

Statement of Additional Information
December 23, 2009

THE ELITE GROUP

OF MUTUAL FUNDS

THE ELITE INCOME FUND

THE ELITE GROWTH & INCOME FUND

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This Statement of Additional Information (“SAI”) is not a prospectus. A copy of the Funds' prospectus dated December 23, 2009 is available upon written or telephone request to The Elite Group, at the address and phone numbers shown above, at no charge. The SAI should be read in conjunction with the prospectus for an understanding of the Funds. The Annual Report of The Elite Group is incorporated by reference into this SAI, and is also available free of charge by calling our toll-free number.

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History of the Funds

The Elite Group of Mutual Funds (the "Trust") is an open-end management investment company, commonly known as a "mutual fund". Organized in 1986 as a Massachusetts business trust, the Trust currently offers two Funds from which to choose, the Elite Income Fund and the Elite Growth & Income Fund, both diversified funds.

Investment Strategies and Risks

The fundamental goal of each Fund, as described in the prospectus, and the investment limitations described beginning on page 11 in this Statement of Additional Information, may be changed only by the affirmative vote of a majority of the outstanding voting shares of the Fund for which a change is proposed.¹ All other strategies and limitations adopted by the Funds may be changed by a majority vote of the Board of Trustees. However, should a material change be adopted by the Trustees, shareholders would be provided 60 days prior notice, in writing, and the prospectus would be amended.

The following discussion supplements the disclosure in the prospectus about the Funds' investment strategies and risks and should be read in conjunction with the prospectus.

Additional Information About Principal Investment Strategies

Debt Securities Each Fund may invest in U.S. corporate debt securities. Investment grade corporate debt obligations are generally considered to carry greater credit and call risk than U.S. Government obligations, yet may have significant investment merit. Standard & Poor's® ("S&P") descriptions for its top four ratings, for example, range from "...*extremely strong capacity to pay principal and interest...*" for its top rating to "...*adequate capacity...[where] adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay principal and interest...*" for the lowest of its top four grades. Moody's® descriptions include words like "...*gilt-edged...*" for its top rating, and the cautionary language "...*and in fact have speculative characteristics...*" for the lowest of its top four grades. Fitch Ratings descriptions include "...*exceptionally strong capacity for repayment of financial commitment...*" for its top rating, and the cautionary language "...*capacity for payment is considered adequate...*" for the lowest of its top four grades. For a description of the Moody's, S&P and Fitch bond ratings please see "Appendix A: Debt Securities Ratings," beginning on page 29. The investment manager relies, in part, on the quality ratings assigned by these and other rating services. But there is risk associated with such reliance. Rating agencies evaluate the credit risk – the safety of principal and interest payments – but not market value, which is affected by interest rate trends, economic conditions and other factors, including those unique to an issuer or industry. Rating agencies may fail to move quickly enough to change ratings in response to changing circumstances and may not reflect the fine shadings of risks within a given quality grade. For example, two bonds rated the same are not likely to be precisely the same in quality. The investment manager performs independent analyses in an attempt to identify issuers within a given quality grade that, because of improving fundamental or other factors, are likely to result in improving quality, greater market value and lower risk.

Hedging The Growth & Income Fund (but not the Income Fund) may enter into transactions in options, futures and forward contracts on a variety of instruments and indexes, in order to protect against declines in the value of portfolio securities and increases in the cost of securities to be acquired as well as to increase the Fund's return.

Options. The Growth & Income Fund may write (sell) "covered" put and call options and buy put and call options, including securities index and foreign currency options. A call option is a contract that gives the holder the right to buy a specified amount of the underlying security at a fixed or determinable price (called the exercise or strike price) upon

¹ Under the Investment Company Act of 1940, as amended (the "1940 Act"), a "vote of the majority of the outstanding voting securities" means the vote, at the annual or a special meeting of security holders duly called, of (i) 67% or more of the voting securities present at the meeting, if the holders of more than 50% of the outstanding voting securities are present or represented by proxy or (ii) more than 50% of the outstanding voting securities, whichever is less.

exercise of the option. A put option is a contract that gives the holder the right to sell a specified amount of the underlying security at a fixed or determinable price upon exercise of the option. In the case of index options, exercises are settled through the payment of cash rather than the delivery of property. A written call option is covered if, for example, the Fund owns the underlying security covered by the call or, in the case of a call option on an index, holds securities the price changes of which are expected to substantially correlate with the movement of the index. A written put option is covered if, for example, the Fund segregates cash or liquid securities with a value equal to the exercise price of the put option.

Options purchased or written by the Fund will be traded on a national securities exchange.

Options are subject to certain risks, including the risk of imperfect correlation between the option and the Fund's other investments and the risk that there may not be a liquid secondary market for the option when the Fund seeks to hedge against adverse market movements. This may cause the Fund to lose the entire premium on purchased options or reduce its ability to effect closing transactions at favorable prices.

The Fund will not write options if, immediately after such sale, the aggregate value of the securities or obligations underlying the outstanding options exceeds 25% of its net assets. The Fund will not purchase options if, at the time of the investment, the aggregate premiums paid for outstanding options will exceed 20% of its net assets. The aggregate margin deposits required on all such options held by the Fund at any one time may not exceed 5% of its total assets.

The Growth & Income Fund may write covered call options both to reduce the risks associated with certain of its investments and to increase total investment return through the receipt of premiums. In return for the premium income, the Fund loses any opportunity to profit from an increase in the market price of the underlying securities, above the exercise price, while the contract is outstanding, except to the extent the premium represents a profit. The Fund also retains the risk of loss if the price of the security declines, although the premium is intended to offset that loss in whole or in part. As long as its obligations under the option continue, the Fund must assume that the call may be exercised at any time and that the net proceeds realized from the sale of the underlying securities pursuant to the call may be substantially below the prevailing market price.

The Fund may enter into a "closing purchase transaction," by purchasing an option identical to the one it has written, and terminating its obligations under the covered call. The Fund will realize a gain (or loss) from a closing purchase transaction if the amount paid to purchase a call option is less (or more) than the premium received upon writing the corresponding call option. Any loss resulting from the exercise or closing out of a call option is likely to be offset in whole or in part by unrealized appreciation of the underlying security owned by the Fund primarily because a price increase of a call option generally reflects an increase in the market price of the securities on which the option is based. In order to sell portfolio securities that cover a call option, the Fund will effect a closing purchase transaction so as to close out any existing covered call option on those securities. A closing purchase transaction for exchange-traded options may be made only on a national securities exchange. A liquid secondary market on an exchange may not always exist for any particular option, or at any particular time, and, for some options, such as over-the-counter options, no secondary market on an exchange may exist. If the Fund is unable to effect a closing purchase transaction, it will not sell the underlying security until the option expires or until it delivers the underlying security upon exercise.

The Growth & Income Fund may write put options to earn additional income in the form of option premiums if it expects the price of the underlying securities to remain stable or rise during the option period so that the option will not be exercised. The Fund may also write put options if it expects a decline in the price of the underlying securities and intends to exercise the option at a price which, offset by the option premium, is less than the current price. The risk of either strategy is that the price of the underlying securities may decline by an amount greater than the premium received.

The Fund may effect a closing purchase transaction to realize a profit on an outstanding put option or to prevent an outstanding put option from being exercised. If the Fund is able to enter into a closing purchase transaction, it will realize a profit (or loss) from that transaction if the cost of the transaction is less (or more) than the premium received from the writing of the option. After writing a put option, the Fund may incur a loss equal to the difference between the

exercise price of the option and the sum of the market value of the underlying securities plus the premiums received from the sale of the option.

The purchase of put options on securities enables the Fund to preserve, at least partially, unrealized gains in an appreciated security in its portfolio without actually selling the security. In addition, the Fund may continue to receive interest or dividend income on the security.

The Growth & Income Fund may write call options on securities or securities indexes for the purpose of providing a partial hedge against a decline in the value of its portfolio securities. The Fund may write put options on securities or securities indexes in order to earn additional income or (in the case of put options written on individual securities) to purchase the underlying security at a price below the current market price. If the Fund writes an option which expires unexercised or is closed out by the Fund at a profit, it will retain all or part of the premium received for the option, which will increase its gross income. If the price of the underlying security moves adversely to the Fund's position, the option may be exercised and the Fund will be required to sell or purchase the underlying security at a disadvantageous price, or, in the case of index options, deliver an amount of cash, which loss may only be partially offset by the amount of premium received.

