

THE ROXBURY FUNDS

Roxbury Small-Cap Growth Fund

6001 Shady Oak Road, Suite 200
Minnetonka, MN 55343

STATEMENT OF ADDITIONAL INFORMATION
November 1, 2009

This Statement of Additional Information (“SAI”) is not a prospectus and should be read in conjunction with the Fund’s current prospectus, dated November 1, 2009, as may be amended from time to time. A copy of the current prospectus and annual and semi-annual reports may be obtained, without charge, by writing to Professional Funds Distributor, LLC (the “Distributor”), 760 Moore Road, King of Prussia, PA 19406, by calling (800) 497-2960 or on the website of The Roxbury Funds at www.RoxburyFunds.com.

The financial statements of the Fund for the fiscal year ended June 30, 2009, included in the Annual Report to shareholders and the report dated August 26, 2009 of Briggs, Bunting & Dougherty, LLP, the independent registered public accounting firm for the Fund, related thereto are incorporated into this SAI by reference. No other parts of the Annual Report are incorporated herein by reference.

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GENERAL INFORMATION

The Roxbury Funds (the “Trust”) was organized as a Delaware statutory trust on April 4, 2006. The Declaration of Trust permits the Board of Trustees to establish series of shares, each of which constitutes a series separate and distinct from the shares of the other series. As of the date of this SAI, the Trust offers one series: the Roxbury Small-Cap Growth Fund (the “Small-Cap Growth Fund” or the “Fund”). The Fund offers one class of shares: Institutional Shares. Institutional Shares are offered to retirement plans and other institutional investors. The Fund is registered as a diversified open-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”).

PRIOR HISTORY

The Fund began operations as an identically-named series of WT Mutual Fund, a separate Delaware statutory trust. In connection with a reorganization that was completed on February 5, 2007, the Fund received all of the assets and liabilities of the Roxbury Small-Cap Growth Fund (the “Predecessor Fund”), a series of WT Mutual Fund.

Institutional Shares of the Predecessor Fund commenced operations on January 2, 2003. The Small-Cap Fund has adopted the accounting and performance history of the Predecessor Fund, for periods prior to the completion of the reorganization mentioned above.

Prior to July 1, 2005, the Predecessor Small-Cap Fund operated as a feeder fund in a master-feeder structure pursuant to which the Fund invested in a corresponding “master series” of WT Investment Trust I (the “Master Trust”), which invested directly in investment securities. The investment objective, strategies, policies, and limitations of the master series was identical to the Fund.

INVESTMENT POLICIES

The following information supplements the information concerning the Fund’s investment objective, policies and limitations found in the prospectus. The Fund seeks superior long-term growth of capital. The investment objective of the Fund may not be changed without shareholder approval.

The Small-Cap Growth Fund, under normal market conditions, invests at least 80% of its assets in securities of companies with market capitalizations, at the time of purchase, consistent with the capitalization ranges of companies that make up the S&P SmallCap 600 and Russell 2000 Indices. The foregoing investment policies may be changed upon 60 days’ written notice to shareholders.

Cash Management. The Fund will under normal market conditions invest no more than 15% of its total assets in cash and cash equivalents including high-quality money market instruments and money market funds in order to manage cash flow. Certain of these instruments are described below.

Money Market Funds. The Fund may invest in the securities of money market mutual funds, within the limits prescribed by the 1940 Act.

U.S. Government Obligations. The Fund may invest in debt securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities. Although all obligations of agencies and instrumentalities are not direct obligations of the U.S. Treasury, the U.S. Government may provide support for payment of the interest and principal on these obligations directly or indirectly. This support can range from securities supported by the full faith and credit of the U.S. (for example, Ginnie Mae securities), to securities that are supported solely or primarily by the creditworthiness of the issuer, such as securities of Fannie Mae, Freddie Mac, the Tennessee Valley Authority, Federal Farm Credit Banks and the Federal Home Loan Banks. In the case of obligations not backed by the full faith and credit of the U.S., the Fund must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the U.S. itself in the event the agency or instrumentality does not meet its commitments.

On September 7, 2008, Fannie Mae and Freddie Mac (collectively the “GSEs”) were placed under the conservatorship of the Federal Housing Finance Agency (“FHFA”) to provide stability in the financial markets, mortgage availability and taxpayer protection by preserving the GSEs’ assets and property and putting the GSEs in a sound and solvent condition. Under the conservatorship, the management of the GSEs was replaced. Additionally, the GSEs are expected to modestly increase their mortgage-backed security portfolios through the end of 2009 and then gradually reduce such portfolios at the rate of 10 percent per year until stabilizing at a lower, less risky size.

The U.S. Treasury, FHFA and the Federal Reserve acted in collaboration to take the following steps to support the conservatorship. First, the U.S. Treasury and FHFA have established Preferred Stock Purchase Agreements pursuant to which the U.S. Treasury will receive senior preferred equity shares and warrants to ensure that the GSEs maintain a positive net worth. The GSEs’ common and preferred shareholders will bear any losses ahead of the new government senior preferred shares. Second, the U.S. Treasury has established a new secured lending credit facility which will be available to FNMA, Freddie Mac and the FHLBs to assist the entities in funding their regular business activities in the capital markets, until December 31, 2009. Also, the U.S. Treasury has initiated a program to purchase the GSE mortgage-backed securities through December 31, 2009, to aid mortgage affordability.

Commercial Paper. The Fund may invest in commercial paper. Commercial paper consists of short-term (up to 270 days) unsecured promissory notes issued by corporations in order to finance their current operations. The Fund may invest only in commercial paper rated A-1 or

higher by S&P or Moody's or if not rated, determined by the investment adviser to be of comparable quality.

Bank Obligations. The Fund may invest in U.S. dollar-denominated obligations of major banks, including certificates of deposit, time deposits and bankers' acceptances of major U.S. and foreign banks and their branches located outside of the U.S., of U.S. branches of foreign banks, of foreign branches of foreign banks, of U.S. agencies of foreign banks and of wholly-owned banking subsidiaries of such foreign banks located in the U.S. Obligations of foreign branches of U.S. banks and U.S. branches of wholly owned subsidiaries of foreign banks may be general obligations of the parent bank, or the issuing branch or subsidiary, or both, or may be limited by the terms of a specific obligation or by government regulation. Because such obligations are issued by foreign entities, they are subject to the risks of foreign investing. A brief description of some typical types of bank obligations follows:

- Bankers' Acceptances. Bankers' acceptances are credit instruments evidencing the obligation of a bank to pay a draft that has been drawn on it by a customer. These instruments reflect the obligation of both the bank and the drawer to pay the face amount of the instrument upon maturity.
- Certificates of Deposit. Certificates of Deposit are certificates evidencing the indebtedness of a commercial bank to repay funds deposited with it for a definite period of time (usually from 14 days to one year) at a stated or variable interest rate. Variable rate certificates of deposit provide that the interest rate will fluctuate on designated dates based on changes in a designated base rate (such as the composite rate for certificates of deposit established by the Federal Reserve Bank of New York).
- Time Deposits. Time deposits are bank deposits for fixed periods of time.

Convertible Securities. Convertible securities have characteristics similar to both fixed income and equity securities. Because of the conversion feature, the market value of convertible securities tends to move together with the market value of the underlying stock. As a result, the Fund's selection of convertible securities is based, to a great extent, on the potential for capital appreciation that may exist in the underlying stock. The value of convertible securities is also affected by prevailing interest rates, the credit quality of the issuers and any call provisions.

The Fund may invest in convertible securities that are rated, at the time of purchase, in the three highest rating categories by a nationally recognized statistical rating organization ("NRSRO") such as Moody's or S&P, or if unrated, are determined by the investment adviser, as applicable, to be of comparable quality (see "Appendix B - Description of Ratings"). Ratings represent the rating agency's opinion regarding the quality of the security and are not a guarantee of quality. Should the rating of a security be downgraded subsequent to the Fund's purchase of the security, the investment adviser will determine whether it is in the best interest of the Fund to retain the security.

Debt Securities. Debt securities represent money borrowed that obligates the issuer (e.g., a corporation, municipality, government, government agency) to repay the borrowed amount at maturity (when the obligation is due and payable) and usually to pay the holder interest at specific times.

Depository Receipts. American Depositary Receipts (“ADRs”) as well as other “hybrid” forms of ADRs, including European Depositary Receipts (“EDRs”) and Global Depositary Receipts (“GDRs”), are certificates evidencing ownership of shares of a foreign issuer. These certificates are issued by depository banks and generally trade on an established market in the U.S. or elsewhere. The underlying shares are held in trust by a custodian bank or similar financial institution. The depository bank may not have physical custody of the underlying securities at all times and may charge fees for various services, including forwarding dividends and interest and corporate actions. ADRs may be available through “sponsored” or “unsponsored” facilities. A sponsored facility is established jointly by the issuer of the security underlying the receipt and a depository. An unsponsored facility may be established by a depository without participation by the issuer of the underlying security. Holders of unsponsored depository receipts generally bear all the costs of the unsponsored facility. The depository of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited security or to pass through, to the holders of the receipts, voting rights with respect to the deposited securities. ADRs are alternatives to directly purchasing the underlying foreign securities in their national markets and currencies. However, ADRs continue to be subject to many of the risks associated with investing directly in foreign securities. These risks include foreign exchange risk as well as the political and economic risks of the underlying issuer’s country.

Foreign Securities. The Fund may invest in foreign securities either directly by purchasing foreign securities or indirectly by purchasing depository receipts or depository shares of foreign securities (see “Depository Receipts” above). Foreign securities include equity or debt securities issued by issuers outside the U.S., and include securities in the form of ADRs and EDRs. Direct investments in foreign securities may be made either on foreign securities exchanges or in the over-the counter markets. Investing in foreign securities involves certain special risks and considerations that are not typically associated with investing in U.S. companies, including, but not limited to, (i) generally less liquid and less efficient securities markets, (ii) generally greater price volatility, (iii) exchange rate fluctuations and exchange controls, (iv) the imposition of restrictions on the expatriation of funds or other assets, (v) less publicly available information about issuers, (vi) the imposition of taxes, (vii) higher transaction and custody costs, (viii) settlement delays and risk of loss, (ix) difficulties in enforcing contracts, (x) less liquidity and smaller market capitalizations, (xi) lesser regulation of securities markets, (xii) different accounting and disclosure standards, (xiii) governmental interference, (xiv) higher inflation, (xv) social, economic and political uncertainties, (xvi) the risk of expropriation of assets, and (xvii) the risk of war.

Hedging Strategies. The Fund may engage in certain hedging strategies that involve options and futures. These hedging strategies are described in detail in Appendix A. The Trust, on behalf of the Fund, has claimed an exclusion from the definition of the term “commodity pool

operator” under the Commodity Exchange Act and, therefore, is not subject to registration or regulation as a pool operator under that Act with respect to the Fund.

Illiquid Securities. The Fund may invest no more than 15% of its net assets in illiquid securities. Illiquid securities are securities that cannot be disposed of within seven days at approximately the value at which they are being carried on the Fund’s books. The Board of Trustees has the ultimate responsibility for determining whether specific securities are liquid or illiquid. The Board has delegated the function of making day-to-day determinations of liquidity to the investment adviser, pursuant to guidelines approved by the Board. The investment adviser will monitor the liquidity of securities held by the Fund and report periodically on such decisions to the Board. If the limitation on illiquid securities is exceeded, other than by a change in market values, the condition will be reported by the Fund’s investment adviser to the Board of Trustees.

Investment Company Securities and Exchange Traded Funds. The Fund may invest in investment company securities, including exchange traded funds (“ETFs”), to the extent permitted by the 1940 Act and the rules thereunder. Generally, the Fund may not purchase shares of an investment company if (a) such a purchase would cause the Fund to own in the aggregate more than 3% of the total outstanding voting stock of the investment company, (b) such a purchase would cause the Fund to have more than 5% of its total assets invested in the investment company, or (c) more than 10% of the Fund’s total assets would be invested in investment companies. As a shareholder in an investment company, the Fund would bear its pro rata portion of the investment company’s expenses, including advisory fees, in addition to its own expenses. Although the 1940 Act restricts investments by registered investment companies in the securities of other investment companies, including ETFs, registered investment companies may be permitted to invest in certain ETFs beyond the limits set forth in Section 12(d)(1) provided such ETF is granted an exemptive order by the Securities and Exchange Commission (“SEC”) subject to certain terms and conditions imposed by such exemptive order. It is possible that the Fund will enter into an agreement with an ETF pursuant to an exemptive order to allow the Fund to invest in such ETF beyond the Section 12(d)(1) limitations.

Options on Securities and Securities Indices. The Fund may purchase call options on securities that the investment adviser intends to include in the Fund in order to fix the cost of a future purchase or attempt to enhance return by, for example, participating in an anticipated increase in the value of a security. The Fund may purchase put options to hedge against a decline in the market value of securities held in the Fund or in an attempt to enhance return. The Fund may write (sell) put and covered call options on securities in which it is authorized to invest. The Fund may also purchase put and call options, and write put and covered call options on U.S. securities indices. Stock index options serve to hedge against overall fluctuations in the securities markets rather than anticipated increases or decreases in the value of a particular security. Of the percentage of the assets of the Fund that are invested in equity (or related) securities, the Fund may not invest more than 10% of such assets in covered call options on securities and/or options on securities indices.

Repurchase Agreements. The Fund may invest in repurchase agreements. A repurchase agreement is a transaction in which the Fund purchases a security from a bank or recognized

securities dealer and simultaneously commits to resell that security to a bank or dealer at an agreed upon date and price reflecting a market rate of interest, unrelated to the coupon rate or the maturity of the purchased security. While it is not possible to eliminate all risks from these transactions (particularly the possibility of a decline in the market value of the underlying securities, as well as delays and costs to the Fund if the other party to the repurchase agreement defaults), it is the policy of the Fund to limit repurchase transactions to primary dealers and banks whose creditworthiness has been reviewed and found satisfactory by the adviser. Repurchase agreements maturing in more than seven days are considered illiquid for purposes of the Fund's investment limitations.

Restricted Securities. Restricted securities are securities that may not be sold to the public without registration under the Securities Act of 1933 (the "1933 Act") or an exemption from registration. The Fund is subject to investment limitations on the purchase of illiquid securities. Restricted securities, including securities eligible for re-sale pursuant to Rule 144A under the 1933 Act, that are determined to be liquid are not subject to this limitation. This determination is to be made by the investment adviser pursuant to guidelines adopted by the Board of Trustees. Under these guidelines, the investment adviser will consider the frequency of trades and quotes for the security, the number of dealers in, and potential purchasers for, the securities, dealer undertakings to make a market in the security, and the nature of the security and of the marketplace trades. In purchasing such restricted securities, the investment adviser intends to purchase securities that are exempt from registration under Rule 144A.

Securities Lending. The Fund may lend securities pursuant to agreements that require that the loans be continuously secured by collateral equal to 100% of the market value of the loaned securities. Such collateral consists of cash, securities of the U.S. Government or its agencies, or any combination of cash and such securities. Such loans will not be made if, as a result, the aggregate amount of all outstanding securities loans for the Fund exceeds one-third of the value of the Fund's total assets taken at fair market value. The Fund will earn interest on the investment of the cash collateral in U.S. Government securities. However, the Fund will normally pay lending fees to such broker-dealers and related expenses from the interest earned on invested collateral. There may be risks of delay in receiving additional collateral or risks of delay in recovery of the securities and even loss of rights in the collateral should the borrower of the securities fail financially. However, loans are made only to borrowers deemed by the adviser to be of good standing and when, in the judgment of the adviser, the consideration that can be earned currently from such securities loans justifies the attendant risk. Either party upon reasonable notice to the other party may terminate any loan.

Temporary Defensive Position. The Fund may, without limit, invest in commercial paper and other money market instruments rated in one of the two highest rating categories by an NRSRO, in response to adverse market conditions, as a temporary defensive position. The result of this action may be that the Fund will be unable to achieve its investment objective.

Portfolio Turnover. The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of portfolio securities by the average monthly value of a Fund's portfolio securities. For purposes of this calculation, portfolio securities exclude all securities having a maturity when

purchased of one year or less. High portfolio turnover may result in increased brokerage costs to a fund and also adverse tax consequences to a fund's shareholders. The Fund's portfolio turnover rates for the fiscal years ended June 30, 2009 and June 30, 2008 were 163% and 167%, respectively.

DISCLOSURE OF FUND HOLDINGS

The Fund has policies and procedures in place regarding the disclosure of Fund portfolio holdings designed to allow disclosure of Fund holdings information where it is deemed appropriate for the Fund's operations or it is determined to be useful to the Fund's shareholders without compromising the integrity or performance of the Fund. Except when there are legitimate business purposes for selective disclosure of the Fund's holdings, the Fund will not provide or permit others to provide information about the Fund's holdings on a selective basis.

The Fund provides Fund holdings information as required in regulatory filings and shareholder reports, discloses Fund holdings information as required by federal or state securities laws, and may disclose Fund holdings information in response to requests by governmental authorities.

The Fund may, but is not required to, post the Fund's schedule of investments on a website at regular intervals or from time to time at the discretion of the Fund. Such schedule of investments must be as of a date at least 30 days prior to its posting on the website. In addition to its schedule of investments, the Fund may post information on a website about the number of securities the Fund holds, a summary schedule of investments, the Fund's top ten holdings, and a percentage breakdown of the Fund's investments by country, sector and industry. This additional information must be as of a date at least 30 days prior to its posting on a website, provided, however, that a top ten holdings list may be as of a date 7 days prior to its posting on the website. The day after the Fund holdings information becomes publicly available (by posting on the website or otherwise), it may be mailed, e-mailed or otherwise transmitted to any person.

The Fund may distribute or authorize the distribution of information about the Fund's holdings that is not publicly available (on a website or otherwise) to the Fund's or the investment adviser's employees and affiliates that provide services to the Fund. The Fund may also distribute or authorize the distribution of information about the Fund's holdings that is not publicly available (on a website or otherwise) to the Fund's service providers who require access to the information (i) in order to fulfill their contractual duties relating to the Fund, (ii) to facilitate the transition of a newly hired investment adviser or sub-adviser prior to the commencement of its duties, (iii) to facilitate the review of the Fund by a ranking or ratings agency, (iv) for the purpose of due diligence regarding a merger or acquisition, or (v) for the purpose of effecting in-kind redemption of securities to facilitate orderly redemption of Fund assets and minimal impact on remaining shareholders of the Fund.

In order to mitigate conflicts between the interests of Fund shareholders, on the one hand, and those of the Fund's investment adviser, any sub-adviser, or principal underwriter, or any affiliated person of the Fund, its investment adviser, any sub-adviser, or its principal underwriter, on the other, the Trust's Chief Compliance Officer must approve and either the President or a

Vice President of the Trust must approve a non-public disclosure of Fund holdings. The Trust's Chief Compliance Officer must report all arrangements to disclose Fund holdings information to the Trust's Board of Trustees on a quarterly basis, which will review such arrangements and terminate them if it determines such disclosure arrangements are not in the best interests of shareholders. Before any non-public disclosure of information about a Fund's holdings, the Chief Compliance Officer will require the recipient of such non-public Fund holdings information to agree, or provide proof of an existing duty, to keep the information confidential and to agree not to trade directly or indirectly based on the information or to use the information to form a specific recommendation about whether to invest in the Fund or any other security. The Trust may request certifications from senior officers of authorized recipients that the recipient is using the Fund holdings information only in a manner consistent with the Trust's policies and procedures and any applicable confidentiality agreement.

