



# Harbor Cost Basis Election

## Questions?

Call 800-422-1050

To obtain additional forms or to complete this form online, visit us at [www.harborfunds.com](http://www.harborfunds.com).

Use this form if you wish to select or change a preferred cost basis method for your accounts. These cost basis methods only apply to shares acquired after January 1, 2012. Cost basis may not be selected for an Individual Retirement Account (IRA) or money market fund account.

**You are not required to select a preferred cost basis method. If you do not make any selection, Harbor Funds will continue to use the Average Cost method for your accounts.**

Please print in capital letters and in black ink.

## Step 1 Account Registration

Name

Account Number

Daytime Telephone Number

Evening Telephone Number

Joint Owner's Name - If any

## Step 2 Select Your Cost Basis Method

Please see General Information > for Cost Basis for details on the different accounting methods.

### Cost Basis Method:

- |   |  |
|---|--|
| <input type="checkbox"/> Average Cost       | <input type="checkbox"/> First In First Out    |
| <input type="checkbox"/> Last In First Out  | <input type="checkbox"/> High Cost First Out   |
| <input type="checkbox"/> Low Cost First Out | <input type="checkbox"/> Loss/Gain Utilization |

*Specific share identification is not available to be used as your primary cost basis method. However, specific share identification may be selected at the time of redemption for certain specific redemption transactions. If available, specific share identification would then only apply to that specific redemption.*

### I would like to apply the above method to:

- All funds in this account  
 All current funds and future accounts open with me as the primary owner  
 Only the funds specified below:

Fund Name:

Number:

<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

# Step 2 Select Your Cost Basis Method

Continued

If you would like to choose a different method for other funds in your account, please fill out this portion.

## Cost Basis Method for my other funds:

- Average Cost                       First In First Out  
 Last In First Out                       High Cost First Out  
 Low Cost First Out                       Loss/Gain Utilization

*Specific share identification is not available to be used as your primary cost basis method. However, specific share identification may be selected at the time of redemption for certain specific redemption transactions. If available, specific share identification would then only apply to that specific redemption.*

## I would like to apply the above method only to the funds specified below:

Fund Name:	Number:
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

# Step 3 Signature & Certification

## Sign Below:

Signature to this form by the registered shareholder(s) constitutes complete authority to allow Harbor Funds, its affiliates and agents to act on any instructions believed to be genuine for any service authorized on this form. The shareholder(s) agree(s) to indemnify Harbor Funds, its affiliates and agents shall not incur or be liable for any losses, damages, costs, charges, counsel fees, payments or expenses attributable to honoring these instructions.

## Owner(s)/Authorized Person(s) Sign Below:

Signature of Owner                      Date (mm/dd/yyyy)

Signature of Joint Owner - *If any*                      Date (mm/dd/yyyy)

### Mail completed form to: >

**Standard Mail**  
 Harbor Services Group, Inc.  
 P.O. Box 804660  
 Chicago, IL 60680-4108

**Overnight Delivery**  
 Harbor Services Group, Inc.  
 111 South Wacker Drive, 34th Floor  
 Chicago, IL 60606-4302

**Fax completed form to:**  
 Attention: Harbor Services Group, Inc.  
 866-842-8568

# General Information for Cost Basis

These cost basis methods only apply to shares purchased after January 1, 2012 ("covered shares").

Shares purchased prior to January 1, 2012 ("noncovered shares") will have a separate cost basis.

Specific share identification may only be selected at the time of redemption and only applies to that specific redemption (if available). Specific share identification may not be selected as the primary cost basis accounting method.

## Cost Basis Methods:

<b>Average Cost</b>	All purchase costs are added together in an aggregate cost amount. The cost per share is determined by dividing the aggregate cost amount by the total shares in the account. The basis of the shares redeemed is determined by multiplying the number of shares redeemed by the cost per share.
<b>First In First Out (FIFO)</b>	Shares acquired first are sold first.
<b>Last In First Out (LIFO)</b>	Shares acquired last are sold first.
<b>Loss/Gain Utilization</b>	Potential losses and gains are evaluated, and then specific shares (or lots) are strategically selected based on that loss/gain in conjunction with holding period in the following order: <ol style="list-style-type: none"><li>1. Short term losses (in descending order, greatest loss per share to least loss per share)</li><li>2. Long term losses (in descending order, greatest to least)</li><li>3. Short term no gain or loss</li><li>4. Long term no gain or loss</li><li>5. Long term gains (in ascending order, least gain per share to most gain per share)</li><li>6. Short term gains (in ascending order, least to most)</li><li>7. Lots with unknown cost in FIFO order (by acquisition date) and then least share count order</li></ol>
<b>High Cost First Out</b>	Shares acquired with the highest cost per share are the first shares sold to determine the shareholder's cost basis, gain or loss and holding period.
<b>Low Cost First Out</b>	Shares acquired with the lowest cost per share are the first shares sold to determine the shareholder's cost basis, gain or loss and holding period.
<b>Specific Share Identification</b>	Specific groups of shares (or lots) in an account will be selected at the time of sale by the shareholder to be sold to determine the cost basis, gain or loss and tax liability.