The Growth & Income Fund may also purchase put or call options on securities and securities indexes in order to hedge against changes in interest rates or stock prices which may adversely affect the prices of securities that the Fund wants to purchase at a later date, to hedge its existing investments against a decline in value, or to attempt to reduce the risk of missing a market or industry segment advance or decline. In the event that the expected changes in interest rates or stock prices occur, the Fund may be able to offset the resulting adverse effect on the Fund by exercising or selling the options purchased. The premium paid for a put or call option plus any transaction costs will reduce the benefit, if any, realized by the Fund upon exercise or liquidation of the option. Unless the price of the underlying security or level of the securities index changes by an amount in excess of the premium paid, the option may expire without value to the Fund.

An option on a securities index, unlike a stock option (which gives the holder the right to purchase or sell a specified stock at a specified price) gives the holder the right to receive a cash "exercise settlement amount" equal to (i) the difference between the exercise price of the option and the value of the underlying stock index on the exercise date, multiplied by (ii) a fixed "index multiplier." A securities index fluctuates with changes in the market values of the securities included in the index. For example, some securities index options are based on a broad market index such as the S&P 500 or the NYSE Composite Index, or a narrower market index such as the S&P 100. Indexes may also be based on an industry or market segment such as the AMEX Oil and Gas Index or the Computer and Business Equipment Index. Options on stock indexes are currently traded on the following exchanges, among others: The Chicago Board Options Exchange, New York Stock Exchange, and American Stock Exchange.

The value of securities index options in any investment strategy depends upon the extent to which price movements in the portion of the underlying securities correlate with price movements in the selected securities index. Perfect correlation is not possible because the securities held or to be acquired by the Fund will not exactly match the composition of the securities indexes on which options are written. In the purchase of securities index options the principal risk is that the premium and transaction costs paid by the Fund in purchasing an option will be lost if the changes (increase in the case of a call, decrease in the case of a put) in the level of the index do not exceed the cost of the option. In writing securities index options, the principal risk is that the Fund could bear a loss on the options that would be only partially offset (or not offset at all) by the increased value or reduced cost of the hedged securities. Moreover, in the event the Fund was unable to close an option it had written, it might be unable to sell the securities used as cover.

The Growth & Income Fund, for hedging purposes, may purchase and write options in combination with each other to adjust the risk and return characteristics of the Fund's portfolio. For example, the Fund may purchase a put option and write a covered call option on the same underlying instrument, in order to construct a combined position whose risk and return characteristics are similar to selling a futures contract. This technique, called a "collar," enables the Fund to offset the cost of purchasing a put option with the premium received from writing the call option. However, by selling the

call option, the Fund gives up the ability for potentially unlimited profit from the put option. Another possible combined position would involve writing a covered call option at one strike price and buying a call option at a lower price, in order to reduce the risk of the written covered call option in the event of a substantial price increase. Because combined options positions involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out.

Futures Contracts and Forwards. A futures contract is a bilateral agreement to buy or sell a security (or deliver a cash settlement price, in the case of an index future) for a set price in the future. When the contract is entered into, a good faith deposit, known as initial margin, is made with the broker. Subsequent daily payments, known as variation margin, are made to and by the broker reflecting changes in the value of the security or level of the index. Futures contracts are authorized by boards of trade designated as "contracts markets" by the Commodity Futures Trading Commission ("CFTC"). Certain results may be accomplished more quickly, and with lower transaction costs, in the futures market (because of its greater liquidity) than in the cash market.

The Fund will incur brokerage fees when it purchases and sells futures contracts, and it will be required to maintain margin deposits. Positions taken in the futures markets are typically liquidated through offsetting transactions, which may result in a gain or a loss, before delivery or cash settlement is required. However, the Fund may close out a position by making or taking delivery of the underlying securities wherever it appears economically advantageous to do so.

Purchases of options on futures contracts may present less risk than the purchase and sale of the underlying futures contracts, since the potential loss is limited to the amount of the premium plus related transaction costs. A call option on a futures contract gives the purchaser the right, in return for the premium paid, to purchase a futures contract (assume a "long" position) at a specified exercise price at any time before the option expires. A put option gives the purchaser the right, in return for the premium paid, to sell a futures contract (assume a "short" position), for a specified exercise price, at any time before the option expires.

Positions in futures contracts may be closed out only on an exchange or a board of trade which provides the market for such futures. Although the Fund intends to purchase or sell futures only on exchanges or boards of trade where there appears to be an active market, there may not always be a liquid market, and it may not be possible to close a futures position at that time; in the event of adverse price movements, the Fund would continue to be required to make daily cash payments of maintenance margin. Whenever futures positions are used to hedge portfolio securities, however, any increase in the price of the underlying securities held by the Fund may partially or completely offset losses on the futures contracts.

If a broker or clearing member of an options or futures clearing corporation were to become insolvent, the Fund could experience delays and might not be able to trade or exercise options or futures purchased through that broker. In addition, the Fund could have some or all of its positions closed out without its consent. If substantial and widespread, these insolvencies could ultimately impair the ability of the clearing corporations themselves. While the principal purpose of engaging in these transactions is to limit the effects of adverse market movements, the attendant expense may cause the Fund's returns to be less than if the transactions had not occurred. Their overall effectiveness, therefore, depends on the investment manager's accuracy in predicting future changes in interest rate levels or securities price movements, as well as on the expense of engaging in these transactions.

The Growth & Income Fund has the ability to short futures contracts.

The Growth & Income Fund may purchase and sell stock index futures contracts to hedge the value of the portfolio against changes in market conditions. The Fund may also purchase put and call options on futures contracts and write "covered" put and call options on futures contracts in order to hedge against changes in stock prices. Although the Fund is authorized to invest in futures contracts and related options with respect to non-U.S. instruments, it will limit such investments to those which have been approved by the CFTC for investment by U.S. investors. The Fund may enter into futures contracts and buy and sell related options, provided that the futures contracts and related options investments are made for "bona fide hedging" purposes, as defined under CFTC regulations. No more than 25% of the Fund's total assets will be committed to initial margin deposits required pursuant to futures contracts. Percentage investment limitations on the Fund's investment in options on futures contracts are set forth above under "Options."

Bona Fide Hedging. The Growth & Income Fund will only enter into options on futures transactions for bona fide hedging purposes. The CFTC has defined bona fide hedging in its Rule 1.3(z) which provides that the transaction must be "economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise." Common uses of financial futures and related options by the Fund that would satisfy the Rule include the following:

- (1) to hedge various pertinent securities market risks (e.g., interest rate movements, and broad based or specific equity or fixed-income market movements);
- (2) to establish a position as a temporary substitute for purchasing or selling particular securities; or
- (3) to maintain liquidity while simulating full investment in the securities markets.

Short-Term Trading and Portfolio Turnover Generally, the Growth & Income Fund intends to invest for long-term purposes. However, the Fund may engage in short-term trading of securities and reserves full freedom with respect to portfolio turnover. During periods of rapid changes in economic conditions and security price levels, portfolio turnover may be higher than when conditions are more stable. Because of the aggressive strategies that may be employed by the Growth & Income Fund, portfolio turnover can be expected to range between 100% and 300%. The Growth & Income Fund's portfolio turnover rate may involve greater transaction costs relative to other mutual funds and may have greater tax and other consequences.

Other Investment Strategies That Are Not Principal Investment Strategies

High Yield/High Risk Bonds The Income Fund may invest in high yield/high risk bonds (also referred to as "junk bonds") in order to increase its income potential. Because of the risks inherent in high yield/high risk bonds, the Income Fund limits its investments in them to 10% of its total assets. The Growth & Income Fund, except as a "special situation," does not normally invest in high yield/high risk bonds. The Growth & Income Fund limits its investment in lower quality debt securities—taken together with securities involved in special situations—to no more than 10% of its total assets.

High yield/high risk bonds are corporate debt securities that are rated lower than investment grade. Like their higher-quality counterparts, these securities may include issues with equity conversion privileges and may be structured as zero coupon bonds. Because of risk factors, each Fund will not invest in issues rated lower than Moody's® Ca or S&P's® CC (or non-rated issues the investment manager believes to be of comparable quality). For more information on the ratings of debt securities, see "Appendix A: Debt Securities Ratings," beginning on page 29. High yield/high risk bonds generally involve greater credit risk than higher rated securities and are considered by S&P and Moody's to be predominately speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. Such securities may be subject to greater market fluctuations and risk of loss of income and principal than lower yielding, higher rated debt securities. The risks of high yield/high risk bonds include:

- ◆ limited liquidity and secondary market support;
- ◆ significant volatility in market price when prevailing interest rates or investor perceptions change;
- ◆ lower credit quality and greater potential for insolvency during periods of rising interest rates and economic downturn;
- ◆ call/redemption and sinking fund provisions which may be exercised during periods of declining interest rates, which could cause the Fund to have to reinvest the proceeds in lower yielding securities;
- ◆ possible subordination to senior claims of banks or other creditors; and
- ◆ the potential that the earnings or cash flow of the issuer may be inadequate to meet the required payment obligations on its debt issues.

