STATEMENT OF ADDITIONAL INFORMATION
January 31, 2012

KEELEY FUNDS, INC.

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KEELEY Small Cap Value Fund
Class A Shares – KSCVX
Class I Shares – KSCIX

KEELEY Small Cap Dividend Value Fund
Class A Shares – KSDVX
Class I Shares – KSDIX

KEELEY Small-Mid Cap Value Fund
Class A Shares – KSMVX
Class I Shares – KSMIX

KEELEY Mid Cap Value Fund
Class A Shares – KMCVX
Class I Shares – KMCIX

KEELEY Mid Cap Dividend Value Fund
Class A Shares – KMDVX
Class I Shares – KMDIX

KEELEY All Cap Value Fund
Class A Shares – KACVX
Class I Shares – KACIX

KEELEY Alternative Value Fund
Class A Shares – KALVX
Class I Shares – KALIX

This Statement of Additional Information is not a prospectus, but provides additional information that should be read in conjunction with the current Prospectus of KEELEY Small Cap Value Fund, KEELEY Small Cap Dividend Value Fund, KEELEY Small-Mid Cap Value Fund, KEELEY Mid Cap Value Fund, KEELEY Mid Cap Dividend Value Fund, KEELEY All Cap Value Fund, and KEELEY Alternative Value Fund (each, a "Fund" and collectively, the "Funds") dated January 31, 2012, and any additional supplements thereto.

A copy of the Prospectus and the Annual Report to Shareholders may be obtained free of charge from the Funds at the address and telephone number listed above.

Audited financial statements, which are contained in the Funds' Annual Report dated September 30, 2011, are incorporated by reference into this Statement of Additional Information.

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INTRODUCTION

This Statement of Additional Information ("SAI") contains further discussion of the Funds' securities and investment techniques that are described in the Prospectus. The information contained in this document is intended solely for investors who have read the Prospectus and are interested in a more detailed explanation of certain aspects of the Funds' securities and investment techniques. Captions and defined terms in the SAI generally correspond to those captions and terms as defined in the Prospectus.

This SAI does not constitute an offer to sell securities in any state or jurisdiction in which such offering may not lawfully be made. The delivery of the SAI at any time shall not imply that there has been no change in the affairs of the Funds since the date hereof.

GENERAL INFORMATION AND HISTORY

The KEELEY Small Cap Value Fund ("Small Cap Value Fund"), the KEELEY Small Cap Dividend Value Fund ("Small Cap Dividend Value Fund"), the KEELEY Small-Mid Cap Value Fund ("Small-Mid Cap Value Fund"), the KEELEY Mid Cap Value Fund ("Mid Cap Value Fund"), the KEELEY Mid Cap Dividend Value Fund ("Mid Cap Dividend Value Fund"), the KEELEY All Cap Value Fund ("All Cap Value Fund"), and the KEELEY Alternative Value Fund ("Alternative Value Fund") (each, a "Fund" and collectively, the "Funds") are each a diversified series of Keeley Funds, Inc. (the "Company"), an open-end management investment company registered under the Investment Company Act of 1940 (the "1940 Act"). The Company was incorporated in Maryland on April 6, 2005 and commenced operations on August 15, 2005. KEELEY Small Cap Value Fund, Inc., the predecessor to Small Cap Value Fund, was incorporated in Maryland on May 17, 1993, registered under the 1940 Act on July 27, 1993 and commenced operations on October 1, 1993. On December 31, 2007, KEELEY Small Cap Value Fund, Inc. was reorganized into a newly created series of the Company designated KEELEY Small Cap Value Fund.

Each Fund offers two share classes: Class A Shares and Class I Shares. In addition to the fact that Class I Shares do not have a sales load, Class A Shares and Class I Shares have different expenses and other characteristics, allowing investors to choose the class that best suits their needs. All shares of the Funds have equal voting and liquidation rights, and each share is entitled to one vote on any matters which are presented to shareholders.

INVESTMENT OBJECTIVES AND STRATEGIES

INVESTMENT OBJECTIVES

The investment objective of each of Small Cap Value Fund, Small Cap Dividend Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund, Mid Cap Dividend Value Fund and All Cap Value Fund is to seek capital appreciation. The investment objectives of Alternative Value Fund are to seek to achieve long-term capital appreciation and to protect capital during adverse market conditions.

Alternative Value Fund is an alternative investment vehicle within the Keeley Funds family since, unlike the other Funds, it is primarily designed to provide downside market protection through the use of hedging strategies. Please see the section "Investment Strategies" below for a description of the different hedging strategies that Alternative Value Fund may employ to achieve its investment objectives.

The investment objectives for Small Cap Value Fund, Small-Mid Cap Value Fund, Small Cap Dividend Value Fund, Mid Cap Dividend Value Fund and Alternative Value Fund are not fundamental and can be changed by the Board of Directors without a vote of the shareholders. The investment objectives for Mid Cap Value Fund and All Cap Value Fund are fundamental and cannot be changed by the Board of Directors without a vote of the shareholders.

INVESTMENT STRATEGIES

Small Cap Value Fund

Small Cap Value Fund seeks to achieve its investment objective by investing primarily in companies that have a relatively small market capitalization, which Keeley Asset Management Corp. (the "Adviser") defines as $3.5 billion or less at time of each investment. The Fund has adopted a non-fundamental policy that, under normal market conditions, the Fund will have at least 80% of its net assets plus the amount of any borrowings invested in common stocks and other equity-type securities of such companies. If the Fund changes that policy, it will give shareholders at least 60 days notice of the change. Other equity-type securities include preferred stock, convertible debt securities and warrants. Within this group of companies, the Fund will emphasize five basic categories. The first category is corporate spin-offs. The second category is companies involved in various types of corporate restructuring, including acquisitions, recapitalizations and companies emerging from bankruptcy. From time to time, the Fund may invest a significant portion of its net assets in these first two categories. The third category is companies that are trading at prices at or below actual or perceived book value and companies that are undergoing substantial changes, such as significant changes in markets or technologies, management and financial structure. The fourth category is conversions of savings & loan associations and insurance companies from mutual to stock companies. These conversions are usually under-valued in relation to their peer group. The fifth category is distressed utilities. The Adviser believes that this strategy allows the Fund to purchase equity shares with above-average potential for capital appreciation at relatively favorable market prices. Current dividend or interest income is not a factor when choosing securities.

Small Cap Dividend Value Fund

Small Cap Dividend Value Fund seeks to achieve its investment objective by investing primarily in companies that have a small market capitalization, which the Adviser defines as $3.5 billion or less at the time of investment, and that currently pay or are reasonably expected to pay dividends to shareholders. The Adviser looks for stocks with sustainable, expected growth in earnings and dividends and attempts to buy them when they are temporarily out-of-favor or undervalued by the market. The Fund has adopted a non-fundamental policy that, under normal market conditions, the Fund will have at least 80% of its net assets plus the amount of any borrowings invested in "dividend-paying" (as referenced in the prospectus) common stocks and other equity-type securities of such companies (including preferred stock, convertible debt securities and warrants) of small market capitalization. As long as an investment continues to meet the Fund's other criteria, the Fund may choose to hold such securities even if the company grows beyond the $3.5 billion capitalization level. If less than 80% of the Fund's assets (plus the amount of any borrowings for investment purposes) are invested in companies with small market capitalization, the Fund will not invest in companies other than those with a small market capitalization until the 80% threshold is restored.

Small-Mid Cap Value Fund

Small-Mid Cap Value Fund seeks to achieve its investment objective by investing primarily in companies that have a small and a mid-size market capitalization, which the Adviser defines as $7.5 billion or less. The Fund has adopted a non-fundamental policy that under normal market conditions, it will have at least 80% of its net assets plus the amount of any borrowings invested in common stocks and other equity-type securities of such companies. If the Fund changes this policy, it will give shareholders at least 60 days notice of the change. Other equity-type securities include preferred stock, convertible debt securities and warrants. Within this group of companies, the Fund will emphasize five basic categories. The first category is corporate spin-offs. The second category is companies involved in various types of corporate restructuring, including acquisitions, recapitalizations, and companies emerging from bankruptcy. From time to time, the Fund may invest a significant portion of its net assets in these first two categories. The third category is companies that are trading at prices at or below actual or perceived book value and companies that are undergoing substantial changes, such as significant changes in markets or technologies, management and financial structure. The fourth category is conversions of savings & loan associations and insurance companies from mutual to stock companies. These conversions are usually under-valued in relation to their peer group. The Fund purchases shares of these companies after their conversion to a stock company has been completed. The fifth category is distressed utilities. The Adviser believes that this strategy allows the Fund to purchase equity shares with above-average potential for capital appreciation at relatively favorable market prices. Current dividend or interest income is not a factor when choosing securities.

Mid Cap Value Fund

Mid Cap Value Fund seeks to achieve its investment objective by investing primarily in companies that have a mid-size market capitalization, which the Adviser defines as between $1.5 billion and $15 billion. The Fund has adopted a non-fundamental policy that, under normal market conditions, it will have at least 80% of its net assets plus the amount of any borrowings invested in common stocks and other equity-type securities of such companies, including preferred stock, convertible debt securities and warrants. If the Fund changes this policy, it will give shareholders at least 60 days notice of the change. Within this group of companies, the Fund will emphasize five basic categories. The first category is corporate spin-offs. The second category is companies involved in various types of corporate restructuring, including acquisitions, recapitalizations, and companies emerging from bankruptcy. From time to time, the Fund may invest a significant portion of its net assets in these first two categories. The third category is companies that are trading at prices at or below actual or perceived book value and companies that are undergoing substantial changes, such as significant changes in markets or technologies, management and financial structure. The fourth category is conversions of savings & loan associations and insurance companies from mutual to stock companies. These conversions are usually under-valued in relation to their peer group. The fifth category is distressed utilities. The Adviser believes that this strategy allows the Fund to purchase equity shares with above-average potential for capital appreciation at relatively favorable market prices. The Fund purchases shares of these companies only after their conversion to a stock company has been completed. Current dividend or interest income is not a factor when choosing securities.

Mid Cap Dividend Value Fund

Mid Cap Dividend Value Fund seeks to achieve its investment objective by investing primarily in companies that have a mid-size market capitalization, which the Adviser defines as between $1.5 billion and $15 billion, at the time of investment and that currently pay or are reasonably expected to pay dividends to shareholders. The Adviser looks for stocks with sustainable, expected growth in earnings and dividends and attempts to buy them when they are temporarily out-of-favor or undervalued by the market. The Fund has adopted a non-fundamental policy that, under normal market conditions, the Fund will have at least 80% of its net assets plus the amount of any borrowings invested in "dividend-paying" (as defined in the Prospectus) common stocks and other equity-type securities of such companies (including preferred stock) of mid-size market capitalization. As long as an investment continues to meet the Fund's other criteria, the Fund may choose to hold such securities even if the company's capitalization grows outside the $1.5 billion to $15 billion capitalization range. If less than 80% of the Fund's assets (plus the amount of any borrowings for investment purposes) are invested in companies with a mid-size market capitalization, the Fund will not invest in companies other than those with a mid-size market capitalization until the 80% threshold is restored.

All Cap Value Fund

All Cap Value Fund seeks to achieve its investment objective by investing primarily in common stocks and other equity securities, including preferred stock, convertible debt securities and warrants. The Fund will emphasize five basic categories. The first category is corporate spin-offs. The second category is companies involved in various types of corporate restructuring, including acquisitions, recapitalizations, and companies emerging from bankruptcy. From time to time, the Fund may invest a significant portion of its net assets in these first two categories. The third category is companies that are trading at prices at or below actual or perceived book value and companies that are undergoing substantial changes, such as significant changes in markets or technologies, management and financial structure. The fourth category is conversions of savings & loan associations and insurance companies from mutual to stock companies. These conversions are usually under-valued in relation to their peer group. The fifth category is distressed utilities. The Adviser believes that this strategy allows the Fund to purchase equity shares with above-average potential for capital appreciation at relatively favorable market prices. Current dividend or interest income is not a factor when choosing securities.

Alternative Value Fund

Alternative Value Fund seeks to achieve its investment objectives by investing primarily in the types of equity securities described below; however, the Fund has broad and flexible investment authority. For the equity investments, the Fund intends to pursue its investment objectives by investing in companies with small and mid-size market capitalizations, which we currently define as $7.5 billion or less. Under normal market conditions, the Fund will invest no less than 80% of the net assets of its equity investments plus the amount of any borrowings for investment purposes in common stocks and other equity type securities (including preferred stock, convertible debt securities and warrants) of small and mid-size market cap companies. As long as an investment continues to meet the Fund's other criteria, the Fund may choose to hold such securities even if the company grows beyond the $7.5 billion capitalization level. If less than 80% of the Fund's equity investment assets (plus the amount of any borrowings for investment purposes) are invested in such companies, the Fund will not invest in companies other than those with small and mid-size market capitalization until the 80% threshold is restored. The Adviser focuses the equity investments of the Fund on particular kinds of undervalued stocks and attempts to concentrate on identifying companies going through major changes (corporate restructuring), including: corporate spin-offs (tax-free distributions of a parent company's division to shareholders); financial restructuring, including acquisitions, recapitalizations and companies emerging from bankruptcy; companies selling at or below actual or perceived book value; savings and loan and insurance conversions; and distressed utilities. Current dividend or interest income is not a factor for the Fund when choosing securities.

The Adviser has selected, and the Board of Directors has approved, Broadmark Asset Management, LLC ("Sub-Adviser" or "Broadmark") as the sub-adviser for the Fund. Broadmark attempts to mitigate market risk within the Fund's equity portfolio through a dynamic hedging strategy based upon a multi-factor process that includes the use of certain derivative instruments, including options, futures contracts (sometimes referred to as futures) and options on futures contracts, as well as Exchange-Traded Funds ("ETFs") and Exchange-Traded Notes ("ETNs"). Broadmark may utilize any asset class of an ETF or ETN, but primarily utilizes equity-based instruments. In performing its services, Broadmark assesses such factors as monetary policy, valuation analysis, investor sentiment and momentum. Broadmark adjusts the Fund's net exposure to equities based upon its overall assessment of risk and opportunity in the market and the Fund's portfolio, including the Fund's cash position. When Broadmark perceives the Fund's equity risks to be low and opportunities high, and depending upon the Fund's cash positions, the Fund could have a low to zero exposure to hedging vehicles. Further, at times when equity opportunity is high and equity risk low, Broadmark may invest a portion of the Fund's cash balance in futures, options or ETFs. Conversely, when Broadmark perceives the Fund's equity market risk to be high, and opportunity low, it will reduce the Fund's net exposure by selling, among other things, futures and option combos, and may effect short sales of individual securities and/or ETFs and ETNs or take long positions in inverse ETFs. Broadmark can hedge up to 100% of the Fund's long equity exposure. Generally, it is the Fund's objective to maintain net exposure between 100% and 0% net long. For example, if the Fund invests 100% of its net assets in long positions and 100% of its net assets in short positions, the Fund is "0% net long."

If successful, these strategies can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements, but such strategies also can reduce opportunity for gain by offsetting the positive effect of favorable price movements. For example, if the Fund entered into a short hedge because Broadmark projected a decline in the price of a security in the Fund's portfolio, and the price of that security increased instead, the gain from that increase might be wholly or partially offset by a decline in the price of the derivative instrument. Moreover, if the price of the derivative instrument declined by more than the increase in the price of the security, the Fund could suffer a loss. In either such case, the Fund would have been in a better position had it not attempted to hedge at all. There is no guarantee that Broadmark will accurately measure existing risk.

Broadmark's investments for the Fund may include long or short positions in ETFs, ETNs, publicly traded common stocks, stock warrants and rights, commodities, forward contracts and other derivative instruments. Broadmark also anticipates trading in commodity contracts, commodity futures, financial futures and options thereon.

INVESTMENT POLICIES AND RISK CONSIDERATIONS

EQUITY SECURITIES

Each of the Funds invests in common stocks, which represent an equity interest (ownership) in a business. This ownership interest often gives the Funds the right to vote on measures affecting the company's organization and operations. The Funds also invest in other types of equity securities, including preferred stocks and securities convertible into common stocks (discussed below). Over time, common stocks historically have provided superior long-term capital growth potential. However, stock prices may decline over short or even extended periods. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices. As a result, the Funds should be considered long-term investments, designed to provide the best results when held for several years or more. The Funds may not be suitable investments if you have a short-term investment horizon or are uncomfortable with an investment whose value is likely to vary substantially.

The Funds' investments in smaller capitalization stocks can involve greater risk than is customarily associated with investing in stocks of larger, more established companies. For example, smaller companies often have limited product lines, markets or financial resources, may be dependent for management on one or a few key persons, and can be more susceptible to losses. Also, their securities may be thinly traded (and therefore have to be sold at a discount from current prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts, and may be subject to wider price swings, thus creating a greater chance of loss than securities of larger capitalization companies. In addition, transaction costs in stocks of smaller capitalization companies may be higher than those of larger capitalization companies.

Because the Funds invest in stocks of issuers with smaller market capitalization, each can be expected to have more difficulty obtaining information about the issuers or valuing or disposing of its securities than it would if it were to concentrate on more widely held stocks.

DEBT SECURITIES

The Funds may invest in debt securities of corporate and governmental issuers that are "investment grade" securities (securities within the four highest grades (AAA/Aaa to BBB/Baa)) assigned by Standard and Poor's Corporation ("S&P") or Moody's Investor Services, Inc. ("Moody's").

The risks inherent in debt securities depend primarily on the term and quality of the obligations in a Fund's portfolio as well as on market conditions. In general, a decline in the prevailing levels of interest rates generally increases the value of debt securities, while an increase in rates usually reduces the value of those securities.

CONVERTIBLE SECURITIES

The Funds may invest in convertible securities. Convertible securities may include corporate notes or preferred stock, but are ordinarily a long-term debt obligation of the issuer convertible at a stated exchange rate into common stock of the issuer. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, to increase as interest rates decline. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the price of the convertible security tends to reflect the value of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis, and thus may not depreciate to the same extent as the underlying common stock.

Convertible securities generally rank senior to common stock in an issuer's capital structure and may entail less risk of declines in market value than the issuer's common stock. However, the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed-income security.

WARRANTS

The Funds may invest in warrants or rights (other than those acquired in units or attached to other securities), which entitle the purchaser to buy equity securities at a specific price for a specific period of time. Warrants and rights have no voting rights, receive no dividends and have no rights with respect to the assets of the issuer.

FOREIGN SECURITIES

The Funds may invest in securities of foreign issuers. The Funds do not consider ADRs and securities traded on a U.S. exchange to be foreign.

Investment in foreign securities may entail a greater degree of risk (including risks relating to exchange rate fluctuations, tax provisions, or expropriation of assets) than does investment in securities of domestic issuers. To the extent positions in portfolio securities are denominated in foreign currencies, a Fund's investment performance is affected by the strength or weakness of the U.S. dollar against these currencies. For example, if the dollar falls in value relative to the Japanese yen, the dollar value of a Japanese stock held in the portfolio will rise even though the price of the stock remains unchanged. Conversely, if the dollar rises in value relative to the yen, the dollar value of the Japanese stock will fall.