Under no circumstances may the Trust or an investment adviser or their affiliates receive any consideration or compensation for disclosing Fund holdings information.

Each of the following third parties have been approved to receive Fund holdings information: (i) PNC Global Investment Servicing (U.S.) Inc. ("PNC"), the Trust's administrator and accounting agent; (ii) Briggs, Bunting & Dougherty, LLP, the Trust's independent public accounting firm, for use in providing audit opinions; (iii) financial printers, solely for the purpose of preparing Trust reports or regulatory filings; (iv) PFPC Trust Company, the Trust's custodian in connection with its custody of the Trust's assets; (v) if applicable, a proxy voting service; and (vi) the following data aggregators and ranking and ratings services: Lipper Analytical Services, Inc., Morningstar Inc., and Standard & Poor's. Information may be provided to these parties at any time so long as each of these parties is contractually and ethically prohibited from sharing the Trust's Fund holdings information without specific authorization. The Trust's investment adviser and other service providers will establish procedures to ensure that the Trust's Fund holdings information is only disclosed in accordance with these policies. Except for the foregoing, the Trust has no ongoing arrangements to provide portfolio holdings information.

INVESTMENT LIMITATIONS

The Fund has adopted the investment limitations set forth below. Limitations which are designated as fundamental policies may not be changed without the affirmative vote of the lesser of (i) 67% or more of the shares of the Fund present at a shareholders meeting if holders of more than 50% of the outstanding shares of the Fund are present in person or by proxy, or (ii) more than 50% of the outstanding shares of the Fund. If any percentage restriction on investment or utilization of assets is adhered to at the time an investment is made, a later change in percentage resulting from a change in the market values of the Fund's assets or redemptions of shares will not be considered a violation of the limitation.

As a matter of fundamental policy the Fund will not:

1. purchase the securities of any one issuer, if as a result, more than 5% of the Fund's total assets would be invested in the securities of such issuer, or the Fund would own or hold 10% or more of the outstanding voting securities of that issuer, provided that: (1) the Fund may invest up to 25% of its total assets without regard to these limitations; (2) these limitations do not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities; and (3) repurchase agreements fully collateralized by U.S. Government obligations will be treated as U.S. Government obligations;
2. purchase securities of any issuer if, as a result, more than 25% of the Fund's total assets would be invested in the securities of one or more issuers having their principal business activities in the same industry, provided, that this limitation does not apply to debt obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities;
3. borrow money, provided that the Fund may borrow money for temporary or emergency purposes (not for leveraging or investments), and then in an aggregate amount not in excess of 10% of the Fund's total assets;
4. make loans to other persons, except by: (1) purchasing debt securities in accordance with its investment objective, policies and limitations; (2) entering into repurchase agreements; or (3) engaging in securities loan transactions;
5. underwrite any issue of securities, except to the extent that the Fund may be considered to be acting as underwriter in connection with the disposition of any portfolio security;
6. purchase or sell real estate, provided that the Fund may invest in obligations secured by real estate or interests therein or obligations issued by companies that invest in real estate or interests therein, including real estate investment trusts;
7. purchase or sell physical commodities, provided that the Fund may invest in, purchase, sell or enter into financial options and futures, forward and spot currency contracts, swap transactions and other derivative financial instruments; or
8. issue senior securities, except to the extent permitted by the 1940 Act.

The following non-fundamental investment policies apply to the Fund and may be changed by the Board of Trustees without shareholder approval. The Fund will not:

1. make short sales of securities except short sales against the box;

2. purchase securities on margin except for the use of short-term credit necessary for the clearance of purchases and sales of portfolio securities; provided that the Fund may make initial and variation deposits in connection with permitted transactions in options or future; or
3. purchase additional portfolio securities if its outstanding borrowings exceed 5% of the value of its total assets.

TRUSTEES AND OFFICERS

The following tables present certain information regarding the Board of Trustees and officers of the Trust. The person listed under “Interested Trustee” below is an “interested person” of the Trust within the meaning of the 1940 Act. Each person who is not an “interested person” of the Trust within the meaning of the 1940 Act is referred to as an “Independent Trustee” and is listed under such heading below.

Name, Address(1) and Age	Position(s) Held with Trust	Term of Office(2) and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee(3)
INTERESTED TRUSTEE					
Brian C. Beh(4) Age 47	Trustee and President	Since April 2006	President and Chief Executive Officer of Roxbury Capital Management, LLC since 2007; President of Roxbury Capital Management, LLC from 2003 to 2007; Director of Marketing, Roxbury Capital Management, LLC from 1999 to 2002.	1	None
INDEPENDENT TRUSTEES					
Kenneth Gudorf Age 70	Trustee and Chairman of the Board	Since June 2006	CEO, Agio Capital Partners I, L.P. (private investment company).	1	None

John Otterlei Age 61	Trustee	Since June 2006	Managing Director, Bush Foundation since September 2008, Independent Financial Advisor, from 2005 to 2008; Senior Managing Director, Piper Jaffrey (financial services), from 2004 to 2005.	1	None
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- (1) The address of each Trustee as it relates to the Trust's business is c/o The Roxbury Funds, Roxbury Capital Management, 6001 Shady Oak Road, Suite 200, Minnetonka, MN 55343.
- (2) Each Trustee serves during the continued lifetime of the Trust until he or she dies, resigns, is declared bankrupt or incompetent by a court of competent jurisdiction, or is removed.
- (3) Includes directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended (i.e., "public companies"), or other investment companies registered under the 1940 Act.
- (4) Brian C. Beh is an "Interested Trustee" by reason of his position as President and Chief Operating Officer of, and his ownership interest in, Roxbury Capital Management, LLC, the investment adviser to the Trust.

As of October 1, 2009, neither of the Independent Trustees nor any of their immediate family members (i.e., spouse or dependent children) serves as an officer or director or is an employee of the Trust's investment adviser or distributor, or any of their respective affiliates, nor do any of such persons serve as an officer or director or is an employee of any company controlled by or under common control with such entities.

OFFICERS

Name, Address and Age	Position(s) Held with Trust	Term of Office(1) and Length of Time Served	Principal Occupation(s) During Past Five Years
Lance P. Simpson Roxbury Capital Management, LLC 6001 Shady Oak Road Suite 200 Minnetonka, MN 55343 Age: 30	Treasurer and Chief Compliance Officer	Since June 2008	Controller, Roxbury Capital Management, since 2007; Accountant, Work Rite Uniform from 2005 to 2007; Negotiator Countrywide Financial, from 2001 to 2005.
Michael P. Malloy Drinker Biddle & Reath LLP One Logan Square	Secretary	Since May 2007	Partner in the law firm Drinker Biddle & Reath LLP.

18th & Cherry Streets
Philadelphia, PA 19103-6996
Age: 50

OFFICERS

Name, Address and Age	Position(s) Held with Trust	Term of Office(1) and Length of Time Served	Principal Occupation(s) During Past Five Years
Brooke Clements Roxbury Capital Management, LLC 6001 Shady Oak Road Suite 200 Minnetonka, MN 55343 Age: 33	Assistant Secretary and Anti-Money Laundering Officer	Since August 2009	Accounting Manager, Roxbury Capital Management, LLC since May 2009; Staff Accountant, Roxbury Capital Management, LLC from 2005 to 2009.

(1) Each officer shall serve until his or her resignation is accepted by the Trustees, and his or her successor is chosen, elected and qualified, or until he or she sooner dies or is removed. Any officer may be removed by the affirmative vote of a majority of the Trustees at any time, with or without cause.

Responsibilities of the Board and its Committees. The Board of Trustees oversees the management of the Trust, subject to the provisions of the Trust's Agreement and Declaration of Trust and By-laws and the requirements of Delaware law. The basic responsibilities of the Trustees are to monitor the Trust's financial operations and performance, oversee the activities and legal compliance of the Trust's investment adviser and other major service providers, keep themselves informed, and exercise their business judgment in making decisions important to the Trust's proper functioning based on what the Trustees reasonably believe to be in the best interests of shareholders. The Board is comprised of three individuals, one of whom is considered an Interested Trustee. The remaining Trustees are Independent Trustees. The Board meets multiple times during the year (but at least quarterly) to review the investment performance of the Fund and other operational matters, including policies and procedures with respect to compliance with regulatory and other requirements. Currently, the Board has an Audit Committee. The Board of Trustees held four meetings during the fiscal year ended June 30, 2009.

Audit Committee. The Audit Committee is comprised of all of the Trustees. Mr. Gudorf serves as the chairman of the Committee. Pursuant to its charter, the Audit Committee has the responsibility, among others, to (1) select the Trust's independent auditors; (2) review and approve the scope of the independent auditors' audit activity; (3) review the financial statements which are the subject of the independent auditors' certifications; and (4) review with such independent auditors the adequacy of the Trust's basic accounting system and the effectiveness of the Trust's internal accounting controls. The Audit Committee held one meeting during the fiscal year ended June 30, 2009.

Security and Other Interests. The following table shows the dollar range of equity securities owned beneficially by each Trustee in the Fund and any registered investment company overseen by the Trustees within the same family of investment companies for the calendar year ended December 31, 2008 stated as one of the following dollar ranges: None; \$1-\$10,000; \$10,001-\$50,000; \$50,001-\$100,000; or over \$100,000.

Name of Trustee	Dollar Range of Equity Securities in the Fund
INTERESTED TRUSTEE	
Brian C. Beh	\$50,001 – \$100,000
INDEPENDENT TRUSTEES	
Kenneth Gudorf	None
John Otterlei	None

Compensation. Each Independent Trustee receives from the Trust an annual retainer in the amount of \$5,000; \$2,000 for each Board meeting attended in person; \$200 for each special Board or committee meeting attended by telephone; and reimbursement for reasonable out-of-pocket expenses incurred in attending meetings. The Chairman of the Board receives an additional \$1,000 annual retainer. Brian Beh receives no compensation from the Trust for his services as Trustee and President. The following table shows the compensation that the Fund paid to the Independent Trustees during the Trust’s fiscal year ended June 30, 2009:

Independent Trustee	Aggregate Compensation from Fund	Pension or Retirement Benefits Accrued as Part of Trust Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation from Fund Paid to Trustees
Kenneth Gudorf	\$ 18,000*	N/A	N/A	\$ 18,000*
John Otterlei	\$ 17,000*	N/A	N/A	\$ 17,000*

* The compensation amounts listed includes payments from the Roxbury All-Cap Fund which liquidated on September 28, 2009.

CODES OF ETHICS

In accordance with Rule 17j-1 under the 1940 Act, the Trust and Roxbury Capital Management, LLC, the Trust’s investment adviser (“Roxbury”), have adopted Codes of Ethics. The Codes are intended to prohibit or restrict transactions that may be deemed to create a conflict of interest between Roxbury and the Trust. Each Code identifies the specific employees, officers or other persons who are subject thereto and all are required to abide by the provisions thereunder. Persons covered under the Codes may engage in personal trading for their own accounts, including securities that may also be purchased or held or traded by the Fund under certain circumstances.

Under the Code of Ethics adopted by the Trust, personal trading is subject to specific restrictions, limitations, guidelines and other conditions. Under the Code of Ethics adopted by Roxbury, personal trading is subject to pre-clearance and other conditions set forth in its Code.

On an annual basis or whenever deemed necessary, the Board of Trustees reviews reports regarding the Codes of Ethics relative to the Trust, including information about any material violations of the Codes. The Codes are publicly available as exhibits to the Trust's registration statement filed with the SEC.

PROXY VOTING

The Board of Trustees has adopted proxy voting procedures, and thereunder delegated the responsibility for exercising the voting rights associated with the securities purchased and/or held by the Fund to Roxbury, subject to the Board's continuing oversight. In exercising its voting obligations, Roxbury is guided by general fiduciary principles. It must act prudently, solely in the interest of the Fund, and for the purpose of providing benefits to the Fund. Roxbury will consider the factors that could affect the value of the Fund's investment in its determination on a vote.

Roxbury has identified certain significant contributors to shareholder value with respect to a number of common or routine matters that are often the subject of proxy solicitations for shareholder meetings.

Roxbury's proxy voting procedures address these considerations and establish a framework for its consideration of a vote that would be appropriate for the Fund. In particular, the proxy voting procedures outline principles and factors to be considered in the exercise of voting authority for proposals addressing many common or routine matters.

Finally, Roxbury's proxy voting procedures establish a protocol for voting of proxies in cases in which it may have a potential conflict of interest arising from, among other things, a direct business relationship or financial interest in a company soliciting proxies. In such instances, Roxbury will submit a separate report to the Board of Trustees indicating the nature of the potential conflict of interest and how the determination of such vote was achieved. Roxbury's proxy voting policies and procedures are attached to this SAI as Appendix C. The Fund's proxy voting record for the twelve-month period ending June 30 of each year is available by August 31 of the same year (i) without charge, upon request, by calling 800-497-2960 and (ii) on the SEC's website at www.sec.gov.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

As of October 1, 2009, the Trustees and officers of the Trust, as a group, owned less than 1% of the shares of the Fund.

As of October 1, 2009, the name, address and percentage ownership of each shareholder that owned of record or is known by the Trust to own beneficially 5% or more of the outstanding shares of the Fund were as follows:

Name	Percentage Owned
Wachovia Bank, N. A. Networked Omnibus Rein/Rein 1525 West W. T. Harris Blvd Charlotte, NC 28288-1151	22.16%
NFS FBO Northern Trust 200 Liberty Street One World Financial Center New York, NY 10281	21.32%
CITISTREET FBO American Family Mutual Ins Co. 1 Heritage Drive North Quincy, MA 02171	17.79%
Merrill Lynch Pierce Fenner and Smith Inc. 4800 Deer Lake Drive East Jacksonville, FL 32246-0000	8.71%
SEI PRIVATE TRUST COMPANY One Freedom Valley Drive Oaks, PA 19456	7.96%

Under the 1940 Act a person who beneficially owns more than 25% of the voting securities of a Fund is presumed to control the Fund.

INVESTMENT ADVISORY AND OTHER SERVICES

Roxbury Capital Management, LLC, located at 6001 Shady Oak Road, Suite 200, Minnetonka, MN 55343, serves as the investment adviser to the Small-Cap Growth Fund pursuant to an investment advisory agreement with the Trust dated February 2, 2007 (“Investment Advisory Agreement”). Roxbury provides investment advisory services to mutual funds and other institutional accounts, including corporations, union and pension accounts, foundations, and endowments as well as to individuals. Roxbury is registered as an investment adviser with the SEC. WT Investments Inc., is an investment holding company and is a subsidiary of Wilmington Trust Corporation, a banking and financial institution. WT Investments Inc. has a

controlling interest in Roxbury and The Anthony and Gay Browne Revocable Trust has an indirect controlling interest in Roxbury.

Under the Investment Advisory Agreement, Roxbury manages the assets of the Fund. The Investment Advisory Agreement had an initial term of two years and continues in effect from year to year thereafter if such continuance is specifically approved at least annually by the Board of Trustees, including a majority of the Independent Trustees, casting votes in person at a meeting called for such purpose, or by a majority of the outstanding voting securities of the Fund. The Investment Advisory Agreement may be terminated by the Trust or Roxbury on 60 days' written notice without penalty. The Investment Advisory Agreement will also terminate automatically in the event of its assignment as defined in the 1940 Act.

Pursuant to the Investment Advisory Agreement, Roxbury is entitled to receive the following annual investment advisory fees, paid monthly, as a percentage of the Fund's average daily net assets:

**Annual Fee As a Percentage
of
Average Daily Net Assets
("assets")**
1.00% of the first \$1 billion in
assets;
0.95% of the next \$1 billion in
assets;
and
0.90% of assets over \$2 billion

Roxbury was entitled to the following fees, before waivers and expense reimbursements, from the Fund for the past three fiscal years:

12 Months Ended June 30, 2009	12 Months Ended June 30, 2008	12 Months Ended June 30, 2007(1)
\$ 1,059,490	\$ 1,834,078	\$ 2,040,211

(1)The advisory fees paid to Roxbury for the fiscal year ended June 30, 2007 include amounts paid by the Predecessor Fund for the period from July 1, 2006 through February 2, 2007.

Under an agreement dated February 2, 2007, Roxbury agreed to waive a portion of its advisory fee or reimburse expenses to the extent total operating expenses exceed 1.25%. Unless the Board of Trustees approves its earlier termination, the agreement will remain in place until December 31, 2020.

Prior to February 2, 2007, Roxbury contractually agreed to waive a portion of its advisory fee or reimburse expenses to the extent total operating expenses exceeded 1.25% with respect to the Predecessor Fund. During the last three fiscal years, as applicable, Roxbury waived and reimbursed the following fees with respect to the Fund and Predecessor Fund:

12 Months Ended June 30, 2009	12 Months Ended June 30, 2008	12 Months Ended June 30, 2007
\$ 228,186	\$ 194,671	\$ 30,104

Advisory Services. Under the terms of the Investment Advisory Agreement, Roxbury agrees to: (a) direct the investments of the Fund, subject to and in accordance with the Fund’s investment objective, policies and limitations set forth in the prospectus and this SAI; (b) purchase and sell for the Fund securities and other investments consistent with the Fund’s objective and policies; (c) supply office facilities, equipment and personnel necessary for servicing the investments of the Fund; (d) pay the salaries of all personnel of the Fund and Roxbury performing services relating to research, statistical and investment activities on behalf of the Fund; (e) make available and provide such information as the Fund and/or its administrator may reasonably request for use in the preparation of its registration statement, reports and other documents required by any applicable federal, foreign or state statutes or regulations; and (f) make its officers and employees available to the Trustees and officers of the Trust for consultation and discussion regarding the management of the Fund and its investment activities. Additionally, Roxbury agrees to create and maintain all necessary records in accordance with all applicable laws, rules and regulations pertaining to the various functions performed by it and not otherwise created and maintained by another party pursuant to a contract with the Fund. The Trust and/or Roxbury may at any time or times, upon approval by the Board of Trustees, enter into one or more sub-advisory agreements with a sub-adviser pursuant to which the adviser delegates any or all of its duties as listed.

The Investment Advisory Agreement provides that Roxbury shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the matters to which the agreement relates, except to the extent of a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its obligations and duties under the agreement.

The salaries of any officers and any Interested Trustees of the Trust who are affiliated with Roxbury and the salaries of all personnel of Roxbury performing services for the Fund relating to research, statistical and investment activities are paid by Roxbury.

ADMINISTRATION AND ACCOUNTING SERVICES

Pursuant to an Administration and Accounting Services Agreement dated as of February 2, 2007 (the “Administration Agreement”), PNC provides administration and accounting services for the Fund such as preparing shareholder reports, providing statistical and research data, assisting Roxbury in compliance monitoring activities, and preparing and filing federal and state tax returns on behalf of the Fund. In addition, PNC prepares and files certain reports with the

appropriate regulatory agencies and prepares certain materials required by the SEC or any state securities commission having jurisdiction over the Fund. The accounting services performed by PNC include determining the net asset value per share of the Fund and maintaining records relating to the securities transactions of the Fund.