Each Fund will invest in high yield/high risk bonds only when the investment manager believes the assumed risk is justified by the potential for increased income to the Fund. When such issues are held by a Fund, the issuers of such securities and the secondary markets in which they are traded will be closely monitored by the investment manager.

Zero Coupon Securities Each Fund may invest in zero coupon U.S. Government and corporate bonds ("Zeros"). Such securities do not make periodic interest payments, but are purchased at a discount from their face, or maturity, value. Thus, the holder receives only the right to receive the face value upon maturity. An advantage of Zeros is that a fixed yield is earned on the invested principal and on all accretion of the discount from the date of purchase until maturity. The holder of a bond which makes a periodic interest payment, on the other hand, bears the risk that current interest payments, when received, must be reinvested at then-current yields, which could be higher or lower than that of the bond originally purchased. A disadvantage is that the Fund must recognize, as interest income, the accretion of the discount from the date of purchase until the date of maturity or sale, even though no interest income is actually received in cash on a current basis. The Fund must distribute all or substantially all of such interest income annually to its shareholders. Zeros are subject to greater price volatility than bonds paying periodic interest during periods of changing interest rates, more so with longer maturities.

Defensive Strategy and Short-Term Securities Each Fund may hold cash and short-term securities in amounts needed to satisfy the liquidity needs of the Fund and, up to 100% of the Fund's assets, to implement a defensive strategy as discussed in the prospectus. Each Fund may purchase the following short-term money market securities:

- ◆ repurchase agreements and securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities;
- ◆ certificates of deposit, time deposits and bankers' acceptances issued by domestic banks which have total assets (at the time of the Fund's investment) in excess of \$1 billion and are members of the Federal Reserve System (or such securities which may be issued by holding companies of such banks);
- ◆ corporate commercial paper which, at the time of purchase, is rated at least Prime-1 by Moody's, A-1 by S&P or F1 by Fitch, or unrated obligations issued by companies having an outstanding unsecured debt issue currently rated A or better by Moody's, S&P or Fitch; or
- ◆ money market funds (mutual funds classified as money market funds that invest principally in money market instruments maturing within one year).

Each Fund limits investment in repurchase agreements and money market funds to no more than 5% of its net assets. (Fund limitations are measured at the time of acquisition.)

Repurchase Agreements Each Fund may enter into repurchase agreements. Repurchase agreements occur when the Fund acquires a security and the seller (which may be either (i) a primary dealer in U.S. Government securities or (ii) an FDIC-insured bank having gross assets in excess of \$500 million) simultaneously commits to repurchase it at an agreed-upon price and on an agreed-upon date within a specified number of days (usually not more than seven) from the date of purchase. The repurchase price reflects the purchase price plus an agreed-upon market rate of interest, which is unrelated to the coupon rate or maturity of the acquired security. The Funds will only enter into repurchase agreements involving U.S. Government securities. In repurchase agreement transactions, the underlying securities are held as collateral by the Fund's custodian bank until repurchased. Repurchase agreements involve risks in the event of the bankruptcy or other default of a seller of a repurchase agreement, including delays or restrictions on the Fund's ability to dispose of the underlying securities. Each Fund limits its investment in repurchase agreements to 5% of its net assets.

Commercial Paper Commercial paper consists of short-term (usually from one to two hundred seventy days) unsecured promissory notes issued by corporations in order to finance their current operations. The Funds will only invest in commercial paper rated A-1 by S&P, Prime-1 by Moody's or F1 by Fitch, or unrated paper of issuers who have outstanding unsecured debt rated A or better by S&P, Moody's or Fitch. Certain notes may have floating or variable rates. Variable and floating rate notes with a demand notice period exceeding seven days will be subject to the Funds' policy with respect to illiquid investments unless, in the judgment of the investment manager, such note is liquid.

Commercial paper represents an unsecured promise by the issuer and is subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors. Adverse economic changes or individual corporate developments could materially impact the ability of an issuer to pay principal and interest, when due.

The rating of Prime-1 is the highest commercial paper rating assigned by Moody's. Among the factors considered by Moody's in assigning ratings are the following: valuation of the management of the issuer; economic evaluation of the issuer's industry or industries and an appraisal of speculative-type risks which may be inherent in certain areas; evaluation of the issuer's products in relation to competition and customer acceptance; liquidity; amount and quality of long-term debt; trend of earnings over a period of 10 years; the financial strength of the parent company and the relationships which exist with the issuer; and recognition by the management of obligations which may be present or may arise as a result of public interest questions and preparations to meet such obligations. These factors are all considered in determining whether the commercial paper is rated Prime-1. Commercial paper rated A-1 (highest quality) by S&P has the following characteristics: liquidity ratios are adequate to meet cash requirements; long-term senior debt is rated "A" or better, although in some cases "BBB" credits may be allowed; the issuer has access to at least two additional channels of borrowing; basic earnings and cash flow have an upward trend with allowance made for unusual circumstances; typically, the issuer's industry is well established and the issuer has a strong position within the industry; and the reliability and quality of management are unquestioned. The relative strength or weakness of the above factors determines whether the issuer's commercial paper is rated A-1. Commercial paper rated F1 (highest quality) by Fitch indicates the strongest intrinsic capacity for payment of financial commitments.

Bank Debt Instruments Bank debt instruments in which the Funds may invest for temporary defensive purposes consist of certificates of deposit, bankers' acceptances and time deposits issued by national banks and state banks, trust companies and mutual savings banks, or by banks or institutions the accounts of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Certificates of deposit are negotiable certificates evidencing the indebtedness of a commercial bank to repay funds deposited with it for a definite period of time (usually from fourteen days to one year) at a stated or variable interest rate. Bankers' acceptances are credit instruments evidencing the obligation of a bank to pay a draft which has been drawn on it by a customer, which instruments reflect the obligation both of the bank and of the drawer to pay the face amount of the instrument upon maturity. Time deposits are non-negotiable deposits maintained in a banking institution for a specified period of time at a stated interest rate. Each Fund will not invest in time deposits maturing in more than seven days if, as a result thereof, more than 10% of the value of its net assets would be invested in such securities and other illiquid securities.

These bank debt instruments are generally not insured by the Federal Deposit Insurance Corporation or any other government agency, except that certificates of deposit may be insured for up to \$250,000. The profitability of the banking industry depends largely upon the availability and cost of funds for the purpose of financing lending operations under prevailing money market conditions. New government regulations, a downturn in general economic conditions or exposure to credit losses arising from possible financial difficulties of borrowers may impact the value of bank debt instruments.

Foreign Securities and ADRs Each Fund may invest in foreign securities. Each Fund will limit such investments to 5% of its total assets. American Depositary Receipts (ADRs) traded on the New York or American Stock Exchanges are not considered foreign securities by the Funds, for the purpose of these limitations. ADRs are receipts, typically issued by a U.S. bank or trust company, which evidence ownership of underlying securities issued by a foreign corporation or other entity. Generally, ADRs in registered form are designed for trading in U.S. securities markets. The underlying securities are not always denominated in the same currency as the ADRs. Although investment in the form of ADRs facilitates trading in foreign securities, it does not mitigate all the risks associated with investing in foreign securities.

ADRs are available through facilities which may be either "sponsored" or "unsponsored." Only sponsored ADRs may be listed on the New York Stock or American Stock Exchanges. If sponsored, the foreign issuer establishes the facility, pays some or all of the depository's fees, and usually agrees to provide shareholder communications. If unsponsored, the foreign issuer is not involved, and the ADR holders pay the fees of the depository. Sponsored ADRs are generally more advantageous to the ADR holders and the issuer than unsponsored arrangements. More and higher fees are generally charged in an unsponsored arrangement compared to a sponsored arrangement. Unsponsored ADRs are generally considered more risky due to: (a) the additional costs involved; (b) the relative illiquidity of the issue in U.S. markets; and (c) the possibility of higher trading costs associated with trading in the over-the-counter market. Unsponsored ADRs are considered foreign securities by the Funds for the purpose of calculating the limitation on investments in foreign securities.

Foreign securities markets are generally not as developed or efficient as those in the United States. Securities of some foreign companies are less liquid and more volatile than securities of comparable U.S. companies. Similarly, volume and liquidity in most foreign securities markets is less than in the United States and, at times, price volatility can be greater than in the United States. In addition, there may be less publicly available information about non-U.S. issuers, and non-U.S. issuers are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to U.S. issuers. Because stock certificates and other evidences of ownership of such securities may be held outside the United States, the Funds may be subject to additional risks. Risks could include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions which might adversely affect the ability of the Funds to collect principal and interest obligations or to liquidate holdings, whether from currency blockage or otherwise. Since foreign securities often are purchased with and payable in currencies of foreign governments, the Funds would be subject to the risk of the exchange value of the dollar dropping against the value of the currency in which a particular security is traded. This would have the effect of increasing the cost of such investment and would reduce the realized gain or increase the loss on such securities at the time of sale. The risks discussed above are generally higher in less-developed countries. Custodial expenses for a portfolio of non-U.S. securities are generally higher than for a portfolio of U.S. securities. Dividend and interest payments from certain foreign securities may be subject to foreign withholding taxes.