Investors should understand and consider carefully the risks involved in foreign investing. Investing in foreign securities, which are generally denominated in foreign currencies, involve certain risk considerations not typically associated with investing in U.S. securities. These considerations include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulation or currency restrictions that would prevent cash from being brought back to the United States; less publicly available information with respect to issuers of securities; less governmental supervision of stock exchanges, securities brokers, and issuers of securities; lack of uniform accounting, auditing, and financial reporting standards; lack of uniform settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; possible imposition of foreign taxes; possible investment in securities of companies in developing as well as developed countries; and sometimes less advantageous legal, operational, and financial protection applicable to foreign sub-custodial arrangements. Although each Fund intends to invest in companies and governments of countries having stable political environments, there is the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, establishment of exchange controls, the adoption of foreign government restrictions, or other adverse political, social or diplomatic developments that could affect investment in these nations.

UNSEASONED ISSUERS

Each Fund may invest its net assets in the securities of "unseasoned issuers," defined as those issuers that, together with predecessors, have been in operation for less than three years. The Adviser believes that investing in securities of unseasoned issuers may provide opportunities for long-term capital growth. Because unseasoned issuers have only a brief operating history and may have more limited markets and financial resources, the risks of investing in such securities are greater than with common stock of more established companies.

ILLIQUID SECURITIES

Each Fund may invest up to 15% of its net assets in securities for which there is no ready market ("illiquid securities"), including, but not limited to, those securities that are not readily marketable either because they are restricted securities. Restricted securities are securities that have not been registered under the Securities Act of 1933 and are thus subject to restrictions on resale. Under the supervision of the Board of Directors, the Adviser determines the liquidity of each Fund's investments. Securities that may be sold pursuant to Rule 144A under the Securities Act of 1933 may be considered liquid by the Adviser. A position in restricted securities might adversely affect the liquidity and marketability of a portion of a Fund's portfolio, and a Fund might not be able to dispose of its holdings in such securities promptly or at reasonable prices. In those instances where a Fund is required to have restricted securities held by it registered prior to sale by the Fund and the Fund does not have a contractual commitment from the issuer or seller to pay the costs of such registration, the gross proceeds from the sale of securities would be reduced by the registration costs and underwriting discounts.

REAL ESTATE INVESTMENT TRUSTS

The Funds may invest in real estate investment trusts ("REITs"). Although the Funds will not invest directly in real estate, the Funds may invest in equity securities of issuers primarily engaged in or related to the real estate industry. Therefore, an investment in REITs is subject to certain risks associated with the direct ownership of real estate and with the real estate industry in general. These risks include, among others: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, earthquakes or other natural disasters; limitations on and variations in rents; changes in interest rates; and acts of terrorism, war or other acts of violence. To the extent that assets underlying the REITs' investments are concentrated geographically, by property type or in certain other respects, the REITs may be subject to certain of the foregoing risks to a greater extent. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of any credit extended. REITs are dependent upon management skills, are not diversified, are subject to heavy cash flow dependency, default by borrowers and self-liquidation. REITs also are subject to the possibilities of failing to qualify for tax-free pass-through of income under the Code and failing to maintain their exemptions from registration under the 1940 Act. REITs (especially mortgage REITs) are also subject to interest rate risks. When interest rates decline, the value of a REIT's investment in fixed-rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT's investment in fixed-rate obligations can be expected to decline. In contrast, as interest rates on adjustable rate mortgage loans are reset periodically, yields on a REIT's investment in such loans will gradually align themselves to reflect changes in market interest rates, causing the value of such investments to fluctuate less dramatically in response to interest rate fluctuations than would investments in fixed-rate obligations.

Investing in REITs involves risks similar to those associated with investing in small-capitalization companies. REITs may have limited financial resources, may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than larger company securities.

Investments in mortgage-related securities involve certain risks. In periods of declining interest rates, prices of fixed-income securities tend to rise. However, during such periods, the rate of prepayment of mortgages underlying mortgage-related securities tends to increase, with the result that such prepayments must be reinvested by the issuer at lower rates. In addition, the value of such securities may fluctuate in response to the market's perception of the creditworthiness of the issuers of mortgage-related securities owned by the Funds. Because investments in mortgage-related securities are interest sensitive, the ability of the issuer to reinvest or to reinvest favorably in underlying mortgages may be limited by government regulation or tax policy.

EXCHANGE-TRADED FUNDS ("ETFs") AND EXCHANGE-TRADED NOTES ("ETNs")

The Funds may invest in ETFs and ETNs, subject to the limits set forth in their investment restrictions. See "Investment Restrictions" below. ETFs are registered investment companies with a stated investment objective and are subject to various investment policies and restrictions. An investment in an ETF generally presents the same primary risks as an investment in a conventional open-end fund that has the same investment objectives, strategies and policies. ETNs are senior, unsecured, unsubordinated debt securities. They are designed to provide investors with a way to access the returns of market benchmarks or strategies. ETNs are not ETFs, but they do share several characteristics. For example, they trade on an exchange, can be shorted and they are linked to the return of a benchmark index.

The Adviser (or the Sub-Adviser, for Alternative Value Fund) generally expect to purchase shares of ETFs through broker-dealers in transactions on a securities exchange, and in such cases, the Funds will pay customary brokerage commissions for each purchase and sale. Shares of an ETF also may be acquired by depositing a specified portfolio of the ETF's underlying securities, as well as a cash payment generally equal to accumulated dividends of the securities (net of expenses) up to the time of deposit, with the ETF's custodian, in exchange for which the ETF will issue a quantity of new shares sometimes referred to as a "creation unit." Similarly, shares of an ETF purchased on an exchange may be accumulated until they represent a creation unit, and the creation unit may be redeemed in-kind for a portfolio of the underlying securities (based on the ETF's net asset value) together with a cash payment generally equal to accumulated dividends as of the date of redemption. The Funds may redeem creation units for the underlying securities (and any applicable cash), and may assemble a portfolio of the underlying securities (and any required cash) to purchase creation units, if the Adviser or Sub-Adviser believes it is in a Fund's interest to do so.

Investments in ETFs involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks, including: (1) the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF; (2) an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market, or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held; (3) an ETF also may be adversely affected by the performance of the specific index, market sector or group of industries on which it is based; and (4) an ETF may not track an index as well as a traditional index mutual fund because ETFs are valued by the market and, therefore, there may be a difference between the market value and the ETF's net asset value.

There is a risk that ETFs may terminate due to extraordinary events. For example, any of the service providers to the ETFs, such as the trustee or sponsor, may close or otherwise fail to perform their obligations to the ETF, and the ETF may not be able to find a substitute service provider. Also, the ETFs may be dependent upon licenses to use the various indices as a basis for determining their compositions and/or otherwise to use certain trade names. If those licenses are terminated, the respective ETFs also may terminate. In addition, an ETF may terminate if its net assets fall below a certain amount.

The Funds' investments in ETNs are subject to issuer credit risk. For example, if the credit rating of the issuer of the ETN is downgraded, a Fund's investment may drop in value, even if no change in value has occurred in the underlying index. In addition, in a default situation involving an ETN, it is possible that a Fund could lose its principal investment.

Although the Adviser and Sub-Adviser believe that, in the event of the termination of an ETF they will be able to invest a Fund's assets in shares of an alternate ETF tracking the same market index or another index covering the same general market, there can be no assurance that shares of an alternate ETF would be available for investment at that time.

LENDING OF PORTFOLIO SECURITIES

Each Fund may lend portfolio securities representing up to one-third of the value of its total assets to broker-dealers, banks or other institutional borrowers of securities which the Adviser has determined are creditworthy under guidelines established by the Board of Directors. The Funds will pay a portion of the income earned on the lending transaction to the securities lending agent and may pay administrative and custodial fees in connection with these loans.

In these loan arrangements, the Funds will receive collateral in the form of cash, U.S. government securities or other high-grade debt obligations equal to at least 100% of the value of the securities loaned. Loans are subject to termination at any time by the lending Fund or the borrower. When a Fund lends portfolio securities to a borrower, payments in lieu of dividends made by the borrower to the Fund will not constitute "qualified dividends" taxable at the same rate as long-term capital gains, even if the actual dividends would have constituted qualified dividends had the Fund held the securities.

The Funds would not have the right to vote the securities during the existence of the loan but would call the loan to permit voting of the securities if, in the Company's judgment, a material event requiring a shareholder vote would otherwise occur before the loan was repaid. In the event of bankruptcy or other default of the borrower, the Funds could experience both delays in liquidating the loan collateral or recovering the loaned securities and losses, including (a) possible decline in the value of the collateral or in the value of the securities loaned during the period while a Fund seeks to enforce its rights thereto, (b) possible subnormal levels of income and lack of access to income during this period, and (c) expenses of enforcing its rights. A Fund could experience losses as a result of a diminution in value of its cash collateral investment.

Additional Investment Policies and Risk Considerations for Alternative Value Fund

OPTIONS, FUTURES AND OTHER STRATEGIES

General. Broadmark may use certain options, futures contracts, options on futures contracts, forward currency contracts, indexed securities and other derivative instruments (collectively, "Financial Instruments") to seek to dynamically hedge market risk within the Fund's equity portfolio. Generally, the Fund may purchase and sell any type of Financial Instrument. Hedging strategies can be broadly categorized as short hedges and long hedges. A short hedge is a purchase or sale of a Financial Instrument intended partially or fully to offset potential declines in the value of one or more investments held in the Fund's equity portfolio. Thus, in a short hedge, the Fund takes a position in a Financial Instrument whose price is expected to move in the opposite direction of the price of the investment being hedged. Conversely, a long hedge is a purchase or sale of a Financial Instrument intended partially or fully to offset potential increases in the acquisition cost of one or more investments that the Fund intends to acquire. Thus, in a long hedge, the Fund takes a position in a Financial Instrument whose price is expected to move in the same direction as the price of the prospective investment being hedged. A long hedge is sometimes referred to as an anticipatory hedge. In an anticipatory hedge transaction, the Fund does not own a corresponding security and, therefore, the transaction does not relate to a security the Fund owns. Rather, it relates to a security that the Fund intends to acquire. If the Fund does not complete the hedge by purchasing the security it anticipated purchasing, the effect on the Fund's holdings is the same as if the transaction were entered into for speculative purposes. Financial Instruments on securities generally are used to attempt to hedge against price movements in one or more particular securities positions that the Fund owns or intends to acquire. Financial Instruments on indexes, in contrast, generally are used to attempt to hedge against price movements in market sectors in which the Fund has invested or expects to invest. Financial Instruments on debt securities may be used to hedge either individual securities or broad debt market sectors.

The use of Financial Instruments is subject to applicable regulations of the Securities and Exchange Commission ("SEC"), the several exchanges upon which they are traded and the Commodity Futures Trading Commission. The Fund has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act and the regulations thereunder and, therefore, is not subject to registration or regulation as a commodity pool operator under such Act. In addition, the Fund's ability to use Financial Instruments is limited by tax considerations. See "Taxation."

In addition to the instruments, strategies and risks described below, Broadmark expects to discover additional opportunities in connection with Financial Instruments and other similar or related techniques. These new opportunities may become available as new techniques are developed, as regulatory authorities broaden the range of permitted transactions and as new Financial Instruments or other techniques are developed. Broadmark may utilize these opportunities to the extent that they are consistent with the Fund's objective(s) and permitted by the Fund's investment limitations and applicable regulatory authorities. The Fund might not use any of these strategies, and there can be no assurance that any strategy used will succeed.

The use of Financial Instruments involves special considerations and risks, certain of which are described below. In general, these techniques may increase the volatility of the Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. Risks pertaining to particular Financial Instruments are described in the sections that follow:

(1) Successful use of most Financial Instruments depends upon Broadmark's ability to predict movements of the overall securities, currency and interest rate markets, which requires different skills than predicting changes in the prices of individual securities. There can be no assurance that any particular strategy will succeed, and the use of Financial Instruments could result in a loss, regardless of whether the intent was to reduce risk or increase return.

(2) There might be imperfect correlation, or even no correlation, between price movements of a Financial Instrument and price movements of the investment being hedged. For example, if the value of a Financial Instrument used in a short hedge increased by less than the decline in value of the hedged investment, the hedge would not be fully successful. Such a lack of correlation might occur due to factors unrelated to the value of the investments being hedged, such as speculation or other pressures on the markets in which Financial Instruments are traded. The effectiveness of hedges using Financial Instruments on indexes will depend on the degree of correlation between price movements in the index and price movements in the securities being hedged. Because there are a limited number of types of exchange-traded options and futures contracts, it is likely that the standardized contracts available will not match the Fund's current or anticipated investments exactly. The Fund may invest in options and futures contracts based on securities with different issuers, maturities, or other characteristics from the securities in which it typically invests, which involves a risk that the options or futures position will not track the performance of the Fund's other investments. Options and futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match the Fund's investments well. Options and futures prices are affected by such factors as current and anticipated short-term interest rates, changes in volatility of the underlying instrument, and the time remaining until expiration of the contract, which may not affect security prices the same way. Imperfect correlation also may result from differing levels of demand in the options and futures markets and

the securities markets, from structural differences in how options and futures and securities are traded, or from imposition of daily price fluctuation limits or trading halts. The Fund may purchase or sell options and futures contracts with a greater or lesser value than the securities it wishes to hedge or intends to purchase to attempt to compensate for differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in the Fund's options or futures positions are poorly correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

(3) If successful, the above-discussed strategies can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements. However, such strategies can also reduce opportunity for gain by offsetting the positive effect of favorable price movements. For example, if the Fund entered into a short hedge because Broadmark projected a decline in the price of a security in the Fund's portfolio, and the price of that security increased instead, the gain from that increase might be wholly or partially offset by a decline in the price of the Financial Instrument. Moreover, if the price of the Financial Instrument declined by more than the increase in the price of the security, the Fund could suffer a loss. In either such case, the Fund would have been in a better position had it not attempted to hedge at all.

(4) As described below, the Fund might be required to maintain assets as cover, maintain segregated accounts or make margin payments when it takes positions in Financial Instruments involving obligations to third parties (that is, Financial Instruments other than purchased options). If the Fund were unable to close out its positions in such Financial Instruments, it might be required to continue to maintain such assets or accounts or make such payments until the position expired or matured. These requirements might impair the Fund's ability to sell a portfolio security or make an investment at a time when it would otherwise be favorable to do so, or require that the Fund sell a portfolio security at a disadvantageous time.

(5) The Fund's ability to close out a position in a Financial Instrument prior to expiration or maturity depends on the existence of a liquid secondary market or, in the absence of such a market, the ability and willingness of the other party to the transaction (counterparty) to enter into a transaction closing out the position. Therefore, there is no assurance that any position can be closed out at a time and price that is favorable to the Fund.

Cover. Transactions using Financial Instruments, other than purchased options, expose the Fund to an obligation to another party. The Fund will comply with SEC guidelines regarding cover for these instruments and will, if the guidelines so require, set aside cash or liquid assets in an account with its custodian in the prescribed amount as determined daily. The Fund will not enter into any such transactions unless it owns either (1) an offsetting (covered) position in securities, currencies or other options, futures contracts or forward contracts, or (2) cash and liquid assets with a value, marked-to-market daily, sufficient to cover its potential obligations to the extent not covered as provided in (1) above. Index options and sector/industry based ETF options will be considered covered if the Fund holds a portfolio of securities substantially correlated with the movement of the index (or, to the extent it does not hold such a portfolio, segregates liquid assets in an amount equal to the value of the option on a daily, marked-to-market basis).

Assets used as cover or held in an account cannot be sold while the position in the corresponding Financial Instrument is open, unless they are replaced with other appropriate assets. As a result, the commitment of a large portion of the Fund's assets to cover or to segregated accounts could impede portfolio management or the Fund's ability to meet redemption requests or other current obligations.

Options. A call option gives the purchaser the right to buy, and obligates the writer to sell, the underlying investment at the agreed-upon price during the option period. A put option gives the purchaser the right to sell, and obligates the writer to buy, the underlying investment at the agreed-upon price during the option period. Purchasers of options pay an amount, known as a premium, to the option writer in exchange for the right under the option contract.

The purchase of call options can serve as a long hedge, and the purchase of put options can serve as a short hedge. Writing put or call options can enable the Fund to enhance income or yield by reason of the premiums paid by the purchasers of such options. However, if the market price of the security underlying a put option declines to less than the exercise price of the option, minus the premium received, the Fund would expect to suffer a loss.

Writing call options can serve as a limited short hedge, because declines in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security or currency appreciates to a price higher than the exercise price of the call option, it can be expected that the option will be exercised and the Fund will be obligated to sell the security or currency at less than its market value. If the call option is an over-the-counter ("OTC") option, the securities or other assets used as cover would be considered illiquid.

Writing put options can serve as a limited long hedge because increases in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security or currency depreciates to a price lower than the exercise price of the put option, it can be expected that the put option will be exercised and the Fund will be obligated to purchase the security or currency at more than its market value. If the put option is an OTC option, the securities or other assets used as cover would be considered illiquid.

The value of an option position will reflect, among other things, the current market value of the underlying investment, the time remaining until expiration, the relationship of the exercise price to the market price of the underlying investment, the historical price volatility of the underlying investment and general market conditions. Options that expire unexercised have no value.

The Fund may effectively terminate its right or obligation under an option by entering into a closing transaction. For example, the Fund may terminate its obligation under a call or put option that it had written by purchasing an identical call or put option; this is known as a closing purchase transaction. Conversely, the Fund may terminate a position in a put or call option it had purchased by writing an identical put or call option; this is known as a closing sale transaction. Closing transactions permit the Fund to realize profits or limit losses on an option position prior to its exercise or expiration.

A type of put that the Fund may purchase is an optional delivery standby commitment, which is entered into by parties selling debt securities to the Fund. An optional delivery standby commitment gives the Fund the right to sell the security back to the seller on specified terms. This right is provided as an inducement to purchase the security.

Risks of Options on Securities. Options offer large amounts of leverage, which will result in the Fund's NAV being more sensitive to changes in the value of the related instrument. The Fund may purchase or write both exchange-traded and OTC options. Exchange-traded options in the United States are issued by a clearing organization affiliated with the exchange on which the option is listed that, in effect, guarantees completion of every exchange-traded option transaction. In contrast, OTC options are contracts between the Fund and its counterparty (usually a securities dealer or a bank) with no clearing organization guarantee. Thus, when Broadmark purchases an OTC option for the Fund, it relies on the counterparty from whom it purchased the option to make or take delivery of the underlying investment upon exercise of the option. Failure by the counterparty to do so would result in the loss of any premium paid by the Fund as well as the loss of any expected benefit of the transaction.