The Administration Agreement shall remain in effect for a period of three years after the effective date of the Administration Agreement and shall continue in effect for successive periods of one year unless terminated by either party on not less than 30 days' prior written notice to the other party. For its services, PNC receives an annual fee of 0.70% of the Fund's average net assets. The foregoing fee is subject to a monthly minimum fee of \$4,166 for the Fund. PNC agreed to waive certain administrative fees during the first year period under the Administration Agreement. PNC is located at 301 Bellevue Parkway, Wilmington, Delaware 19809.

From May 1, 2006 to February 2, 2007, Rodney Square Management Corporation ("RSMC") provided administrative and accounting services and PNC provided certain sub-administration services. Since February 3, 2007, PNC has provided administration and accounting services to the Fund. For the past three fiscal years, the Fund paid the following administrative fees:

<u>12 Months Ended 6/30/09</u>	<u>12 Months Ended 6/30/08</u>	<u>12 Months Ended 6/30/07</u>
\$ 123,009	\$ 189,778	\$ 176,583

Pursuant to a Compliance, Support and Recordkeeping Services Agreement dated October 1, 2004, RSMC, an affiliate of the Trust, performed certain non-investment related statistical and research services, execution and administrative support services, recordkeeping services as well as certain other coordination and fund related preparatory services for the Predecessor Fund through February 2, 2007. In consideration of the provision of these services, RSMC received an asset based fee of 0.012% of the Predecessor Fund's average daily net assets and a portion of the Chief Compliance Officer's total compensation.

ADDITIONAL SERVICE PROVIDERS

Independent Registered Public Accounting Firm. Briggs, Bunting & Dougherty, LLP serves as the independent registered public accounting firm to the Trust providing services which include (1) auditing the annual financial statements for the Fund, and (2) the review of the annual federal income tax returns filed on behalf of the Fund. Briggs, Bunting & Dougherty, LLP is located at 1835 Market Street 26th Floor, Philadelphia, Pennsylvania 19103.

Legal Counsel. Drinker, Biddle & Reath LLP, One Logan Square, 18th and Cherry Streets, Philadelphia, PA 19103, serves as counsel to the Trust.

Custodian. PFPC Trust Company, 8800 Tinicum Boulevard, Philadelphia, PA 19153, serves as the Fund's Custodian. PFPC Trust Company will be renamed PNC Trust Company effective June 7, 2010. The Custodian's services include, in addition to the custody of all cash and securities owned by the Trust, the maintenance of custody accounts in the Custodian's trust department, the segregation of all certificated securities owned by the Trust, the appointment of authorized agents as sub-custodians, disbursement of funds from the custody accounts of the Trust, releasing and delivering securities from the custody accounts of the Trust, maintaining records with respect to such custody accounts, delivering to the Trust a daily and monthly statement with respect to such custody accounts, and causing proxies to be executed. PFPC Trust Company receives a fee for its services based on the average daily net assets of the Fund and the number of security transactions of the Fund.

Transfer Agent. PNC, 760 Moore Road, King of Prussia, Pennsylvania 19406, serves as the Transfer Agent and Dividend Paying Agent.

DISTRIBUTION OF SHARES

Professional Funds Distributor, LLC, located at 760 Moore Road, King of Prussia, PA 19406, serves as the underwriter of the Fund's shares pursuant to an Underwriting Agreement with the Trust. Pursuant to the terms of the Distribution Agreement, the Distributor is granted the right to sell the shares of the Fund as agent for the Trust. Shares of the Fund are offered continuously.

Under the terms of the Distribution Agreement, the Distributor agrees to use efforts deemed appropriate by the Distributor to solicit orders for the sale of shares of the Fund and will undertake such advertising and promotions as it believes reasonable in connection with such solicitation.

The Distribution Agreement became effective February 2, 2007 and will continue in effect for a period of up to two years. Thereafter, the agreement may continue in effect for successive annual periods provided such continuance is approved at least annually by a majority of the Trustees, including a majority of the Independent Trustees. The Distribution Agreement provides that the Distributor, in the absence of willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of reckless disregard of its obligations and duties under the agreements, will not be liable to the Fund or their shareholders for losses arising in connection with the sale of Fund shares.

The Distribution Agreement terminates automatically in the event of an assignment. The Distribution Agreement is also terminable without payment of any penalty with respect to the Fund (i) by vote of a majority of the Independent Trustees or by vote of a majority of the outstanding voting securities of the Fund on sixty (60) days' written notice to the Distributor; or (ii) by the Distributor on sixty (60) days' written notice to the Fund.

PORTFOLIO MANAGERS

Other Accounts Managed. The following table provides additional information about other accounts managed by portfolio managers and management team members jointly and primarily responsible for the day-to-day management of the Predecessor Fund and the Fund as of June 30, 2009.

Portfolio Manager(s) jointly and primarily responsible for the day to day management of the Fund's assets	Total number of other accounts managed by Portfolio Manager(s) within each category below and the total assets in the accounts managed within each category below.						For other accounts managed by Portfolio Manager(s) within each category below, number of accounts and the total assets in the accounts with respect to which the advisory fee is based on the performance of the account.					
	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts		Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
	Number of Accounts	Total Assets (\$mm)	Number of Accounts	Total Assets (\$mm)	Number of Accounts	Total Assets (\$mm)	Number of Accounts	Total Assets (\$mm)	Number of Accounts	Total Assets (\$mm)	Number of Accounts	Total Assets (\$mm)
<i>Roxbury Capital Management, LLC</i>												
Robert Marvin*	1	\$77	7	\$106	38	\$750	0	\$0	2	\$10	1	\$0
Nick A. Blankl *	1	\$77	7	\$106	38	\$750	0	\$0	2	\$10	1	\$0
Brian Smoluch*	1	\$77	7	\$106	38	\$750	0	\$0	2	\$10	1	\$0
David Swank*	1	\$77	7	\$106	38	\$750	0	\$0	2	\$10	1	\$0

* The Small-Cap Fund is managed by a team. The total amount of assets and number of accounts are shown on each Portfolio Manager's row.

Material conflicts of interest. Material conflicts of interest that may arise in connection with a portfolio manager's management of the Fund's investments and investments of other accounts managed include material conflicts between the investment strategy of the Fund and the investment strategy of the other accounts managed by the portfolio manager and conflicts associated with the allocation of investment opportunities between the Fund and other accounts managed by the portfolio manager. The table below discusses potential material conflicts of interest identified by Roxbury in connection with the management of the Fund. Additional conflicts of interest may potentially exist or arise that are not discussed below.

Description of any material conflicts of interest that may arise in connection with the Portfolio Manager's management of the Fund's investments and the investments of the other accounts managed.

Portfolio Managers

Roxbury Capital Management, LLC.

- Robert Marvin
- Nick A. Blankl
- Brian Smoluch
- David Swank

Roxbury understands that potential material conflicts of interest exist in “side-by-side” management. As such, Roxbury has always had comprehensive procedures on the aggregation and allocation of transactions across accounts managed in the same investment strategy. When possible, Roxbury aggregates the same transactions in the same securities for many accounts to enhance execution. Clients in an aggregated transaction each receive the same price per share or unit, but, if they have directed brokerage to a particular broker, they may pay different commissions or may pay or receive a different price.

Certain clients may not be included in certain aggregated transactions because of cash availability, account restrictions, directed brokerage, or tax sensitivity. Roxbury utilizes a trade rotation in these situations. The allocation is pro-rata basis within each aggregated group unless the size of the fill is such that a pro rata allocation is not appropriate. If the Roxbury Special Fund II, Roxbury’s hedge fund, initiates a trade at the same time as other accounts, it is last in the trade rotation. Additionally, the hedge fund is not permitted to enter into a position contrary to a current holding or holding included in Roxbury’s “Watch List” unless the position is entered into “against the box.” The Watch List contains securities that Roxbury is “closely observing” and “anticipating imminent action in.”

Roxbury’s Code of Ethics details additional guidelines and procedures to eliminate potential material conflicts of interest.

Compensation. Following is a description of the structure of, and method used to determine the compensation received by the Fund's portfolio managers or management team members from the Fund, Roxbury or any other source with respect to managing the Fund and any other accounts.

Portfolio Managers	Structure of, and method used to determine, the compensation of each Portfolio Manager, including the criteria on which compensation is based
Robert Marvin	<p>Roxbury's investment professionals receive a base salary commensurate with their level of experience. Roxbury's goal is to maintain competitive base salaries through review of industry standards, market conditions and salary surveys. Bonus compensation, which is a multiple of base salary, is computed annually based on the one year performance of each individual's sector and portfolio assignments relative to appropriate market benchmarks. Each Portfolio Manager's compensation includes a combination of base salary, a benefits package, and a profit sharing plan linked directly to the net income of Roxbury's small-cap growth accounts.</p> <p>The objective performance criteria noted above accounts for a majority of the bonus calculation. The remaining is based upon more subjective factors including teamwork, interpersonal relations, the individual's contribution to overall success of the firm, media and client relations, presentation skills, and professional development. Portfolio Managers are reviewed on an annual basis.</p>
Nick A. Blankl	
Brian Smoluch	
David Swank	

Ownership of securities. The following table sets forth the dollar range of equity securities beneficially owned by each portfolio manager in the Fund as of June 30, 2009.

Portfolio Managers	Dollar Value of Portfolio Shares Beneficially Owned
Robert Marvin	\$100,001 – \$500,000
Nick A. Blankl	\$0
Brian Smoluch	\$50,001 – \$100,000
David Swank	\$0

BROKERAGE ALLOCATION AND OTHER PRACTICES

Brokerage Transactions. Roxbury places all portfolio transactions on behalf of the Fund, selects broker-dealers for such transactions, allocates brokerage fees in such transactions and, where applicable, negotiates commissions and spreads on transactions. Debt securities purchased and sold by the Fund are generally traded on the dealer market on a net basis (i.e., without commission) through dealers acting for their own account and not as brokers, or otherwise involve transactions directly with the issuer of the instrument. This means that a dealer (the securities firm or bank dealing with the Fund) makes a market for securities by offering to buy at one price and sell at a slightly higher price. The difference between the prices is known as a spread. When securities are purchased in underwritten offerings, they include a fixed amount of compensation to the underwriter. When buying or selling securities, the Fund may pay commissions to brokers who are affiliated with the investment adviser, a sub-adviser or the Fund.

During the fiscal years ended June 30, 2009, 2008 and 2007, the Fund paid the following brokerage commissions:

<u>12 Months Ended June 30, 2009</u>	<u>12 Months Ended June 30, 2008</u>	<u>12 Months Ended June 30, 2007</u>
\$ 646,144	\$ 779,785	\$ 864,776

Brokerage Selection. The primary objective of Roxbury in placing orders on behalf of the Fund for the purchase and sale of securities is to obtain best execution at the most favorable prices through responsible brokers or dealers and, where the spread or commission rates are negotiable, at competitive rates. In selecting and monitoring a broker or dealer, Roxbury considers, among other things: (i) the price of the securities to be purchased or sold; (ii) the rate of the spread or commission; (iii) the size and difficulty of the order; (iv) the nature and character of the spread or commission for the securities to be purchased or sold; (v) the reliability, integrity, financial condition, general execution and operational capability of the broker or dealer; and (vi) the quality of any research or statistical services provided by the broker or dealer to the Fund or to Roxbury.

Section 28(e) of the Securities Exchange Act of 1934 provides that an investment adviser, under certain circumstances, lawfully may cause an account to pay a higher commission than the lowest available. Under Section 28(e), an investment adviser is required to make a good faith determination that the commissions paid are reasonable in relation to the value of the brokerage and research services provided viewed in terms of either that particular transaction or the investment adviser's overall responsibilities with respect to accounts as to which it exercises investment discretion. The services provided by the broker also must lawfully or appropriately assist the investment adviser in the performance of its investment decision-making

responsibilities. Accordingly, in recognition of research services provided to it, the Fund may pay a higher brokerage commission than those available from another broker.

Research services received from broker-dealers supplement Roxbury's own research (and the research of any affiliates), and may include the following types of information: statistical and background information on the U.S. and foreign economies, industry groups and individual companies; forecasts and interpretations with respect to the U.S. and foreign economies, securities, markets, specific industry groups and individual companies; information on federal, state, local and foreign political developments; portfolio management strategies; performance information on securities, indexes and investment accounts; information concerning prices of securities; and information with respect to the performance, investment activities, and fees and expenses of other mutual funds.

Broker-dealers may communicate such information electronically, orally, in written form or on computer software. Research services may also include the providing of electronic communications of trade information, the arranging of meetings with management of companies, and the providing of access to consultants who supply research information. The outside research assistance is useful to an adviser since the broker-dealers used by the advisers tend to follow a broad universe of securities and the research provided by such broker-dealers may provide an adviser with a diverse perspective on financial markets. Research services provided to an adviser by broker-dealers are available for the benefit of all accounts managed or advised by such investment adviser or by its affiliates. An investment adviser cannot readily determine the extent to which spreads or commission rates or net prices charged by brokers or dealers reflect the value of their research, analysis, advice and similar services.

During the fiscal year ended June 30, 2009, the Fund directed transactions and paid brokerage commissions because of research services provided in the following amounts:

<u>12 Months Ended June 30, 2009</u>	
<u>Commissions Paid</u>	<u>Transactions Directed</u>
\$ 49,990	\$ 26,499,897

Allocation of Portfolio Transactions. Some of Roxbury's other clients have investment objectives and programs similar to that of the Fund. Occasionally, recommendations made to other clients may result in their purchasing or selling securities simultaneously with the Fund. Consequently, the demand for securities being purchased or the supply of securities being sold may increase, and this could have an adverse effect on the price of those securities. It is the policy of Roxbury not to favor one client over another in making recommendations or in placing orders. In the event of a simultaneous transaction, purchases or sales are averaged as to price, transaction costs are allocated between the Fund and other clients participating in the transaction on a pro rata basis and purchases and sales are normally allocated between the Fund and the other clients as to amount according to a formula determined prior to the execution of such transactions.

DESCRIPTION OF SHARES, VOTING RIGHTS AND LIABILITIES

The Fund has one class of shares — Institutional Shares. The shares of the Fund, when issued and paid for in accordance with the prospectus, will be fully paid and non-assessable shares, with equal voting rights and no preferences as to conversion, exchange, dividends, redemption or any other feature.

Shares of the Fund entitle holders to one vote per share and fractional votes for fractional shares held. Shares have non-cumulative voting rights with respect to election of Trustees, do not have preemptive or subscription rights and are transferable. The Fund and class take separate votes on matters affecting only the Fund or class. For example, a change in the fundamental investment policies for the Fund would be voted upon only by shareholders of the Fund.

The Fund does not hold annual meetings of shareholders. A meeting of shareholders for the purpose of voting upon the question of removal of any Trustee may be called upon the demand of shareholders owning not less than 10% of the Trust's outstanding shares. Except when a larger quorum is required by the applicable provisions of the 1940 Act, forty percent (40%) of the shares entitled to vote on a matter constitutes a quorum at a meeting of shareholders. Generally, subject to the 1940 Act and the specific provisions of the Agreement and Declaration of Trust (the "Declaration of Trust"), when a quorum is present at any meeting, a majority of the shares voted will decide any questions, except only a plurality vote is necessary to elect Trustees.

The Fund may involuntarily redeem a shareholder's shares: (a) if the shareholder owns shares of the Fund having an aggregate net asset value of less extent than a minimum value determined from time to time by the Trustees; (b) to the extent that the shareholder owns shares of the Fund equal to or in excess of a maximum percentage of the outstanding shares of the Fund determined from time to time by the Trustees; or (c) to the extent that such shareholder owns shares equal to or in excess of a maximum percentage, determined from time to time by the Trustees, of the outstanding shares of the Trust. In addition, the Trust may call for the redemption of shares of any shareholder or may refuse to transfer or issue shares to any person to the extent that the same is necessary to comply with applicable law or advisable to further the purpose for which the Trust was established, including circumstances involving frequent or excessive trading in shares of the Fund. The Declaration of Trust also provides that if an officer or agent of the Trust has determined that a shareholder has engaged in frequent and excessive trading in shares of the Fund, the Trust may require the shareholder to redeem his or her shares.

The Trust may cause, to the extent consistent with applicable law, (a) the Trust or its Fund to be merged into or consolidated with another trust, series of another trust or other person, (b) the shares of the Trust or the Fund to be converted into beneficial interests in another trust or series thereof, (c) the shares to be exchanged for assets or property under or pursuant to any state or federal statute to the extent permitted by law or (d) a sale of assets of the Trust or its Fund. Such merger or consolidation, share conversion, share exchange or sale of assets must be authorized by a majority of the shares voted when a quorum is present, provided that in all respects not governed by statute or applicable law, the Trustees have power to prescribe the procedure necessary or appropriate to accomplish a merger or consolidation, share conversion, share exchange, or sale of assets, including the power to create one or more separate trusts to which all

or any part of the assets, liabilities, profits or losses of the Trust may be transferred and to provide for the conversion of shares of the Trust or the Fund into beneficial interests in such separate business trust or trusts or series thereof.

Notwithstanding the foregoing paragraph, the Declaration of Trust provides that the Trustees may, without the vote or consent of shareholders, cause to be organized or assist in organizing a corporation or corporations under the laws of any jurisdiction, or any other trust, partnership, limited liability company, association or other organization, or any series or class of any thereof, to acquire all or a portion of the Trust property (or all or a portion of the Trust property held with respect to a particular Fund or allocable to a particular class) or to carry on any business in which the Trust directly or indirectly has any interest (any of the foregoing, a "Successor Entity"), and to sell, convey and transfer Trust property to any such Successor Entity in exchange for the shares or securities thereof or otherwise, and to lend money to, subscribe for the shares or securities of, and enter into any contracts with any such Successor Entity in which the Trust holds or is about to acquire shares or any other interest. The Trustees may also, without the vote or consent of shareholders, cause a merger or consolidation between the Trust and any Successor Entity if and to the extent permitted by law. However, the Declaration of Trust provides that the Trustees shall provide written notice to affected shareholders of each such transaction. Such transactions may be effected through share-for-share exchanges, transfers or sales of assets, in-kind redemptions and purchases, exchange offers, or any other method approved by the Trustees.

The Declaration of Trust provides that no shareholder shall have the right to bring or maintain any court action, proceeding or claim in the right of the Trust or the Fund or class thereof to recover a judgment in its favor unless (a) shareholders holding at least ten percent (10%) of the outstanding shares of the Trust, Fund or class, as applicable, join in the bringing of such court action, proceeding or claim, and (b) the bringing or maintenance of such court action, proceeding or claim is otherwise in accordance with Section 3816 of the Delaware Statutory Trust Act, subject to certain additional requirements.

The Declaration of Trust provides that by virtue of becoming a shareholder of the Fund, each shareholder will be held to have expressly assented and agreed to the terms of the Declaration of Trust of the Trust, the By-Laws of the Trust and the resolutions of the Board of Trustees.

The Declaration of Trust provides that the Trust will indemnify and hold harmless each Trustee and officer of the Trust and each former Trustee and officer of the Trust (each hereinafter referred to as a "Covered Person") from and against any and all claims, demands, costs, losses, expenses, and damages whatsoever arising out of or related to such Covered Person's performance of his or her duties as a Trustee or officer of the Trust or otherwise relating to any act, omission, or obligation of the Trust, if, as to liability to the Trust or its investors, it is finally adjudicated that the Covered Person was not liable by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the Covered Person's offices. In the case of settlement, such indemnification will be provided if it has been determined by a court or other body approving the settlement or other disposition, or by a reasonable determination, based upon a review of readily available facts (as opposed to a full trial type inquiry), by vote of a majority of disinterested Trustees of the Trust, or in a written opinion of independent counsel,

that such officers or Trustees have not engaged in willful misfeasance, bad faith, gross negligence or reckless disregard of their duties. Rights to indemnification or insurance cannot be limited retroactively.