New Companies Each Fund may, from time to time, invest up to 5% of its total assets in securities issued by new companies. If a debt issuer's security is guaranteed by an organization that has been in business for more than three years, the security will not be considered a new company for purposes of the 5% limitation. The management of new companies frequently does not have substantial business experience. Furthermore, they may be competing with other companies that are well established, more experienced and better financed. The securities issued by new companies may not be readily marketable and, if so, would be subject to the investment limitations on illiquid securities described below.

Special Situations Each Fund may, from time to time, invest up to 5% of its total assets in securities of companies that may be affected by special situations which may be unrelated to general market trends. Examples of special situations are companies being reorganized or merged, having unusual new products, enjoying particular tax advantage, or acquiring new management. Securities of companies affected by special situations may not be readily marketable and, if so, would be subject to the investment limitations on illiquid securities described below. The extent, if any, in which the Funds will invest in new companies or special situation companies will be determined by the investment manager in light of all the pertinent facts and circumstances, with special consideration given to the risk involved in such investments.

Warrants Each Fund may invest in warrants, but will limit such investments to 5% of its net assets, and no more than 2% of a Fund's net assets may be invested in warrants that are not listed on the New York or American Stock Exchanges. Warrants are options to purchase equity securities at specific prices for a specific period of time. Warrants have no voting rights, receive no dividends and have no rights with respect to the assets of the issuer. If a warrant is not exercised within the specified period of time, it will become worthless and the Fund will lose both the purchase price and the right to purchase the underlying security. Prices of warrants do not necessarily move parallel to the prices of their underlying securities.

Conversion and Other Rights Each Fund may exchange securities or exercise conversion, subscription, warrants or other rights to purchase common stock or other equity securities. Each Fund may hold any such securities, except to the extent limited by the 1940 Act (with respect to diversification and concentration requirements) or the Funds' investment limitations restricting the securities held of any single issuer to no more than 5% of the value of the total assets of a Fund or 10% of the outstanding voting securities of such issuer except securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities. The original cost of the securities so acquired will be included in any subsequent determination of a Fund's compliance with the investment percentage limitations referred to herein and in the prospectus. Each Fund will not exercise rights or otherwise acquire securities if this would jeopardize its status as a "diversified" investment company under the 1940 Act.

Short-Term Trading and Portfolio Turnover Generally, the Income Fund intends to invest for long-term purposes. However, the Fund may engage in short-term trading of securities and portfolio turnover will not be a limiting factor in the portfolio management process. During periods of rapid changes in economic conditions and security prices, portfolio turnover may be higher than when conditions are more stable. The Income Fund's portfolio turnover will typically range between 50% and 125%. If the Fund's portfolio turnover rate is higher, it may realize greater transaction costs and may have greater tax and other consequences relative to other mutual funds.

Illiquid Securities It is each Fund's policy not to invest in restricted and other illiquid securities (including repurchase agreements maturing in more than seven days) if, as a result, more than 10% of its net assets are invested in such securities. It may be difficult to sell restricted securities at prices representing their fair market value. If registration of restricted securities is necessary, a considerable period of time may elapse between the decision to sell and the effective date of the registration statement. During that time, the price of the securities to be sold may be affected by adverse market conditions.

Lending Portfolio Securities Each Fund is permitted to lend its portfolio securities for the purpose of generating additional income. In June 2006, the Funds contracted with PFPC Trust Company to make portfolio securities held by the Funds available for borrowing by eligible banks and member firms of the New York Stock Exchange. Loans of portfolio securities are in accordance with applicable regulatory requirements. Such loans are made only to banks and member firms of the New York Stock Exchange deemed by the investment manager to be creditworthy and of good standing. Loans of portfolio securities must be secured by collateral equal to the market value of the securities loaned. If the market value of the loaned securities increases over the value of the collateral, the borrower must promptly put up additional collateral; if the market value declines, the borrower is entitled to a return of the excess collateral. The types of collateral currently permitted are cash, securities issued or guaranteed by the U.S. Government or its agencies, irrevocable stand-by letters of credit issued by banks acceptable to management, or any combination thereof. Each Fund limits the amount of loaned portfolio securities so that the aggregate market value, at the time the loan is made, of all portfolio securities on loan will not exceed 33% of the value of the Fund's net assets.

During the existence of a loan, a Fund will continue to receive a payment equal to the interest or dividends paid by the issuer on the securities loaned. In addition, the Fund will receive a negotiated loan fee or premium from the borrower or, in the case of loans collateralized by cash or government securities, will retain part or all of the income realized from the investment of cash collateral or the interest on the government securities.

Under the terms of its securities loans, the Funds have the right to call the loan and obtain the securities loaned at any time. Voting rights may pass with the lending of securities. However, the Funds will retain the right either to call the loan in time to vote or consent, or to otherwise obtain rights to vote or consent, if a material event affecting the investment is to occur. The Funds may pay reasonable finder's, custodian and/or administrative fees in connection with the securities loaned. As with other extensions of credit there are risks of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially. If the borrower defaults on its obligation to return the loaned securities because of insolvency or other reasons, the Funds could experience delays and costs in recovering the loaned security or in gaining access to the collateral. If a Fund is not able to recover its loaned securities, the Fund may sell the collateral and purchase a replacement investment. The value of the collateral could decrease below the value of the replacement investment by the time the replacement investment is purchased. Loans of portfolio securities are made only when, in the judgment of the Funds' investment manager, the opportunity for income from the transaction outweighs the risk of loss.

Leverage The Growth & Income Fund's investment policies permit it to borrow money from banks on a secured or unsecured basis to purchase or carry securities and to pay interest on such loans. The Growth & Income Fund has not employed leverage in the past and has no current intention of employing it, but the Fund reserves the right to use leverage in the future. Shareholders will receive 60 days' written notice and the prospectus will be amended prior to any such change in its leverage practices.

To the extent leverage is employed by the Growth & Income Fund, and to the extent securities are purchased or carried with borrowed money, the net asset value of Fund shares will increase or decrease at a greater rate than would be the case if borrowed money were not used. The Fund may borrow from a bank to purchase or carry securities only if, immediately after such borrowing, the value of the Fund's assets, including all borrowings then outstanding, less its liabilities (excluding all borrowings), is equal to at least 300% of the aggregate amount of borrowings then outstanding. The amount of borrowing will also be limited by the applicable margin limitations imposed by the Federal Reserve Board. If for any reasons the value of the Fund's assets fall below the coverage requirement of the 1940 Act, the Fund will, within three business days, reduce such borrowings to the extent necessary. In such event the Fund may be required to liquidate positions at times when it may not be desirable to do so. The use of leverage is considered to be a speculative investment activity. The degree to which it is used, therefore, will be carefully evaluated by the investment manager for each such transaction, in terms of the relevant potential for enhancing the total return of the Fund.

Borrowing and Pledging Each Fund may borrow money as a temporary measure for emergency or extraordinary purposes in an amount not exceeding 5% of the total assets of the applicable Fund. The Funds may pledge assets in connection with borrowings but will not pledge more than the amount of its borrowings. Borrowing may cause greater fluctuation in a Fund's net asset value until the borrowing is repaid. Money borrowed by the Funds will be subject to interest and other costs. The Growth & Income Fund may also borrow money for leverage purposes, as discussed above.

Investment Company Securities Investment company securities are securities of other open-end or closed-end investment companies. Except for a so-called fund-of-funds, the 1940 Act generally prohibits a fund from acquiring more than 3% of the outstanding voting shares of an investment company and limits such investments to no more than 5% of a fund's total assets in any investment company and no more than 10% in any combination of unaffiliated investment companies. The 1940 Act further prohibits a fund from acquiring in the aggregate more than 10% of the outstanding voting shares of any registered closed-end investment company. The Securities and Exchange Commission has granted orders for exemptive relief to certain ETFs that permit investments in those ETFs by other investment companies (such as the Funds) in excess of these limits. Each Fund has further limited its investment in other investment companies to no more than 5% of its net assets (see "Investment Limitations" below). Investments by the Funds in shares of other investment companies will result in duplication of advisory, administrative and distribution fees. An investment in securities of an investment company is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Exchange Traded Funds ("ETFs") Shares of ETFs and other similar instruments may be purchased by the Funds. An ETF is an investment company that may be registered under the 1940 Act that holds a portfolio of common stocks designed to track the performance of a particular index or sector of an index. ETFs sell and redeem their shares at net asset value, are listed for trading on national securities exchanges and can be purchased and sold in the secondary market like ordinary stocks in lots of any size at any time during the trading day. An investment in an ETF generally presents the same primary risks as an investment in its underlying stocks or the sectors the ETF is designed to track, in addition to the following risks: (1) the market price of ETF shares may trade at a discount to their net asset value; (2) an active trading market for ETF shares may not develop or be maintained; (3) trading of ETF shares may be halted if deemed appropriate by the listing exchange; and (4) ETF shares may be delisted from their trading exchange, or their trading may be temporarily halted. Because ETFs and pools that issue similar instruments bear various fees and expenses, the Funds would pay a proportionate share of these expenses, as well as transaction costs, such as brokerage commissions.