The Fund's ability to establish and close out positions in exchange-listed options depends on the existence of a liquid market, and there can be no assurance that such a market will exist at any particular time. Closing transactions can be made for OTC options only by negotiating directly with the counterparty, or by a transaction in the secondary market if any such market exists. There can be no assurance that the Fund will in fact be able to close out an OTC option position at a favorable price prior to expiration. In the event of insolvency of the counterparty, the Fund might be unable to close out an OTC option position at any time prior to its expiration.

If the Fund were unable to effect a closing transaction for an option it had purchased, it would have to exercise the option to realize any profit. The inability to enter into a closing purchase transaction for a covered call option written by the Fund could cause material losses because the Fund would be unable to sell the investment used as cover for the written option until the option expires or is exercised.

Options on Indexes. Puts and calls on indexes are similar to puts and calls on securities or future contracts except that all settlements are in cash and gain or loss depends on changes in the index in question rather than on price movements in individual securities or futures contracts. When the Fund writes a call on an index, it receives a premium and agrees that, prior to the expiration date, the purchaser of the call, upon exercise of the call, will receive from the Fund an amount of cash if the closing level of the index upon which the call is based is greater than the exercise price of the call. The amount of cash is equal to the difference between the closing price of the index and the exercise price of the call times a specified multiple (multiplier), which determines the total dollar value for each point of such difference. When the Fund buys a call on an index, it pays a premium and has the same rights as to such call as are indicated above. When the Fund buys a put on an index, it pays a premium and has the right, prior to the expiration date, to require the seller of the put, upon the Fund's exercise of the put, to deliver to the Fund an amount of cash if the closing level of the index upon which the put is based is less than the exercise price of the put, which amount of cash is determined by the multiplier, as described above for calls. When the Fund writes a put on an index, it receives a premium and the purchaser of the put has the right, prior to the expiration date, to require the Fund to deliver to it an amount of cash equal to the difference between the closing level of the index and the exercise price times the multiplier if the closing level is less than the exercise price.

Risks of Options on Indexes. The risks of investment in options on indexes may be greater than options on securities. Because index options are settled in cash, when the Fund writes a call on an index it cannot provide in advance for its potential settlement obligations by acquiring and holding the underlying securities. The Fund can offset some of the risk of writing a call index option by holding a diversified portfolio of securities similar to those on which the underlying index is based. However, the Fund cannot, as a practical matter, acquire and hold a portfolio containing exactly the same securities as underlie the index and, as a result, bears a risk that the value of the securities held will vary from the value of the index.

Even if the Fund could assemble a portfolio that exactly reproduced the composition of the underlying index, it still would not be fully covered from a risk standpoint because of the timing risk inherent in writing index options. When an index option is exercised, the amount of cash that the holder is entitled to receive is determined by the difference between the exercise price and the closing index level on the date when the option is exercised. As with other kinds of options, the Fund as the call writer will not learn of the assignment until the next business day at the earliest. The time lag between exercise and notice of assignment poses no risk for the writer of a covered call on a specific underlying security, such as a common stock, because there the writer's obligation is to deliver the underlying security, not to pay its value as of a fixed time in the past. So long as the writer already owns the underlying security, it can satisfy its settlement obligations by simply delivering it, and the risk that its value may have declined since the exercise date is borne by the exercising holder. In contrast, even if the writer of an index call holds securities that exactly match the composition of the underlying index, it will not be able to satisfy its assignment obligations by delivering those securities against payment of the exercise price. Instead, it will be required to pay cash in an amount based on the closing index value on the exercise date. By the time it learns that it has been assigned, the index may have declined, with a corresponding decline in the value of its portfolio. This timing risk is an inherent limitation on the ability of index call writers to cover their risk exposure by holding securities positions. If the Fund has purchased an index option and exercises it before the closing index value for that day is available, it runs the risk that the level of the underlying index may subsequently change. If such a change causes the exercised option to fall out-of-the-money, the Fund will be required to pay the difference between the closing index value and the exercise price of the option (times the applicable multiplier) to the assigned writer.

OTC Options. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of OTC options (options not traded on an exchange) generally are established through negotiation with the other party to the option contract.

While this type of arrangement allows the Fund great flexibility to tailor the option to its needs, OTC options generally involve greater risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded. This means that the option is only exercisable immediately prior to its expiration. This is in contrast to American-style options, which are exercisable at any time prior to the expiration date of the option.

Futures Contracts and Options on Futures Contracts. The purchase of futures contracts or call options on futures contracts can serve as a long hedge, and the sale of futures contracts or the purchase of put options on a futures contract can serve as a short hedge. Writing call options on futures contracts can serve as a limited short hedge, using a strategy similar to that used for writing call options on securities or indexes. Similarly, writing put options on futures contracts can serve as a limited long hedge. Futures contracts and options on futures contracts can also be purchased and sold to attempt to enhance income or yield.

In addition, futures contract strategies can be used to manage the average duration of the Fund's fixed-income portfolio. If Broadmark wishes to shorten the average duration of the Fund's fixed-income portfolio, the Fund may sell a debt futures contract or a call option thereon, or purchase a put option on that futures contract. If Broadmark wishes to lengthen the average duration of the Fund's fixed-income portfolio, the Fund may buy a debt futures contract or a call option thereon, or sell a put option thereon.

No price is paid upon entering into a futures contract. Instead, at the inception of a futures contract the Fund is required to deposit initial margin in an amount generally equal to 10% or less of the contract value. Margin must also be deposited when writing a call or put option on a futures contract, in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts does not represent a borrowing, but rather is in the nature of a performance bond or good-faith deposit that is returned to the Fund at the termination of the transaction if all contractual obligations have been satisfied. Under certain circumstances, such as periods of high volatility, the Fund may be required by an exchange to increase the level of its initial margin payment, and initial margin requirements might be increased generally in the future by regulatory action.

Subsequent variation margin payments are made to and from the futures broker daily as the value of the futures position varies, a process known as marking-to-market. Variation margin does not involve borrowing, but rather represents a daily settlement of the Fund's obligations to or from a futures broker. When the Fund purchases an option on a futures contract, the premium paid plus transaction costs is all that is at risk. In contrast, when the Fund purchases or sells a futures contract or writes a call or put option thereon, it is subject to daily variation margin calls that could be substantial in the event of adverse price movements. If the Fund has insufficient cash to meet daily variation margin requirements, it might need to sell securities at a time when such sales are disadvantageous. Purchasers and sellers of futures contracts and options on futures contracts can enter into offsetting closing transactions, similar to closing transactions on options, by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. Positions in futures contracts and options on futures contracts may be closed only on an exchange or board of trade that provides a secondary market. However, there can be no assurance that a liquid secondary market will exist for a particular contract at a particular time. In such event, it may not be possible to close a futures contract or options position. Under certain circumstances, futures contracts exchanges may establish daily limits on the amount that the price of a futures contract or an option on a futures contract can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.

If the Fund were unable to liquidate a futures contract or an option on a futures position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Fund would continue to be subject to market risk with respect to the position. In addition, except in the case of purchased options, the Fund would continue to be required to make daily variation margin payments and might be required to maintain the position being hedged by the futures contract or option or to maintain cash or liquid assets in an account.

Risks of Futures Contracts and Options Thereon. The ordinary spreads between prices in the cash and futures markets (including the options on futures market), due to differences in the natures of those markets, are subject to the following factors which may create distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions, which could distort the normal relationship between the cash and futures markets. Second, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced, thus producing distortion. Third, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may cause temporary price distortions. Due to the possibility of distortion, a correct forecast of general interest rate, currency exchange rate or stock market trends by Broadmark may still not result in a successful transaction. Broadmark may be incorrect in its expectations as to the extent of various interest rate, currency exchange rate or stock market movements or the time span within which the movements take place.

Index Futures. The risk of imperfect correlation between movements in the price of an index futures contract and movements in the price of the securities that are the subject of the hedge increases as the composition of the Fund's portfolio diverges from the securities included in the applicable index. The price of the index futures contract may move more than or less than the price of the securities being hedged. If the price of the index futures contract moves less than the price of the securities that are the subject of the hedge, the hedge will not be fully effective but, if the price of the securities being hedged has moved in an unfavorable direction, the Fund would be in a better position than if it had not hedged at all. If the price of the securities being hedged has moved in a favorable direction, this advantage will be partially offset by the futures contract. If the price of the futures contract moves more than the price of the securities, the Fund will experience either a loss or a gain on the futures contract that will not be completely offset by movements in the price of the securities that are the subject of the hedge. To compensate for the imperfect correlation of movements in the price of the securities being hedged and movements in the price of the index futures contract, the Fund may buy or sell index futures contracts in a greater dollar amount than the dollar amount of the securities being hedged if the historical volatility of the prices of the securities being hedged is more than the historical volatility of the prices of the securities included in the index. It also is possible that, where the Fund has sold index futures contracts to hedge against decline in the market, the market may advance and the value of the securities held in the portfolio may decline. If this occurred, the Fund would lose money on the futures contract and also experience a decline in value of its portfolio securities. However, while this could occur for a very brief period or to a very small degree, over time the value of a diversified portfolio of securities will tend to move in the same direction as the market indexes on which the futures contracts are based. Where index futures contracts are purchased to hedge against a possible increase in the price of securities before the Fund is able to invest in them in an orderly fashion, it is possible that the market may decline instead. If the Fund then concludes not to invest in them at that time because of concern as to possible further market decline or for other reasons, it will realize a loss on the futures contract that is not offset by a reduction in the price of the securities it had anticipated purchasing. Generally, it is the Fund's objective to maintain net exposure between 100% and 0% net long. For example, if the Fund invests 100% of its net assets in long positions and 100% of its net assets in short positions, the Fund is "0% net long."

COMMODITY FUTURES CONTRACTS

Broadmark can invest the Fund in commodity futures contracts. There are several additional risks associated with transactions in commodity futures contracts.

Storage. Unlike the financial futures markets, in the commodity futures markets there are costs of physical storage associated with purchasing the underlying commodity. The price of the commodity futures contract will reflect the storage costs of purchasing the physical commodity, including the time value of money invested in the physical commodity.

Reinvestment. In the commodity futures markets, producers of the underlying commodity may decide to hedge the price risk of selling the commodity by selling futures contracts today to lock in the price of the commodity at delivery tomorrow. In order to induce speculators to purchase the other side of the same futures contract, the commodity producer generally must sell the futures contract at a lower price than the expected future spot price. Conversely, if most hedgers in the futures market are purchasing futures contracts to hedge against a rise in prices, then speculators will only sell the other side of the futures contract at a higher futures price than the expected future spot price of the commodity. The changing nature of the hedgers and speculators in the commodity markets will influence whether futures prices are above or below the expected future spot price. If the nature of hedgers and speculators in futures markets has shifted when it is time for the Fund to reinvest the proceeds of a maturing contract in a new futures contract, the Fund might reinvest at higher or lower futures prices, or choose to pursue other investments.

Other Economic Factors. The commodities that underlie commodity futures contracts may be subject to additional economic and non-economic variables, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political and regulatory developments. These factors may have a larger impact on commodity prices and commodity-linked instruments, including futures contracts, than on traditional securities.

Certain commodities are also subject to limited pricing flexibility because of supply and demand factors. Others are subject to broad price fluctuations as a result of the volatility of the prices for certain raw materials and the instability of supplies of other materials. These additional variables may create additional investment risks that might subject the Fund's investments to greater volatility than investments in traditional securities.

SHORT SALES

Broadmark may engage in short sales for hedging purposes that are designed to protect the Fund against companies whose credit is deteriorating, or, with respect to ETFs or ETNs, whose underlying indices are deteriorating. Short sales are transactions in which the Fund sells a security it does not own in anticipation of a decline in the market value of that security. The Fund's short sales will be limited to securities listed on a national securities exchange. To complete a short sale transaction, the Fund must borrow the security to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold by the Fund. Until the security is replaced, the Fund is required to pay to the lender amounts equal to any dividends or interest which accrue during the period of the loan. To borrow the security, the Fund also may be required to pay a premium, which would increase the cost of the security sold. The proceeds of the short sale will be retained by the broker, to the extent necessary to meet margin requirements, until the short position is closed out.

Until the Fund replaces a borrowed security in connection with a short sale, the Fund will: (a) maintain daily a segregated account, containing cash, U.S. Government securities or other liquid securities, at such a level that: (i) the amount deposited in the account plus the amount deposited with the broker as collateral will equal the current value of the security sold short; and (ii) the amount deposited in the segregated account plus the amount deposited with the broker as collateral will not be less than the market value of the security at the time it was sold short; or (b) otherwise cover its short position.

The Fund will incur a loss as a result of the short sale if the price of the security sold short increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund will realize a gain if the security sold short declines in price between those dates. This result is the opposite of what one would expect from a cash purchase of a long position in a security. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium, dividends or interest the Fund may be required to pay in connection with a short sale. Any gain or loss on the security sold short would be separate from a gain or loss on the Fund security being hedged by the short sale.

INVESTMENT RESTRICTIONS

Each Fund has adopted certain investment restrictions. Unless otherwise noted, whenever an investment restriction states a maximum percentage of a Fund's assets that may be invested in any security or other asset, such percentage restriction will be determined immediately after and as a result of the Fund's acquisition of such security or other asset. Accordingly, any subsequent change in values, net assets, total assets, or other circumstances will not be considered when determining whether the investment complies with a Fund's investment limitations.

Each Fund has adopted the following fundamental investment restrictions, which cannot be changed without the approval of the holders of the lesser of (i) 67% of the Fund's shares present or represented at a shareholders' meeting at which the holders of more than 50% of such shares are present or represented; or (ii) more than 50% of the outstanding shares of the Fund:

1. With respect to 75% of the Fund's net assets, the Fund will not invest more than 5% of such net assets (valued at the time of investment) in securities of any one issuer, except in U.S. government obligations.
2. With respect to 75% of the Fund's net assets, the Fund will not acquire securities of any one issuer which at the time of investment represent more than 10% of the voting securities of the issuer.

3. The Fund will not act as an underwriter or distributor of securities other than its own capital stock, except insofar as it may be deemed an underwriter for purposes of the Securities Act of 1933 on disposition of securities acquired subject to legal or contractual restrictions on resale.
4. The Fund will not lend money, but this restriction shall not prevent the Fund from investing in (i) a portion of an issue of debt securities or (ii) repurchase agreements.
5. The Fund will not purchase or sell real estate, interests in real estate or real estate limited partnerships, although it may invest in marketable securities of issuers that invest in real estate or interests in real estate.
6. The Fund will not pledge any of its assets, except to secure indebtedness permitted by the Fund's investment restrictions.
7. The Fund will not concentrate its investments by investing 25% or more of the value of the Fund's total assets taken at market value at the time of the investment (other than U.S. government securities) in companies of any one industry.
8. The Fund will not borrow, except that the Fund may borrow from banks as a temporary measure amounts up to 10% of its total assets, provided that (i) the total of reverse repurchase agreements and such borrowings will not exceed 10% of the Fund's total assets and (ii) the Fund will not purchase securities when its borrowings (including reverse repurchase agreements) exceed 5% of total assets. The Fund does not currently intend to enter into reverse repurchase agreements.

In addition to the above, the Funds named below have adopted the following fundamental investment restrictions, which cannot be changed without the approval of the holders of the lesser of (i) 67% of the Fund's shares present or represented at a shareholders' meeting at which the holders of more than 50% of such shares are present or represented; or (ii) more than 50% of the outstanding shares of the Fund:

Small Cap Value Fund, Small Cap Dividend Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund, Mid Cap Dividend Value Fund and All Cap Value Fund

1. The Fund will not purchase and sell commodities or commodity contracts except that it may enter into forward contracts to hedge securities transactions made in foreign currencies. This limitation does not apply to financial instrument futures and options on such futures.
2. The Fund will not issue senior securities, except for reverse repurchase agreements and borrowings as permitted by the Fund's other investment restrictions.

Alternative Value Fund

1. The Fund will not issue senior securities, except as permitted under the 1940 Act, and as interpreted or modified by regulatory authority having jurisdiction from time to time.
2. The Fund will not purchase or sell commodities or contracts related to commodities except to the extent permitted by (i) the 1940 Act, or interpretations or modifications by the SEC, the SEC staff or other authority of competent jurisdiction, or (ii) exemptive or other relief or permission from the SEC, SEC staff or other authority of competent jurisdiction.

In addition to the fundamental restrictions listed above, the Funds have adopted the following non-fundamental restrictions, which may be changed by the Board of Directors without shareholder approval:

Small Cap Value Fund, Small Cap Dividend Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund, Mid Cap Dividend Value Fund and All Cap Value Fund

1. The Fund will not acquire securities of other investment companies except (i) by purchase in the open market, where no commission or profit to a sponsor or dealer results from such purchase other than the customary broker's commission, or (ii) where the acquisition results from a dividend or a merger, consolidation or other reorganization. In addition to this investment restriction, the 1940 Act provides that the Fund may neither purchase more than 3% of the voting securities of any one investment company nor invest more than 10% of the Fund's assets (valued at time of investment) in all investment company securities purchased by the Fund.
2. The Fund will not invest more than 15% of its net assets in securities for which there is no ready market (including restricted securities and repurchase agreements maturing in more than seven days).

Small Cap Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund and All Cap Value Fund

1. The Fund will not participate in a joint trading account, purchase securities on margin (other than short-term credits as necessary for the clearance of purchases and sales of securities) or sell securities short (unless the Fund owns an equal amount of such securities, or owns securities that are convertible or exchangeable without payment of further consideration into an equal amount of such securities). The Fund does not currently intend to sell securities short even under the conditions described in Investment Restrictions.
2. The Fund will not invest for the purpose of exercising control or management of any company.
3. The Fund will not invest in interests in oil, gas or other mineral exploration or development programs or leases, although it may invest in marketable securities of issuers engaged in oil, gas or mineral exploration.

Alternative Value Fund

1. The Fund will not invest more than 15% of its net assets in securities for which there is no ready market (including restricted securities and repurchase agreements maturing in more than seven days).
2. The Fund will not acquire securities of other investment companies except: (i) by purchase in the open market, where no commission or profit to a sponsor or dealer results from such purchase other than the customary broker's commission, or (ii) where the acquisition results from a dividend or a merger, consolidation or other reorganization. In addition to this investment restriction, the 1940 Act provides that the Fund may neither purchase more than 3% of the voting securities of any one investment company nor invest more than 10% of the Fund's assets (valued at time of investment) in all investment company securities purchased by the Fund. Many ETFs have obtained exemptive relief from the SEC to permit unaffiliated funds to invest in the ETF's shares beyond the statutory limitations discussed above, subject to certain conditions. The Fund may rely on these exemptive orders to invest in unaffiliated ETFs, provided such investment is carried out in accordance with the policies and procedures adopted by the Board of Directors.

Each Fund may make additional commitments more restrictive than the restrictions listed above so as to permit the sale of shares of the Fund in certain states. Should a Fund determine that a commitment is no longer in the best interest of the Fund and its shareholders, the Fund reserves the right to revoke the commitment by terminating the sale of Fund shares in the state involved.