The Declaration of Trust further provides that (i) the appointment, designation or identification of a Trustee as chairperson of the Board of Trustees or a member or chairperson of a committee of the Trustees, an expert on any topic or in any area (including an audit committee financial expert), or the lead independent Trustee, or any other special appointment, designation or identification of a Trustee, shall not impose on that individual any duty, obligation or liability that is greater than the duties, obligations and liability imposed on that person as a Trustee in the absence of the appointment, designation or identification (except with respect to duties expressly imposed pursuant to the by-laws of the Trust, a committee charter or a Trust policy statement), (ii) no Trustee who has special skills or expertise, or is appointed, designated or identified shall be held to a higher standard of care by virtue thereof and (iii) no appointment, designation or identification of a Trustee shall effect in any way that Trustee's rights or entitlement to indemnification.

PURCHASE, REDEMPTION AND PRICING OF SHARES

Purchase of Shares. Information regarding the purchase of shares is discussed in the "Purchase of Shares" section of the prospectus. Additional methods to purchase shares for non-institutional investors are as follows:

Individual Retirement Accounts: You may purchase shares of the Fund for a tax-deferred retirement plan such as an individual retirement account ("IRA"). To order an application for an IRA and a brochure describing the Fund IRA, call the transfer agent at (800) 497-2960. PFPC Trust Company, as custodian for each IRA account, receives an annual fee of \$12 per Social Security Number, paid directly to PFPC Trust Company by the IRA shareholder. If the fee is not paid by the due date, the appropriate number of Fund shares owned by the IRA will be redeemed automatically as payment.

Automatic Investment Plan: You may purchase Fund shares through an Automatic Investment Plan ("AIP"). Under the AIP, the transfer agent, at regular intervals, will automatically debit your bank checking account in an amount of \$50 or more (after the \$100,000 minimum for Institutional Shares). You may elect to invest the specified amount monthly, bimonthly, quarterly, semiannually or annually. The purchase of Fund shares will be effected at their offering price at the close of regular trading on the New York Stock Exchange (the "Exchange") (normally 4:00 p.m., Eastern time), on or about the 20th day of the month. For more information about the Automatic Investment Plan, please call (800) 497-2960.

Payroll Investment Plan: The Payroll Investment Plan ("PIP") permits you to make regularly scheduled purchases of Fund shares through payroll deductions. To open a PIP account, you must submit a completed account application, payroll deduction form and the minimum initial deposit to your employer's payroll department. Then, a portion of your paychecks will automatically be transferred to your PIP account for as long as you wish to participate in the

plan. It is the sole responsibility of your employer, not the Fund, the Distributor, the investment adviser or the transfer agent, to arrange for transactions under the PIP. The Fund reserves the right to vary its minimum purchase requirements for employees participating in a PIP. For more information regarding PIP call (800) 497-2960.

Redemption of Shares. Information regarding the redemption of shares is discussed in the “Redemption of Shares” section of the prospectus. Additional methods to redeem shares are as follows:

By Wire: Redemption proceeds may be wired to your pre-designated bank account in any commercial bank in the U.S. if the amount is \$1,000 or more. The receiving bank may charge a fee for this service. Proceeds also may be mailed to your bank or, for amounts of \$10,000 or less, mailed to your Fund account address of record if the address has been established for at least 60 days. In order to authorize the transfer agent to mail redemption proceeds to your Fund account address of record, complete the appropriate section of the Application for Telephone Redemptions or include your Fund account address of record when you submit written instructions. You may change the bank account that you have designated to receive amounts redeemed at any time. Any request to change the bank account designated to receive redemption proceeds should be accompanied by a medallion signature guarantee by a guarantor institution that is acceptable to the transfer agent, such as a domestic bank or trust company, broker, dealer, clearing agency or savings association, participating in a recognized signature guarantee program such as the Securities Transfer Agents Medallion Program (“STAMP”), Stock Exchanges Medallion Program (“SEMP”) and New York Stock Exchange, Inc. Medallion Signature Program (“MSP”). Signature guarantees that are not part of these programs will not be accepted. A signature and a medallion signature guarantee are required for each person in whose name the bank account is registered. Further documentation will be required to change the designated bank account when a corporation, other organization, trust, fiduciary or other institutional investor holds Fund shares.

Systematic Withdrawal Plan: If you are a non-institutional investor and you own shares of the Fund with a value of \$10,000 or more, you may participate in the Systematic Withdrawal Plan (“SWP”). Under the SWP, you may automatically redeem a portion of your account monthly, bimonthly, quarterly, semiannually or annually. The minimum withdrawal available is \$100. The redemption of Fund shares will be effected at the NAV determined on or about the 25th day of the month. For more information regarding SWP call (800) 497-2960.

Additional Information Regarding Redemptions: If shares to be redeemed represent a recent investment made by check, the Fund reserves the right not to make the redemption proceeds available until they have reasonable grounds to believe that the check has been collected (which could take up to 10 days).

To ensure proper authorization before redeeming Fund shares, the transfer agent may require additional documents such as, but not restricted to, stock powers, trust instruments, death certificates, appointments as fiduciary, certificates of corporate authority and waivers of tax required in some states when settling estates.

When shares are held in the name of a corporation, other organization, trust, fiduciary or other institutional investor, the transfer agent requires, in addition to the stock power, certified evidence of authority to sign the necessary instruments of transfer. These procedures are for the protection of shareholders and should be followed to ensure prompt payment. Redemption requests must not be conditional as to date or price of the redemption. Proceeds of a redemption will be sent within 7 days of acceptance of shares tendered for redemption. Delay may result if the purchase check has not yet cleared, but the delay will be no longer than required to verify that the purchase check has cleared, and the Fund will act as quickly as possible to minimize delay.

The value of shares redeemed may be more or less than the shareholder's cost, depending on the net asset value at the time of redemption. Redemption of shares may result in tax consequences (gain or loss) to the shareholder, and the proceeds of a redemption may be subject to backup withholding.

A shareholder's right to redeem shares and to receive payment therefore may be suspended when (a) the Exchange is closed, other than customary weekend and holiday closings, (b) trading on the Exchange is restricted, (c) an emergency exists as a result of which it is not reasonably practicable to dispose of the Fund's securities or to determine the value of the Fund's net assets, or (d) ordered by a governmental body having jurisdiction over the Fund for the protection of the Fund's shareholders, provided that applicable rules and regulations of the SEC (or any succeeding governmental authority) shall govern as to whether a condition described in (b), (c) or (d) exists. In case of such suspension, shareholders of the Fund may withdraw their requests for redemption or may receive payment based on the net asset value of the Fund next determined after the suspension is lifted.

The Fund reserves the right, if conditions exist which make cash payments undesirable, to honor any request for redemption by making payment in whole or in part with readily marketable securities (redemption "in-kind") chosen by the Fund and valued in the same way as they would be valued for purposes of computing the net asset value of the Fund. If payment is made in securities, a shareholder may incur transaction expenses in converting these securities into cash. The Fund has elected, however, to be governed by Rule 18f-1 under the 1940 Act, as a result of which the Fund is obligated to redeem shares solely in cash up to the lesser of \$250,000 or 1% of the net assets of the Fund for any one shareholder during any 90-day period. This election is irrevocable unless the SEC permits its withdrawal.

Pricing of Shares. The net asset value per share of the Fund is determined by dividing the value of the Fund's net assets by the total number of Fund shares outstanding. This determination is made by PNC, as of the close of regular trading on the Exchange (normally 4:00 p.m., Eastern time) each day the Fund is open for business. The Fund is open for business on days when the Exchange and PNC are open for business.

In valuing the Fund's assets, a security listed on the Exchange (and not subject to restrictions against sale by the Fund on the Exchange) will be valued at its last sale price on the Exchange on

the day the security is valued. Lacking any sales on such day, the security will be valued at the mean between the closing asked price and the closing bid price. Securities listed on other exchanges (and not subject to restriction against sale by the Fund on such exchanges) will be similarly valued, using quotations on the exchange on which the security is traded most extensively. Unlisted securities that are quoted on the National Association of Securities Dealers' National Market System, for which there have been sales of such securities on such day, shall be valued at the last sale price reported on such system on the day the security is valued. If there are no such sales on such day, the value shall be the mean between the closing asked price and the closing bid price. The value of such securities quoted on the NASDAQ Stock Market System, but not listed on the National Market System, shall be valued at the mean between the closing asked price and the closing bid price. Unlisted securities that are not quoted on the NASDAQ Stock Market System and for which over-the-counter market quotations are readily available will be valued at the mean between the current bid and asked prices for such security in the over-the-counter market. Other unlisted securities (and listed securities subject to restriction on sale) will be valued at fair value as determined in good faith under the direction of the Board of Trustees although the actual calculation may be done by others. Short-term investments with remaining maturities of less than 61 days are valued at amortized cost.

DIVIDENDS

Dividends, if any, from the Fund's net investment income and distributions of net short-term capital gain and net capital gain (the excess of net long-term capital gain over the short-term capital loss) realized by the Fund, after deducting any available capital loss carryovers, are declared and paid to its shareholders annually.

TAXATION OF THE FUND

General. The following summarizes certain additional tax considerations generally affecting the Fund and its shareholders that are not described in the prospectus. No attempt is made to present a detailed explanation of the tax treatment of the Fund or its shareholders, and the discussions here and in the prospectus are not intended as a substitute for careful tax planning. Potential investors should consult their tax advisers with specific reference to their own tax situations.

The discussions of the federal tax consequences in the prospectus and this SAI are based on the Internal Revenue Code (the "Code") and the regulations issued under it, and court decisions and administrative interpretations as in effect on the date of this SAI. Future legislative or administrative changes or court decisions may significantly change the statements included herein, and any such changes or decisions maybe retroactive.

The Fund qualified during its last taxable year and intends to continue to qualify as a regulated investment company under Subchapter M of Subtitle A, Chapter 1, of the Code. As a regulated investment company, the Fund generally is exempt from federal income tax on its net investment income and realized capital gains that it distributes to shareholders. To qualify for treatment as a regulated investment company, it must meet three important tests each year.

First, the Fund must derive with respect to each taxable year at least 90% of its gross income from dividends, interest, certain payments with respect to securities loans and gains from the sale or other disposition of stock or securities or foreign currencies, other income derived with respect to its business of investing in such stock, securities, or currencies or net income derived from interests in qualified publicly traded partnerships.

Second, generally, at the close of each quarter of the Fund's taxable year, at least 50% of the value of the Fund's assets must consist of cash and cash items, U.S. government securities, securities of other regulated investment companies and securities of other issuers (as to which the Fund has not invested more than 5% of the value of its total assets in securities of any such issuer and as to which the Fund does not hold more than 10% of the outstanding voting securities of any such issuer), and no more than 25% of the value of the Fund's total assets may be invested in the securities of (1) any one issuer (other than U.S. government securities and securities of other regulated investment companies), (2) two or more issuers that the Fund controls and which are engaged in the same or similar trades or businesses, or (3) one or more qualified publicly traded partnerships.

Third, the Fund must distribute an amount equal to at least the sum of 90% of the Fund's investment company taxable income (net investment income and the excess of net short-term capital gain over net long-term capital loss) and 90% of its tax-exempt income, if any, for the year.

The Fund intends to comply with these requirements. If the Fund were to fail to make sufficient distributions, it could be liable for corporate income tax and for excise tax in respect of the shortfall or if the shortfall is large enough, the Fund could be disqualified as a regulated investment company. If for any taxable year the Fund were not to qualify as a regulated investment company, all its taxable income would be subject to tax at regular corporate rates without any deduction for distributions to shareholders. In that event, shareholders would recognize dividend income on distributions to the extent of the Fund's current and accumulated earnings and profits, and corporate shareholders could be eligible for the dividends-received deduction.

The Code imposes a nondeductible 4% excise tax on regulated investment companies that fail to distribute each year an amount equal to specified percentages of their ordinary taxable income and capital gain net income (excess of capital gains over capital losses). The Fund intends to make sufficient distributions or deemed distributions each year to avoid liability for this excise tax.

State and Local Taxes. Although the Fund expects to qualify as a "regulated investment company" and to be relieved of all or substantially all federal income taxes, depending upon the extent of its activities in states and localities in which its offices are maintained, in which its agents or independent contractors are located or in which it is otherwise deemed to be conducting business, the Fund may be subject to the tax laws of such states or localities.

Taxation of Certain Investments. The tax principles applicable to transactions in financial instruments such as futures contracts and options that may be engaged in by the Fund, and investments in passive foreign investment companies (“PFICs”), are complex and, in some cases, uncertain. Such transactions and investments may cause the Fund to recognize taxable income prior to the receipt of cash, thereby requiring the Fund to liquidate other positions, or to borrow money, so as to make sufficient distributions to shareholders to avoid corporate-level tax. Moreover, some or all of the taxable income recognized may be ordinary income or short-term capital gain, so that the distributions may be taxable to shareholders as ordinary income.

In addition, in the case of any shares of a PFIC in which the Fund invests, the Fund may be liable for corporate-level tax on any ultimate gain or distributions on the shares if the Fund fails to make an election to recognize income annually during the period of its ownership of the shares.

PERFORMANCE INFORMATION

The Fund may from time to time quote or otherwise use yield and total return information in advertisements, shareholder reports or sales literature. Average annual total return and yield are computed pursuant to formulas specified by the SEC.

Thirty-day yield is derived by dividing net investment income earned during the period by the product of the average daily number of shares outstanding and entitled to receive dividends during the period and the maximum public offering price per share on the last day of such period. The results are compounded on a bond equivalent (semi-annual) basis and then annualized by assuming that yield is realized each month for twelve months and is reinvested every six months. Net investment income per share is equal to the dividends and interest earned during the period, reduced by accrued expenses for the period. The calculation of net investment income for these purposes may differ from the net investment income determined for accounting purposes.

The distribution rate for a specified period is calculated by annualizing distributions of net investment income for such period and dividing this amount by the net asset value per share or maximum public offering price on the last day of the period.

Average annual total return (before taxes) for a specified period is derived by calculating the actual dollar amount of the investment return on a \$1,000 investment made at the maximum public offering price applicable to the relevant class at the beginning of the period, and then calculating the annual compounded rate of return which would produce that amount, assuming a redemption at the end of the period. This calculation assumes a complete redemption of the investment. It also assumes that all dividends and distributions are reinvested at net asset value on the reinvestment dates during the period.

Average annual total return (after taxes on distributions) for a specified period is derived by calculating the actual dollar amount of the investment return on a \$1,000 investment made at the maximum public offering price applicable to the relevant class at the beginning of the period, and then calculating the annual compounded rate of return (after federal income taxes on distributions but not redemptions) which would produce that amount, assuming a redemption at

the end of the period. This calculation assumes a complete redemption of the investment but further assumes that the redemption has no federal income tax consequences. This calculation also assumes that all dividends and distributions, less the federal income taxes due on such distributions, are reinvested at net asset value on the reinvestment dates during the period. In calculating the impact of federal income taxes due on distributions, the federal income tax rates used correspond to the tax character of each component of the distributions (e.g., ordinary income rate for ordinary income distributions, short-term capital gain rate for short-term capital gain distributions and long-term capital gain rate for long-term capital gain distributions). The highest individual marginal federal income tax rate in effect on the reinvestment date is applied to each component of the distributions on the reinvestment date. These tax rates may vary over the measurement period. The effect of applicable tax credits, such as the foreign tax credit, is also taken into account in accordance with federal tax law. The calculation disregards (i) the effect of phase-outs of certain exemptions, deductions and credits at various income levels, (ii) the impact of the federal alternative minimum tax and (iii) the potential tax liabilities other than federal tax liabilities (e.g., state and local taxes).

Average annual total return (after taxes on distributions and redemptions) for a specified period is derived by calculating the actual dollar amount of the investment return on a \$1,000 investment made at the maximum public offering price applicable to the relevant class at the beginning of the period, and then calculating the annual compounded rate of return (after federal income taxes on distributions and redemptions) which would produce that amount, assuming a redemption at the end of the period. This calculation assumes a complete redemption of the investment. This calculation also assumes that all dividends and distributions, less the federal income taxes due on such distributions, are reinvested at net asset value on the reinvestment dates during the period. In calculating the federal income taxes due on distributions, the federal income tax rates used correspond to the tax character of each component of the distributions (e.g., ordinary income rate for ordinary income distributions, short-term capital gain rate for short-term capital gain distributions and long-term capital gain rate for long-term capital gain distributions). The highest individual marginal federal income tax rate in effect on the reinvestment date is applied to each component of the distributions on the reinvestment date. These tax rates may vary over the measurement period. The effect of applicable tax credits, such as the foreign tax credit, is taken into account in accordance with federal tax law. The calculation disregards the (i) effect of phase-outs of certain exemptions, deductions and credits at various income levels, (ii) the impact of the federal alternative minimum tax and (iii) the potential tax liabilities other than federal tax liabilities (e.g., state and local taxes). In calculating the federal income taxes due on redemptions, capital gains taxes resulting from a redemption are subtracted from the redemption proceeds and the tax benefits from capital losses resulting from the redemption are added to the redemption proceeds. The highest federal individual capital gains tax rate in effect on the redemption date is used in such calculation. The federal income tax rates used correspond to the tax character of any gains or losses (e.g., short-term or long-term). When the return after taxes on distributions and redemption of shares is higher than returns after taxes on distributions, it is because of realized losses. If realized losses occur upon the sale of shares, capital loss is recorded as a tax benefit which increases returns.

Year-by-year total return and cumulative total return for a specified period are each derived by calculating the percentage rate required to make a \$1,000 investment (made at the maximum public offering price with all distributions reinvested) at the beginning of such period equal to the actual value of such investment at the end of such period.

The Fund may also from time to time advertise total return on a cumulative, average, year- by-year or other basis for various specified periods by means of quotations, charts, graphs or schedules. In addition, the Fund may furnish total return calculations based on investments at various sales charge levels or at net asset value. An after-tax total return for the Fund may be calculated by taking its total return and subtracting applicable federal taxes from the portions of the Fund's total return attributable to capital gain and ordinary income distributions. This after-tax total return may be compared to that of other mutual funds with similar investment objectives as reported by independent sources. Any performance information which is based on the Fund's net asset value per share would be reduced if any applicable sales charge were taken into account. In addition to the above, the Fund may from time to time advertise its performance relative to certain averages, performance rankings, indices, other information prepared by recognized mutual fund statistical services and investments for which reliable performance information is available. The Fund's performance quotations do not reflect any fees charged by a financial intermediary to its customer accounts in connection with investments in the Fund.

The Fund's performance data will be based on historical results and will not be intended to indicate future performance. The Fund's total return, yield and distribution rate will vary based on market conditions, portfolio expenses, portfolio investment and other factors. These factors include, but are not limited to, Fund operating fees and expenses, portfolio turnover, and subscription and redemption cash flows affecting the Fund. The value of the Fund's shares will fluctuate and an investor's shares may be worth more or less than their original cost upon redemption. Performance may reflect expense limitations in effect. In their absence, performance would be reduced.