Underwriting Securities To the extent the Funds obtain non-controlling blocks of securities through private transactions, the Fund may incur expenses relating to the registration and disposition of such shares, or be subject to increased liability in connection with the registration and disposition of such shares.

Micro-Cap Securities Micro-cap securities (that have market capitalizations below \$300 million) are more susceptible to rapid decreases in their value than larger companies, are more unstable or inexperienced than larger companies and therefore are considered more volatile than securities of larger companies. Micro-cap companies may not be well known to the investment public and their securities may trade less frequently and in more limited volume than those of larger companies. Micro-cap companies may be developing or marketing new products or services for which markets are not yet established and many never become established. It may be more difficult to research and obtain accurate information about micro-cap companies because such information may not be readily available.

Investment Limitations

The Funds have adopted the fundamental investment limitations set forth below which can not be changed without the affirmative vote of a majority of the outstanding voting securities of the Fund for which a change is proposed. When used in this Statement of Additional Information and the prospectus, a “majority” of a Fund’s outstanding voting securities means the vote of the lesser of (1) 67% of the shares of the Fund present at a meeting if the holders of more than 50% of the outstanding shares are present in person or by proxy, or (2) more than 50% of the outstanding shares of the Fund. Under these limitations, it is each Fund’s policy:

- (a) not to issue senior securities;
- (b) not to borrow money, except (i) for temporary or emergency purposes and, if so done, not in excess of 5% of the value of the total assets of the Fund (taken at the lower of then market value or cost), or (ii) as to the Growth & Income Fund only, for leverage purposes only if, immediately after such borrowing, the value of the Fund’s assets, including all borrowings then outstanding, less its liabilities (excluding all borrowings), is equal to at least 300% of the aggregate amount of borrowings then outstanding;
- (c) not to underwrite the sale of securities of other issuers, but the Funds may acquire non-controlling blocks of securities from other issuers for investment purposes and if, at a subsequent date, Fund management determines that it is desirable to sell such blocks either (1) publicly, pursuant to Rule 144, another exemption, or an effective registration statement under the Securities Act of 1933 or (2) privately, without registration, a Fund may do so and may incur expenses relating to the registration and/or disposition of such securities;
- (d) not to invest more than 25% of its total assets in any one industry or group of industries, provided that (i) this limitation does not apply to obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and (ii) utility companies will be divided according to their services (for example, gas, gas transmission, electric, electric and gas, and telephone will each be considered a separate industry) and will not be considered a group of industries for this purpose;
- (e) not to buy or sell commodities, commodity contracts, real estate, or real estate mortgage loans, but the Funds may purchase securities of companies engaged in the real estate business;
- (f) not to make loans, except that each Fund: (i) may purchase publicly distributed bonds and debt securities, which shall not be considered the making of a loan (but restricted debt securities are considered the making of a loan); (ii) may engage in repurchase agreement transactions as described herein; and (iii) reserves the right to lend its portfolio securities for the purpose of generating additional income;
- (g) not to invest more than 5% of the value of its total assets in the securities of any single issuer;
- (h) not to purchase more than 10% of the voting securities of any issuer except securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities;

- (i) not to invest more than 5% of its total assets in the securities of companies that have a continuous operating history of less than 3 years (including predecessors);
- (j) not to invest more than 10% of its net assets in restricted and other illiquid securities;
- (k) not to purchase securities for the purpose of exercising control or management over the company issuing the securities;
- (l) not to invest in securities of other investment companies except: (i) open market purchases involving only customary brokers commissions; (ii) as part of a merger, consolidation, or acquisition of assets; and (iii) money market mutual fund securities (those whose policies restrict investments to debt securities maturing in one year or less), provided that (a) the securities of such company are offered and redeemed without the imposition of sales commissions, and (b) that no such investment will be made if, after making the investment, more than 5% of the Fund's net assets (taken at cost at the time of purchase) would be invested in the securities of such mutual funds;
- (m) not to purchase or retain the securities of any company if the officers or trustees of the Trust or the officers or directors of the investment manager, who own individually more than 1/2 of 1% of such securities of such company, together, own as much as 5% of the securities of such company;
- (n) not to engage in short sales;
- (o) not to participate, on a joint or a joint and several basis, in any securities trading account (but the "bunching" of orders for sale or purchase of portfolio securities among the Funds or with other accounts under the management of the investment manager to save brokerage costs or to average prices among them is not deemed to result in a securities trading account);
- (p) not to purchase securities on margin, except that the Growth & Income Fund may borrow from banks if, immediately after such borrowing, the value of the Fund's assets, including all borrowings then outstanding, less its liabilities (excluding all borrowings), is equal to at least 300% of the aggregate amount of borrowings then outstanding (notwithstanding this restriction, the Funds may utilize such short-term credits as may be necessary for clearance of purchases or sales of securities);
- (q) not to purchase warrants if, as a result, a Fund would own warrants in excess of 5% of its net assets, including, within that limitation, 2% of its net assets in warrants not listed on the New York or American Stock Exchanges (for the purpose of this limitation, warrants acquired in units or attached to securities may be deemed to be without value);
- (r) not to engage in arbitrage transactions; and
- (s) not to write or purchase options, except that the Growth & Income Fund may purchase options on stocks and stock indices and may write (sell) covered call options and covered put options provided that, the aggregate value of the securities underlying the calls sold or obligations underlying the puts sold (determined as of the date the options are sold) shall not exceed 25% of the Fund's net assets, the Fund must limit its aggregate premiums paid on the purchase of options held at any one time to 20% of the Fund's net assets, and the aggregate margin deposits required on all such options held at any one time may not exceed 5% of the Fund's total assets.

With the exception of the borrowing limitations [item (b) above] and the illiquid securities limitations [item (j) above], if a percentage limitation is adhered to at the time of investment, a later change in percentage resulting from changes in values of a Fund's investments or the net assets of a Fund will not be considered a violation of the limitation. With respect to the concentration limitation [item (d) above], it is the position of the staff of the Securities and Exchange Commission that concentration occurs when 25% or more of a Fund's total assets are invested in any one industry or group of industries.

Purchase and Redemption of Shares

The prospectus describes basic information you should know about purchasing and redeeming shares of the Funds. Additional information about various shareholder services and procedures for investing in the Funds is provided below.

Regular Account The regular account allows you to make voluntary investments at any time. Available to individuals, custodians, corporations, trusts, estates, corporate retirement plans and others, investors are free to make additions and withdrawals to or from their account as often as they wish. When you make an initial investment in a Fund, a shareholder account is opened in accordance with your registration instructions. Each time there is a transaction in your account, such as an additional investment or the reinvestment of a dividend or distribution, you will receive from the transfer agent a confirmation statement. It will show the current transaction and all prior transactions in your account during the calendar year to date, along with a summary of the status of the account as of the transaction date. Shareholder certificates are issued only for full shares and only upon the specific request of the shareholder. You may request that the transfer agent issue share certificates representing all or part of the full shares in your account.

Retirement Plans As noted in the prospectus, an investment in Fund shares may be appropriate for IRAs and corporate retirement plans. Unless the Fund is otherwise directed, capital gains distributions and dividends received on Fund shares held by any of these plans will be automatically reinvested in additional Fund shares and will be exempt from taxation until distributed from the plans. Investors who are considering establishing such a plan may wish to consult their attorneys or tax advisors with respect to individual tax questions. The Elite Group intends to offer pre-qualified plans as described herein.

Individual Retirement Account (IRA). Shares of the Fund may be purchased as an investment for an IRA account. Information concerning an IRA account, including fees charged for maintaining an IRA, more detailed information and disclosures made pursuant to requirements of the Internal Revenue Code (“the Code”), and assistance in opening an IRA may be obtained from The Elite Group. The following discussion is intended as a general and abbreviated summary of the applicable provisions of the Code and related Treasury regulations currently in effect. It should not be relied upon as a substitute for obtaining personal tax or legal advice.

