference, you will find the following information, along with related updates, on our website at www.aquilafunds.com/CBR:

- A summary of Cost Basis Reporting requirements under the Emergency Economic Stabilization Act of 2008,
- The Cost Basis Election Form,
- Frequently Asked Questions (FAQ) pertaining to Cost Basis Reporting under the Emergency Economic Stabilization Act of 2008,
- A complete list of the Cost Basis Reporting methods available to shareholders,
- Instructions to assist you in verifying or altering the Cost Basis Reporting method you have elected, and
- Contact information for the Shareholder Servicing Agent, BNY Mellon.



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Circular 230 Disclosure

This document was not intended or written to be used, and cannot be used, for the purpose of avoiding any U.S. federal income tax penalties that the Internal Revenue Service may attempt to impose. Because this document might be viewed as a “marketed opinion” under certain regulations, we inform you that it was written to support the “promotion or marketing” of shares. Each recipient of this document should seek advice based on that person’s particular circumstances from an independent tax adviser.