Total return will be calculated separately for each class of shares in existence. Because each class of shares is subject to different expenses, total return with respect to each class of shares of the Fund will differ.

FINANCIAL STATEMENTS

The Fund's financial statements for the fiscal year ended June 30, 2009, included in the Annual Report to shareholders and the report dated August 26, 2009 of Briggs, Bunting & Dougherty, LLP, the independent registered public accounting firm for the Fund, related thereto are incorporated herein by reference. No other parts of the Annual Report are incorporated herein by reference.

APPENDIX A

OPTIONS, FUTURES AND FORWARD CURRENCY CONTRACT STRATEGIES

Regulation of the Use of Options, Futures and Forward Currency Contract Strategies. As discussed in the prospectus, in managing the Fund, the adviser may engage in certain options, futures and forward currency contract strategies for certain bona fide hedging, risk management or other portfolio management purposes. Certain special characteristics of and risks associated with using these strategies are discussed below. Use of options, futures and forward currency contracts is subject to applicable regulations and/or interpretations of the SEC and the several options and futures exchanges upon which these instruments may be traded. The Board of Trustees has adopted investment guidelines (described below) reflecting these regulations.

In addition to the products, strategies and risks described below and in the prospectus, the adviser expects to discover additional opportunities in connection with options, futures and forward currency contracts. These new opportunities may become available as new techniques develop, as regulatory authorities broaden the range of permitted transactions and as new options, futures and forward currency contracts are developed. These opportunities may be utilized to the extent they are consistent with the Fund's investment objective and limitations and permitted by applicable regulatory authorities. The registration statement for the Fund will be supplemented to the extent that new products and strategies involve materially different risks than those described below and in the prospectus.

Cover Requirements. The Fund will not use leverage in its options and futures. Accordingly, the Fund will comply with guidelines established by the SEC with respect to coverage of these strategies by either (1) earmarking or setting aside cash or liquid, unencumbered, daily marked-to-market securities in one or more segregated accounts with the custodian in the prescribed amount; or (2) holding securities or other options or futures contracts whose values are expected to offset ("cover") their obligations thereunder. Securities, currencies, or other options or futures contracts used for cover cannot be sold or closed out while these strategies are outstanding, unless they are replaced with similar assets. As a result, there is a possibility that the use of cover involving a large percentage of the Fund's assets could impede portfolio management, or the Fund's ability to meet redemption requests or other current obligations.

Options Strategies. The Fund may purchase and write (sell) only those options on securities and securities indices that are traded on U.S. exchanges. Exchange-traded options in the U.S. are issued by a clearing organization affiliated with the exchange, on which the option is listed, which, in effect, guarantees completion of every exchange-traded option transaction.

The Fund may purchase call options on securities in which it is authorized to invest in order to fix the cost of a future purchase. Call options also may be used as a means of enhancing returns by, for example, participating in an anticipated price increase of a security. In the event of a decline in the price of the underlying security, use of this strategy would serve to limit the potential loss to the Fund to the option premium paid; conversely, if the market price of the underlying security increases above the exercise price and the Fund either sells or exercises the option, any profit eventually realized would be reduced by the premium paid.

The Fund may purchase put options on securities that it holds in order to hedge against a decline in the market value of the securities held or to enhance return. The put option enables the Fund to sell the underlying security at the predetermined exercise price; thus, the potential for loss to the Fund below the exercise price is limited to the option premium paid. If the market price of the underlying security is higher than the exercise price of the put option, any profit the Fund realizes on the sale of the security is reduced by the premium paid for the put option less any amount for which the put option may be sold.

The Fund may on certain occasions wish to hedge against a decline in the market value of securities that it holds at a time when put options on those particular securities are not available for purchase. At those times, the Fund may purchase a put option on other carefully selected securities in which it is authorized to invest, the values of which historically have a high degree of positive correlation to the value of the securities actually held. If the adviser's judgment is correct, changes in the value of the put options should generally offset changes in the value of the securities being hedged. However, the correlation between the two values may not be as close in these transactions as in transactions in which the Fund purchases a put option on a security that it holds. If the value of the securities underlying the put option falls below the value of the portfolio securities, the put option may not provide complete protection against a decline in the value of the portfolio securities.

The Fund may write covered call options on securities in which it is authorized to invest for hedging purposes or to increase return in the form of premiums received from the purchasers of the options. A call option gives the purchaser of the option the right to buy, and the writer (seller) the obligation to sell, the underlying security at the exercise price during the option period. The strategy may be used to provide limited protection against a decrease in the market price of the security, in an amount equal to the premium received for writing the call option less any transaction costs. Thus, if the market price of the underlying security held by the Fund declines, the amount of the decline will be offset wholly or in part by the amount of the premium received by the Fund. If, however, there is an increase in the market price of the underlying security and the option is exercised, the Fund will be obligated to sell the security at less than its market value.

The Fund may also write covered put options on securities in which it is authorized to invest. A put option gives the purchaser of the option the right to sell, and the writer (seller) the obligation to buy, the underlying security at the exercise price during the option period. So long as the obligation of the writer continues, the writer may be assigned an exercise notice by the broker-dealer through whom such option was sold, requiring it to make payment of the exercise price against delivery of the underlying security. The operation of put options in other respects, including their related risks and rewards, is substantially identical to that of call options. If the put option is not exercised, the Fund will realize income in the amount of the premium received. This technique could be used to enhance current return during periods of market uncertainty. The risk in such a transaction would be that the market price of the underlying securities would decline below the exercise price less the premiums received, in which case the Fund would expect to suffer a loss.

The Fund may purchase put and call options and write covered put and call options on indices in much the same manner as the more traditional options discussed above, except that index options may serve as a hedge against overall fluctuations in the securities markets (or a market sector) rather than anticipated increases or decreases in the value of a particular security. An index assigns values to the securities included in the index and fluctuates with changes in such values. Settlements of index options are effected with cash payments and do not involve delivery of securities. Thus, upon settlement of an index option, the purchaser will realize, and the writer will pay, an amount based on the difference between the exercise price and the closing price of the index. The effectiveness of hedging techniques using index options will depend on the extent to which price movements in the index selected correlate with price movements of the securities in which the Fund invests. Perfect correlation is not possible because the securities held or to be acquired by the Fund will not exactly match the composition of indices on which options are purchased or written.

The Fund may purchase and write covered straddles on securities or indices. A long straddle is a combination of a call and a put purchased on the same security where the exercise price of the put is less than or equal to the exercise price on the call. The Fund would enter into a long straddle when the adviser believes that it is likely that prices will be more volatile during the term of the options than is implied by the option pricing. A short straddle is a combination of a call and a put written on the same security where the exercise price on the put is less than or equal to the exercise price of the call where the same issue of the security is considered “cover” for both the put and the call. The Fund would enter into a short straddle when the adviser believes that it is unlikely that prices will be as volatile during the term of the options as is implied by the option pricing. In such case, the Fund will earmark or segregate cash and/or liquid, unencumbered securities in an account with its custodian equivalent in value to the amount, if any, by which the put is “in-the-money,” that is, that amount by which the exercise price of the put exceeds the current market value of the underlying security. Because straddles involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out.

The Fund may purchase put and call warrants with values that vary depending on the change in the value of one or more specified indices (“index warrants”). An index warrant is usually issued by a bank or other financial institution and gives the Fund the right, at any time during the term of the warrant, to receive upon exercise of the warrant a cash payment from the issuer of the warrant based on the value of the underlying index at the time of exercise. In general, if the Fund holds a call warrant and the value of the underlying index rises above the exercise price of the warrant, the Fund will be entitled to receive a cash payment from the issuer upon exercise based on the difference between the value of the index and the exercise price of the warrant; if the Fund holds a put warrant and the value of the underlying index falls, the Fund will be entitled to receive a cash payment from the issuer upon exercise based on the difference between the exercise price of the warrant and the value of the index. The Fund holding a call warrant would not be entitled to any payments from the issuer at any time when the exercise price is greater than the value of the underlying index; the Fund holding a put warrant would not be entitled to any payments when the exercise price is less than the value of the underlying index. If the Fund

does not exercise an index warrant prior to its expiration, then the Fund loses the amount of the purchase price that it paid for the warrant.

The Fund will normally use index warrants as it may use index options. The risks of the Fund's use of index warrants are generally similar to those relating to its use of index options. Unlike most index options, however, index warrants are issued in limited amounts and are not obligations of a regulated clearing agency, but are backed only by the credit of the bank or other institution which issues the warrant. Also, index warrants generally have longer terms than index options. Index warrants are not likely to be as liquid as index options backed by a recognized clearing agency. In addition, the terms of index warrants may limit the Fund's ability to exercise the warrants at any time or in any quantity.

Options Guidelines. In view of the risks involved in using the options strategies described above, the Fund has adopted the following investment guidelines to govern its use of such strategies; these guidelines may be modified by the Board of Trustees without shareholder approval:

1. The Fund will write only covered options, and each such option will remain covered so long as the Fund is obligated thereby; and
2. The Fund will not write options (whether on securities or securities indices) if aggregate exercise prices of previous written outstanding options, together with the value of assets used to cover all outstanding positions, would exceed 25% of its total net assets.

Special Characteristics and Risks of Options Trading. The Fund may effectively terminate its right or obligation under an option by entering into a closing transaction. If the Fund wishes to terminate its obligation to purchase or sell securities under a put or a call option it has written, the Fund may purchase a put or a call option of the same series (that is, an option identical in its terms to the option previously written). This is known as a closing purchase transaction. Conversely, in order to terminate its right to purchase or sell specified securities under a call or put option it has purchased, the Fund may sell an option of the same series as the option held. This is known as a closing sale transaction. Closing transactions essentially permit the Fund to realize profits or limit losses on its options positions prior to the exercise or expiration of the option. If the Fund is unable to effect a closing purchase transaction with respect to options it has acquired, the Fund will have to allow the options to expire without recovering all or a portion of the option premiums paid. If the Fund is unable to effect a closing purchase transaction with respect to covered options it has written, the Fund will not be able to sell the underlying securities or dispose of assets used as cover until the options expire or are exercised, and the Fund may experience material losses due to losses on the option transaction itself and in the covering securities.

In considering the use of options to enhance returns or for hedging purposes, particular note should be taken of the following:

1. The value of an option position will reflect, among other things, the current market price of the underlying security or index, the time remaining until expiration, the relationship of the exercise price to the market price, the historical price volatility of the underlying security or index, and general market conditions. For this reason, the successful use of options depends upon the adviser's ability to forecast the direction of price fluctuations in the underlying securities markets or, in the case of index options, fluctuations in the market sector represented by the selected index.
2. Options normally have expiration dates of up to three years. An American style put or call option may be exercised at any time during the option period while a European style put or call option may be exercised only upon expiration or during a fixed period prior to expiration. The exercise price of the options may be below, equal to or above the current market value of the underlying security or index. Purchased options that expire unexercised have no value. Unless an option purchased by the Fund is exercised or unless a closing transaction is effected with respect to that position, the Fund will realize a loss in the amount of the premium paid and any transaction costs.
3. A position in an exchange-listed option may be closed out only on an exchange that provides a secondary market for identical options. Although the Fund intends to purchase or write only those exchange-traded options for which there appears to be a liquid secondary market, there is no assurance that a liquid secondary market will exist for any particular option at any particular time. A liquid market may be absent if: (i) there is insufficient trading interest in the option; (ii) the exchange has imposed restrictions on trading, such as trading halts, trading suspensions or daily price limits; (iii) normal exchange operations have been disrupted; or (iv) the exchange has inadequate facilities to handle current trading volume.
4. With certain exceptions, exchange listed options generally settle by physical delivery of the underlying security. Index options are settled exclusively in cash for the net amount, if any, by which the option is "in-the-money" (where the value of the underlying instrument exceeds, in the case of a call option, or is less than, in the case of a put option, the exercise price of the option) at the time the option is exercised. If the Fund writes a call option on an index, the Fund will not know in advance the difference, if any, between the closing value of the index on the exercise date and the exercise price of the call option itself and thus will not know the amount of cash payable upon settlement. If the Fund holds an index option and exercises it before the closing index value for that day is available, the Fund runs the risk that the level of the underlying index may subsequently change.
5. The Fund's activities in the options markets may result in a higher Series turnover rate and additional brokerage costs; however, the Fund also may save on

commissions by using options as a hedge rather than buying or selling individual securities in anticipation of, or as a result of, market movements.

Futures and Related Options Strategies. The Fund may engage in futures strategies for certain non-trading bona fide hedging, risk management and portfolio management purposes.

The Fund may sell securities index futures contracts in anticipation of a general market or market sector decline that could adversely affect the market value of the Fund' securities holdings. To the extent that a portion of the Fund's holdings correlate with a given index, the sale of futures contracts on that index could reduce the risks associated with a market decline and thus provide an alternative to the liquidation of securities positions. For example, if the Fund correctly anticipates a general market decline and sells index futures to hedge against this risk, the gain in the futures position should offset some or all of the decline in the value of the Fund' holdings. The Fund may purchase index futures contracts if a significant market or market sector advance is anticipated. Such a purchase of a futures contract would serve as a temporary substitute for the purchase of the underlying securities, which may then be purchased, in an orderly fashion. This strategy may minimize the effect of all or part of an increase in the market price of securities that the Fund intends to purchase. A rise in the price of the securities should be in part or wholly offset by gains in the futures position.

As in the case of a purchase of an index futures contract, the Fund may purchase a call option on an index futures contract to hedge against a market advance in securities that the Fund plans to acquire at a future date. The Fund may write covered put options on index futures as a partial anticipatory hedge, and may write covered call options on index futures as a partial hedge against a decline in the prices of securities held by the Fund. This is analogous to writing covered call options on securities. The Fund also may purchase put options on index futures contracts. The purchase of put options on index futures contracts is analogous to the purchase of protective put options on individual securities where a level of protection is sought below which no additional economic loss would be incurred by the Fund.

Futures and Related Options Guidelines. In view of the risks involved in using the futures strategies that are described above, the Fund has adopted the following investment guidelines to govern its use of such strategies. The Board of Trustees may modify these guidelines without shareholder vote.

1. The Fund will engage only in covered futures transactions, and each such transaction will remain covered so long as the Fund is obligated thereby.
2. The Fund will not write options on futures contracts if aggregate exercise prices of previously written outstanding options (whether on securities or securities indices), together with the value of assets used to cover all outstanding futures positions, would exceed 25% of its total net assets.

Special Characteristics and Risks of Futures and Related Options Trading. No price is paid upon entering into a futures contract. Instead, upon entering into a futures contract, the Fund is

required to deposit with its custodian, in a segregated account in the name of the futures broker through whom the transaction is effected, or earmark, an amount of cash, U.S. Government securities or other liquid instruments generally equal to 10% or less of the contract value. This amount is known as “initial margin.” When writing a call or a put option on a futures contract, margin also must be deposited in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts does not involve borrowing to finance the futures transactions. Rather, initial margin on a futures contract is in the nature of a performance bond or good-faith deposit on the contract that is returned to the Fund upon termination of the transaction, assuming all obligations have been satisfied. Under certain circumstances, such as periods of high volatility, the Fund may be required by a futures exchange to increase the level of its initial margin payment. Additionally, initial margin requirements may be increased generally in the future by regulatory action. Subsequent payments, called “variation margin,” to and from the broker, are made on a daily basis as the value of the futures or options position varies, a process known as “marking to market.” For example, when the Fund purchases a contract and the value of the contract rises, the Fund receives from the broker a variation margin payment equal to that increase in value. Conversely, if the value of the futures position declines, the Fund is required to make a variation margin payment to the broker equal to the decline in value. Variation margin does not involve borrowing to finance the futures transaction, but rather represents a daily settlement of the Fund’s obligations to or from a clearing organization.

Buyers and sellers of futures positions and options thereon can enter into offsetting closing transactions, similar to closing transactions on options on securities, by selling or purchasing an offsetting contract or option. Futures contracts or options thereon may be closed only on an exchange or board of trade providing a secondary market for such futures contracts or options.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract or related option may vary either up or down from the previous day’s settlement price. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. The daily limit governs only price movements during a particular trading day and therefore does not limit potential losses, because prices could move to the daily limit for several consecutive trading days with little or no trading and thereby prevent prompt liquidation of unfavorable positions. In such event, it may not be possible for the Fund to close a position, and, in the event of adverse price movements, the Fund would have to make daily cash payments of variation margin (except in the case of purchased options). However, if futures contracts have been used to hedge portfolio securities, such securities will not be sold until the contracts can be terminated. In such circumstances, an increase in the price of the securities, if any, may partially or completely offset losses on the futures contract. However, there is no guarantee that the price of the securities will, in fact, correlate with the price movements in the contracts and thus provide an offset to losses on the contracts.

In considering the Fund’s use of futures contracts and related options, particular note should be taken of the following:

1. Successful use by the Fund of futures contracts and related options will depend upon the adviser's ability to predict movements in the direction of the securities markets, which requires different skills and techniques than predicting changes in the prices of individual securities. Moreover, futures contracts relate not only to the current price level of the underlying securities, but also to anticipated price levels at some point in the future. There is, in addition, the risk that the movements in the price of the futures contract will not correlate with the movements in the prices of the securities being hedged. For example, if the price of an 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, the advantage may be partially offset by losses in the futures position. In addition, if the Fund has insufficient cash, it may have to sell assets to meet daily variation margin requirements. Any such sale of assets may or may not be made at prices that reflect a rising market. Consequently, the Fund may need to sell assets at a time when such sales are disadvantageous to the Fund. If the price of the futures contract moves more than the price of the underlying securities, the Fund will experience either a loss or a gain on the futures contract that may or may not be completely offset by movements in the price of the securities that are the subject of the hedge.
2. In addition to the possibility that there may be an imperfect correlation, or no correlation at all, between price movements in the futures position and the securities being hedged, movements in the prices of futures contracts may not correlate perfectly with movements in the prices of the hedged securities due to price distortions in the futures market. There may be several reasons unrelated to the value of the underlying securities that cause this situation to occur. First, as noted above, all participants in the futures market are subject to initial and variation margin requirements. If, to avoid meeting additional margin deposit requirements or for other reasons, investors choose to close a significant number of futures contracts through offsetting transactions, distortions in the normal price relationship between the securities and the futures markets may occur. Second, because the margin deposit requirements in the futures market are less onerous than margin requirements in the securities market, there may be increased participation by speculators in the futures market. Such speculative activity in the futures market also may cause temporary price distortions. As a result, a correct forecast of general market trends may not result in successful hedging through the use of futures contracts over the short term. In addition, activities of large traders in both the futures and securities markets involving arbitrage and other investment strategies may result in temporary price distortions.
3. Positions in futures contracts may be closed out only on an exchange or board of trade that provides a secondary market for such futures contracts. Although the Fund intends to purchase and sell futures only on exchanges or boards of trade

where there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange or board of trade will exist for any particular contract at any particular time. In such event, it may not be possible to close a futures position, and in the event of adverse price movements, the Fund would continue to be required to make variation margin payments.