The investments and strategies described above are those that are used under normal conditions. During adverse economic, market or other conditions, a Fund may assume temporary defensive positions, such as investing up to 100% of its assets in investments that would not ordinarily be consistent with the Fund's objective, including cash and cash equivalents. A Fund will do so only if the Adviser believes that the risk of loss outweighs the opportunity for capital gains or higher income. The Funds cannot guarantee that they will achieve their investment goal when adopting a temporary defensive investment position.

PORTFOLIO TURNOVER

Each Fund calculates portfolio turnover rate by dividing the value of the lesser of purchases or sales of portfolio securities for the fiscal period by the monthly average of the value of portfolio securities owned by the Fund during the fiscal period. A 100% portfolio turnover rate would occur, for example, if all of the portfolio securities (other than short-term securities) were replaced once during the fiscal period. Portfolio turnover rates will vary from year to year, depending on market conditions. Increased portfolio turnover may result in greater brokerage commissions.

DISCLOSURE OF PORTFOLIO HOLDINGS

The Funds have adopted a policy that they will disclose publicly Fund portfolio holdings (other than to rating agencies and third-party service providers) only when that information is filed with the SEC or sent to shareholders pursuant to annual, semi-annual or quarterly reports. In most cases, this information will be filed with the SEC sixty days after the date of public disclosure. Information may be sent to shareholders earlier than sixty days after its date, but in such cases, the information will be sent to all shareholders at the same time. Each Fund discloses holdings on a monthly basis to certain rating and ranking organizations, including: Standard & Poor's, Bloomberg, Thomson Financial, Lipper and Morningstar. Each Fund discloses its holdings on a quarterly basis to Vickers. The Funds have no special agreements with the rating and ranking organizations that require they keep the information provided to them confidential or that impose restrictions on them with respect to trading based on the disclosure of such information. No information is released until it is at least 45 days old and all information is sent to all parties at the same time. Each Fund may disclose portfolio information to the Fund's third-party service providers, without lag, as part of the Fund's normal investment activities. Third-party service providers receive portfolio holdings information more frequently than this information is filed with the SEC or sent to shareholders, when there is a legitimate business purpose for such disclosure. These third-party service providers include U.S. Bancorp Fund Services, LLC ("U.S. Bancorp" or the "Administrator"), the Funds' administrator, transfer agent, and fund accountant; U.S. Bank N.A. (the "Custodian"), the Funds' custodian and securities lending agent; IDC, the Funds' pricing service; PricewaterhouseCoopers, LLP ("PwC"), the Funds' independent registered public accountant, K&L Gates LLP, the Funds' counsel; Alaric Compliance Services, LLC, the Chief Compliance Officer ("CCO") of the Funds; and Broadmark, the sub-adviser to Alternative Value Fund.

The Funds' contracts with the administrator, transfer agent, fund accountant, and custodian include provisions that require they treat all information that they receive from each Fund as confidential, not use that information for any purpose other than to perform their obligations under their contracts with the Funds, and not disclose that information to any third-party without written authorization from each Fund or pursuant to court order.

The Funds' CCO reviews the policies and procedures of the Funds' third-party service providers to ensure that their policies and procedures restrict trading based on information they receive from clients, and provide for confidential handling of client information. Under the Company's policies, no one has authority to make any other disclosure of portfolio information. Officers and directors of the Company, the Sub-Adviser and the Adviser, and officers of Keeley Investment Corp. (the "Distributor") who are also officers of the Company or the Adviser, of necessity have access to information about a Fund and its investments, including its portfolio holdings, but the Company and the Funds' Adviser, Sub-Adviser and Distributor have adopted policies and procedures to prevent the unfair use by them of nonpublic information. The Company's code of ethics also prohibits access persons (who include officers and directors of the Company) from buying and selling securities which a Fund is buying or selling or considering buying or selling, except with the prior approval of the President of the Company or his designee.

Personal trading information is compiled and reviewed monthly by the CCO and/or his designee. It is against the policy of the Company for the Company or its Adviser to receive compensation for the disclosure of portfolio holdings information. The portfolio holdings disclosure policy of the Company has been approved by the Funds' Board of Directors and, under the Company's procedures, may only be changed with approval from the Board of Directors.

MANAGEMENT OF THE FUNDS

GENERAL

The Company's Board of Directors has overall management responsibility for the Company and the Funds. Company officers and the administrator are responsible for the day-to-day operations of the Funds. The Adviser is responsible for investment management of the Funds under each investment advisory agreement, and it has entered into an investment sub-advisory agreement with Broadmark for the provision of certain investment sub-advisory services for Alternative Value Fund. The Company, the Sub-Adviser, the Adviser and the Distributor each have adopted Codes of Ethics under Rule 17j-1 of the 1940 Act. Those Codes of Ethics permit personnel subject to the Codes to invest in securities, including securities that may be purchased or held by the Funds.

The Board of Directors has established a Committee of Independent Directors (the "Committee"), which is composed exclusively of Directors who are "non-interested" Directors (as such term is defined in the 1940 Act) (the "Independent Directors"). The Committee oversees (i) the Funds' accounting and financial reporting policies and practices, its internal controls and, as appropriate in its judgment, the internal controls of certain service providers; (ii) the quality and objectivity of the financial statements of each of the Funds and the independent audits thereof; and (iii) the independence and effective functioning of the Board of Directors. In addition, the Committee acts as liaison between the Company's independent registered public accountants and the full Board of Directors, pre-approves the scope of the audit and non-audit services the Company's independent registered public accountants provide to the Company and reviews in the first instance and makes recommendations to the Board of Directors regarding any investment advisory agreement relating to the Funds, as well as any Rule 12b-1 plan of the Funds and any related agreement. The Committee met five times during the fiscal year ended September 30, 2011.

The Executive Committee of the Board of Directors has the authority to take actions on behalf of the Board of Directors in between Board meetings, with such actions being subject to the ratification of the full Board of Directors at the next scheduled meeting. Messrs. John L. Keeley, Jr., Klingenberger and Fitzgerald serve as members of the Executive Committee until the election and qualification of their successors. The Executive Committee did not meet during the fiscal year ended September 30, 2011.

BOARD LEADERSHIP STRUCTURE

The Board of Directors of the Funds is composed of seven Directors. Mr. John L. Keeley, Jr. is considered an "Interested Director" of the Funds because of his affiliation with the Adviser and the Distributor. The Chairman of the Board of Directors is Jerome Klingenberger. Mr. Klingenberger is an Independent Director. The Board of Directors has established two standing Committees: the Committee of Independent Directors and the Executive Committee. The functions, responsibilities and composition of each Committee are described above.

Each Director was appointed to serve on the Board of Directors because of his experience, skills and qualification (please see the section "Experience of Directors" below). The Board of Directors believes that its leadership structure is appropriate in light of the size of the Company and the nature of its business, and is consistent with industry practices. In particular:

- *Board Composition*. The Board of Directors believes that having a majority of its Directors be Independent Directors is appropriate and in the best interest of the Company's shareholders. Nevertheless, the Directors also believe that having an interested person serve on the Board of Directors brings a corporate and financial viewpoint that is, in the Board of Directors' view, a crucial element in the Directors' decision-making process. In addition, Mr. John L. Keeley, Jr., as the president and primary owner of the Adviser, which is the sponsor of the Funds, provides the Board of Directors with the perspective of the Adviser in managing and sponsoring the Funds.
- *Committee of Independent Directors*. The Directors believe that a standing Committee composed exclusively of individuals who are Independent Directors will help in preventing the occurrence of conflicts of interests and allows those Directors to engage in a candid discussion on, among other things, the performance of the Adviser outside the presence of management.

- *Executive Committee*. The Board of Directors believes that an executive committee allows the Board of Directors to act expeditiously when the delay for obtaining authorization from the full Board of Directors could cause the Company to miss business opportunities. The fact that (i) a majority of the members of the Executive Committee is composed of Independent Directors, and (ii) any action taken by the Executive Committee must be ratified by the full Board of Directors at the following meeting, is designed to ensure that the Executive Committee acts in the best interest of the shareholders and in the absence of conflicts of interests. The Company anticipates that the Executive Committee will be convened on a very infrequent basis.

BOARD OVERSIGHT OF FUND RISK

The Board of Directors has not established a standing risk committee at the current time. Rather, the Board of Directors requires the Adviser to report to the Board, on a regular and as-needed basis, on actual and possible risks to the Company as a whole. The Adviser reports to the Board of Directors on the various elements of risk that have affected, or that may affect, the business of the Company, including investment risk, credit risk, liquidity risk and operational risk, as well as the overall business risk relating to the Funds, including based upon industry norms.

The Board of Directors has appointed a CCO who reports directly to the Board's Independent Directors and who provides presentations to the Board of Directors at its quarterly meetings, in addition to an annual report to the Board of Directors in accordance with the Funds' compliance policies and procedures. The CCO regularly discusses the relevant risk issues affecting the Company during private meetings with the Independent Directors. The CCO also provides to the Board of Directors updates on the application of the Funds' compliance policies and procedures and on how these procedures are designed to mitigate risk. Finally, the CCO reports to the Board of Directors immediately in-between Board meetings in case of any problems associated with the Funds' compliance policies and procedures that could expose (or that might have the potential to expose) each Fund to risk.

The Board of Directors oversees the risks involved in Alternative Value Fund's investment in derivatives as part of its overall oversight function. The Board of Directors has integrated derivatives controls and risk management oversight into the Company's overall compliance policies and procedures. Among other things, these policies address the categories of derivatives in which Alternative Value Fund may invest, the use of derivatives (e.g., investment or hedging only), the limits on derivatives exposure by percentage of Alternative Value Fund assets or derivatives category, as well as the ongoing monitoring of derivative investments. The Adviser reports to the Board of Directors on Alternative Value Fund's use of derivatives as part of its quarterly report.

DIRECTORS AND OFFICERS

The names of the Directors and officers of the Funds, the date each was first elected or appointed to office, and their principal business activities during the past five years and other directorships they hold, are shown below:

Name and Age as of December 31, 2011	Position(s) Held with each Fund	Term of Office(1) and Length of Time Served	Principal Occupation(s) During the Past Five Years	Number of Portfolios Overseen Within the Fund Complex	Other Directorships Held Outside the Fund Complex
Independent Directors*					
Jerome J. Klingenberger(2) Age: 56	Chairman and Director	Chairman since 2006; Director since 1999	Executive Vice President and Chief Financial Officer for Grayhill, Inc. (human interface solutions)	7	None

Walter D. Fitzgerald Age: 71	Director	Director since 2006	Vice President, RBC Dain Rauscher until retirement on June 1, 2005	7	None
John G. Kyle(2) Age: 70	Director	Director since 1993	President of North Shore Shell Inc.; owner and operator of Shell Oil Services Stations and Gasoline Distributor	7	None
John F. Lesch(2) Age: 71	Director	Director since 1993	Attorney with Nisen & Elliott, LLC	7	None
Sean Lowry(2) Age: 58	Director	Director since 1999	Executive Vice President, Mortgage Services of Pacor Mortgage Corp.	7	None
Elwood P. Walmsley(2) Age: 71	Director	Director since 1999	President of Lakeside Manor Real Estate Management Company since 2002; Director of Sales and Marketing for H.B. Taylor Company (food ingredients products), from 2002 to 2009; Director of Sales and Marketing for Northwestern Extract Co. (food ingredients products) since 2009	7	None
Interested Director and Officer*					
John L. Keeley, Jr.(2)(3)(4) Age: 71	Director and President	Director and President since 1993	Chairman, President and principal controlling shareholder of Joley Corp. (sole shareholder of Keeley Holdings, Inc.), Director and President of Keeley Holdings, Inc. (sole shareholder of Keeley Asset Management Corp. and Keeley Investment Corp.), Director and President of Keeley Asset Management Corp., Director, President and Treasurer of Keeley Investment Corp.	7	Director of Marquette National Corp., Member and Manager of Broadmark Asset Management LLC, Director of FNBC of LaGrange, Inc., Regional Director of American Ireland Fund.

Officers*

Name and Age as of December 31, 2011	Position(s) Held with each Fund	Term of Office(1) and Length of Time Served	Principal Occupation(s) During the Past Five Years
Robert Becker(2) Age: 69	Vice President	Vice President since 2007	Senior Vice President of Keeley Asset Management Corp.
John L. Keeley, III(2)(4) Age: 50	Vice President	Vice President since 2005	Senior Vice President of Keeley Asset Management Corp., Senior Vice President of Keeley Investment Corp..
Kevin M. Keeley(2)(4) Age: 45	Vice President	Vice President since 2010	Executive Vice President of Joley Corp. (sole shareholder of Keeley Holdings, Inc.), Executive Vice President of Keeley Holdings, Inc. (sole shareholder of Keeley Asset Management Corp. and Keeley Investment Corp.), Senior Vice President of Keeley Asset Management Corp., Senior Vice President of Keeley Investment Corp.
Mark T. Keeley(2)(4) Age: 49	Vice President	Vice President since 2010	Senior Vice President of Keeley Asset Management Corp., Senior Vice President of Keeley Investment Corp.
Robert M. Kurinsky(2) Age: 39	Treasurer, Secretary and Chief Legal Officer	Treasurer since 2007, Secretary since 2006 and Chief Legal Officer since 2008	Treasurer and Secretary of Joley Corp. (sole shareholder of Keeley Holdings, Inc.), Treasurer and Secretary of Keeley Holdings, Inc. (sole shareholder of Keeley Asset Management Corp. and Keeley Investment Corp.); Secretary, Treasurer, Chief Financial Officer and General Counsel of Keeley Asset Management Corp., Secretary, Assistant Treasurer, Chief Financial Officer and General Counsel of Keeley Investment Corp.; Various Legal, Accounting and Risk Management Positions for Driehaus Capital Management, Inc. from 2001 to 2006.
Mark Zahorik(2) Age: 49	Vice President	Vice President since 1997	Senior Vice President of Keeley Asset Management Corp., General Partner of KAMCO Thrift Partners, L.P., Vice President of Keeley Investment Corp.

* The business address of the Directors and officers listed above is the address of the Company: 401 South LaSalle Street, Suite 1201, Chicago, Illinois 60605.

(1) Each Director serves an indefinite term until the election of a successor. Each officer serves an indefinite term, renewed annually, until the election of a successor.

(2) Director or officer who maintains brokerage account(s) with Keeley Investment Corp., the Company's principal underwriter, and/or advised account(s) with Keeley Asset Management Corp., the Adviser to the Funds.

(3) John L. Keeley, Jr. is considered an "Interested Director" of the Fund because of his affiliation with Keeley Asset Management Corp. and Keeley Investment Corp.

(4) John L. Keeley, III, Kevin M. Keeley and Mark T. Keeley are John L. Keeley, Jr.'s sons.

Other than Mr. John L. Keeley, Jr., who holds a position or a directorship in: (i) Marquette National Corp. (community bank) from 1994 to date, (ii) Broadmark Asset Management, LLC from April 2010 to date, (iii) FNBC of LaGrange, Inc. (bank holding company) from May 2010 to date, and (iv) American Ireland Fund from September 2011 to date, none of the Directors held any official positions and directorships at public companies or registered investment companies during the last five calendar years.

EXPERIENCE OF DIRECTORS

The following summary outlines each Director's experience, qualifications, attributes and skills that lead to the conclusion that each Director should serve as a Director of the Funds.

Walter D. Fitzgerald

Mr. Fitzgerald has more than 30 years of experience in the financial services industry. He acted as a principal and obtained certifications from the Financial Industry Regulatory Authority, Inc. ("FINRA") (and its predecessor NASD) and the New York Stock Exchange ("NYSE"). Mr. Fitzgerald holds a BA from the University of Toronto and an MBA from the University of Michigan. The Board of Directors concluded that Mr. Fitzgerald is suitable to act as Director of the Funds because of his academic background and his extensive investment management experience.

John L. Keeley, Jr.

Mr. John L. Keeley, Jr. has been an officer of the Distributor and the Adviser since their inceptions in 1977 and 1981, respectively. He also is a member and manager of the Sub-Adviser. Mr. John L. Keeley, Jr. is a Chartered Financial Analyst and holds an MBA from the University of Chicago. Mr. John L. Keeley, Jr. also serves as a Director on the boards of local community banks and a non-profit hospital. The Board of Directors concluded that Mr. John L. Keeley, Jr. is suitable to act as Director of the Funds because of his academic background, the fact that he founded both the Adviser and Distributor, and his extensive investment management experience.

Jerome J. Klingenberger

Mr. Klingenberger is a Certified Public Accountant. Mr. Klingenberger served as an auditor for a public accounting firm and his clients included publicly traded companies. Mr. Klingenberger holds a BBA in Accountancy from the University of Notre Dame and an MBA from the University of Chicago. The Board of Directors concluded that Mr. Klingenberger is suitable to act as Director of the Funds because of his academic experience, his work experience and his financial reporting experience.

John G. Kyle

Mr. Kyle has owned and managed several energy-related businesses for 40 years. Mr. Kyle holds a Liberal Arts degree from Lake Forest College. The Board of Directors concluded that Mr. Kyle is suitable to act as Director of the Funds because of his academic and business experience.

John F. Lesch

Mr. Lesch is an attorney specializing in taxation, estate planning and trust administration. He has served on the board of directors of closely held corporations, charitable foundations, and a municipal governance board. Mr. Lesch holds an undergraduate degree from Northwestern University in Business Administration and a J.D. from IIT-Chicago Kent College of Law. The Board of Directors concluded that Mr. Lesch is suitable to act as Director of the Funds because of his educational background and experience on other corporate, charitable and municipal boards.

Sean Lowry

Mr. Lowry owns a mortgage business that has been in operation for nearly 20 years. Mr. Lowry served as a director of trading operations at the Chicago Board Options Exchange ("CBOE") from 1985 to 1992. Mr. Lowry worked as an independent trader at the CBOE from 1974 to 1980 and served on several options-related committees. The Board of Directors concluded that Mr. Lowry is suitable to act as Director of the Funds because of his understanding of the financial services industry and of his prior and current work experience.

Elwood P. Walmsley

Mr. Walmsley has more than 40 years of experience in marketing, sales and management. He played a significant role in building brand awareness and expanding territorial sales for companies engaged in the food industry. Mr. Walmsley holds an MBA degree from Georgia State University and took graduate studies concentrated in Accounting & Finance from Northern Illinois University. He holds a Bachelors degree from Baker University and has retired as a colonel from the U.S. Army. The Board of Directors concluded that Mr. Walmsley is suitable to act as Director of the Funds because of his academic background and his extensive business experience.

The Board of Directors believes that the different perspectives, viewpoints, professional experience, education, and individual qualities of each Director contribute to the Board's diversity of experiences and bring a variety of complementary skills. It is the Directors' belief that this allows the Board of Directors, as a whole, to oversee the business of the Company in a manner consistent with the best interests of the Company's shareholders.