- ◆ **Deductible IRA.** Generally, a person may make deductible contributions out of earned income to an IRA up to \$5,000 each year. Individuals age 50 and over are permitted to make additional annual IRA contributions of \$1,000. However, persons who are active participants in employer sponsored pension plans (“Employer Plans”) are subject to certain restrictions on deductibility under the Internal Revenue Code of 1986 (“the Code”). The restrictions for the calendar year 2010, applicable to active participants in Employer Plans, are as follows:
 1. A single person who has an adjusted gross income of less than \$66,000, is allowed to deduct a portion of his IRA contribution. That portion decreases proportionately to the extent the individual's income exceeds \$56,000. No deduction is allowed where the single person's adjusted gross income is \$66,000 or more.
 2. A married couple filing a joint return with adjusted gross income of less than \$109,000, is also allowed to deduct a portion of their IRA contributions. That portion decreases proportionately to the extent the couple's adjusted gross income exceeds \$89,000. No deduction is allowed where the couple's adjusted gross income is \$109,000 or more.
 3. A married couple filing jointly where one spouse does not participate and the other spouse does participate in an Employer Plan, the spouse who does not participate may deduct IRA contributions up to \$5,000 (\$6,000 if 50 years of age or over), but this deduction is phased out where the couple's adjusted gross income ranges from \$167,000 to \$177,000. No deduction is allowed where the couple's adjusted gross income exceeds \$177,000.
- ◆ **Non deductible Roth IRA.** The Roth IRA allows individuals to contribute up to \$5,000 (\$6,000 if 50 years of age or older) annually out of earned income. Eligibility to contribute to a Roth IRA is phased out as adjusted gross income rises from \$105,000 to \$120,000 for single filers and from \$167,000 to \$177,000 for joint filers.

◆ **Rollover to a Roth IRA.** Amounts from existing deductible or nondeductible IRAs may be rolled over to a Roth IRA without the 10% early distribution penalty described below, unless the Taxpayer's adjusted gross income exceeds \$100,000. However, regular income tax will be due on any existing taxable amounts that are rolled over from a current IRA. On January 1, 2010, this income restriction is eliminated.

◆ **Taxation of IRAs Upon Distribution.** It may be advantageous to invest in Fund shares through deductible or nondeductible IRA contributions. For deductible contributions, dividends and capital gains distributions earned on your Fund shares are generally not taxable to you as long as you maintain your IRA in the Funds. They may be taxable to you when distributed, however.

Distributions from IRAs are generally taxable as ordinary income when distributed to the extent of earnings and deductible contributions. Nondeductible contributions are not taxable. Because Roth IRA distributions are considered to come from nondeductible contributions first, no tax or penalty will generally result until all nondeductible contributions have been withdrawn. Distributions rolled over into another IRA ("Rollover Contributions") in accordance with certain rules under Section 408(d)(3) of the Code are tax-free. In addition, earnings which accumulated tax-free on a Roth IRA are distributed tax-free to the extent that they are made with respect to Qualified Distributions. Qualified Distributions are distributions made: (1) at least five years after the first year that a contribution was made to the Roth IRA; *and* (2) after the age of 59½, after the death or disability of an individual, or for qualified first-time home purchase expenses (subject to a \$10,000 lifetime maximum).

Most distributions from IRAs made before age 59½ are subject to an early distribution penalty tax equal to 10% of the distribution (in addition to any regular income tax which may be due). Nondeductible contributions are not subject to the penalty. Penalty-free distributions are allowed for up to \$10,000 of first-time home buying expenses. Penalty-free distributions are also allowed for money used to pay qualified higher education expenses (including graduate level course expenses) of the taxpayer, the taxpayer's spouse, or a child or grandchild of the taxpayer (or of the taxpayer's spouse). Qualified expenses include tuition, fees, books, supplies, required equipment, and room and board at a post-secondary educational institutional. Qualified expenses are reduced by certain scholarships and veterans' benefits and the excluded income on qualifying U.S. savings bonds. Penalty-free distributions are also allowed for Rollover Contributions, in the case of death or disability, made in the form of certain periodic payments, used to pay certain medical expenses or used to purchase health insurance for an unemployed individual. You will incur other penalties if you fail to begin distribution of accumulated IRA amounts by April 1 following the year in which you attain age 70½, but this does not apply to the Roth IRA.

Corporate Retirement Plans. Shares of either Fund may be purchased as an investment for Corporate Retirement Plans. There are tax penalties imposed for most premature distributions from such plans prior to age 59½, except in the case of death or disability.

Other Plans and Services. In addition to the foregoing plans, the investment manager makes available to shareholders in connection with their investment in the Fund(s), through its associates, a full range of consulting and plan administrative services, on a fee basis. Information is available to explain and assist you with the establishment of various types of corporate retirement plans, education and charitable organization deferred compensation plans, and thrift and savings plans. Also available are automated recordkeeping and actuarial services for tax-sheltered plan sponsors which fulfill all appropriate accounting and recordkeeping requirements. These services can also accommodate so called "split-funding" options, where plan assets may be invested in various investments in addition to The Elite Group.

How to Establish Retirement Accounts All the foregoing retirement plan options require special applications or plan documents. Please call The Elite Group to obtain information regarding the establishment of retirement plan accounts. In the case of IRA and certain other pre-qualified plans, nominal fees will be charged in connection with plan establishment, custody and maintenance, all of which are detailed in plan documents. You may wish to consult with your attorney or other tax advisor for specific advice concerning your tax status and plans.

Transfer of Registration If you wish to transfer shares to another owner, send a written request to the transfer agent, PNC Global Investment Servicing, P.O. Box 9787, Providence, RI 02940. Your request should include:

- ◆ the Fund name and existing account registration;
- ◆ signature(s) of the registered owner(s) exactly as the signature(s) appear(s) on the account registration;
- ◆ the new account registration, address, social security or taxpayer identification number and how dividends and capital gains are to be distributed;
- ◆ stock certificates, if issued, for the shares being transferred; and
- ◆ medallion signature guarantees and other documents, if other documents are required for transfer by corporations, administrators, executors, trustees, guardians and other entities (see "Signature Guarantees" in the prospectus). If you have any questions about transferring shares, call the transfer agent toll-free at 1-866-521-7208.

Purchase, Redemption and Pricing of Shares The purchase price of shares of each Fund is the net asset value next determined after a purchase or redemption order is received. An order received prior to the close of the New York Stock Exchange (the "Exchange") will be executed at the price computed on the date of receipt; and an order received after the close of the Exchange will be executed at the price computed on the next business day. An order to purchase shares is not binding on the Funds until it has been confirmed in writing by our transfer agent (or other arrangements made with the Funds, in the case of orders utilizing wire transfer of funds, as described above) and payment has been received. Each Fund reserves the right, in its sole discretion, to:

- ◆ suspend the offering of its shares;
- ◆ reject purchase orders when, in the judgment of management, such rejection is in the best interest of the Fund; and
- ◆ to reduce or waive the minimum for initial and subsequent investments for certain fiduciary accounts, such as employee benefit plans or under circumstances where certain economies can be achieved in sales of the Fund's shares.

Each Fund may suspend redemption privileges or postpone the date of payment: (i) during any period that the Exchange is closed, or trading on the Exchange is restricted, as determined by the Securities and Exchange Commission (the "Commission"); (ii) during any period when an emergency exists, as defined by the rules of the Commission, as a result of which it is not reasonably practicable for a Fund to dispose of securities owned by it or fairly to determine the value of its assets; and (iii) for such other periods as the Commission may permit.

When Shares are Priced The net asset value of each Fund is determined as of the close of trading of the Exchange, currently 4:00 p.m., Eastern Standard time. The net asset value is computed every day the Exchange is open for business. At this writing, the Exchange is open for business every Monday through Friday, except for the following holidays: New Year's Day, Martin Luther King, Jr. Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas.

How Shares are Priced Net asset value per share is determined by dividing the total value of all Fund securities and other assets, less liabilities, by the total number of shares then outstanding. Net asset value includes interest on fixed income securities which is accrued daily. Securities which are traded over-the-counter and on a stock exchange will be valued according to the broadest and most representative market, and it is expected that for bonds and other fixed income securities this ordinarily will be the over-the-counter market. However, in the event that market value quotations are not readily available, bonds and other fixed income securities may be valued on the basis of prices provided by a pricing service when such prices are believed to reflect the market value of such securities. The prices provided by a pricing service are determined without regard to bid or last sale prices but take into account institutional size trading in similar groups of securities and any developments related to specific securities. Over-the-counter securities are priced at the most recent quoted bid price. Stock exchange securities are priced at the latest quoted sale price on the principal exchange where the security is traded on the date of valuation. Listed options are priced at the mean between the bid and asked prices. Short-term instruments are valued at cost, which approximates market. Other assets and securities for which no quotations are readily available will be valued in good faith at fair value using methods approved by the Board of Trustees. Management of the Funds may compute the net asset value per share more frequently than once per day if necessary to protect shareholders' interests.