4. Like options on securities, options on futures contracts have limited life. The ability to establish and close out options on futures will be subject to the development and maintenance of liquid secondary markets on the relevant exchanges or boards of trade. There can be no certainty that such markets for all options on futures contracts will develop.
5. Purchasers of options on futures contracts pay a premium in cash at the time of purchase. This amount and the transaction costs are all that is at risk. Sellers of options on futures contracts, however, must post initial margin and are subject to additional margin calls that could be substantial in the event of adverse price movements. In addition, although the maximum amount at risk when the Fund purchases an option is the premium paid for the option and the transaction costs, there may be circumstances when the purchase of an option on a futures contract would result in a loss to the Fund when the use of a futures contract would not, such as when there is no movement in the level of the underlying index value or the securities or currencies being hedged.
6. As is the case with options, the Fund's activities in the futures markets may result in a higher portfolio turnover rate and additional transaction costs in the form of added brokerage commissions. However, the Fund also may save on commissions by using futures contracts or options thereon as a hedge rather than buying or selling individual securities in anticipation of, or as a result of, market movements.

APPENDIX B

DESCRIPTION OF SECURITIES RATINGS

Short-Term Credit Ratings

A Standard & Poor's short-term issue credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation having an original maturity of no more than 365 days. The following summarizes the rating categories used by Standard & Poor's for short-term issues:

"A-1" — Obligations are rated in the highest category and indicate that the obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

"A-2" — The obligor's capacity to meet its financial commitment on the obligation is satisfactory. Obligations are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in the higher rating categories.

"A-3" — Obligor has adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

"B" — An obligation is regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. Ratings of "B1", "B-2" and "B-3" may be assigned to indicate finer distinctions within the "B" category.

"C" — Obligations are currently vulnerable to nonpayment and are dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

"D" — Obligations are in payment default. This rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The "D" rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

Local Currency and Foreign Currency Risks - Country risk considerations are a standard part of Standard & Poor's analysis for credit ratings on any issuer or issue. Currency of repayment is a key factor in this analysis. An obligor's capacity to repay foreign currency obligations may be lower than its capacity to repay obligations in its local currency due to the sovereign government's own relatively lower capacity to repay external versus domestic debt.

These sovereign risk considerations are incorporated in the debt ratings assigned to specific issues. Foreign currency issuer ratings are also distinguished from local currency issuer ratings to identify those instances where sovereign risks make them different for the same issuer.

Moody's Investors Service ("Moody's") short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

"P-1" — Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

"P-2" — Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

"P-3" — Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

"NP" — Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Fitch, Inc. / Fitch Ratings Ltd. ("Fitch") short-term ratings scale is based in all cases on the short-term vulnerability to default of the rated entity or security stream, and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-term ratings are assigned to obligations whose initial maturity is viewed as "short-term" based on market convention. Typically, this means up to 13 months for corporate, structured and sovereign obligations, and up to 36 months for obligations in U.S. public finance markets. The following summarizes the rating categories used by Fitch for short-term obligations:

"F1" — Securities possess the highest short-term credit quality. This designation indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

"F2" — Securities possess good short-term credit quality. This designation indicates good intrinsic capacity for timely payment of financial commitments.

"F3" — Securities possess fair short-term credit quality. This designation indicates that the intrinsic capacity for timely payment of financial commitments is adequate.

“B” — Securities possess speculative short-term credit quality. This designation indicates minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

“C” — Securities possess high short-term default risk. Default is a real possibility.

“R” — Restricted default. Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Applicable to entity ratings only.

“D” — Default. Indicates a broad-based default for an entity, or the default of a specific short-term obligation.

The following summarizes the ratings used by Dominion Bond Rating Service Limited (“DBRS”) for commercial paper and short-term debt:

“R-1 (high)” - Short-term debt rated “R-1 (high)” is of the highest credit quality, and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an “R-1 (high)” rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an “R-1 (high)”, few entities are strong enough to achieve this rating.

“R-1 (middle)” — Short-term debt rated “R-1 (middle)” is of superior credit quality and, in most cases, ratings in this category differ from “R-1 (high)” credits by only a small degree. Given the extremely tough definition DBRS has established for the “R-1 (high)” category, entities rated “R-1 (middle)” are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

“R-1 (low)” — Short-term debt rated “R-1 (low)” is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favorable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.

“R-2 (high)” — Short-term debt rated “R-2 (high)” is considered to be at the upper end of adequate credit quality. The ability to repay obligations as they mature remains acceptable, although the overall strength and outlook for key liquidity, debt, and profitability ratios is not as strong as credits rated in the “R-1 (low)” category. Relative to the latter category, other shortcomings often include areas such as stability, financial flexibility, and the relative size and market position of the entity within its industry.

“R-2 (middle)” — Short-term debt rated “R-2 (middle)” is considered to be of adequate credit quality. Relative to the “R-2 (high)” category, entities rated “R-2 (middle)” typically have some combination of higher volatility, weaker debt or liquidity positions, lower future cash flow capabilities, or are negatively impacted by a weaker industry. Ratings in this category would be more vulnerable to adverse changes in financial and economic conditions.

“R-2 (low)” — Short-term debt rated “R-2 (low)” is considered to be at the lower end of adequate credit quality, typically having some combination of challenges that are not acceptable for an “R-2 (middle)” credit. However, “R-2 (low)” ratings still display a level of credit strength that allows for a higher rating than the “R-3” category, with this distinction often reflecting the issuer’s liquidity profile.

“R-3” — Short-term debt rated “R-3” is considered to be at the lowest end of adequate credit quality, one step up from being speculative. While not yet defined as speculative, the R-3 category signifies that although repayment is still expected, the certainty of repayment could be impacted by a variety of possible adverse developments, many of which would be outside the issuer’s control. Entities in this area often have limited access to capital markets and may also have limitations in securing alternative sources of liquidity, particularly during periods of weak economic conditions.

“R-4” — Short-term debt rated R-4 is speculative. R-4 credits tend to have weak liquidity and debt ratios, and the future trend of these ratios is also unclear. Due to its speculative nature, companies with R-4 ratings would normally have very limited access to alternative sources of liquidity. Earnings and cash flow would typically be very unstable, and the level of overall profitability of the entity is also likely to be low. The industry environment may be weak, and strong negative qualifying factors are also likely to be present.

“R-5” — Short-term debt rated R-5 is highly speculative. There is a reasonably high level of uncertainty as to the ability of the entity to repay the obligations on a continuing basis in the future, especially in periods of economic recession or industry adversity. In some cases, short term debt rated R-5 may have challenges that if not corrected, could lead to default.

“D” — A security rated “D” implies the issuer has either not met a scheduled payment or the issuer has made it clear that it will be missing such a payment in the near future. In some cases, DBRS may not assign a “D” rating under a bankruptcy announcement scenario, as allowances for grace periods may exist in the underlying legal documentation. Once assigned, the “D” rating will continue as long as the missed payment continues to be in arrears, and until such time as the rating is discontinued or reinstated by DBRS.

Long-Term Credit Ratings

The following summarizes the ratings used by Standard & Poor’s for long-term issues:

“AAA” — An obligor rated “AAA” has extremely strong capacity to meet its financial commitments. “AAA” is the highest issuer credit rating assigned by Standard & Poor’s.

“AA” — An obligor rated “AA” has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

“A” — An obligor rated “A” has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

“BBB” — An obligor rated “BBB” has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Obligations rated “BB,” “B,” “CCC” and “CC” are regarded as having significant speculative characteristics. “BB” indicates the least degree of speculation and “c” the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

“BB” — An obligor rated “BB” is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitments.

“B” — An obligor rated “BB” is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitments.

“CCC” — An obligor rated “CCC” is currently vulnerable, and is dependent upon favorable business, financial and economic conditions to meet its financial commitments.

“CC” — An obligor rated “CC” is currently highly vulnerable.

Plus (+) or minus (-) — The ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

“SD” and “D” — An obligor rated “SD” (selective default) or “D” has failed to pay one or more of its financial obligations (rated or unrated) when it came due. A “D” rating is assigned when Standard & Poor’s believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An “SD” rating is assigned when Standard & Poor’s believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A selective default includes the completion of a distressed exchange offer, whereby one or more financial obligation is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par. Please

see Standard & Poor's issue credit ratings for a more detailed description of the effects of a default on specific issues or classes of obligations.

"NR" — An issuer rated "NR" is not rated.

Local Currency and Foreign Currency Risks - Country risk considerations are a standard part of Standard & Poor's analysis for credit ratings on any issuer or issue. Currency of repayment is a key factor in this analysis. An obligor's capacity to repay foreign currency obligations may be lower than its capacity to repay obligations in its local currency due to the sovereign government's own relatively lower capacity to repay external versus domestic debt. These sovereign risk considerations are incorporated in the debt ratings assigned to specific issues. Foreign currency issuer ratings are also distinguished from local currency issuer ratings to identify those instances where sovereign risks make them different for the same issuer.

The following summarizes the ratings used by Moody's for long-term debt:

"Aaa" — Obligations rated "Aaa" are judged to be of the highest quality, with minimal credit risk.

"Aa" — Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

"A" — Obligations rated "A" are considered upper-medium grade and are subject to low credit risk.

"Baa" — Obligations rated "Baa" are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

"Ba" — Obligations rated "Ba" are judged to have speculative elements and are subject to substantial credit risk.

"B" — Obligations rated "B" are considered speculative and are subject to high credit risk.

"Caa" — Obligations rated "Caa" are judged to be of poor standing and are subject to very high credit risk.

"Ca" — Obligations rated "Ca" are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

"C" — Obligations rated "C" are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from "Aa" through "Caa." The modifier 1 indicates that the obligation ranks in the

higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

The following summarizes long-term ratings used by Fitch:

“AAA” — Securities considered to be of the highest credit quality. “AAA” ratings denote the lowest expectation of credit or default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

“AA” — Securities considered to be of very high credit quality. “AA” ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

“A” — Securities considered to be of high credit quality. “A” ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

“BBB” — Securities considered to be of good credit quality. “BBB” ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

“BB” — Securities considered to be speculative. “BB” ratings indicate that there is an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

“B” — Securities considered to be highly speculative. “B” ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

“CCC,” “CC” and “C” — A “CCC” rating indicates substantial credit risk, with default a real possibility. A “CC” rating indicates very high levels of credit risk. Default of some kind appears probable. “C” ratings signal exceptionally high levels of credit risk. Default is imminent or inevitable, or the issuer is in standstill.

“D” — indicates an issuer that in Fitch ratings’ opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Default ratings are not assigned prospectively to entities or their obligations; within this context, non-payment on an instrument that contains a deferral feature or grace period will

generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a coercive debt exchange.

“Imminent” default typically refers to the occasion where a payment default has been intimated by the issuer, and is all but inevitable. This may, for example, be where an issuer has missed a scheduled payment, but (as is typical) has a grace period during which it may cure the payment default. Another alternative would be where an issuer has formally announced a coercive debt exchange, but the date of the exchange still lies several days or weeks in the immediate future.

In all cases, the assignment of a default rating reflects the agency’s opinion as to the most appropriate rating category consistent with the rest of its universe of ratings, and may differ from the definition of default under the terms of an issuer’s financial obligations or local commercial practice.

Plus (+) or minus (-) may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the “AAA” category or to categories below “CCC”.

“NR” indicates that Fitch does not publicly rate the issuer or issue in question.

The following summarizes the ratings used by DBRS for long-term debt:

“AAA” - Long-term debt rated “AAA” is of the highest credit quality, with exceptionally strong protection for the timely repayment of principal and interest. Earnings are considered stable, the structure of the industry in which the entity operates is strong, and the outlook for future profitability is favorable. There are few qualifying factors present which would detract from the performance of the entity. The strength of liquidity and coverage ratios is unquestioned and the entity has established a creditable track record of superior performance. Given the extremely high standard which DBRS has set for this category, few entities are able to achieve a “AAA” rating.

“AA” — Long-term debt rated “AA” is of superior credit quality, and protection of interest and principal is considered high. In many cases they differ from long-term debt rated “AAA” only to a small degree. Given the extremely restrictive definition DBRS has for the “AAA” category, entities rated “AA” are also considered to be strong credits, typically exemplifying above-average strength in key areas of consideration and unlikely to be significantly affected by reasonably foreseeable events.

“A” — Long-term debt rated “A” is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of “AA” rated entities. While “A” is a respectable rating, entities in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities.

“BBB” — Long-term debt rated “BBB” is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.

“BB” — Long-term debt rated “BB” is defined to be speculative and non-investment grade, where the degree of protection afforded interest and principal is uncertain, particularly during periods of economic recession. Entities in the “BB” range typically have limited access to capital markets and additional liquidity support. In many cases, deficiencies in critical mass, diversification, and competitive strength are additional negative considerations.

“B” — Long-term debt rated “B” is highly speculative and there is a reasonably high level of uncertainty as to the ability of the entity to pay interest and principal on a continuing basis in the future, especially in periods of economic recession or industry adversity.

“CCC”, “CC” and “C” — Long-term debt rated in any of these categories is very highly speculative and is in danger of default of interest and principal. The degree of adverse elements present is more severe than long-term debt rated “B.” Long-term debt rated below “B” often have features which, if not remedied, may lead to default. In practice, there is little difference between these three categories, with “CC” and “C” normally used for lower ranking debt of companies for which the senior debt is rated in the “CCC” to “B” range.

“D” — A security rated “D” implies the issuer has either not met a scheduled payment of interest or principal or that the issuer has made it clear that it will miss such a payment in the near future. In some cases, DBRS may not assign a “D” rating under a bankruptcy announcement scenario, as allowances for grace periods may exist in the underlying legal documentation. Once assigned, the “D” rating will continue as long as the missed payment continues to be in arrears, and until such time as the rating is discontinued or reinstated by DBRS.

(“high”, “low”) — Each rating category is denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category. The “AAA” and “D” categories do not utilize “high”, “middle”, and “low” as differential grades.

Municipal Note Ratings

A Standard & Poor’s U.S. municipal note rating reflects the liquidity factors and market access risks unique to notes. Notes due in three years or less will likely receive a note rating. Notes maturing beyond three years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment:

- Amortization schedule—the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and

- Source of payment—the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Note rating symbols are as follows:

“SP-1” — The issuers of these municipal notes exhibit a strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

“SP-2” — The issuers of these municipal notes exhibit a satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

“SP-3” — The issuers of these municipal notes exhibit speculative capacity to pay principal and interest.

Moody’s uses three rating categories for short-term municipal obligations that are considered investment grade. These ratings are designated as Municipal Investment Grade (“MIG”) and are divided into three levels — “MIG-1” through “MIG-3”. In addition, those short-term obligations that are of speculative quality are designated “SG”, or speculative grade. MIG ratings expire at the maturity of the obligation. The following summarizes the ratings used by Moody’s for these short-term obligations:

“MIG-1” — This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

“MIG-2” — This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

“MIG-3” — This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

“SG” — This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

In the case of variable rate demand obligations (“VRDOs”), a two-component rating is assigned; a long or short-term debt rating and a demand obligation rating. The first element represents Moody’s evaluation of the degree of risk associated with scheduled principal and interest payments. The second element represents Moody’s evaluation of the degree of risk associated with the ability to receive purchase price upon demand (“demand feature”), using a variation of the MIG rating scale, the Variable Municipal Investment Grade or “VMIG” rating.

When either the long- or short-term aspect of a VRDO is not rated, that piece is designated “NR”, e.g., “Aaa/NR” or “NR/VMIG-1”.

VMIG rating expirations are a function of each issue's specific structural or credit features.

“VMIG-1” — This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

“VMIG-2” — This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

“VMIG-3” — This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

“SG” — This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

Fitch uses the same ratings for municipal securities as described above for other short-term credit ratings.

About Credit Ratings

A Standard & Poor's issue credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion evaluates the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. The issue credit rating is not a statement of fact or recommendation to purchase, sell, or hold a financial obligation or make any investment decisions. Nor is it a comment regarding an issue's market price or suitability for a particular investor.

Moody's credit ratings must be construed solely as statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities.

Fitch's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Fitch credit ratings are used by investors as indications of the likelihood of receiving the money owed them in accordance with the terms on which they

invested. Fitch's credit ratings cover the global spectrum of corporate, sovereign (including supranational and sub-national), financial, bank, insurance, municipal and other public finance entities and the securities or other obligations they issue, as well as structured finance securities backed by receivables or other financial assets.

DBRS credit ratings are opinions based on the quantitative and qualitative analysis of information sourced and received by DBRS, which information is not audited or verified by DBRS. Ratings are not buy, hold or sell recommendations and they do not address the market price of a security. Ratings may be upgraded, downgraded, placed under review, confirmed and discontinued.

APPENDIX C

ROXBURY CAPITAL MANAGEMENT, LLC PROXY VOTING GUIDELINES

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**ROXBURY CAPITAL MANAGEMENT, LLC
PROXY VOTING GUIDELINES**

1. OPERATIONAL ITEMS

1a. Adjourn Meeting

Vote **AGAINST** proposals to provide management with authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

1b. Amend Quorum Requirements

Vote **AGAINST** proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

1c. Amend Minor Bylaws

Vote **FOR** bylaw or charter changes that are of a housekeeping nature (updates or corrections).

1d. Change Company Name

Vote **FOR** management proposals to change the corporate name.

1e. Change Date, Time, or Location of Annual Meeting

Vote **FOR** management proposals to change the date/time/location of the annual meeting unless the proposed change is unreasonable.

Vote **AGAINST** shareholder proposals to change the date/time/location of the annual meeting unless the current scheduling or location is unreasonable.

1f. Ratifying Auditors

Vote **FOR** proposals to ratify auditors, unless any of the following apply:

- An auditor has a financial interest in or association with the company, and is therefore not independent.
- Fees for non-audit services (other than tax preparation and tax consulting) are excessive (considered excessive if greater than 50% of audit fees), or
- There is reason to believe that the independent auditor has rendered an opinion, which is neither accurate nor indicative of the company's financial position.

Vote **FOR** shareholder proposals asking companies to prohibit or limit their auditors from engaging in excessive non-audit services. Consulting services are excessive if over 50% of audit fees. No limit on tax related fees is necessary.

Vote **AGAINST** shareholder proposals asking for audit firm rotation.

1g. Transact Other Business

Vote **AGAINST** proposals to approve other business when it appears as voting item. Significant business should be brought before shareholders for approval.

2. BOARD OF DIRECTORS

2a. Voting on Director Nominees in Uncontested Elections

Vote **CASE-BY-CASE** on proposals regarding director nominees taking into account the following factors: composition of the board and key board committees, attendance at board meetings, corporate governance provisions and takeover activity, long-term company performance relative to a market index, directors' investment in the company, whether the chairman is also serving as CEO, and whether a retired CEO sits on the board. However, there are some actions by directors that should result in votes being withheld. These instances include directors who:

- Attend less than 75 percent of the board and committee meetings without a valid excuse
- Implement or renew a dead-hand or modified dead-hand poison pill
- Ignore a shareholder proposal that is approved by a majority of the shares outstanding
- Ignore a shareholder proposal that is approved by a majority of the votes cast for two consecutive years
- Failed to act on takeover offers where the majority of the shareholders tendered their shares
- Are inside directors or affiliated outsiders and sit on the audit, compensation, or nominating committees
- Are inside directors or affiliated outsiders and the full board serves as the audit, compensation, or nominating committee, or the company does not have one of these committees
- Are audit committee members and the non-audit fees paid to the auditor are excessive

In addition, directors who enacted egregious corporate governance policies or failed to replace management as appropriate would be subject to recommendations to withhold votes.