DIRECTOR COMPENSATION

As of December 31, 2011, the dollar range of equity securities owned beneficially by each Director was as follows:

Name of Director	Dollar Range of Equity Securities in Small Cap Value Fund	Dollar Range of Equity Securities in Small Cap Dividend Value Fund	Dollar Range of Equity Securities in Small-Mid Cap Value Fund	Dollar Range of Equity Securities in Mid Cap Value Fund	Dollar Range of Equity Securities in Mid Cap Dividend Value Fund	Dollar Range of Equity Securities in All Cap Value Fund	Dollar Range of Equity Securities in Alternative Value Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Director in Family of Investment Companies
John L. Keeley, Jr.	More than $100,000	More than $100,000	More than $100,000	More than $100,000	More than $100,000	More than $100,000	More than $100,000	More than $100,000
John F. Lesch	$50,001-$100,000	None	None	$50,001-$100,000	None	$50,001-$100,000	None	More than $100,000
John G. Kyle	$50,001-$100,000	$50,001-$100,000	$1-$10,000	$10,001-$50,000	$50,001-$100,000	$50,001-$100,000	$50,001-$100,000	More than $100,000
Elwood P. Walmsley	More than $100,000	$50,001-$100,000	$1-$10,000	$10,001-$50,000	$1-$10,000	$1-$10,000	None	More than $100,000
Jerome J. Klingenberger	$50,001-$100,000	None	$1-$10,000	$10,001-$50,000	None	$10,001-$50,000	None	More than $100,000
Sean Lowry	More than $100,000	None	More than $100,000	None	None	More than $100,000	More than $100,000	More than $100,000
Walter D. Fitzgerald	$50,001-$100,000	$10,001-$50,000	$1-$10,000	$1-$10,000	$1-$10,000	$10,001-$50,000	$1-$10,000	More than $100,000

The officers are "interested persons" of the Funds and are also officers of the Adviser, the Distributor or their Affiliates, and receive compensation from those companies. They do not receive any compensation from the Funds.

Each Independent Director receives an annual retainer of $50,000, as well as $2,500 from the Company for each meeting that he or she attends in person and $1,500 for each meeting that he or she attends telephonically. The Chairman receives an additional fee equal to 50% of the Directors' annual retainer and per meeting fee from the Company. Regular Board of Directors meetings are held quarterly. Directors do not receive any pension or retirement plan benefits from the Company.

The table below shows the compensation the Company paid to each Director for the fiscal year ended September 30, 2011. The Company does not expect to pay any officer more than $60,000 in its current fiscal period.

Name of Person, Position		Aggregate Compensation from the Funds(1)	Pension or Retirement Benefits Accrued As Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From the Fund Complex Paid to Directors
John L. Keeley, Jr., Director	$	None	None	None	None
John F. Lesch, Director	$	75,000	None	None	75,000(2)
John G. Kyle, Director	$	75,000	None	None	75,000(3)
Elwood P. Walmsley, Director	$	75,000	None	None	75,000(4)
Jerome J. Klingenberger, Chairman and Director	$	110,250	None	None	110,250
Sean Lowry, Director	$	75,000	None	None	75,000
Walter D Fitzgerald, Director	$	72,500	None	None	72,500(5)

(1) "Aggregate compensation from the Funds" includes fees and amounts deferred, if any, under the Deferred Compensation Plan for Independent Directors (the "Deferred Compensation Plan," described below).
(2) Includes $5,000 deferred by Mr. Lesch under the Deferred Compensation Plan.
(3) Includes $30,000 deferred by Mr. Kyle under the Deferred Compensation Plan.
(4) Includes $18,750 deferred by Mr. Walmsley under the Deferred Compensation Plan.
(5) Includes $14,500 deferred by Mr. Fitzgerald under the Deferred Compensation Plan.

Officers and Directors of the Funds do not pay sales loads on purchases of Funds shares. The Company believes the waiver of sales loads for those people is appropriate because the Distributor does not incur any costs related to selling shares to them, nor does it keep them advised of Funds' activity or performance. In addition, the Company believes that the waiver of sales load will encourage their ownership of the Funds' shares, which the Company believes is desirable.

The Board of Directors has adopted the Deferred Compensation Plan, which enables each Independent Director to defer payment of all or a portion of the annual fees received from the Funds for service on the Board of Directors. Under the Deferred Compensation Plan, the amount of compensation deferred by a Independent Director is periodically adjusted as though an equivalent amount of compensation had been invested in shares of one or more of the Funds selected by the Independent Director. The amount paid to the Independent Director under the Deferred Compensation Plan will be determined based upon the amount of compensation deferred and the performance of the selected Fund(s).

INVESTMENT ADVISER AND SUB-ADVISER

INVESTMENT ADVISER

The Funds' Adviser, Keeley Asset Management Corp., 401 S. LaSalle Street, Chicago, IL 60605, was organized in the State of Illinois on December 28, 1981. Mr. John L. Keeley, Jr. owns a controlling interest in Joley Corp., which is the parent company of the Adviser and is thereby deemed to "control" the Adviser. On July 21, 2008, Joley Corp. completed a minority leveraged recapitalization with TA Associates. There was no change of control at Joley Corp. or any of its affiliates, including the Adviser, as a result of this transaction.

The investment advisory agreements between the Company and the Adviser for: Small Cap Value Fund dated December 31, 2007, as amended; Mid Cap Value Fund dated April 7, 2005, as amended; Small-Mid Cap Value Fund dated August 15, 2007, as amended; All Cap Value Fund dated February 14, 2006, as amended; Small Cap Dividend Value Fund dated November 3, 2009; Alternative Value Fund dated February 2, 2010; and Mid Cap Dividend Value Fund dated May 5, 2011 (collectively, the "Advisory Agreements") must be approved annually by the Board of Directors of the Company or by vote of a majority of each Fund's outstanding voting securities (as defined in the 1940 Act). Each annual renewal of the Advisory Agreements also must be approved by the vote of a majority of the Company's directors who are not interested persons of the Company, as defined under the 1940 Act, cast in person at a meeting called for the purpose of voting on such approval.

Under the Advisory Agreements, the Adviser is responsible for administering each Fund's affairs and supervising the investment programs and must do so in accordance with applicable laws and regulations. The Adviser also furnishes the Board of Directors with periodic reports on each Fund's investment performance. The Advisory Agreements also provide that the Adviser shall not be liable to any Fund or its shareholders from, or as a consequence of, any act or omission of the Adviser, or of any of the directors, officers, employees or agents of the Adviser, in connection with or pursuant to these Advisory Agreements, except by willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its duties or by reason of reckless disregard by the Adviser of its obligations and duties under the Advisory Agreements.

INVESTMENT SUB-ADVISER

The Adviser has selected, and the Company's Board of Directors has approved, Broadmark as sub-adviser for the Alternative Value Fund. Broadmark, 12 East 52nd St., 3rd Floor, New York, New York, is a Delaware limited liability company that is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended. As of December 31, 2011, Broadmark had assets under management of approximately $2.0 billion. Mr. John L. Keeley, Jr. owns a non-controlling, minority interest in Broadmark.

The Adviser will review, monitor and report to the Board of Directors of the Company on the performance and investment procedures of Broadmark and assist and consult with Broadmark in connection with Alternative Value Fund's investment program. Broadmark, under the supervision of the Adviser, will be responsible for the selection of broker-dealers, the negotiation of commission rates and the execution of transactions of Alternative Value Fund effected to carry out the Fund's dynamic hedging strategy.

The investment sub-advisory agreement between Broadmark and the Adviser, dated February 2, 2010, for the Alternative Value Fund (the "Sub-Advisory Agreement"), also must be approved annually by the Board of Directors of the Company or by vote of a majority of Alternative Value Fund's outstanding voting securities (as defined in the 1940 Act). Each annual renewal of the Sub-Advisory Agreement also must be approved by the vote of a majority of the Company's directors who are not interested persons of the Company, as defined under the 1940 Act, cast in person at a meeting called for the purpose of voting on such approval.

The Adviser and Broadmark are engaged in a broad range of portfolio management, portfolio advisory and other business activities. Their services are not exclusive to the Funds and nothing prevents them, or any affiliates, from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies, or criteria are similar to those of the Funds) or from engaging in other activities.

ADVISORY FEES

For its services as investment adviser of Small Cap Value Fund, the Adviser receives a monthly fee at the following annual rates:

Amount of average daily net assets	Fee Rate
Up to first $1 billion	1.00%
$1 billion to under $6 billion	0.90%
$6 billion to under $8 billion	0.80%
$8 billion to under $10 billion	0.70%
$10 billion and over	0.60%

For its services as investment adviser of each of Small-Mid Cap Value Fund, Mid Cap Value Fund and All Cap Value Fund, the Adviser receives a monthly fee at the following annual rates:

Amount of average daily net assets	Fee Rate
Up to first $350 million	1.00%
Between $350 million and $700 million	0.90%
More than $700 million	0.80%

For its services as investment adviser of each of Small Cap Dividend Value Fund and Mid Cap Dividend Value Fund, the Adviser receives a monthly fee at an annual rate of 1.00% of each Fund's average amount of daily net assets.

For its services as investment adviser of Alternative Value Fund, the Adviser receives a monthly fee at an annual rate of 1.60% of its average amount of daily net assets. Payments to the Sub-Adviser for its services are made by the Adviser. For its services to Alternative Value Fund, Broadmark receives sub-advisory fees at an annual rate of 0.60% of the average amount of daily net assets.

For the purpose of calculating the advisory fees, the net assets of the Funds will not be considered in the aggregate. For Small Cap Value Fund, Small Cap Dividend Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund, Mid Cap Dividend Value Fund and All Cap Value Fund, the Adviser has contractually agreed to waive a portion of its management fee or reimburse the Funds to the extent that total ordinary operating expenses during the current fiscal year as a percentage of average net assets for each Fund exceed 1.39% for Class A Shares and 1.14% for Class I Shares. For Alternative Value Fund, the Adviser has contractually agreed to waive a portion of its management fee or reimburse the Fund to the extent that total ordinary operating expenses during the current fiscal year as a percentage of average net assets for the Fund exceed 1.89% for Class A Shares and 1.64% for Class I Shares. The waivers for all the Funds are in effect through January 31, 2013.

For the fiscal years ended September 30, 2011, 2010 and 2009, the Adviser earned $35,419,600, $40,141,939 and $38,593,447, respectively, in investment advisory fees from Small Cap Value Fund; $1,230,371, $662,141 and $228,779, respectively, in investment advisory fees from Small-Mid Cap Value Fund; $630,532, $680,939 and $669,026, respectively, in investment advisory fees from Mid Cap Value Fund; and $839,243, $779,104 and $664,003, respectively, in investment advisory fees from All Cap Value Fund.

Small Cap Dividend Value Fund did not commence operations until December 1, 2009. For the fiscal year ended September 30, 2011 and the fiscal period ended September 30, 2010, the Adviser earned $289,311 and $118,188, respectively, in investment advisory fees from Small Cap Dividend Value Fund.

Alternative Value Fund did not commence operations until April 1, 2010. For the fiscal year ended September 30, 2011 and the fiscal period ended September 30, 2010, the Adviser earned $453,666 and $210,053, respectively, in investment advisory fees from Alternative Value Fund.

Mid Cap Dividend Value Fund did not commence operations until October 1, 2011, and therefore the Adviser did not receive any investment advisory fees from Mid Cap Dividend Value Fund for the fiscal year ended September 30, 2011.

Pursuant to an expense cap reimbursement agreement, for the fiscal years ended September 30, 2011, 2010 and 2009, the Adviser reimbursed the following amounts to the following Funds:

- Small-Mid Cap Value Fund: $91,962, $107,536 and $86,870, respectively;
- Mid Cap Value Fund: $72,532, $104,747 and $126,939, respectively; and
- All Cap Value Fund: $71,233, $105,771 and $133,475, respectively.

For the fiscal years ended September 30, 2011, 2010 and 2009, the Adviser did not reimburse Small Cap Value Fund pursuant to an expense cap reimbursement agreement dated October 1, 2009. However, the Adviser voluntarily reimbursed Small Cap Value Fund in the amount of $165,650 on September 30, 2009. This voluntary expense reimbursement is not subject to repayment by Small Cap Value Fund.

For the fiscal year ended September 30, 2011, the Adviser reimbursed $77,712 to Small Cap Dividend Value Fund and $106,995 to Alternative Value Fund. For the fiscal period ended September 30, 2010, the Adviser reimbursed $102,542 to Small Cap Dividend Value Fund and $74,653 to Alternative Value Fund.

Because Mid Cap Dividend Value Fund did not commence operations until October 1, 2011, the Adviser did not make any reimbursement to the Fund for the fiscal year ended September 30, 2011.

At a Board meeting held on November 17, 2011, the Board of Directors, including a majority of the Independent Directors, approved the continuation of the Advisory Agreement for each of the Funds and the Sub-Advisory Agreement for Alternative Value Fund for one additional year, each ending November 30, 2012. A discussion regarding the basis of the approval of the Advisory Agreements and Sub-Advisory Agreement, as well as the material factors considered by the Board of Directors, will be available in the Funds' semi-annual report to shareholders dated March 31, 2012.

PORTFOLIO MANAGERS

John L. Keeley, Jr. is the portfolio manager of Small Cap Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund and All Cap Value Fund and of the equity investments of Alternative Value Fund. In addition, Mr. John L. Keeley, Jr. acts as portfolio manager for approximately 800 other individual accounts, which had assets of $1.3 billion as of September 30, 2011. Included in those individual accounts are three pooled investment vehicles, which had assets of $16.0 million. One of the pooled investment vehicles, which had assets of $4.0 million as of September 30, 2011, provides for a performance-based fee.

Mr. Brian R. Keeley is the assistant portfolio manager of Small Cap Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund, All Cap Value Fund and the equity investments of Alternative Value Fund. Mr. Brian Keeley also co-manages approximately 720 separately managed wrap program accounts with Mr. John L. Keeley, Jr. as of September 30, 2011. None of the accounts managed by Mr. Brian Keeley provide for a performance-based fee.

Edwin C. Ciskowski is an assistant portfolio manager of All Cap Value Fund. Mr. Ciskowski does not manage any other accounts.

Thomas E. Browne, Jr. is the portfolio manager of Small Cap Dividend Value Fund and Mid Cap Dividend Value Fund. Brian P. Leonard is the assistant portfolio manager of Small Cap Dividend Value Fund and Mid Cap Dividend Value Fund. Messrs. Browne and Leonard managed two other accounts as of September 30, 2011. None of the accounts managed by Messrs. Browne or Leonard provide for a performance-based fee.

Christopher J. Guptill is primarily responsible for managing the market risk of Alternative Value Fund. Mr. Guptill is the Chief Executive Officer of Broadmark and has been the Chief Investment Officer since Broadmark's inception in 1999. Broadmark seeks to protect Alternative Value Fund from market risk through a dynamic hedging strategy by measuring such factors as monetary policy, valuation characteristics, investor sentiment and momentum.

The Funds use the same investment strategy, but focus on different issuers:

- Small Cap Value Fund concentrates on small cap stocks;
- Small Cap Dividend Value Fund concentrates on small cap stocks (i) with attractive dividend yields that are, in the opinion of the Adviser, relatively stable or expected to grow, (ii) that pay a small dividend, but could grow their dividend over the next few years, and/or (iii) that pay no dividend, but may initiate a dividend or return cash to shareholders in other ways, such as a share repurchase program;
- Small-Mid Cap Value Fund concentrates on small cap and mid cap stocks;
- Mid Cap Value Fund concentrates on mid-cap stocks;
- Mid Cap Dividend Value Fund concentrates on mid cap stocks (i) with attractive dividend yields that are, in the opinion of the Adviser, relatively stable or expected to grow, (ii) that pay a small dividend, but could grow their dividend over the next few years, and/or (iii) that pay no dividend, but may initiate a dividend or return cash to shareholders in other ways, such as a share repurchase program;
- All Cap Value Fund does not have a size limitation or focus, and is expected to invest in stocks of all size issuers; and
- Alternative Value Fund concentrates its equity investments in small cap and mid cap stocks. The Fund employs hedging strategies and techniques to provide downside protection to the Fund.

A conflict will arise if a portfolio manager decides to sell a security that any of the Funds holds or to purchase a security for a Fund at the same time that such security is to be purchased or sold by a Fund, other pooled investment vehicles and other individual accounts and there is not sufficient trading volume to permit the fill of all of the orders at the same time without affecting the price. Such action could have an effect on the price of the securities, and could potentially result in a Fund paying more (with respect to a purchase) or receiving less (with respect to a sale) than might otherwise be the case if only that Fund were purchasing or selling that security. Historically, when a Fund and any of those other accounts purchased or sold the same security on the same day, the Funds received the best price or the same price, and if possible the transactions were averaged. Now that Mr. John L. Keeley, Jr. is managing the portfolios of five of these registered investment companies, if the Funds buy or sell the same security on the same day, the prices will be averaged and each will receive the same price. If it is not possible to fill all of the orders for the same security for each of the Funds and the other accounts managed by the Adviser, the securities purchased or sold will be allocated among the purchasers or sellers proportionate to the number of shares that each requested to purchase or sell.

Mr. Browne receives a portion of his bonus compensation based upon the performance of Small Cap Dividend Value Fund and Mid Cap Dividend Value Fund relative to their performance benchmarks and peer group rankings. Mr. Brian Keeley receives a portion of his bonus compensation based upon the performance of Small Cap Value Fund and Small-Mid Cap Value Fund relative to their performance benchmarks and peer group rankings. Messrs. Leonard and Ciskowski do not receive any compensation specifically for acting as assistant portfolio managers. Mr. John L. Keeley, Jr. does not receive any compensation specifically for acting as portfolio manager of Small Cap Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund, All Cap Value Fund and the equity investments of Alternative Value Fund. However, as the controlling shareholder of Joley Corp., the parent company of the Adviser, Mr. John L. Keeley, Jr. has the benefit of receiving the majority of the management fees paid by the Funds to the Adviser, after payment by the Adviser of all of its expenses.

As of September 30, 2011, Mr. Browne beneficially owned $100,001-500,000 in Small Cap Dividend Value Fund. Mr. Leonard beneficially owned $50,001-100,000 in Small Cap Dividend Value Fund. Mr. Brian Keeley beneficially owned $10,001-50,000 in Small Cap Value Fund and $100,001-500,000 in Small-Mid Cap Value Fund and did not beneficially own any shares of Mid Cap Value Fund, All Cap Value Fund or Alternative Value Fund. Mr. Ciskowski beneficially owned $0 in All Cap Value Fund. Mr. John L. Keeley, Jr. beneficially owned over $1,000,000 in each of the Funds.