Involuntary Redemptions The Board of Trustees has the right to involuntarily redeem any shareholder account which falls below a minimum account value of \$10,000, as discussed in the prospectus.

Brokerage

It is the Funds' intention to seek the best possible price and execution for securities bought and sold. The investment manager directs the execution of portfolio transactions. Neither the Funds nor the investment manager are affiliated with any securities broker-dealer. The Funds may direct commission trades to brokers who provide the Funds or the investment manager with services useful to the Funds' daily operations. Such services may include the payment for quotations and research services. These services are useful in varying degrees to the Funds, but may be of indeterminable value. Services received by a Fund through such trades may also be used by the investment manager for the benefit of the other Fund. Conversely, a Fund may also benefit from such transactions effected for the benefit of the other Fund.

It is the policy of each Fund not to pay higher commissions to any broker in consideration of research or other services provided than it would pay, all other things being equal, to a broker not providing such services. Total brokerage commissions paid by the Growth & Income Fund during the fiscal years ended September 30, 2009, 2008 and 2007 were \$252,777, \$407,559 and \$393,895, respectively. Total brokerage commissions paid by the Income Fund during the fiscal years ended September 30, 2009, 2008 and 2007 were \$20,608, \$14,160 and \$22,464, respectively.

Management of the Funds

Trustees and Officers Overall responsibility for management of the Trust rests with its Trustees. The Trustees serve for terms of indefinite duration until death, resignation, retirement or removal from office. The Trustees, in turn, elect the officers of the Trust to actively supervise the Trust's day-to-day operations. The officers are elected annually. Certain officers of the Trust also may serve as Trustees.

The Trust will be managed by the Trustees in accordance with the laws of the Commonwealth of Massachusetts governing business trusts. There are currently five Trustees, three of whom are not "interested persons" of the Trust within the meaning of that term under the 1940 Act. These "Independent Trustees" receive compensation for their services as a Trustee and attendance at meetings of the Trustees. Officers of the Trust, other than the Chief Compliance Officer, receive no compensation from the Trust for performing the duties of their offices.

The Trustees and executive officers of the Trust, their addresses and their principal occupations during the past five (5) years are listed on the following page.

Name, Address and Age	Length of Time Served	Position(s) Held with Trust	Principal Occupation(s) During Past 5 Years and Directorships of Public Companies	Number of Portfolios in Trust Overseen by Trustee
<i>Interested Trustees and Officers:</i>				
*Richard S. McCormick (age 63) 1325 4 th Avenue, Suite 1744 Seattle, Washington 98101	Since January 1987	Chairman, President and Trustee	President and Chief Executive Officer of McCormick Capital Management, Inc.	2
*John W. Meisenbach (age 73) 1325 4 th Avenue, Suite 2100 Seattle, Washington 98101	Since June 1990	Trustee, Treasurer and Secretary	Partner in MCM Financial (a full-service insurance, brokerage and financial planning firm); Secretary and Treasurer of McCormick Capital Management, Inc; Director of Costco Wholesale and Expeditors International	2
William L. Notaro (age 67) 18203 Quail Run Pr SW Prosser, Washington 99350	Since October 2004	Chief Compliance Officer	Chief Compliance Officer of McCormick Capital Management, Inc.; Compliance Consultant for Merriman Berkman Next, Inc., a registered investment adviser.	
<i>Independent Trustees:</i>				
Lee A. Miller (age 79) P.O. Box 1882 Vashon Island, Washington 98070	Since January 1996	Trustee	Private investor. Retired Vice President of Merrill Lynch & Co.	2
John M. Parker (age 63) 2400 Financial Center Building Seattle, Washington 98161	Since January 1987	Trustee	President of Kennedy Associates, Inc. (a real estate acquisition and management firm)	2
Jack R. Policar (age 63) 500 Union Street, #410 Seattle, Washington 98101	Since January 1987	Trustee	President and Chief Executive Officer of J.R. Policar, Inc. (a Certified Public Accounting firm)	2

* Richard S. McCormick and John W. Meisenbach, as affiliated persons of McCormick Capital Management, Inc., the Funds' investment manager, are considered "interested persons" of the Trust within the meaning of Section 2(a)(19) of the 1940 Act.

Board Committees. The Trustees have established an Audit Committee, which oversees the Trust's accounting and financial reporting policies and the independent audit of its financial statements. Messrs. Miller, Parker and Policar, each an Independent Trustee, are the members of the Audit Committee. The Audit Committee held four meetings during the fiscal year ended September 30, 2009. The Board of Trustees has no nominating or compensation committee or any committee performing similar functions.

Trustees' Ownership of Fund Shares. The following table shows each Trustee's beneficial ownership of shares of the Funds and, on an aggregate basis, of shares of all Funds within the complex overseen by the Trustee. Information is provided as of December 31, 2008.

Name of Trustee	Dollar Range of Shares of Elite Income Fund Owned by Trustee	Dollar Range of Shares of Elite Growth & Income Fund Owned by Trustee	Aggregate Dollar Range of Shares of All Funds Overseen by Trustee
Richard S. McCormick	\$10,001 – \$50,000	Over \$100,000	Over \$100,000
John W. Meisenbach	None	Over \$100,000	Over \$100,000
Lee A. Miller	None	Over \$100,000	Over \$100,000
John M. Parker	Over \$100,000	Over \$100,000	Over \$100,000
Jack R. Policar	None	Over \$100,000	Over \$100,000

As of November 25, 2009, the Trustees and officers of the Trust, in the aggregate, owned of record or beneficially 8.2% and 3.0% of the outstanding shares of the Growth & Income Fund and the Income Fund, respectively.

Trustee Compensation. No Trustee, officer or employee of the investment manager will receive any compensation from the Funds for serving as an officer or Trustee of the Trust, except for the Trust's Chief Compliance Officer. Each Independent Trustee receives from the Funds a fee of \$2,000 per meeting of the Board of Trustees attended by them, \$150 per hour for services rendered, plus reimbursement of travel and other expenses incurred in attending meetings. The following table provides compensation paid to the Trustees during the fiscal year ended September 30, 2009:

Trustee	Aggregate Compensation Paid from Funds	Pension or Retirement Benefits Accrued	Estimated Annual Benefits Upon Retirement	Total Compensation from Funds and Fund Complex
Richard S. McCormick*	None	None	None	None
John W. Meisenbach*	None	None	None	None
Lee A. Miller	\$ 5,600**	None	None	\$ 5,600**
John M. Parker	\$ 5,600**	None	None	\$ 5,600**
Jack R. Policar	\$ 5,600**	None	None	\$ 5,600**

* Richard S. McCormick and John W. Meisenbach are considered "interested persons" of the Trust. These Trustees are not compensated for serving as Trustees of the Trust.

** Each Independent Trustee voluntarily agreed to a reduced compensation rate during the fiscal year ended September 30, 2009.

Codes of Ethics The Funds and the Funds' investment manager have each adopted a Code of Ethics designed to recognize the fiduciary relationship between the Funds and the investment manager and its employees. The Codes of Ethics permit directors, Trustees, officers and employees of the Funds and the investment manager to buy and sell securities for their personal accounts, including securities that may be purchased or held by the Funds, subject to certain restrictions. Persons with access to certain sensitive information are subject to pre-clearance and other procedures designed to prevent conflicts of interest. Access persons of the investment manager shall not execute a securities transaction on a day during which a Fund has a pending buy or sell order in that same security or an equivalent security until that order is executed or withdrawn.

Proxy Voting Policies The Funds and the Funds' investment manager have adopted proxy voting policies and procedures that describe how the Funds intend to vote proxies relating to portfolio securities. The proxy voting policies and procedures are attached to this SAI as Appendix B. Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge upon request by calling 1-800-423-1068, or on the Commission's website at <http://www.sec.gov>.

5% Owners The Trust is not aware of any person who owned, of record or beneficially, more than 5% of the shares of either Fund as of November 25, 2009.

Investment Advisory and Other Services

Investment Manager The Trust employs McCormick Capital Management, Inc. as investment manager for the Funds pursuant to a Management Agreement. The duties of the investment manager include the following, unless otherwise provided by the Trust:

- ◆ provision of continuous supervision of the Funds' investment portfolio;
- ◆ overall management of the Trust's business affairs (subject to the supervision of the Trustees);
- ◆ provision of certain executive officers, administrative and clerical functions of the Trust; and
- ◆ provision of suitable office space, necessary small office equipment, utilities, general purpose forms and supplies used at the offices of the Trust.