## Frequently Asked Questions:

<b>What is prompting these changes?</b>	New Internal Revenue Service (IRS) regulations require mutual funds to provide cost basis information for tax years beginning January 1, 2012 to shareholders and the IRS.
<b>Do I have to take any action in response to these changes?</b>	No. If you are comfortable with Average Cost as the method used for your account, you do not need to take any action. Average Cost will continue to be the primary cost basis method used by Harbor Funds for all shareholder accounts unless a shareholder makes an affirmative election to select a different cost basis method for his or her account.
<b>Which of my mutual fund shares will be subject to this tax reporting?</b>	Redemptions of shares purchased after January 1, 2012 ("covered shares") will be subject to mandatory cost basis reporting as part of your Form 1099-B. Redemptions of shares purchased before January 1, 2012 ("noncovered shares") will not be subject to mandatory cost basis reporting.
<b>Will the cost basis reporting requirement affect my money market funds?</b>	No, cost basis is not tracked on these types of accounts because the price per share does not normally fluctuate and redemptions are not reported on form 1099-B.
<b>Will the cost basis reporting requirement affect my IRA accounts?</b>	No, cost basis is not tracked on these types of accounts.

# General Information for Cost Basis

Continued

## Frequently Asked Questions:

### **What is cost basis?**

The original value of your mutual fund shares for tax purposes (usually the purchase price), adjusted for stock splits, dividends and return of capital distributions. This value is used to determine the capital gain, which is equal to the difference between the share's cost and the current market value. Also known as "tax basis".

### **How is this cost basis calculation different from what you used to send me before?**

Prior to the new regulations, we have chosen to provide shareholders with an optional cost basis accounting statement using the Average Cost method. This information was not provided to the IRS and shareholders were under no obligation to utilize it.

Beginning in tax year 2012, cost basis information will be reported to the IRS. We will now support the use of several different cost basis accounting methods.

### **What are covered shares?**

Covered shares are shares obtained by the shareholder that require cost basis and gain/loss reporting to the shareholder and to the IRS.

Covered shares are shares acquired after January 1, 2012 where cost information is available.

### **Why did Harbor Funds choose to provide Average Cost previously?**

Harbor Funds provided Average Cost as a courtesy as we believe it is the most commonly utilized cost basis method for mutual funds.

### **Why were these options not available previously?**

Previously, the only method available from Harbor Funds was the Average Cost method which was provided as a courtesy. Due to the new IRS regulations, additional cost basis methods are available.

### **Will you be recalculating my cost basis on redemptions made prior to January 1, 2012 using the new cost basis method?**

No. Harbor Funds will not recalculate redemptions prior to January 1, 2012, but will continue to provide Average Cost basis information for shares acquired prior to January 1, 2012 when available.

### **If I sell both covered and noncovered shares after January 1, 2012, what will happen?**

Harbor Funds will determine a cost basis for your covered shares (i.e., shares acquired after January 1, 2012) based upon your selected cost basis method and report that to you and to the IRS. Harbor Funds will separately provide you with a cost basis calculation for your noncovered shares (i.e., shares acquired prior to January 1, 2012) that is based upon the Average Cost method.

### **Why are you asking for a primary cost basis method? Can I provide the method at the time I request a redemption?**

While you do have the choice to request an accounting method at the time of redemption, we are asking you to provide us with a primary election which will be noted on your account.

If you do not provide an election in advance or at the time of redemption, you will receive Harbor Funds' primary method of Average Cost.

### **What is your fund's primary method and do I have to use it?**

The Harbor Funds primary accounting method is Average Cost. You are under no obligation to use this method and may select a different method by using this Cost Basis Election Form.

### **When do I have to make my choice by?**

We are asking that you provide us with your primary election by January 1, 2012. If you do not provide a choice, Harbor Funds' primary method of Average Cost will apply to your account.

### **Can I make a one time change at the time of redemption?**

Yes, you can request a one time override of your previous choice at the time of redemption without changing your previous method permanently.

### **When can I use specific share identification as my cost basis method?**

You may only use specific share identification at the time of redemption by overriding the existing cost basis method applicable to your account. Specific share identification will only apply to that particular redemption transaction and your account would revert to your prior cost basis method for future redemptions. However, specific share identification may not be available in most instances when the existing cost basis method for the account is Average Cost. If Average Cost is the method applicable to your account and you wish to make a redemption using specific share identification, you should contact Harbor Funds to determine whether specific share identification would be available for that transaction.