ADMINISTRATION SERVICES

U.S. Bancorp, 615 E. Michigan Street, 3rd Floor, Milwaukee, WI 53202, is the Funds' administrator. The Administrator assists in preparing and filing the Funds' federal and state tax returns and required tax filings (other than those required to be made by the Funds' custodian or transfer agent); participates in the preparation of the Funds' registration statement, proxy statements and reports; prepares state securities law compliance filings; oversees the Funds' fidelity insurance relationships; compiles data for and prepares notices to the SEC; prepares the Funds' annual and semi-annual reports to the SEC and current shareholders; monitors the Funds' expense accounts, the Funds' status as regulated investment companies under Subchapter M of the Internal Revenue Code of 1986, as amended, the Funds' arrangements with respect to services provided pursuant to the Funds' Distribution Plan, compliance with each Fund's investment policies and restrictions; and generally assists in the Funds' administrative operations.

The Administrator, at its own expense and without reimbursement from the Funds, furnishes office space and all necessary office facilities, equipment, supplies and clerical and executive personnel for performing the services required to be performed by it under the administration agreement.

FUND ACCOUNTANT, CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND SECURITIES LENDING AGENT

FUND ACCOUNTANT

U.S. Bancorp also acts as the fund accountant for the Funds. U.S. Bancorp's services include: maintaining portfolio records; obtaining prices for portfolio positions; determining gains/losses on security sales; calculating expense accrual amounts; recording payments for each Fund's expenses; accounting for fund share purchases, sales, exchanges, transfers, dividend reinvestments and other fund share activity; maintaining a general ledger for the Funds; determining the net asset value ("NAV") of each Fund; calculating NAV per share and maintaining tax accounting records for the investment portfolio.

CUSTODIAN

U.S. Bank, N.A., 1555 N. River Center Drive, Suite 302, Milwaukee, WI 53212, is the custodian for the Funds. The Custodian is responsible for: holding all securities and cash of the Funds; receiving and paying for securities purchased; delivering against payment for securities sold; receiving and collecting income from investments; making all payments covering expenses of the Funds; and performing other administrative duties, all as directed by authorized persons of the Funds. The Custodian does not exercise any supervisory function in such matters as purchase and sale of portfolio securities, payment of dividends, or payment of expenses of the Funds. The Funds have authorized the Custodian to deposit certain portfolio securities in central depository systems as permitted under federal law. The Funds may invest in obligations of the Custodian and may purchase or sell securities from or to the Custodian.

TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

U.S. Bancorp acts as the Transfer Agent and Dividend Disbursing Agent for the Funds. U.S. Bancorp's services include printing, postage, forms, stationary, record retention, mailing, insertion, programming, labels, shareholder lists and proxy expenses. These fees and reimbursable expenses may be changed from time to time subject to mutual written agreement between U.S. Bancorp and the Funds and with the approval of the Board of Directors.

U.S. Bancorp receives orders for the purchase of shares; processes purchase orders and issues the appropriate number of uncertificated shares; processes redemption requests; pays money in accordance with the instructions of redeeming shareholders; transfers shares; processes exchanges between funds within the same family of funds; transmits payments for dividends and distributions; maintains current shareholder records; files U.S. Treasury Department Form 1099s and other appropriate information required with respect to dividends and distributions for all shareholders; provides shareholder account information upon request; mails confirmations and statements of account to shareholders for all purchases, redemptions and other confirmable transactions as agreed upon with each Fund and monitors the total number of shares sold in each state.

SECURITIES LENDING AGENT

U.S. Bank National Association ("U.S. Bank") is the Funds' securities lending agent. In its capacity as securities lending agent, U.S. Bank, among other things: enters into and maintains securities loan agreements with borrowers, negotiates fees with borrowers, delivers securities to borrowers, receives collateral from borrowers in connection with each loan, holds and safekeeps the collateral on behalf of the Funds and invests the cash collateral in accordance with the instructions received by the Adviser.

NET ASSET VALUE

For purposes of computing the NAV of a share of a Fund, securities listed on an exchange or quoted on a national market system are valued at the last sales price at the time of valuation or, if there are no reported sales on that day, at the most recent bid quotations. Securities traded on only the OTC markets are valued on the basis of closing OTC bid prices when there is no last sale price available. Securities for which quotations are not available and any other assets are valued at a fair value as determined in good faith by the Board of Directors. Money market instruments having a maturity of 60 days or less from the valuation date are valued on an amortized cost basis.

A Fund's NAV will not be determined on any day on which the NYSE is not open for trading. The NYSE is regularly closed on Saturdays and Sundays and on New Year's Day, the third Monday in January, the third Monday in February, Good Friday, the last Monday in May, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. If one of these holidays falls on a Saturday or Sunday, the NYSE will be closed on the preceding Friday or the following Monday, respectively.

The Company has elected to be governed by Rule 18f-1 under the 1940 Act. As a result of this election, the Funds must redeem shares solely in cash up to the lesser of $250,000 or 1% of the NAV of the Fund during any 90 day period for any one shareholder. Redemptions in excess of those above amounts will normally be paid in cash, but may be paid wholly or partly by a distribution of Fund portfolio securities.

Investments by corporations must include a certified copy of corporate resolutions indicating which officers are authorized to act on behalf of the account. Investments by trustees must include a copy of the title and signature page of the trust agreement and pages indicating who is authorized to act.

PURCHASES AND REDEMPTION OF SHARES

For information on purchase and redemption of shares, see "How to Buy, Sell and Exchange Shares" in the Funds' Prospectus. Each Fund may suspend the right of redemption of shares of the Fund for any period: (i) during which the NYSE is closed other than customary weekend and holiday closing or during which trading on the NYSE is restricted; (ii) when the SEC determines that a state of emergency exists that may make payment or transfer not reasonably practicable; (iii) as the SEC may, by order, permit for the protection of the security holder of the Fund; or (iv) at any other time when the Fund may, under applicable laws and regulations, suspend payment on the redemption of its shares.

SALES AT NET ASSET VALUE

CLASS A SHARES

Only certain sales of Class A Shares are made at NAV, meaning they are not subject to a sales charge. This is because certain investor and intermediary transactions involve little or no expense. The investors who may be able to purchase Class A Shares without paying an initial sales charge generally are as follows:

- Certain trustees, directors, employees and affiliates of the Adviser;
- Certain financial intermediary personnel;
- Certain tax-exempt entities;
- Certain financial institutions, including banks, brokers or insurance companies; and
- Clients of the Adviser or other registered investment advisers charging periodic or asset-based fees.

Furthermore, reinvestment of dividends or distributions or the exchanges of shares of one Fund for another (including the First American Prime Obligations Fund) are not subject to a sales charge. The minimum initial investment for Class A Shares is $2,500, and the minimum for additional investments is $50. Each minimum is subject to change at any time. The Distributor may waive the sales charge in certain other limited instances where it perceives there to be little or no expense associated with the share purchase.

Please check with the Distributor whether you qualify for investment in Class A Shares at NAV.

CLASS I SHARES

All sales of Class I Shares are made at NAV, meaning they are not subject to a sales charge. In addition, Class I Shares are not subject to the 12b-1 Plan, which results in a lower overall expense ratio than Class A Shares. The minimum initial investment for Class I Shares is $1 million, and the minimum for additional investments is $10,000. Each minimum is subject to change at any time. The Distributor may waive the minimum initial investment to establish certain Class I Share accounts and may waive the minimum amount for additional investments to certain Class I Share accounts.

Please check with the Distributor to confirm whether you qualify for investment in Class I Shares.

EXCHANGE PRIVILEGE

Investors may exchange some or all of their Fund shares between identically registered accounts of other Funds or for shares of the First American Prime Obligations Fund (the "Prime Obligations Fund"). The minimum exchange amount between the KEELEY Funds is $250. The minimum exchange amount between any of the Funds and shares in the Prime Obligations Fund is described in the Prime Obligation Fund's prospectus. For exchange purposes, Class A Shares may only be exchanged for Class I Shares if an investor meets the $1 million investment minimum for Class I Shares. An investor is limited to four exchanges in each 12-month period. Investors who are interested in exercising the exchange privilege should first contact the Funds to obtain instructions and any necessary forms. The exchange privilege does not in any way constitute an offering or recommendation on the part of the Funds or the Adviser of an investment in the Prime Obligations Fund. Any investor who considers making such an investment through the exchange privilege should obtain and review the prospectuses of the Prime Obligations Fund before exercising the exchange privilege. The Distributor is entitled to receive a fee from Prime Obligations Fund for certain distribution and support services at the annual rate of 0.002% of the average daily NAV of the shares for which it is the holder or dealer of record.

The exchange privilege will not be available if (i) the proceeds from a redemption of shares are paid directly to the investor or at his or her discretion to any persons other than the Prime Obligations Fund or the Funds, or (ii) the proceeds from redemption of the shares of the Prime Obligations Fund are not immediately reinvested in shares of a Fund. The exchange privilege may be terminated by any Fund at any time.

For federal income tax purposes, a redemption of shares pursuant to the exchange privilege will result in a capital gain if the proceeds received exceed the investor's tax-cost basis of the shares redeemed. Such a redemption also may be taxed under state and local tax laws, which may differ from the Code.

TAXATION

Set forth below is a discussion of certain U.S. federal income tax issues concerning the Funds and the purchase, ownership and disposition of Fund shares. This discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to shareholders in light of their particular circumstances. Unless otherwise noted, this discussion assumes you are a shareholder who is a U.S. person, as defined for U.S. federal income tax purposes, and that you hold your shares as a capital asset. This discussion is based upon present provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder, and judicial and administrative authorities, all of which are subject to change, which change may be retroactive. Prospective investors should consult their own tax advisors with regard to the federal tax consequences of the purchase, ownership, or disposition of Fund shares, as well as the tax consequences arising under the laws of any state, non-U.S. country, or other taxing jurisdiction.

Each Fund intends to elect to be treated and to qualify annually as a regulated investment company under Subchapter M of the Code.

To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, a Fund must, among other things, (a) derive in each taxable year at least 90% of its gross income from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or non-U.S. currencies, other income derived with respect to its business of investing in such stock, securities or currencies, or interests in "qualified publicly traded partnerships," as defined in the Code; (b) diversify its holdings so that, at the end of each quarter of the taxable year, (i) at least 50% of the value of the Fund's assets is represented by cash and cash items (including receivables), U.S. Government securities, the securities of other regulated investment companies and other securities, with such other securities of any one issuer limited for the purposes of this calculation to an amount not greater than 5% of the value of the Fund's total assets and not greater than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its total assets is invested in the securities (other than U.S. Government securities or the securities of other regulated investment companies) of a single issuer, or two or more issuers that the Fund controls and are engaged in the same, similar or related trades or businesses, or the securities of one or more qualified publicly traded partnerships; and (c) distribute at least 90% of its investment company taxable income (as that term is defined in the Code, but without regard to the deduction for dividends paid), and 90% of its net tax-exempt interest income in each year.

As a regulated investment company, a Fund generally will not be subject to U.S. federal income tax on its investment company taxable income and net capital gain (the excess of net long-term capital gain over net short-term capital loss), if any, that it distributes to shareholders. A Fund may retain for investment its net capital gain. However, if a Fund retains any net capital gain or any investment company taxable income, it will be subject to tax at regular corporate rates on the amount retained. If a Fund retains any net capital gain, it may report the retained amount as undistributed capital gains in a notice to its shareholders who, if subject to U.S. federal income tax on long-term capital gains, (i) will be required to include in income for U.S. federal income tax purposes, as long-term capital gain, their share of such undistributed amount and (ii) will be entitled to credit their proportionate shares of the tax paid by the Fund on such undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds such liabilities. For U.S. federal income tax purposes, the tax basis of shares owned by a shareholder of a Fund will be increased by an amount equal to the difference between the amount of undistributed capital gains included in the shareholder's gross income and the tax deemed paid by the shareholder under clause (ii) of the preceding sentence. The Funds intend to distribute to their shareholders, at least annually, substantially all of their investment company taxable income and net capital gain.

A distribution will be treated as paid on December 31 of the current calendar year if it is declared by a Fund in October, November or December with a record date in such a month and paid by the Fund during January of the following calendar year. Such distributions will be taxable to shareholders in the calendar year in which the distributions are declared, rather than the calendar year in which the distributions are received.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax. To prevent imposition of the excise tax, each Fund must distribute during each calendar year an amount at least equal to the sum of (1) 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) 98.2% of its capital gains in excess of its capital losses (adjusted for certain ordinary losses) for the one-year period ending October 31 of the calendar year, and (3) any ordinary income and capital gains for previous years that were not distributed during those years and on which the Fund paid no U.S. federal income tax. To prevent application of the excise tax, the Funds intend to make their distributions in accordance with the calendar year distribution requirement.

If a Fund failed to qualify as a regulated investment company or failed to satisfy the 90% distribution requirement in any taxable year, and was unable to cure such failure, the Fund would be taxed in the same manner as an ordinary corporation on its taxable income (even if such income were distributed to its shareholders) and distributions to shareholders would not be deductible by the Fund in computing its taxable income. Additionally, all distributions out of earnings and profits would be taxed to shareholders as ordinary dividend income. Such distributions generally would be eligible (i) to be treated as "qualified dividend income," as discussed below in the case of noncorporate shareholders, and (ii) for the dividends received deduction under Section 243 of the Code (the "Dividends Received Deduction") in the case of corporate shareholders.

DISTRIBUTIONS

Dividends paid out of a Fund's investment company taxable income will generally be taxable to a shareholder as ordinary income to the extent of the Fund's current and accumulated earnings and profits, whether paid in cash or reinvested in additional shares, except as noted below. A distribution of an amount in excess of the Fund's current and accumulated earnings and profits will be treated by a shareholder as a return of capital that is applied against and reduces the shareholder's basis in his or her shares. To the extent that the amount of any such distribution exceeds the shareholder's basis in his or her shares, the excess will be treated by the shareholder as gain from a sale or exchange of the shares.

Such dividends may qualify for the Dividends Received Deduction and the reduced rate of taxation that applies to "qualified dividend income" received by individuals under Section 1(h)(11) of the Code. For taxable years beginning before January 1, 2013, qualified dividend income received by noncorporate shareholders is taxed at rates equivalent to long-term capital gain tax rates, which reach a maximum of 15%. Qualified dividend income generally includes dividends from domestic corporations and dividends from non-U.S. corporations that meet certain specified criteria. The Funds generally can pass the tax treatment of qualified dividend income they receive through to Fund shareholders. For a Fund to receive qualified dividend income, the Fund must hold the stock associated with an otherwise qualified dividend for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or more than 90 days during the 181-day period beginning 90 days before the ex-dividend date, in the case of certain preferred stocks). In addition, the Fund cannot be obligated to make payments (pursuant to a short sale or otherwise) with respect to substantially similar or related property. The same provisions, including the holding period requirements, apply to each shareholder's investment in a Fund. For taxable years beginning on or after January 1, 2013, qualified dividend income will no longer be taxed at the rates applicable to long-term capital gains, and the maximum individual tax rate on long-term capital gains will increase to 20%, unless Congress enacts legislation providing otherwise. The maximum rate of tax on ordinary income of individuals is also scheduled to increase for taxable years beginning on or after January 1, 2013, absent Congressional action.

Distributions of net capital gain, if any, that are reported as capital gain dividends are taxable to a shareholder as long-term capital gains, regardless of how long the shareholder has held Fund shares. Shareholders receiving distributions in the form of additional shares, rather than cash, generally will have a cost basis in each such share equal to the fair market value of a share of the Fund on the investment date.

Shareholders will be notified annually as to the U.S. federal tax status of distributions, and shareholders receiving distributions in the form of additional shares will receive a report as to the NAV of those shares.

For a description of the Funds' distribution policies, see "Distributions and Taxes" in the Funds' Prospectus.

SALE OR EXCHANGE OF FUND SHARES

Upon the sale or other disposition of shares of a Fund that a shareholder holds as a capital asset, such a shareholder may realize a capital gain or loss that will be long-term or short-term, depending upon the shareholder's holding period for the shares. Generally, a shareholder's gain or loss will be a long-term gain or loss if the shares have been held for more than one year. The maximum long-term capital gains rate for individuals is 15% (with lower rates for individuals in the 10% and 15% tax brackets) for taxable years beginning before January 1, 2013. Thereafter, the maximum rate will increase to 20%, unless Congress enacts legislation providing otherwise.

Any loss realized on a sale or exchange will be disallowed to the extent that shares disposed of are replaced (including through reinvestment of dividends) within a period of 61 days beginning 30 days before and ending 30 days after disposition of the original shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. In addition, any loss realized by a shareholder on a disposition of Fund shares held by the shareholder for six months or less will be treated as a long-term capital loss to the extent of any distributions of net capital gain received or deemed received by the shareholder with respect to such shares.

NATURE OF FUND'S INVESTMENTS

Certain of the Funds' investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, including the Dividends Received Deduction, (ii) convert lower taxed long-term capital gain or qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions, and (vii) produce income that will not count toward the 90% of gross income requirement necessary for the Fund to qualify as a regulated investment company under the Code.

Each Fund may make certain tax elections in order to mitigate the effect of these provisions. The Funds' investment program and the tax treatment of Fund distributions may be affected by Internal Revenue Service interpretations of the Code and future changes in tax laws and regulations.

OPTIONS AND FUTURES CONTRACTS

A Fund's transactions in options and futures contracts, if any, will be subject to special provisions of the Code that, among other things, may affect the character of gains and losses realized by the Fund (i.e., may affect whether gains or losses are ordinary or capital), may accelerate recognition of income to the Fund and may defer Fund losses. These rules could, therefore, affect the character, amount and timing of distributions to shareholders. These provisions also (a) will require a Fund to mark-to-market certain types of the positions in its portfolio (i.e., treat them as if they were closed out), and (b) may cause the Fund to recognize income without receiving cash with which to make distributions in amounts necessary to satisfy the distribution requirements for qualifying to be taxed as a regulated investment company and for avoiding excise taxes.

NON-U.S. TAXES

Since the Funds may invest in non-U.S. securities, their income from such securities may be subject to non-U.S. taxes. Tax conventions between certain countries and the United States may reduce or eliminate such taxes.

PASSIVE FOREIGN INVESTMENT COMPANY

If a Fund purchases shares in a "passive foreign investment company" (a "PFIC"), the Fund may be subject to U.S. federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend by the Fund to its shareholders. Additional charges in the nature of interest may be imposed on the Fund in respect of deferred taxes arising from such distributions or gains. If a Fund were to invest in a PFIC and elected to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), in lieu of the foregoing requirements, the Fund would be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if not distributed to the Fund. Alternatively, the Fund can elect to mark-to-market at the end of each taxable year its shares in a PFIC; in this case, the Fund would recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it did not exceed prior increases included in income. Under either election, the Fund might be required to recognize in a year income in excess of its distributions from PFICs and its proceeds from dispositions of PFIC stock during that year, and such income would nevertheless be subject to the distribution requirement applicable to regulated investment companies and would be taken into account for purposes of the nondeductible 4% excise tax (described above). Dividends paid by PFICs will not be treated as qualified dividend income.