2b. Age Limits

Vote **AGAINST** shareholder proposals to impose a mandatory retirement age for outside directors.

2c. Board Size

Vote **FOR** proposals seeking to fix the board size or designate a range for the board size.

Vote **AGAINST** proposals that give management the ability to alter the size of the board outside of a specified range without shareholder approval.

2d. Classification / Declassification of the Board

Vote **AGAINST** proposals to classify boards. Vote **FOR** proposals to declassify boards.

2e. Cumulative Voting

Vote **AGAINST** proposals to eliminate cumulative voting.

Vote **FOR** proposals to restore or permit cumulative voting.

2f. Director and Officer Indemnification and Liability Protection

Vote **FOR** proposals on director and officer indemnification and liability protection using Delaware law as the standard.

Vote **AGAINST** proposals to eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care.

Vote **AGAINST** indemnifications proposals that would expand coverage beyond just legal expenses to acts, such as gross negligence, that are more serious violations of fiduciary obligation than mere carelessness.

Vote **FOR** only those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if both of the following apply:

- The director was found to have acted in good faith and in a manner that he reasonably believed was in the best interests of the company, and
- Only if the director's legal expenses would be covered.

2g. Establish / Amend Nominee Qualifications

Vote **CASE-BY-CASE** on proposals that establish or amend director qualifications. Votes should be based on how reasonable the criteria are and to what degree they may preclude dissident nominees from joining the board.

Vote **AGAINST** shareholder proposals requiring two candidates per board seat.

2h. Filling Vacancies / Removal of Directors

Vote **AGAINST** proposals that provide that directors may be removed only for cause.

Vote **FOR** proposals to restore shareholder ability to remove directors with or without cause.

Vote **AGAINST** proposals that provide that only continuing directors may elect replacements to fill board vacancies.

Vote **CASE-BY-CASE** on proposals that permit shareholders to elect directors to fill board vacancies.

Consideration should be given to the board's historical effectiveness in managing the company.

2i. Independent Chairman (Separate Chairman / CEO)

Vote **CASE-BY-CASE** on shareholder proposals requiring that the positions of chairman and CEO be held separately. Because some companies have governance structures in place that counterbalance a combined position, the following factors should be taken into account in determining whether the proposals warrant support:

- Designated lead director appointed from the ranks of the independent board members with clearly delineated duties
- Majority of independent directors on board
- All independent key committees
- Committee chairpersons nominated by the independent directors
- CEO performance reviewed annually by a committee of outside directors
- Established governance guidelines
- Company performance

2j. Majority of Independent Directors / Establishment of Committees

Vote **FOR** shareholder proposals asking that a majority or more of directors be independent unless the board composition already meets the proposed threshold of definition for independence.

Vote **FOR** shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors if they currently do not meet that standard.

2k. Stock Ownership Requirements

Vote **AGAINST** shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board. Although stock ownership is encouraged, the company should determine the appropriate ownership requirements.

2l. Term Limits

Vote **AGAINST** shareholder proposals to limit the tenure of outside directors.

2m. Management-proposed Nominees for Board Positions

Vote **CASE-BY-CASE** on all director nominees at companies that fail to meet a predetermined performance test for issuers within the Russell 3000 index.

WITHHOLD votes from directors at any company that has adopted a pill beginning January 2005 without shareholder approval, has not yet received a “withhold” vote for poison-pill-related items, and has not committed to putting its pill to a vote within 12 months of the adoption of the pill either as part of its governance policies or as a specific public commitment.

WITHHOLD votes from compensation committee members if they fail to submit one-time transferable stock options to shareholders for approval

WITHHOLD votes from audit committee members under certain circumstances when a material weakness rises to a level of serious concern, there are chronic internal control issues, and there is an absence of established control mechanisms

WITHHOLD votes from compensation committee members if the company has poor compensation practices. Poor compensation practices include, but are not limited to:

- Egregious employment contracts including excessive severance provisions
- Excessive perks that dominate compensation
- Huge bonus payouts without justifiable performance
- Performance metrics that are changed during the performance period
- Egregious SERP payouts
- New CEO with overly generous hire package
- Internal pay disparity

2n. Management-proposed Nominees for Board Positions (Non-US Companies)

Canada/Europe-

WITHHOLD votes from any director on the audit or compensation committee who served as the company’s CEO or who within the past five years, served as the company’s CFO

Vote **AGAINST** inside directors and affiliated outsiders who sit on the audit, compensation or nominating committees

WITHHOLD votes from audit committee members if audit fees are not disclosed in publicly filed documents or obtainable within a reasonable period of time prior to the shareholder’s meeting

Ireland/South Korea-

Vote **CASE-BY-CASE** on director elections

South Korea/South Africa-

Vote **AGAINST** individual directors with absenteeism less than 75 percent without valid reason

Tax Havens-

Vote **AGAINST** affiliated outsider directors on the audit, compensation and nominating committees. If companies lack a nominating committee, vote **AGAINST** inside and affiliated outside director nominees for failure to establish a nominating committee

Vote **CASE-BY-CASE** on inside directors and affiliated outside directors for Foreign Private Issuers that trade exclusively in the United States but fail to establish a majority independent board

2o. Majority Voting for Director Elections

Vote **FOR** majority voting proposals unless the company has adopted formal corporate governance principles that present a meaningful alternatives to the majority voting standard and/or provides an adequate response to both new nominees as well as incumbent nominees who fail to receive a majority of votes cast

3. EXECUTIVE AND DIRECTOR COMPENSATION

Vote **CASE-BY-CASE** with respect to compensation plans. Our methodology for reviewing compensation plans primarily focuses on the transfer of shareholder wealth (the dollar cost of pay plans to shareholders instead of simply focusing on voting power dilution). Using the expanded compensation data disclosed under the SEC's rules, we will value award types. It will include in its analyses an estimated dollar cost for the proposed plan and all continuing plans. This cost, dilution to shareholders' equity, will also be expressed as a percentage figure for the transfer of shareholder wealth, and will be considered along with dilution to voting power.

3a. Director Compensation

Vote **CASE-BY-CASE** on compensation plans for directors taking into consideration the following attributing factors:

- Equity compensation
- Level of performance metrics

3b. Stock Plans in Lieu of Cash

Vote **FOR** plans which provide a dollar for dollar cash for stock exchange.

Vote **CASE-BY-CASE** for plans which do not provide a dollar for dollar cash for stock exchange. In no event should the value of a stock in lieu of cash plan exceed the cost of a cash only plan.

3c. Director Retirement Plans

Vote **AGAINST** plans for nonemployee directors.

Vote **FOR** shareholder proposals to eliminate retirement plans for nonemployee directors.

3d. Stock Option Plans

Vote **FOR** stock option plans that limit annual share count dilution for options granted to the lesser of 10% of the company's long term growth rate or 3% of beginning shares outstanding.

Vote **AGAINST** stock option plans that allow for accelerated vesting of options based upon short term stock price performance.

Vote **AGAINST** stock option plans with vesting schedules less than 5 years.

Vote **AGAINST** stock option plans that allow for options to be granted at less than fair market value.

3e. Management Proposals Seeking Approval to Reprice Options

Vote **AGAINST** management proposals seeking approval to reprice options.

3f. Employee Stock Purchase Plans

Vote **CASE-BY-CASE** on employee stock purchase plans taking into account:

- Purchase price is at least 85 percent of fair market value
- Offering period is 27 months or less
- Potential voting power dilution is 10 percent or less

3g. Incentive Bonus Plans and Tax Deductibility Proposals (OBRA-Related Compensation Proposals)

Vote **CASE-BY-CASE** for proposals that simply amend shareholder approved compensation plans to include administrative features or place a cap on the annual grants any one participant may receive to comply with the provisions of Section 162(m).

Vote **FOR** proposals to add performance goals to existing compensation plans to comply with the provisions of Section 162(m) unless they are clearly inappropriate.

Vote **CASE-BY-CASE** to amend existing plans to increase shares reserved and to qualify for favorable tax treatment under the provisions of Section 162(m).

Vote **CASE-BY-CASE** on cash or cash and stock bonus plans that are submitted to shareholders for the purpose of exempting compensation from taxes under the provisions of Section 162(m).

3h. Employee Stock Ownership Plans (ESOPs)

Vote **FOR** proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive (more than five percent of outstanding shares).

3i. 401(k) Employee Benefit Plans

Vote **FOR** proposals to implement a 401(k) savings plan for employees.

3j. Shareholder Proposals Regarding Executive and Director Pay

Vote **FOR** shareholder proposals seeking additional disclosures of executive and director pay information, provided the information requested is relevant to shareholders' needs, would not put the company at a competitive disadvantage relative to its industry, and is not unduly burdensome to the company.

Vote **AGAINST** shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation.

Vote **AGAINST** shareholder proposals requiring director fees be paid in stock only.

Vote **FOR** shareholder proposals to put option repricings to a shareholder vote.
Vote **CASE-BY-CASE** for all other shareholder proposals regarding executive and director pay, taking into account company performance, pay level versus peers, pay level versus industry, and long term corporate outlook.

3k. Option Expensing

Vote **AGAINST** shareholder proposals asking the company to expense stock options. Companies may elect their accounting in accordance with GAAP.

3l. Performance Based Stock Options

Vote **FOR** shareholder proposals advocating the use of performance-based stock options (indexed, premium-priced, and performance vested options), taking into account:

- Whether the proposal mandates that all awards be performance based
- Whether the proposal extends beyond executive awards to those of lower ranking employees
- Whether the company's stock based compensation plans meets the analysts criteria

Vote **AGAINST** proposals on stock option plans where performance vesting is tied solely to achieving short term stock price performance.

3m. Golden and Tin Parachutes

Vote **FOR** shareholder proposals to require golden and tin parachutes (executive severance agreements) to be submitted for shareholder ratification, unless the proposal requires shareholder approval prior to entering into employment contracts.

Vote **CASE-BY-CASE** on proposals to ratify or cancel golden or tin parachutes. An acceptable parachute should include the following:

- The parachute should be less attractive than an ongoing employment opportunity with the firm
- The triggering mechanism should be beyond the control of management (i.e., acquisitions)
- The amount should not exceed three times base salary plus guaranteed benefits

3n. Burn Rate

Vote **CASE-BY-CASE** on management-proposed stock plans that grant awards to executives and senior management taking into consideration the following:

- The company commits in a public filing to a three-year average burn rate equal to its GICS group burn rate mean plus one standard deviation

3o. Transferable Stock Options (TSO)

Vote **FOR** transferable stock options awards within a new equity plan if the total cost of the company's equity plans is less than the company's allowable cap, assuming all other conditions have been met to receive a FOR recommendation. The TSO structure must be disclosed and amendments to existing plans should make clear that only options granted post-amendment shall be transferable.

One-time transfers will be evaluated **CASE-BY-CASE**, giving consideration to the following:

- Executive officers and non-employee directors should be excluded from participating

- Stock options must be purchased by third-party financial institutions at a discount to their fair value using an appropriate financial model
- There should be a two-year minimum holding period for sale proceeds (cash or stock) for all participants

3p. Equity Based Compensation Plans (Non US Companies)

Canada —

Vote **CASE-BY-CASE** on share based compensation plans for Toronto Stock Exchange Venture (“TSXV”) company issuers taking into consideration the following:

- Annual dilution under all equity-based compensation plans is no more than 10 percent
- Annual option burn rate is not more than 5 percent
- Sufficient details are provided on specifically detailed amendments to the terms of a plan that are disclosed

3q. Stock Options (Non US Companies)

Finland —

Vote **AGAINST** management proposals to reduce strike price by the amount of future dividends; however, an exception will be made if a company proposes to reduce the strike price by the amount of future special dividends only

Vote **AGAINST** proposals that provide proportionate adjustments to outstanding awards as a result of a special cash dividend or any other future distribution of assets other than a normal dividend.

3r. Remuneration Disclosure (Non US Companies)

Germany-

Vote **AGAINST** management proposals authorizing the board not to disclose remuneration schemes for five years

3s. Remuneration Report (Non US Companies)

Sweden-

Vote **CASE-BY-CASE** on management proposals to approve the remuneration report taking into consideration the following:

- Restricted stock plans and matching share plans that do not include sufficiently challenging performance criteria and vesting periods
- The remuneration report is not made available to shareholders in a timely manner

4. PROXY CONTESTS

4a. Voting for Director Nominees in Contested Elections

Vote **CASE-BY-CASE** in a contested election of directors taking into account:

- Long-term financial performance of the target company relative to its industry
- Management’s track record
- Background to the proxy contest
- Qualifications of director nominees (both slates)

- Evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met
- Stock ownership positions.

4b. Reimbursing Proxy Solicitation Expenses

Vote **CASE-BY-CASE** on proposals to reimburse proxy solicitation expenses. In cases where we recommend in favor of the dissidents, we recommend voting **FOR** reimbursing proxy solicitation expenses.

4c. Confidential Voting

Vote **FOR** shareholder proposals requesting that corporations adopt confidential voting, use independent vote tabulators and use independent inspectors of election, as long as the proposal includes a provision for proxy contests as follows. In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents will not agree, the confidential voting policy is waived.

Vote **FOR** management proposals to adopt confidential voting.

5. ANTI-TAKEOVER DEFENSES AND VOTING RELATED ISSUES

5a. Advance Notice Requirement for Shareholder Proposals / Nominations

Vote **CASE-BY-CASE** on advance notice proposals giving support to those proposals which allow shareholders to submit proposals as close to the meeting date as reasonably possible and within the broadest window possible.

5b. Amend Bylaws Without Shareholder Consent

Vote **AGAINST** proposals giving the board exclusive authority to amend the bylaws.

Vote **CASE-BY-CASE** for proposals giving the board the ability to amend the bylaws in addition to shareholders depending on the actual proposed amendment.

Vote **FOR** proposals to reimburse shareholders for proposals that are approved.

5c. Poison Pills

Vote **FOR** shareholder proposals that ask a company to submit its poison pill for shareholder ratification.

Vote **FOR** shareholder proposals to redeem a company's poison pill.

Vote **AGAINST** management proposals to ratify a poison pill.

5d. Shareholder Ability to Act by Written Consent

Vote **AGAINST** proposals to restrict or prohibit shareholder ability to take action by written consent.

Vote **FOR** proposals to allow or make easier shareholder action by written consent.

5e. Shareholder Ability to Call Special Meetings

Vote **CASE-BY-CASE** on proposals to restrict or prohibit shareholder ability to call special meetings. Proposals for shareholders to call special meetings are reasonable if they are at a reasonable location and time, allow for advance notification, and the requesting shareholder group pays the costs incurred to hold the meeting.

Vote **CASE-BY-CASE** on proposals that remove restriction on the right of shareholders to act independently of management.

5f. Supermajority Vote Requirements

Vote **AGAINST** proposals to require a supermajority shareholder vote.

Vote **FOR** proposals to lower or eliminate supermajority vote requirements.

5g. Poison Pills (Non US Companies)

Japan —

Vote **CASE-BY-CASE** on management proposals to issue a poison pill.

5h. Protective Preference Shares (Non US Companies)

Netherlands —

Vote **CASE-BY-CASE** on management proposals to approve protective shares to company-friendly foundations

6. MERGERS AND CORPORATE RESTRUCTURINGS

6a. Appraisal Rights

Vote **FOR** proposals to restore, or provide shareholders with, rights of appraisal.

6b. Asset Purchases

Vote **CASE-BY-CASE** on asset purchase proposals taking into account:

- Purchase price
- Fairness opinion
- Financial and strategic benefits
- How the deal was negotiated
- Conflicts of interest
- Other alternatives for the business
- Noncompletion risk

6c. Asset Sales

Vote **CASE-BY-CASE** on asset sales taking into account:

- Impact of the balance sheet/working capital
- Potential elimination of diseconomies
- Anticipated financial and operating benefits
- Anticipated use of funds
- Value received for the asset
- Fairness opinion

- How the deal was negotiated
- Conflicts of interest

6d. Bundled Proposals

Vote **CASE-BY-CASE** on bundled or “conditioned” proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the package items. In instances when the joint effect of the conditioned items is not in shareholders’ best interests, vote against the proposals. If the combined effect is positive, support such proposals.

6e. Conversion of Securities

Vote **CASE-BY-CASE** on proposals regarding conversion of securities taking into account:

- Dilution to existing shareholders
- Conversion price relative to market value
- Financial issues
- Control issues
- Termination penalties
- Conflicts of interest

6f. Corporate Reorganization / Debt Restructuring / Prepackaged Bankruptcy Plans / Reserve Leveraged Buyouts / Wrap Plans

Vote **CASE-BY-CASE** on proposals to increase common and/or preferred stock and to issue shares as part of a debt-restructuring plan taking into account:

- Dilution to existing shareholders’ position
- Terms of the offer
- Financial issues
- Management’s efforts to pursue other alternatives
- Control issues
- Conflicts of interest

6g. Formation of Holding Company

Vote **CASE-BY-CASE** on proposals regarding the formation of a holding company taking into account:

- The reasons for the change
- Any financial or tax benefits
- Regulatory benefits
- Increases in capital structure
- Changes to articles of incorporation or bylaws of the company

6h. Going Private Transactions (LBOs and Minority Squeezeouts)

Vote **CASE-BY-CASE** on going private transactions taking into account:

- Offer price/premium
- Fairness opinion
- How the deal was negotiated
- Conflicts of interest

- Other alternatives/offers considered
- Noncompletion risk

6i. Joint Ventures

Vote **CASE-BY-CASE** on proposals to form joint ventures taking into account:

- Percentages of assets/business contributed
- Percentage ownership
- Financial and strategic benefits
- Governance structure
- Conflicts of interest
- Other alternatives
- Noncompletion risk

6j. Liquidations

Vote **CASE-BY-CASE** on liquidations taking into account:

- Management's efforts to pursue other alternatives
- Appraisal value of assets
- Compensation plan for executives managing the liquidation

6k. Mergers and Acquisitions / Issuance of Shares to Facilitate Merger or Acquisitions

Vote **CASE-BY-CASE** on merger and acquisitions determining whether the transaction enhances shareholder value taking into account:

- Prospects of the combined company, anticipated financial and operating benefits
- Offer price
- Fairness opinion
- How the deal was negotiated
- Changes in corporate governance
- Change in the capital structure
- Conflicts of interest

6l. Private Placements/Warrants / Convertible Debentures

Vote **CASE-BY-CASE** on proposals regarding private placements taking into account:

- Dilution to existing shareholders' position
- Terms of the offer
- Financial issues
- Management's efforts to pursue other alternatives
- Control issues
- Conflicts of interest

6m. Spin-offs

Vote **CASE-BY-CASE** on spin-offs giving consideration to the following:

- Tax and regulatory advantages
- Planned use of the sale proceeds
- Valuation of spin-offs

- Fairness opinion
- Benefits to the parent company
- Conflicts of interest
- Managerial incentives
- Corporate governance changes
- Changes in the capital structure

6n. Value Maximization Proposals

Vote **CASE-BY-CASE** on shareholder proposals seeking to maximize shareholder value by hiring a financial advisor to explore strategic alternatives, selling the company or liquidating the company and distributing the proceeds to shareholders. These proposals should be evaluated by taking into account:

- Prolonged poor performance with no turnaround in sight
- Signs of entrenched board and management
- Strategic plan in place for improving value
- Likelihood of receiving reasonable value in a sale or dissolution
- Whether company is actively exploring its strategic options, including retaining a financial advisor

6o. “Going Dark” Transactions (allow listed companies to de-list and terminate the registration of their common stock)

Vote **CASE-BY-CASE** on management proposals that allow listed companies to de-list and terminate the registration of their common stock, determining whether the transaction enhances shareholder value by giving consideration to:

- Whether the company has attained benefits from being publicly traded
- Cash-out value
- Balanced interests of continuing vs. cashed-out shareholders
- Market reaction to public announcement of transaction

7. STATE OF INCORPORATION

7a. Control Share Acquisition Provisions

Vote **FOR** proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

Vote **AGAINST** proposals to amend the charter to include control share acquisition provisions.

