

## Foreign Taxes: International Growth Fund and Developing Markets Growth Fund

The International Growth Fund and the Developing Markets Growth Fund have paid taxes imposed by foreign countries and deducted such amounts in computing their incomes. The Funds will elect not to “pass-through” foreign tax credits to the shareholders.

## MN Tax-Exempt Municipal Obligations Sit Minnesota Tax-Free Income Fund

Income distributed by the Fund during 2007 represents interest income that is exempt from regular federal income tax and Minnesota regular personal income tax.

*A Form 1099-DIV will not be issued by the Minnesota Tax-Free Income Fund since the Fund did not distribute taxable capital gain income during 2007.*

For shareholders who are subject to the alternative minimum tax (AMT), 9.01% of the Fund’s income distributed during 2007 should be treated as an item of tax preference and included in the shareholder’s alternative minimum taxable income.

## FL Tax-Exempt Municipal Obligations Sit Florida Tax-Free Income Fund

None of the Fund’s income distributed during 2007 was subject to the alternative minimum tax (AMT).

## Tax-Exempt Municipal Obligations by State Sit Tax-Free Income Fund

The income dividends paid by the Fund are **exempt** from regular federal income tax, however, income dividends may be subject to state and location taxation.

### SOURCE OF TAX-EXEMPT INCOME DIVIDENDS

The percentages of tax-exempt income dividends from various states paid during 2007 are:

Alabama	1.72%	Montana	0.39%
Alaska	0.81	Nebraska	0.24
Arizona	3.47	Nevada	0.89
Arkansas	0.64	New Hampshire	1.33
California	7.15	New Jersey	0.53
Colorado	2.58	New Mexico	0.52
Connecticut	0.86	New York	1.15
Delaware	0.11	North Carolina	1.14
D.C.	0.15	North Dakota	0.36
Florida	8.44	Ohio	2.29
Georgia	1.51	Oklahoma	1.97
Hawaii	0.00	Oregon	0.94
Idaho	0.00	Pennsylvania	5.20
Illinois	14.37	Rhode Island	0.31
Indiana	3.73	South Carolina	2.05
Iowa	1.23	South Dakota	0.86
Kansas	0.11	Tennessee	1.18
Kentucky	0.11	Texas	10.69
Louisiana	3.27	Utah	0.78
Maine	0.62	Vermont	0.11
Maryland	0.53	Virginia	1.19
Massachusetts	1.56	Washington	1.84
Michigan	2.57	West Virginia	0.00
Minnesota	2.36	Wisconsin	3.36
Mississippi	0.58	Wyoming	0.00
Missouri	2.84	Puerto Rico	0.27

***Minnesota Residents:*** Your federal tax-exempt interest dividends paid by the Fund are not exempt from Minnesota tax and must be added to federal taxable income when calculating your Minnesota taxable income.

**None** of the Tax-Free Income Fund’s income distributed during 2007 is subject to the alternative minimum tax (AMT).

*A Form 1099-DIV will not be issued by the Tax-Free Income Fund since the Fund did not distribute taxable capital gain income during 2007.*

# Sit Mutual Funds

## 2007 Tax Information

**Consult your tax advisor about how to report this information on your federal and state tax returns.**

**Your tax advisor will need this pamphlet to prepare your taxes**

 **Sit Investment Associates**  
Sit Mutual Funds

3300 IDS Center, 80 South Eighth Street  
Minneapolis, MN 55402

800-332-5580

www.sitfunds.com

## U.S. Government Obligations

Income earned from U.S. government securities is sometimes exempt from state income tax. Many states provide for this tax-exemption to be “passed-through” to shareholders of mutual funds that hold these securities. **Please consult your tax advisor if you have questions regarding your state’s tax regulations.**

The tables below show income earned by the Funds from U.S. government securities (excluding long-term capital gains, if any) as a percentage of the total income earned by each Fund during 2007. Income earned by other Sit Funds was either not derived from U.S. obligations or less than 0.01% and therefore not listed below.

	Federal Home Loan Bank	Federal Home Loan Mtg Corp	Federal Natl Mtg Association	Govt Natl Mtg Association	VA Vendee Mtg Trust	U.S. Treasury	Other
U.S. Government Securities Fund	0.04%	21.40%	46.63%	15.72%	8.48%	7.39%	0.34%

	U.S. Government Obligations					Other Income				
	Federal Natl Mtg Association	Federal Home Loan Mtg Corporation	Govt Natl Mtg Association	VA Vendee Mtg Trust	U.S. Treasury	Total U.S. Govt	Corp Issuers	Equity Income	Other	Total Other Income
Balanced Fund	11.09%	3.88%	1.55%	0%	7.67%	24.19%	15.92%	34.72%	25.17%	75.81%

	U.S. Government Obligations					Other Income		
	Federal Farm Credit	Federal Home Loan Bank	Federal Home Loan Mtg Corp	Federal Natl Mtg Association	Total U.S. Govt	Corporate Bonds	Commercial Paper	Total Other Income
Money Market Fund	0%	11.57%	0.22%	0.20%	11.99%	1.84%	86.17%	88.01%

## IRAs

### Form 1099-R for Distributions

If you made a withdrawal from your IRA or converted a Traditional IRA to a Roth IRA in 2007, your Form 1099-R is enclosed.

If you have questions on how to report your distribution, please see a tax advisor or obtain IRS publication 590 at <http://www.irs.gov> or by calling 1-800-TAX-FORM (1-800-829-3676).

## IRAs

### Form 5498 for Contributions

In May 2008, we will send a Form 5498 to you showing your IRA contributions for the 2007 tax year.

**Traditional IRA** - Contributions may be tax-deductible depending upon your circumstances. There is a limit of \$4,000 per person per tax year (\$5,000 if you were 50 by December 31, 2007). Contributions for the 2007 tax year must be made no later than April 15, 2008.

**Roth IRA** - Contributions may not be tax-deductible and are limited to \$4,000 per person per tax year (\$5,000 if you were 50 by December 31, 2007). Contributions for the 2007 tax year must be made no later than April 15, 2008.

**Coverdell Education Savings Account (formerly known as an Education IRA)** - Contributions are not tax-deductible and are limited to \$2,000 per minor per tax year. Contributions for the 2007 tax year must be made no later than April 15, 2008.

**SIMPLE IRA** - Contributions are not tax-deductible since your employer should have deducted them from your pay on a pre-tax basis.

## Qualified Dividend %

The following chart shows the percentage of dividends which are considered qualified and are now taxed at a maximum of 15%.

Balanced Fund	32.84%
Large Cap Growth Fund	100.00%
Dividend Growth Fund	100.00%
International Growth Fund	100.00%
Developing Markets Growth Fund	100.00%

Non-qualified dividends are taxed at ordinary income tax rates.

## Corporate Dividends Received Deduction

The following percentages of the dividends paid by these Sit Mutual Funds qualify for the corporate dividends received deduction. This information applies to corporate accounts only.

Balanced Fund	48.28%
Dividend Growth Fund - I Class	100.00%
Dividend Growth Fund - S Class	100.00%
Large Cap Growth Fund	100.00%