CURRENCY FLUCTUATIONS

Under Section 988 of the Code, gains or losses attributable to fluctuations in exchange rates between the time a Fund accrues income or receivables or expenses or other liabilities denominated in a non-U.S. currency and the time the Fund actually collects such income or receivables or pays such liabilities are generally treated as ordinary income or loss. Similarly, gains or losses on non-U.S. currency forward contracts and the disposition of debt securities denominated in non-U.S. currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, also are treated as ordinary income or loss.

RECOGNITION OF INCOME IN THE ABSENCE OF CASH

Investments by a Fund in zero coupon or other discount securities will result in income to the Fund equal to a portion of the excess of the face value of the securities over their issue price (the "original issue discount") each year that the securities are held, even though the Fund receives no cash interest payments. In other circumstances, whether pursuant to the terms of a security or as a result of other factors outside the control of the Fund, the Fund may recognize income without receiving a commensurate amount of cash. Such income is included in determining the amount of income that the Fund must distribute to maintain its status as a regulated investment company and to avoid the payment of federal income tax and the nondeductible 4% excise tax. Because such income may not be matched by a corresponding cash distribution to the Fund, the Fund may be required to borrow money or dispose of other securities to be able to make distributions to its shareholders.

The Code imposes constructive sale treatment for U.S. federal income tax purposes on certain hedging strategies with respect to appreciated financial positions. Under these rules, taxpayers will recognize gain, but not loss, with respect to securities if they enter into short sales or "offsetting notional principal contracts" (as defined by the Code) with respect to, or futures or forward contracts to deliver, the same or substantially identical property, or if they enter into such transactions and then acquire the same or substantially identical property. The Secretary of the Treasury is authorized to promulgate regulations that will treat as constructive sales certain transactions that have substantially the same effect as these transactions.

INVESTMENTS IN SECURITIES OF UNCERTAIN TAX CHARACTER

The Funds may invest in preferred securities, convertible securities or other securities the U.S. federal income tax treatment of which is uncertain or subject to re-characterization by the Internal Revenue Service. To the extent the tax treatment of such securities or income differs from the tax treatment expected by a Fund, it could affect the timing or character of income recognized by the Fund, requiring the Fund to purchase or sell securities, or otherwise change its portfolio, in order to comply with the tax rules applicable to regulated investment companies under the Code.

BACKUP WITHHOLDING

A Fund may be required to withhold U.S. federal income tax from all taxable distributions and redemption proceeds payable to shareholders who fail to provide the Fund with their correct taxpayer identification number or to make required certifications, or who have been notified by the Internal Revenue Service that they are subject to backup withholding. The backup withholding percentage is 28% for amounts paid through 2012, after which time the rate will increase to 31% absent legislative change. Corporate shareholders and certain other shareholders specified in the Code generally are exempt from such backup withholding. This withholding is not an additional tax. Any amounts withheld may be credited against the shareholder's U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

REGULATIONS ON "REPORTABLE TRANSACTIONS"

Under Treasury regulations, if a shareholder recognizes a loss of $2 million or more for an individual shareholder or $10 million or more for a corporate shareholder in any single taxable year (or a greater loss over a combination of years), the shareholder must file with the Internal Revenue Service a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, shareholders of a regulated investment company are not excepted. Future guidance may extend the current exception from this reporting requirement to shareholders of most or all regulated investment companies. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

COST BASIS REPORTING

Recently-enacted legislation requires that the Funds report to the Internal Revenue Service and furnish to Fund shareholders detailed "cost basis" and holding period information for Fund shares acquired on or after January 1, 2012 ("covered shares") and sold on or after that date. These requirements do not apply to investments through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement plan. If a shareholder redeems covered shares during any year, then the Fund will report the cost basis of such covered shares to the IRS and to the shareholder on Form 1099-B along with the gross proceeds received on the redemption, the gain or loss realized on such redemption and the holding period of the redeemed shares.

Each Fund's default cost basis calculation methodology will be based on the average cost of all shares purchased on or after January 1, 2012. Shareholders will be able to change their default method to another IRS-accepted cost basis method via the Keeley Funds website, www.keeleyfunds.com, or by notifying the Fund's transfer agent in writing. The elected cost basis (or the default cost basis method) for each sale of Fund shares may not be changed following the settlement date of each such sale of Fund shares.

Shareholders hold Fund shares through a broker-dealer (or another nominee) should contact that broker-dealer (nominee) with respect to the reporting of cost basis and available elections for their account.

Shareholders are encouraged to consult their tax advisors regarding the application of the new cost basis reporting rules and, in particular, which cost basis calculation method they should elect.

OTHER TAXES

Fund shareholders may be subject to state, local and non-U.S. taxes on their Fund distributions. Shareholders are advised to consult their own tax advisors with respect to the particular tax consequences to them of an investment in the Funds.

DISTRIBUTION OF SHARES

The Distributor, Keeley Investment Corp., 401 S. LaSalle Street, Chicago, IL 60605, acts as the principal underwriter for the Funds under an Underwriting Agreement between the Company and the Distributor. The Distributor is a registered broker-dealer under the Securities Exchange Act of 1934, member of FINRA, the Securities Investor Protection Company, and an affiliate of the Adviser.

The Underwriting Agreement provides that the Distributor will use its best efforts to distribute the shares of the Funds on a continuous basis and will receive commissions on such sales as described in the Prospectus under "How Shares are Priced." The Distributor bears the costs of advertising and any other costs attributable to the distribution of the shares of the Funds. A portion of these costs may be reimbursed by a Fund pursuant to the Fund's Distribution Plan described below. The Distributor may receive brokerage commissions for executing portfolio transactions for a Fund. The Distributor may enter into sales agreements with other entities to assist in the distribution effort. Any compensation to these other entities will be paid by the Distributor from the proceeds of the sales charge. The Distributor also may compensate these entities out of the distribution fees received from each Fund. For the fiscal years ended September 30, 2011, 2010 and 2009, the Distributor received the following underwriting commissions:

Year	Front End Sales Charges	Redemption Charges	Total
2011	$ 216,204	None	$216,204
2010	$ 221,636	None	$221,636
2009	$ 459,239	None	$459,239

DISTRIBUTION AND SHAREHOLDER SERVICING ARRANGEMENTS

DISTRIBUTION PLAN

For Class A Shares, the Company has adopted a Plan of Distribution pursuant to Rule 12b-1 of the 1940 Act (the "Plan"). The Plan was adopted anticipating that the Funds will benefit from the Plan through increased future sales of shares of the Funds, eventually reducing the Funds' expense ratios and providing an asset size that will allow the Adviser greater flexibility in management. For any Fund, the Plan may be terminated at any time by a vote of the Directors who are not interested persons of the Company and who have no direct or indirect financial interest in the Plan or any agreement related thereto (the "Rule 12b-1 Directors") or by a vote of a majority of the outstanding shares of that Fund. Any change in the Plan that would materially increase the distribution expenses of a Fund provided for in the Plan requires the approval of the shareholders and the Board of Directors, including the Rule 12b-1 Directors.

Pursuant to the Plan, each Fund will pay directly or reimburse the Distributor a 12b-l distribution and other fee equal to the amounts specified in the Funds' Prospectus. These fees will be used to pay distribution expenses directly or shall reimburse the Distributor for costs and expenses incurred in connection with distributing and marketing shares of each Fund. Such distribution costs and expenses may include (i) advertising by radio, television, newspapers, magazine, brochures, sales literature, direct mail or any other form of advertising, (ii) expenses of sales employees and agents of the Distributor, including salary or a portion thereof, commissions, travel and related expenses, (iii) payments to broker-dealers and financial institutions for services in connection with the distribution of shares, including fees calculated with reference to the average daily net asset value of shares held by shareholders who have a brokerage or other service relationships with the broker-dealer or institution receiving such fees, (iv) costs of printing prospectuses and other material to be given or sent to prospective investors, and (v) such other similar services as the Board of Directors of the Company determines to be reasonably calculated to result in the sale of shares of each Fund.

While the Plan is in effect, the selection and nomination of Directors who are not interested persons of the Company will be committed to the discretion of the Directors of the Company who are not interested persons of a Fund. The Board of Directors must review the amount and purposes of expenditures pursuant to the Plan quarterly as reported to it by the Distributor. The Plan will continue in effect for as long as its continuance is specifically approved at least annually by a majority of the Directors, including the Rule 12b-1 Directors.

For the fiscal year ended September 30, 2011, the Distributor received $320,626 under the Plan from Small Cap Value Fund. During the same period, Small Cap Value Fund paid an additional $7,524,214 pursuant to the Plan, all of which represented compensation to dealers.

For the fiscal year ended September 30, 2011, the Distributor received $12,660 under the Plan from Small Cap Dividend Value Fund. During the same period, Small Cap Dividend Value Fund paid an additional $16,360 pursuant to the Plan, all of which represented compensation to dealers.

For the fiscal year ended September 30, 2011, the Distributor received $20,420 under the Plan from Small-Mid Cap Value Fund. During the same period, Small-Mid Cap Value Fund paid an additional $129,101 pursuant to the Plan, all of which represented compensation to dealers.

For the fiscal year ended September 30, 2011, the Distributor received $47,615 under the Plan from Mid Cap Value Fund. During the same period, Mid Cap Value Fund paid an additional $74,764 pursuant to the Plan, all of which represented compensation to dealers.

For the fiscal year ended September 30, 2011, the Distributor received $52,386 under the Plan from All Cap Value Fund. During the same period, All Cap Value Fund paid an additional $88,529 pursuant to the Plan, all of which represented compensation to dealers.

For the fiscal year ended September 30, 2011, the Distributor received $10,899 under the Plan from Alternative Value Fund. During the same period, Alternative Value Fund paid an additional $10,723 pursuant to the Plan, all of which represented compensation to dealers.

As of the fiscal year ended September 30, 2011, Mid Cap Dividend Value Fund had not yet commenced operations and therefore did not pay any amount to the Distributor under the Plan.

Amounts paid under the Plan (which may not exceed a maximum monthly percentage of 1/12 of 0.25% (0.25% per annum) of the Fund's average daily net assets) are paid to the Distributor in connection with its services as distributor. Payments, if any, are made monthly and are based on reports submitted by the Distributor to each Fund which sets forth all amounts expended by the Distributor pursuant to the Plan. Under no circumstances will a Fund pay a fee, pursuant to the Plan, the effect of which would be to exceed the FINRA limitations on asset based compensation described below.

FINRA has rules that may limit the extent to which a Fund may make payments under the Plan. Although FINRA's rules do not apply to the Funds directly, the rules apply to members of FINRA such as the Distributor and prohibit them from offering or selling shares of a Fund if the sale charges (including 12b-1 fees) imposed on such shares exceed FINRA's limitations.

The rules impose two related limits on 12b-1 fees paid by investors: an annual limit and a rolling cap. The annual limit is 0.75% of assets (with an additional 0.25% permitted as a service fee). The rolling cap on the total of all sales charges (including front end charges, contingent deferred sales charges and asset-based charges such as 12b-1 payments) is 6.25% of new sales (excluding sales resulting from the reinvestment of dividends and distributions) for funds that charge a service fee and 7.25% of new sales for funds that do not assess a service fee.

Whether the rolling applicable maximum sales charge has been exceeded requires periodic calculations of a Fund's so-called "remaining amount." The remaining amount is the amount to which a Fund's total sales charges are subject for purposes of ensuring compliance with the FINRA limits. The Fund's remaining amount is generally calculated by multiplying the Fund's new sales by its appropriate FINRA maximum sales charge (6.25% or 7.25%). From this amount is subtracted the Fund's sales charges on the new sales and the 12b-1 payments accrued or paid over the period. The Fund's remaining amount increases with new sales of the Fund (because the Fund's front-end sales charge is less than the applicable FINRA maximum) and decreases as the 12b-1 charges are accrued. The

FINRA rules permit the remaining amount to be credited periodically with interest based on the rolling balance of the remaining amount. If a Fund's remaining amount reaches zero, it must stop accruing its 12b-1 charges until it has new sales that increase the remaining amount. The Fund's remaining amount may be depleted as a result of the payment of 12b-1 fees if, for example, the Fund experiences an extended period of time during which no new sales are made or during which new sales are made but in an amount insufficient to generate increases in the remaining amount to offset the accruing 12b-1 charges.

SHAREHOLDER SERVICING ARRANGEMENTS

The Company has retained the Distributor to serve as the shareholder servicing agent for the Funds pursuant to a shareholder servicing agreement (the "Shareholder Servicing Agreement"). Under the Shareholder Servicing Agreement, the Company pays the Distributor a monthly fee calculated at an annual rate of 0.05% of each Fund's average daily net assets for providing support services to investors who beneficially own shares of a Fund. The Shareholder Servicing Agreement may be continued in effect from year to year if such continuance is approved annually by the Board of Directors of the Company, including the vote of a majority of the Independent Directors. For the fiscal year ended September 30, 2011, the Distributor received payments of $1,912,200, $61,519, $31,527, $41,962, $14,466 and $14,177 from Small Cap Value Fund, Small-Mid Cap Value Fund, Mid Cap Value Fund, All Cap Value Fund, Small Cap Dividend Value Fund and Alternative Value Fund, respectively, under the Shareholder Servicing Agreement. As of the fiscal year ended September 30, 2011, Mid Cap Dividend Value Fund had not yet commenced operations and therefore did not pay any amount to the Distributor under the Shareholder Servicing Agreement.

PORTFOLIO TRANSACTIONS AND BROKERAGE

PORTFOLIO TRANSACTIONS

The Adviser (and for Alternative Value Fund, the Sub-Adviser) have discretion to select brokers and dealers to execute portfolio transactions on behalf of the Funds and to select the markets in which such transactions are to be executed. The primary responsibility regarding portfolio transactions is to select the best combination of price and execution for each Fund. When executing transactions, the Adviser and Sub-Adviser will consider all factors they deem relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and the reasonableness of the commission. The Adviser may select the Distributor to execute portfolio transactions, subject to best price and execution. In any such transaction, the Distributor will charge commissions at a substantial discount from retail rates, regardless of the size of the transaction. Portfolio transactions executed by the Distributor will comply with all applicable provisions of Section 17(e) of the 1940 Act. The Sub-Adviser may utilize the services of affiliated broker-dealers to execute portfolio transactions for the Alternative Value Fund on an agency basis and may be paid brokerage commissions from the Fund for such services. Transactions of the Funds in the OTC market may be executed with primary market makers acting as principal except where the Adviser and Sub-Adviser believe that better prices and execution may be obtained elsewhere. The Adviser and Sub-Adviser will not allocate brokerage on the basis of the sale of Fund shares; however, the Adviser may allocate brokerage to broker-dealers (including the Distributor) who have sold shares of a Fund, but any such allocation will be based on price and execution, and not the sale of a Fund shares. In accordance with the provisions of Rule 12b-1(h), each Fund has implemented and the Board of Directors of the Funds has approved policies and procedures reasonably designed to prevent the use of brokerage on Fund securities transactions to promote or sell shares of a Fund.

BROKERAGE

In selecting brokers or dealers to execute particular transactions and in evaluating the best price and execution available, the Adviser and Sub-Adviser are authorized to consider "brokerage and research services" (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934), statistical quotations, specifically the quotations necessary to determine a Fund's asset value, and other information provided to each Fund, the Adviser or the Sub-Adviser. The Adviser and the Sub-Adviser (for the Alternative Value Fund) also are authorized to cause a Fund to pay a broker or dealer who provides such brokerage and research services a commission for executing a portfolio transaction which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction. The Adviser or Sub-Adviser must determine in good faith, however, that such commission was reasonable in relation to the value of the brokerage and research services provided, viewed in terms of that particular transaction or in terms of all the accounts over which the Adviser or Sub-Adviser exercises investment discretion. It is possible that certain of the services received by the Adviser or Sub-Adviser attributable to a particular transaction will benefit one or more other accounts for which the Adviser or Sub-Adviser has investment discretion. The “bunching” of orders for the sale or purchase of marketable portfolio securities with other accounts under management of the Adviser or Sub-Adviser to save brokerage costs or average prices among them is not deemed to result in a securities trading account.

In valuing research services, the Adviser or Sub-Adviser makes a judgment of the usefulness of research and other information provided by a broker to the Adviser or Sub-Adviser in managing the Funds’ investment portfolios. In some cases, the information, (e.g., data or recommendations concerning particular securities) relates to the specific transaction placed with the broker but for greater part the research consists of a wide variety of information concerning companies, industries, investment strategy and economic, financial and political conditions and prospects, useful to the Adviser in advising the Funds or the Sub-Adviser in advising the Alternative Value Fund.

The Adviser (and for the Alternative Value Fund, the Sub-Adviser) is the principal source of information and advice to the Funds and is responsible for making and initiating the execution of investment decisions by each Fund. However, the Board of Directors recognizes that it is important that the Adviser and Sub-Adviser, in performing their responsibilities for the Funds, continue to receive the broad spectrum of economic and financial information that many securities brokers have customarily furnished in connection with brokerage transactions. The Adviser and Sub-Adviser believe that it is in the interest of the Funds to consider the value of the information received for use in advising the Funds when compensating brokers for their services. The extent to which such information may reduce the expenses of the Adviser’s or Sub-Adviser’s management services to the Funds is not determinable. In addition, the Board of Directors understands that other clients of the Adviser or Sub-Adviser also might benefit from the information obtained for the Funds, in the same manner that the Funds might also benefit from the information obtained by the Adviser or Sub-Adviser in performing services for others.

Although investment decisions for each Fund are made independently from those for other investment advisory clients of the Adviser or Sub-Adviser, the same investment decision may be made for both a Fund and one or more other advisory clients. If both a Fund and other clients purchase or sell the same class of securities on the same day, to the extent the Adviser or Sub-Adviser is able to do so, the transactions will be allocated as to amount and price in a manner considered equitable to each. There may be circumstances under which, if orders are not placed with or through the same broker or executed in the same market, such allocation will not be possible. In those cases, each client will receive the price on its individual order, and a Fund may therefore have higher or lower prices for securities purchased or sold on the same day by the Adviser or Sub-Adviser for other clients.

For the years ended September 30, 2011, 2010 and 2009, Small Cap Value Fund paid to brokers, other than the Distributor, brokerage commissions totaling $501,582, $301,091 and $186,526, respectively, on transactions having a total market value of $330,378,771, $139,035,593 and $61,471,178, respectively. For the years ended September 30, 2011, 2010 and 2009, Small Cap Value Fund paid the Distributor brokerage commissions of $3,807,377, $3,869,981 and $7,232,338, respectively, on transactions involving the payment of commissions having a total market value of $2,257,361,097, $1,943,585,501 and $2,109,141,307, respectively. Of the brokerage commissions paid by Small Cap Value Fund for the years ended September 30, 2011, 2010 and 2009, 88.4%, 92.8% and 97.5%, respectively, were paid to the Distributor in connection with transactions involving securities having a market value equal to 87.2%, 93.3% and 97.2%, respectively, of the total market value of securities on which Small Cap Value Fund paid commissions. The above commissions do not include commissions paid on those transactions when Small Cap Value Fund purchased securities directly from FINRA marketmakers on a principal basis. During the fiscal year ended September 30, 2011, Small Cap Value Fund did not acquire securities of its regular brokers or dealers or their parents.