Vote **FOR** proposals to restore voting rights to the control shares.

7b. Control Share Cash-out Provisions

Vote **FOR** proposals to opt out of control share cash-out statutes.

7c. Disgorgement Provisions

Vote **FOR** proposals to opt out of state disgorgement provisions.

7d. Fair Price Provisions

Vote **AGAINST** proposals to adopt fair price provisions taking into account:

- The vote required to approve the proposed acquisition
- The vote required to repeal the fair price provisions
- The mechanism for determining the fair price.

7e. Freeze out Provisions

Vote **FOR** proposals to opt out of state freezeout provisions.

7f. Greenmail

Vote **FOR** proposals to adopt antigreenmail charter of bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

Vote **CASE-BY-CASE** on antigreenmail proposals when they are bundled with other charter or bylaw amendments.

7g. Reincorporation Proposals

Vote **FOR** proposals to change a company's state of incorporation, giving consideration to both financial and corporate governance concerns including the reasons for reincorporating, a comparison of the governance provisions, and a comparison of the jurisdictional laws. If the change of state of incorporation results in a weakening of shareholders' interests based on the above, vote **AGAINST**.

7h. Stakeholder Provisions

Vote **AGAINST** proposals that ask the board to consider nonshareholder constituencies or other nonfinancial effects when evaluating a merger or business combination

7i. State Antitakeover Statutes

Vote **CASE-BY-CASE** on proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freezeout provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, antigreenmail provisions, and disgorgement provisions)

8. CAPITAL STRUCTURE

8a. Adjustments to Par Value of Common Stock

Vote **FOR** management proposals to reduce the par value of common stock.

8b. Common Stock Authorization

Vote **CASE-BY-CASE** on proposals to increase the number of shares of common stock authorized for issuance. Votes to increase authorized stock should be limited to less than 15%, except in consideration of stock splits.

Vote **AGAINST** proposals at companies with dual-class capital structures to increase the number of authorized shares of the class of stock that has superior voting rights.

Vote **CASE-BY-CASE** on proposals to approve increases beyond the allowable increase when a company's shares are in danger of being delisted or if a company's ability to continue to operate as an ongoing concern is uncertain.

8c. Dual-Class Stock

Vote **AGAINST** proposals to create a new class of common stock with superior voting rights.
Vote **AGAINST** proposals to create a new class of nonvoting or sub-voting common stock.

8d. Issue Stock for Use with Rights Plan

Vote **AGAINST** proposals that increase authorized common stock for the explicit purpose of implementing a shareholder rights plan (poison pill).

8e. Preemptive Rights

Vote **CASE-BY-CASE** on shareholder proposals that seek preemptive rights taking into account:

- The size of a company
- The characteristics of its shareholder base
- The liquidity of the stock.

8f. Preferred Stock

Vote **AGAINST** proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, dividend distribution, and other rights ("blank check" preferred stock).

Vote **AGAINST** proposals to create "declawed" blank check preferred stock (stock that cannot be used as a takeover defense).

Vote **FOR** proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms of the preferred stock appear reasonable.

Vote **AGAINST** proposals to increase the number of blank check preferred stock authorized for issuance when no shares have been issued or reserved for a specific purpose.

Vote **AGAINST** proposals to increase the number of blank check preferred shares.

8g. Recapitalization

Vote **CASE-BY-CASE** on recapitalization (reclassifications of securities) taking into account:

- A more simplified capital structure
- Enhanced liquidity
- Fairness of conversion terms
- Impact on voting power and dividends
- Reasons for the reclassification
- Conflicts of interest
- Other alternative considered

8h. Reverse Stock Splits

Vote **FOR** management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced.

Vote **FOR** management proposals to implement a reverse stock split to avoid delisting.
Vote **AGAINST** proposals to implement a reverse stock split that do not proportionately reduce the number of shares authorized for issue.

8i. Share Repurchase Programs

Vote **FOR** management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

8j. Stock Distributions: Splits and Dividends

Vote **FOR** management proposals to increase the common share authorization for a stock split or share dividend, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance.

8k. Tracking Stock

Vote **CASE-BY-CASE** on the creation of track stock weighing the strategic value of the transaction against such factors as:

- Adverse governance changes
- Excessive increases in authorized capital stock
- Unfair method of distribution
- Diminution of voting rights
- Adverse conversion features
- Negative impact on stock option plans
- Other alternatives such as spin-off

9. SOCIAL AND ENVIRONMENTAL ISSUES

9a. CONSUMER ISSUES AND PUBLIC SAFETY

9a-1. Animal Rights

Vote **FOR** on proposals to phase out the use of animals in product testing taking into account:

- The nature of the product and the degree that animal testing is necessary or federally mandated (such as medical products)
- The availability and feasibility of alternatives to animal testing to ensure product safety, and
- The degree that competitors are using animal free testing

Vote **AGAINST** proposals seeking a report on the company's animal welfare standards if:

- The company has already published a set of animal welfare standards and monitors compliance
- The company's standards are comparable to or better than those of peer firms, and there are no serious controversies surrounding the company's treatment of animals
- Reporting information is currently available in other public filings or registrations

Vote **FOR** on proposals requesting reports associated with concentrated animal feeding operations (CAFOs) taking into account:

- The company has publicly disclosed guidelines for its corporate and contract farming operations, including compliance monitoring
- The company does not directly source from CAFOs

9a-2. Drug Pricing

Vote **AGAINST** proposals asking the company to implement price restraints on pharmaceutical products. Restraints may be appropriate however, taking into account:

- Whether the proposal focuses on a specific drug and region
- Whether the economic benefits of providing subsidized drugs (e.g. public goodwill) outweigh the costs in terms of reduced profits, lower R & D spending, and harm to competitiveness
- The extent that reduced prices can be offset through the company's marketing budget without affecting R & D spending
- Whether the company already limits price increases of its products
- Whether the company already contributes life-saving pharmaceuticals to the needy and Third World countries
- The extent that peer companies implement price restraints

9a-3. Genetically Modified Foods

Vote **AGAINST** proposals to label genetically modified (GMO) ingredients voluntarily in the company's products, or alternatively to provide interim labeling and eventually eliminate GMOs. In general, labeling requirements are better undertaken by regulators. Exceptions may be made after taking into account:

- The costs and feasibility of labeling and/or phasing out
- The nature of the company's business and the proportion of it affected by the proposal
- The proportion of company sales in markets requiring labeling or GMO-free products
- The extent that peer companies label or have eliminated GMOs
- Competitive benefits, such as expected increases in consumer demand for the company's products
- The risks of misleading consumers without federally mandated, standardized labeling
- Alternatives to labeling employed by the company

Vote **AGAINST** proposals asking for a report on the feasibility of labeling products containing GMOs. Reporting requirements are better undertaken by regulators.

Vote **AGAINST** proposals to completely phase out GMOs from the company's products. Such resolutions presuppose that there are proven health risks to GMOs, an issue better left to federal regulators, which outweigh the economic benefits derived from biotechnology.

Vote **AGAINST** reports outlining the steps necessary to eliminate GMOs from the company's products. Such resolutions presuppose that there are proven health risks to GMOs, an issue better left to federal regulators, which outweigh the economic benefits derived from biotechnology.

Vote **AGAINST** proposals seeking a report on the health and environmental effects of GMOs and the company's strategy for phasing out GMOs in the event they become illegal in the United States. Studies of this sort are better undertaken by regulators and the scientific community. If

made illegal in the United States, genetically modified crops would automatically be recalled and phased out.

9a-4. Handguns

Vote **AGAINST** requests for reports on a company's policies aimed at curtailing gun violence in the United States unless the report is confined to product safety information. Criminal misuse of firearms falls within the purview of law enforcement agencies.

9a-5. Predatory Lending

Vote **AGAINST** requests for reports on the company's procedures for preventing predatory lending, including the establishment of a board committee for oversight. Reporting requirements are better undertaken by regulators. Exceptions may be made in unusual circumstances after taking into account:

- Whether the company has adequately disclosed mechanisms in place to prevent abusive lending practices
- Whether the company has adequately disclosed the financial risks of its sub-prime business
- Whether the company has been subject to violations of lending laws or serious lending controversies
- Peer companies' policies to prevent abusive lending practices

9a-6. Tobacco

Vote **CASE-BY-CASE** on most tobacco related proposals taking into account:

Second hand smoke:

- Whether the company complies with all local ordinances and regulations
- The degree that voluntary restrictions beyond those mandated by law might hurt the company's competitiveness
- The risk of any health related liabilities

Advertising to youth:

- Whether the company complies with federal, state, and local laws on the marketing of tobacco or if it has been fined for violations
- Whether the company has gone as far as peers in restricting advertising
- Whether the company entered into the Master Settlement Agreement, which restricts marketing of tobacco to youth
- Whether restrictions on marketing to youth extend to foreign countries

Cease production of tobacco related products or avoid selling products to tobacco companies:

- The percentage of the company's business affected
- The economic loss of eliminating the business versus any potential tobacco related liabilities

Spin-off tobacco related businesses:

- The percentage of the company's business affected
- The feasibility of a spinoff
- Potential future liabilities related to the company's tobacco business.

9a-7. Stronger Product Warnings

Vote **AGAINST** proposals seeking stronger product warnings. Such decisions are better left to public health authorities.

9a-8. Investment in Tobacco Stocks

Vote **AGAINST** proposals prohibiting investment in tobacco equities. Such decisions are better left to portfolio managers.

9a-9. Drug Reimportation

Vote **CASE-BY-CASE** on shareholder proposals requesting reports associated with drug reimportation taking into account:

- The financial and legal impact of policies regarding prescription drug reimportation unless such information is already publicly disclosed
- The adoption of specific policies to encourage or constrain prescription drug reimportation

9b. ENVIRONMENT AND ENERGY

9b-1. Arctic National Wildlife Refuge

Vote **AGAINST** reports outlining potential environmental damage from drilling in the Arctic National Wildlife Refuge (ANWR). Reporting requirements are better undertaken by regulators. Consideration should also be given to:

- Whether there are publicly available environmental impact reports
- Whether the company has a poor environmental track record, such as violations of federal and state regulations or accidental spills
- The current status of legislation regarding drilling in ANWR

9b-2. CERES Principles

Vote **CASE-BY-CASE** on proposals to adopt the CERES Principles, taking into account:

- The company's current environmental disclosure beyond legal requirements, including environmental health and safety (EHS) audits and reports that may duplicate CERES
- The company's environmental performance record, including violations of federal and state regulations, level of toxic emissions, and accidental spills
- Environmentally conscious practices of peer companies, including endorsement of CERES
- Costs of membership and implementation

9b-3. Environmental Reports

Vote **AGAINST** requests disclosing the company's environmental policies. Companies are required to comply with various regulatory agencies which are better equipped to evaluate a company's policies.

9b-4. Global Warming

Vote **AGAINST** reports on the level of greenhouse gas emissions from the company's operations and products. Reporting requirements are better undertaken by regulators.

9b-5. Recycling

Vote **CASE-BY-CASE** on proposals to adopt a comprehensive recycling strategy, taking into account:

- The nature of the company's business and the percentage affected
- The extent that peer companies are recycling
- The timetable prescribed by the proposal
- The costs and methods of implementation (programs should not be cost prohibitive)
- Whether the company has a poor environmental track record, such as violations of federal and state regulations
- The economic argument for recycling of the various waste products

9b-6. Renewable Energy

Vote **CASE-BY-CASE** on proposals to invest in renewable energy sources, taking into account:

- The nature of the company's business and the percentage affected
- The extent that peer companies are switching from fossil fuels to cleaner sources
- The timetable and specific action prescribed by the proposal
- The costs of implementation and related economic benefit

Vote **AGAINST** requests for reports on the feasibility of developing renewable energy sources. Such feasibility studies should be undertaken at a company's initiative and should consider the economic benefit in addition to technical feasibility.

9b-7. Kyoto Protocol Compliance

Vote **AGAINST** shareholder proposals requesting reports that outline compliance preparations with Kyoto Protocol signatory markets

9b-8. Land Use

Vote **AGAINST** shareholder proposals requesting disclosure of land use and real estate development unless the company has been the subject of recent, significant fines or litigation stemming from its land use

9b-9. Operations in Protected Areas

Vote **FOR** on shareholder proposals requesting reports pertaining to ecologically sensitive areas taking into account:

- The company does not currently have operations or plans to develop operations in these protected regions
- The company provides disclosure on its operations and environmental policies in these regions comparable to peers

9b-10. Toxic Chemicals

Vote **FOR** on shareholder proposals related to toxic chemicals taking into account:

- The company provides disclosure on its policies related to toxic chemicals

- The company discloses the potential financial and legal risk associated with utilizing certain chemicals, considering
 - Current regulations in the markets in which the company operates
 - Recent significant controversy, litigation, or fines stemming from toxic chemicals or ingredients at the company
 - The current level of disclosure
- Resolutions that require a company to reformulate its products within a certain time frame unless such actions are required by law

9c. GENERAL CORPORATE ISSUES

9c-1. Link Executive Compensation to Social Performance

Vote **AGAINST** proposals to review ways of linking executive compensation to social factors such as corporate downsizings, customer or employee satisfaction, community involvement, human rights, environmental performance, predatory lending, and executive/employee pay disparities. Many of the above items are subjective and open to broad interpretation which could result in manipulation of executive compensation.

9c-2. Charitable / Political Contributions

Vote **AGAINST** proposals asking the company to affirm political nonpartisanship in the workplace so long as:

- The company is in compliance with laws governing corporate political activities, and
- The company has procedures in place to ensure that employee contributions to company-sponsored political action committees (PACs) are strictly voluntary and not coercive.

Vote **AGAINST** proposals to report or publish in newspapers the company's political contributions. Federal and state laws restrict the amount of corporate contributions and already include reporting requirements.

Vote **AGAINST** proposals disallowing the company from making political contributions. Businesses are affected by legislation at the federal, state, and local level. Barring contributions can put the company at a competitive disadvantage.

Vote **AGAINST** proposals restricting the company from making charitable contributions. Charitable contributions are generally useful for assisting worthwhile causes and for creating goodwill in the community. In the absence of bad faith, self-dealing, or gross negligence, management should determine which contributions are in the best interest of the company.

Vote **AGAINST** proposals asking for a list of company executives, directors, consultants, legal counsel, lobbyists, or investment bankers that have prior government service and whether such service had a bearing on the business of the company. Such a list would be burdensome to prepare without providing any meaningful information to shareholders. Additionally, certain SEC filings already include backgrounds of key executives.

9d. LABOR STANDARDS AND HUMAN RIGHTS

9d-1. China Principles

Vote **AGAINST** proposals to implement the China Principles unless:

- There are serious controversies surrounding the company's China operations, and

- The company does not have a code of conduct with standards similar to those promulgated by the International Labor Organization (ILO)

9d-2. Country Specific Human Rights Reports

Vote **AGAINST** requests for reports detailing the company's operations in a particular country and steps to protect human rights. Companies are required to comply with local regulations.

9d-3. International Codes of Conduct / Vendor Standards

Vote **AGAINST** proposals to implement certain human rights standards at company facilities or those of its suppliers and to commit to outside, independent monitoring. Companies are required to comply with local regulations. Additional costs relating to such proposals can put companies at competitive disadvantage.

Vote **AGAINST** reports outlining vendor standards compliance. Vendor compliance is primarily the responsibility of the vendors and could put companies at a competitive disadvantage if required to implement such policies.

9d-4. MacBride Principles

Vote **AGAINST** proposals to endorse or increase activity on the MacBride Principles.

9e. MILITARY BUSINESS

9e-1. Foreign Military Sales / Offsets

Vote **AGAINST** reports on foreign military sales or offsets. Such disclosures may involve sensitive and confidential information. Moreover, companies must comply with government controls and reporting on foreign military sales.

9e-2. Landmines and Cluster Bombs

Vote **CASE-BY-CASE** on proposals asking a company to renounce future involvement in antipersonnel landmine production, taking into account:

- Whether the company has in the past manufactured landmine components
- Whether the company's peers have renounced future production

Vote **CASE-BY-CASE** on proposals asking a company to renounce future involvement in cluster bomb production, taking into account:

- What weapons classifications the proponents view as cluster bombs
- Whether the company currently or in the past has manufactured cluster bombs or their components
- The percentage of revenue derived from cluster bomb manufacture
- Whether the company's peers have renounced future production

9e-3. Nuclear Weapons

Vote **AGAINST** proposals asking a company to cease production of nuclear weapons components and delivery systems, including disengaging from current and proposed contracts. Components and delivery systems serve multiple military and nonmilitary uses, and withdrawal from these contracts could have a negative impact on the company's business.

9e-4. Space-based Weaponization

Vote **AGAINST** reports on a company's involvement in space-based weaponization. Space based weaponization serve military and non-military uses. Additionally, reporting on specifics of activity could disclose confidential information related to our national security.

9e-5. Nuclear Safety

Vote **FOR** shareholder proposals requesting reports associated with nuclear reactor design and/or irradiated fuel rod unless:

- The company does not have publicly disclosed guidelines describing its policies and procedures for addressing risks associated with its operations
- The company is non-compliant with Nuclear Regulatory Commission (NRC) requirements.
- The company stands out among its peers or competitors as having significant problems with safety or environmental performance related to its nuclear operations

9f. WORKPLACE DIVERSITY

9f-1. Board Diversity

Vote **AGAINST** reports on the company's efforts to diversify the board. Current reporting of board of directors' composition is considered adequate.

Vote **CASE-BY-CASE** on proposals asking the company to increase the representation of women and minorities on the board taking into account:

- Degree of board diversity
- Comparison with peer companies
- Established process for improving board diversity
- Existence of independent nominating committee
- Use of outside search firm
- History of EEO violations

9f-2. Equal Employment Opportunity (EEO)

Vote **AGAINST** reports outlining the company's affirmative action initiatives. Companies are already required to comply with regulations governing employment practices.

Vote **AGAINST** proposals seeking information on the diversity efforts of suppliers and service providers that can pose a significant cost and administration burden on the company.

9f-3. Glass Ceiling

Vote **AGAINST** reports outlining the company's progress towards the Glass Ceiling Commission's business recommendations.

9f-4. Sexual Orientation

Vote **AGAINST** proposals to amend the company's EEO policy to include sexual orientation. The company's management should determine EEO policies and coverages. Non-discrimination of any employee group is encouraged. However, policies should be left to management and should comply with applicable regulations.

Vote **AGAINST** proposals to extend company benefits to or eliminate benefits from the domestic partners.
Benefit decisions should be left to the discretion of the company.

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