Small Cap Dividend Value Fund did not commence operations until December 1, 2009; accordingly, for the fiscal year ended September 30, 2009, Small Cap Dividend Value Fund did not pay any brokerage commissions to the Distributor or to brokers other than the Distributor. However, for the fiscal year ended September 30, 2011 and for the fiscal period ended September 30, 2010, Small Cap Dividend Value Fund paid to brokers, other than the Distributor, brokerage commissions totaling $4,156 and $276, respectively, on transactions having a total market value of $4,224,220 and $58,974, respectively. For the fiscal year ended September 30, 2011 and the fiscal period ended September 30, 2010, Small Cap Dividend Value Fund paid the Distributor brokerage commissions of $68,374 and $57,823, respectively, on transactions involving the payment of commissions having a total market value of $112,837,022 and $27,227,347, respectively. Of the brokerage commissions paid by Small Cap Dividend Value Fund for the fiscal year ended September 30, 2011 and the fiscal period ended September 30, 2010, 94.3% and 99.5%, respectively, were paid to the Distributor in connection with transactions involving securities with a market value equal to 91.0% and 99.8%, respectively, of the total market value of securities on which Small Cap Dividend Value Fund paid commissions. The above commissions do not include commissions paid on those transactions when Small Cap Dividend Value Fund purchased securities directly from FINRA marketmakers on a principal basis. During the fiscal year ended September 30, 2011, Small Cap Dividend Value Fund did not acquire securities of its regular brokers or dealers or their parents.

For the fiscal years ended September 30, 2011, 2010 and 2009, Small-Mid Cap Value Fund paid brokerage commissions to brokers, other than the Distributor, brokerage commissions totaling $120, $6,240 and $125, respectively, on transactions having a total market value of $117,158, $1,397,836 and $57,500. For the fiscal period ended September 30, 2011, 2010 and 2009, Small-Mid Cap Value Fund paid the Distributor brokerage commissions of $391,823, $252,869 and $158,603, respectively, on transactions involving the payment of commissions having a total market value of $237,758,444, $94,875,910 and $42,061,419. Of the brokerage commissions paid by Small-Mid Cap Value Fund for the fiscal period ended September 30, 2011, 2010 and 2009, 99.9%, 97.6% and 99.9%, respectively, was paid to the Distributor in connection with transactions involving securities with a market value equal to 99.9%, 98.5% and 99.9%, respectively, of the total market value of securities on which Small-Mid Cap Value Fund paid commissions. The above commissions do not include commissions paid on those transactions when Small-Mid Cap Value Fund purchased securities directly from FINRA marketmakers on a principal basis. As of the close of the fiscal year ended September 30, 2011, Small-Mid Cap Value Fund did not acquire securities of its regular brokers or dealers or their parents.

For the fiscal years ended September 30, 2011, 2010 and 2009, Mid Cap Value Fund paid to brokers, other than the Distributor, brokerage commissions totaling $0, $1,750 and $550, respectively, on transactions having a total market value of $0, $1,747,218 and $148,520, respectively. For the fiscal years ended September 30, 2011, 2010 and 2009, Mid Cap Value Fund paid the Distributor brokerage commissions of $62,604, $109,839 and $364,360, respectively, on transactions involving the payment of commissions having a total market value of $46,309,681, $68,375,485 and $131,379,628, respectively. Of the brokerage commissions paid by Mid Cap Value Fund for the fiscal years ended September 30, 2011, 2010 and 2009, 100%, 98.4% and 99.8%, respectively, were paid to the Distributor in connection with transactions involving securities with a market value equal to 100%, 97.2% and 99.9%, respectively, of the total market value of securities on which Mid Cap Value Fund paid commissions. The above commissions do not include commissions paid on those transactions when Mid Cap Value Fund purchased securities directly from FINRA marketmakers on a principal basis. During the fiscal year ended September 30, 2011, Mid Cap Value Fund did not acquire securities of its regular brokers or dealers or their parents.

For the fiscal years ended September 30, 2011, 2010 and 2009, All Cap Value Fund paid to brokers, other than the Distributor, brokerage commissions totaling $0, $0 and $0, respectively, on transactions having a total market value of $0, $0 and $0, respectively. For the fiscal years ended September 30, 2011, 2010 and 2009, All Cap Value Fund paid the Distributor brokerage commissions of $106,480, $162,783 and $249,809, respectively, on transactions involving the payment of commissions having a total market value of $69,017,590, $67,521,804 and $66,267,514. Of the brokerage commissions paid by the Fund for the fiscal years ended September 30, 2011, 2010 and 2009, 100%, 100% and 100%, respectively, were paid to the Distributor in connection with transactions involving securities with a market value equal to 100%, 100% and 100%, respectively, of the total market value of securities on which All Cap Value Fund paid commissions. The above commissions do not include commissions paid on those transactions when All Cap Value Fund purchased securities directly from FINRA marketmakers on a principal basis. During the fiscal year ended September 30, 2011, All Cap Value Fund did not acquire securities of its regular brokers or dealers or their parents.

Alternative Value Fund did not commence operations until April 1, 2010; accordingly, for the fiscal year ended September 30, 2009, Alternative Value Fund did not pay any brokerage commissions to the Distributor or to brokers other than the Distributor. For the fiscal year ended September 30, 2011 and the fiscal period ended September 30, 2010, Alternative Value Fund paid to brokers, other than the Distributor, brokerage commissions totaling $26,351 and $25,925, respectively, on transactions having a total market value of $53,071,425 and $37,843,704, respectively. For the fiscal year ended September 30, 2011 and the fiscal period ended September 30, 2010, Alternative Value Fund paid the Distributor brokerage commissions of $93,461 and $58,108, respectively, on transactions involving the payment of commissions having a total market value of $49,701,117, and $26,127,380, respectively. Of the brokerage commissions paid by Alternative Value Fund for the fiscal year ended September 30, 2011 and the fiscal period ended September 30, 2010, 78.0% and 69.1%, respectively, were paid to the Distributor in connection with transactions involving securities with a market value equal to 48.4% and 40.8%, respectively, of the total market value of securities on which Alternative Value Fund paid commissions. The above commissions do not include commissions paid on those transactions when Alternative Value Fund purchased securities directly from FINRA marketmakers on a principal basis. During the fiscal period ended September 30, 2011, Alternative Value Fund did not acquire securities of its regular brokers or dealers or their parents.

Mid Cap Dividend Value Fund did not commence operations until October 1, 2011; accordingly, for the fiscal years ended September 30, 2011, 2010 and 2009, Mid Cap Dividend Value Fund did not pay any brokerage commissions to the Distributor or to brokers other than the Distributor.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

For the purpose of this SAI "control" means: (i) the beneficial ownership, either directly or through one or more controlled companies, of more than 25% of the voting securities of a company; (ii) the acknowledgment or assertion by either the controlled or controlling party of the existence of control; or (iii) an adjudication under the terms and conditions of the 1940 Act, which has become final, that control exists.

As of January 1, 2012, the Directors and officers, as a group, beneficially owned in the aggregate less than 1% of the shares of the Small Cap Value Fund, and held the following percentage of the other Funds' equity securities:

- 47% of Small Cap Dividend Value Fund;
- 10% of Small-Mid Cap Value Fund;
- 44% of Mid Cap Value Fund;
- 59% of Mid Cap Dividend Value Fund;
- 35% of All Cap Value Fund; and
- 40% of Alternative Value Fund.

As of the same date, within the percentages noted above, the ownership of the Funds' securities held by Mr. John L. Keeley, Jr. was:

- 924,534 shares in Small Cap Value Fund, representing less than 1% of the issued and outstanding shares of common stock of the Fund;
- 1,376,129 shares in Small Cap Dividend Value Fund, representing 45% of the issued and outstanding shares of common stock of the Fund;
- 1,510,282 shares in Small-Mid Cap Value Fund, representing 10% of the issued and outstanding shares of common stock of the Fund;
- 2,345,628 shares in Mid Cap Value Fund, representing 43% of the issued and outstanding shares of common stock of the Fund;

- 335,951 shares in Mid Cap Dividend Value Fund, representing 56% of the issued and outstanding shares of common stock of the Fund;
- 2,297,493 shares in All Cap Value Fund, representing 33% of the issued and outstanding shares of common stock of the Fund; and
- 866,486 shares in Alternative Value Fund, representing 37% of the issued and outstanding shares of common stock of the Fund.

As of January 1, 2012, the following persons held of record more than 5% of the outstanding shares of the Funds:

Name and Address	Fund	Percentage of Outstanding Shares Held
Charles Schwab & Co. 101 Montgomery St. San Francisco, CA 94104-4151	Small Cap Value Fund - Class A	14.58%
Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399-0001	Small Cap Value Fund - Class A	12.29%
Morgan Stanley Smith Barney Harborside Financial Center Plaza 2 3rd Floor Jersey City, NJ 07311	Small Cap Value Fund - Class A	5.12%
First Clearing LLC 2801 Market Street St. Louis, MO 63103-2523	Small Cap Value Fund - Class I	28.86%
Charles Schwab & Co. 101 Montgomery St. San Francisco, CA 94104-4151	Small Cap Value Fund - Class I	11.37%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Small Cap Value Fund - Class I	5.90%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Small Cap Dividend Value Fund - Class A	46.95%
LPL Financial 9785 Towne Centre Dr. San Diego, CA 92121-1968	Small Cap Dividend Value Fund - Class A	21.54%
Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399-0001	Small Cap Dividend Value Fund - Class A	11.64%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Small Cap Dividend Value Fund - Class I	84.87%
First Clearing LLC 2801 Market Street St. Louis, MO 63103-2523	Small Cap Dividend Value Fund - Class I	11.83%
Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399-0001	Small-Mid Cap Value Fund - Class A	26.94%
Charles Schwab & Co. 101 Montgomery St. San Francisco, CA 94104-4151	Small-Mid Cap Value Fund - Class A	10.94%
LPL Financial 9785 Towne Centre Dr. San Diego, CA 92121-1968	Small-Mid Cap Value Fund - Class A	8.38%
National Financial Services, LLC 200 Liberty St.	Small-Mid Cap Value Fund - Class A	5.64%

New York, NY 10281-1003		
LPL Financial 9785 Towne Centre Dr. San Diego, CA 92121-1968	Small-Mid Cap Value Fund - Class I	51.66%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Small-Mid Cap Value Fund - Class I	23.47%
Citi Group Global Markets Inc. 700 Red Brook Blvd. Owings Mills, MD 21117-5184	Small-Mid Cap Value Fund - Class I	11.03%
First Clearing LLC 2801 Market Street St. Louis, MO 63103-2523	Small-Mid Cap Value Fund - Class I	7.00%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Mid Cap Value Fund - Class A	47.55%
Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399-0001	Mid Cap Value Fund - Class A	11.81%
First Clearing LLC 2801 Market Street St. Louis, MO 63103-2523	Mid Cap Value Fund - Class A	5.85%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Mid Cap Value Fund - Class I	89.64%
Wells Fargo Bank N.A. P.O. Box 1533 Minneapolis, MN 55480-1533	Mid Cap Value Fund - Class I	5.36%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Mid Cap Dividend Value Fund - Class A	99.43%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Mid Cap Dividend Value Fund - Class I	99.30%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	All Cap Value Fund - Class A	43.31%
Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399-0001	All Cap Value Fund - Class A	21.10%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	All Cap Value Fund - Class I	50.39%
Charles Schwab & Co. 101 Montgomery St. San Francisco, CA 94104-4151	All Cap Value Fund - Class I	25.70%
First Clearing LLC 2801 Market Street St. Louis, MO 63103-2523	All Cap Value Fund - Class I	19.64%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Alternative Value Fund - Class A	70.34%
Pershing LLC 1 Pershing Plaza	Alternative Value Fund - Class A	15.84%

Jersey City, NJ 07399-0001		
Charles Schwab & Co. 101 Montgomery St. San Francisco, CA 94104-4151	Alternative Value Fund - Class A	10.72%
National Financial Services, LLC 200 Liberty St. New York, NY 10281-1003	Alternative Value Fund - Class I	45.80%
Charles Schwab & Co. 101 Montgomery St. San Francisco, CA 94104-4151	Alternative Value Fund - Class I	26.22%
SEI Private Trust Company One Freedom Valley Drive Oaks, PA 19456-9989	Alternative Value Fund - Class I	8.93%
Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399-0001	Alternative Value Fund - Class I	8.21%

PROXY VOTING

As the beneficial owner of the Funds' securities, the Company, through its Board of Directors, has the right and the obligation to vote the Funds' portfolio securities. The Board of Directors has delegated the voting power for the Funds' securities to its investment adviser. The Adviser has adopted proxy voting policies and procedures for all of its clients, including the Funds. Those policies and procedures will govern each Fund's voting of portfolio securities, except to the extent varied by a Fund's Policies and Procedures, in which case that Fund's policies and procedures will govern.

The Company's proxy voting Policies and Procedures are based on the following assumptions:

- Voting rights have economic value.
- There is a duty to cast an informed vote.
- Funds securities must be voted in a way that benefits each Fund and its shareholders solely.

The following is a summary of the manner in which the Company would normally expect to vote on certain matters that typically are included in the proxies that each Fund receives each year; however, each proxy needs to be considered separately and the Company's vote may vary depending upon the actual circumstances presented. Proxies for extraordinary matters, such as mergers, reorganizations and other corporate transactions, are necessarily considered on a case-by-case basis in light of the merits of the individual transactions.

1) The Company will vote securities with management on routine matters (e.g., election of Directors, ratification or selection of Accountants).
2) The Company will rely upon the Adviser's analysis of other management proposals, which it will make on a case-by-case basis (e.g., executive compensation, stock option plans, indemnification of Directors).

3) The Company will oppose anti-takeover proposals (e.g., supermajority amendments, unequal voting rights plans), except where special circumstances dictate otherwise.

4) On matters relating to social and political responsibility, unless in the Adviser's judgment a vote in one direction or the other is likely to have a material effect on the market value of a Fund securities, the Fund will abstain.

All other issues brought forth will be reviewed by the Adviser on a case-by-case basis with the sole aim of enhancing the value of each Fund's assets.

Although the Adviser does not anticipate that proxy voting generally will present a conflict of interest between a Fund, on the one hand, and the person exercising the vote (the Adviser, the Distributor or affiliated persons of the Adviser or the Distributor), on the other, the Adviser recognizes that it is possible that a conflict of interest could arise. If the Adviser identifies a situation that it believes presents a conflict of interest, and if that situation requires a vote on a specific matter (e.g. an anti-takeover matter), as set forth above, then the proxy will be voted in accordance with the predetermined policy without regard to the conflict. If there is no predetermined policy, or if the policy requires management to exercise judgment, then (i) if the perceived conflict involves the person exercising voting judgment on behalf of a Fund but does not involve the Adviser, Distributor or any other person controlling those entities, the exercise of voting judgment will be made by another officer of the Fund who does not have the conflict; (ii) if there is no other officer of the Fund who does not have a perceived conflict or the conflict involves the Adviser, the Distributor or someone who controls either of them, the Adviser will seek approval of its vote from the Independent Directors (which approval need not be at a meeting but may be by separate telephone conferences, depending on the time available to vote); or (iii) the Adviser may retain an independent third party to make a determination as to the appropriate vote on the matter, and may cast the vote in accordance with the determination.

Every August the Company files with the SEC information regarding the voting by the Company of proxies for securities of the Funds for the 12-month period ending the preceding June 30th. Shareholders are able to view such filings on the SEC's website at http://www.sec.gov. Shareholders also may obtain a copy of the Proxy Voting Policies and the Company's proxy voting record for the most recent 12-month period ended June 30, free of charge, by contacting the Company at 800-533-5344.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PwC, 100 East Wisconsin Avenue, Suite 1800, Milwaukee, WI 53202, is the independent registered public accounting firm for the Funds. PwC audits and reports on each Fund's annual financial statements, reviews each Fund's income tax returns, and performs other professional accounting, auditing, tax services when engaged to do so by the Company.

ADDITIONAL INFORMATION

SHAREHOLDER MEETINGS

The Company's Articles of Incorporation do not require that the Company hold annual or regular shareholder meetings. Shareholder meetings may be called by the Board of Directors and held at such times that the Directors, from time to time, determine for the purpose of the election of Directors or such other purposes as may be specified by the Directors.

REMOVAL OF DIRECTORS BY SHAREHOLDERS

The Company's By-Laws contain procedures for the removal of Directors by its shareholders. At any meeting of shareholders, duly called and at which a quorum is present, the shareholders may, by the affirmative vote of the holders of a majority of the votes then entitled to vote at an election of Directors, remove any Director or Directors from office and may elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed Directors.

Upon the written request of the holders of shares entitled to not less than ten percent (10%) of all of the votes entitled to be cast at such meeting, the Secretary of a Fund shall promptly call a special meeting of shareholders for the purpose of voting upon the question of removal of any Director. Whenever ten or more shareholders of record who have been such for at least six months preceding the date of application, and who hold in the aggregate either shares having a NAV of at least $25,000 or at least one percent (1%) of the total outstanding shares, whichever is less, shall apply to a Fund's Secretary in writing, stating that they wish to communicate with other shareholders with a view to obtaining signatures to a request for a meeting as described above and accompanied by a form of communication and request which they wish to transmit, the Secretary shall within five business days after such application either: (i) afford to such applicants access to a list of the names and addresses of all shareholders as recorded on the books of the Company with respect to a Fund; or (ii) inform such applicants as to the approximate number of shareholders of record and the approximate cost of mailing to them the proposed communication and form of request.

If the Secretary elects to follow the course specified in clause (ii) of the last sentence of the preceding paragraph, the Secretary, upon the written request of such applicants, accompanied by a tender of the material to be mailed and of the reasonable expenses of mailing, shall, with reasonable promptness, mail such material to all shareholders of record at their addresses as recorded on the books unless within five business days after such tender the Secretary shall mail to such applicants and file with SEC, together with a copy of the material to be mailed, a written statement signed by at least a majority of the Board of Directors to the effect that in their opinion either such material contains untrue statements of fact or omits to state facts necessary to make the statements contained therein not misleading, or would be in violation of applicable law, and specifying the basis of such opinion.

After opportunity for hearing upon the objections specified in the written statement so filed, the SEC may, and if demanded by the Board of Directors or by such applicants shall, enter an order either sustaining one or more of such objections or refusing to sustain any of them. If the SEC shall enter an order refusing to sustain any of such objections, or if, after the entry of an order sustaining one or more of such objections, the SEC shall find, after notice and opportunity for hearing, that all objections so sustained have been met, and shall enter an order so declaring, the Secretary shall mail copies of such material to all shareholders with reasonable promptness after the entry of such order and the renewal of such tender.