Richard S. McCormick and John W. Meisenbach are the controlling stockholders of the investment manager. Mr. McCormick is the President and Chief Executive Officer of the investment manager and serves as President and Chairman of the Board of Trustees of the Trust. Mr. Meisenbach is the Secretary and Treasurer of the investment manager and serves as Trustee, Treasurer and Secretary of the Trust. He is a partner in MCM Financial, a Seattle full-service insurance brokerage and financial planning firm. As affiliates of the investment manager, Messrs. McCormick and Meisenbach may directly or indirectly receive benefits from the advisory fees paid to the investment manager.

Compensation of the investment manager, based upon each Fund's average daily net assets, is at the following annual rates:

- ◆ For the Income Fund, 0.70% on the first \$250 million, 0.625% on the next \$250 million and 0.50% on assets above \$500 million
- ◆ For the Growth & Income Fund, 1% on the first \$250 million, 0.75% on the next \$250 million and 0.50% on assets above \$500 million

Investment management fees are accrued daily on the books of the Funds and are paid monthly. Management fees paid by the Growth & Income Fund were \$350,835, \$614,010 and \$665,925, respectively, for the fiscal years ended September 30, 2009, 2008 and 2007. Management fees accrued by the Income Fund were \$108,741, \$108,188 and \$131,470, respectively, for the fiscal years ended September 30, 2009, 2008 and 2007. Although not obligated to do so, the investment manager may waive fees and/or reimburse a portion of the operating expenses of a Fund for any fiscal year. During the fiscal years

ended September 30, 2009, 2008 and 2007, such fee waivers and expense reimbursements were \$12,557, \$33,404 and \$18,955, respectively, for the Income Fund.

Unless sooner terminated, the Management Agreement shall continue in effect for successive one-year periods if continuance is approved at least annually (i) by the Trustees or by vote of a majority of the outstanding voting securities of the Fund and (ii) by vote of a majority of the Independent Trustees, cast in person at a meeting called for this purpose. The Management Agreement is terminable by a Fund at any time on 60 days' prior written notice without penalty by the vote of a majority of the Trustees, by vote of a majority of outstanding shares of the Fund, or by the investment manager. The Management Agreement also terminates automatically in the event of its assignment, as defined in the 1940 Act and the rules thereunder.

The Management Agreement provides that the investment manager shall not be liable for any error of judgment or for any loss suffered by the Funds in connection with the performance of its duties, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the investment manager in the performance of its duties, or from reckless disregard of its duties and obligations thereunder.

Portfolio Managers

The portfolio manager for the Growth & Income Fund is Richard S. McCormick. The portfolio manager for the Income Fund is Michael Cheung.

Other Accounts Managed (as of September 30, 2009)

The following table indicates the other accounts managed by the portfolio managers. None of these accounts has an advisory fee based on the performance of the account.

Name of Portfolio Manager	Type of Accounts	Total Number of Accounts Managed	Total Assets of Accounts Managed	Number of Accounts Managed with Advisory Fee Based on Performance	Total Assets of Accounts with Advisory Fee Based on Performance
Richard S. McCormick	Registered Investment Companies:	0	\$ 0	0	\$ 0
	Other Pooled Investment Vehicles:	0	\$ 0	0	\$ 0
	Other Accounts:	0	\$ 0	0	\$ 0
Michael Cheung	Registered Investment Companies:	0	\$ 0	0	\$ 0
	Other Pooled Investment Vehicles:	5	\$ 288 million	0	\$ 0
	Other Accounts:	18	\$ 154 million	0	\$ 0

Potential Conflicts of Interest

The investment manager does not believe that any material conflicts of interest exist as a result of Mr. Cheung managing the Income Fund and the other accounts listed above. While Mr. Cheung may occasionally recommend purchases or sales of the same portfolio securities for both the Income Fund and other accounts he manages, the investment manager believes that it is highly unlikely that simultaneous transactions would adversely affect the ability of the Income Fund to obtain or dispose of the full amount of a security which it seeks to purchase or sell or the price at which such security can be purchased or sold. In addition, procedures are in place to monitor personal trading by the portfolio managers to ensure that the interests of the Funds come first.

Compensation

Each of the portfolio managers receives a fixed cash salary plus cash contribution to his SEP/IRA account. Mr. Cheung is also paid a fixed cash salary for his management of the other accounts listed above. Compensation of Mr. McCormick also includes a portion of the profits of the investment manager. The profitability of the investment manager depends primarily upon the value of the Funds' assets because the advisory fee paid to the investment manager is equal to a percentage of such assets. However, neither the portfolio managers' salaries, contributions to their SEP/IRA accounts, nor profits that Mr. McCormick receives from the investment manager are directly based upon either Funds' pre- or after-tax performance or the value of the Funds' assets.

Ownership of Fund Shares

The following table indicates the dollar value of shares of the Funds beneficially owned by the portfolio managers as of September 30, 2009.

Name of Portfolio Manager	Dollar Value of Growth & Income Fund Shares Beneficially Owned	Dollar Value of Income Fund Shares Beneficially Owned
Richard S. McCormick	\$500,001 – \$1,000,000	\$50,001 – \$100,000
Michael Cheung	\$ 10,001 – \$50,000	\$1 – \$10,000

Independent Registered Public Accounting Firm The firm of Briggs, Bunting & Dougherty, LLP, 1835 Market Street, 26th Floor, Philadelphia, Pennsylvania 19103, has been retained by the Board of Trustees to perform an independent audit of the financial statements of the Funds. Briggs, Bunting & Dougherty, LLP also prepares each Fund's federal and state tax returns.

Custodian PFPC Trust Company, 301 Bellevue Parkway, Wilmington, Delaware 19809, serves as custodian for the Funds. As such it holds all cash and securities of the Funds (either in its possession or in its favor through "book entry systems" authorized by the Funds in accordance with the 1940 Act), collects all income and effects all securities transactions on behalf of the Funds.

Transfer Agent PNC Global Investment Servicing Inc., P.O. Box 9787, Providence, Rhode Island 02940, serves as transfer and dividend paying agent for the Funds. PNC Global Investment Servicing Inc. effects all transactions in shareholder accounts, maintains all shareholder records and pays income dividends and capital gains distributions as directed by the Board of Trustees.

Chief Compliance Officer William L. Notaro serves as the Trust's Chief Compliance Officer. The Chief Compliance Officer administers and oversees the Trust's compliance program. During the fiscal years ended September 30, 2009, 2008, and 2007, the Growth & Income Fund paid \$22,825, \$21,000 and \$20,998, respectively, and the Income Fund paid \$9,048, \$5,248 and \$5,248, respectively, to the Chief Compliance Officer.

Accounting Agent PNC Global Investment Servicing Inc. serves as the accounting and pricing agent for the Funds. PNC Global Investment Servicing calculates the daily net asset value per share of the Funds and maintains such books and records that are necessary to perform its duties. During the fiscal years ended September 30, 2009, 2008, and 2007, the Growth & Income Fund paid accounting fees of \$97,215, \$97,205 and \$77,387, respectively, and the Income Fund paid \$41,278, \$33,183 and \$31,689, respectively, to PNC Global Investment Servicing Inc.

Securities Lending Agent PFPC Trust Company, 301 Bellevue Parkway, Wilmington Delaware 19809, serves as the securities lending agent for the Funds. During the fiscal years ended September 30, 2009, 2008 and 2007, the Funds paid securities lending fees of \$56,698, \$98,140 and \$128,512, respectively to PFPC Trust Company.

Policy Regarding the Selective Disclosure of Portfolio Holdings

The Board of Trustees has adopted the policy set forth below to govern the circumstances under which disclosure regarding portfolio securities held by the Funds, and disclosure of purchases and sales of such securities, may be made to shareholders of the Funds or other persons. The Board of Trustees has delegated to the Trust's Chief Compliance Officer the responsibility for ongoing monitoring and supervision of the policy to ensure compliance. The Board provides ongoing oversight of compliance with the policy and as part of this oversight function, the Trustees receive from the Chief Compliance Officer quarterly reports on any violations of or exceptions to this policy. However, if a material issue arises with respect to disclosure of a Fund's portfolio securities or in relation to this policy, the Chief Compliance Officer would report such matter to the Board immediately. In addition, the Trustees receive an annual assessment of the adequacy and effect of the policy with respect to the Funds, any changes thereto, and an annual review of the operations of the policy. Although no material conflicts of interest are believed to exist that could disadvantage the Funds or their shareholders, various safeguards have been implemented to protect the Funds and their shareholders from conflicts of interest, including: the adoption of Codes of Ethics pursuant to Rule 17j-1 under the 1940 Act designed to prevent fraudulent, deceptive or manipulative acts by officers and employees of the Trust and the investment manager in connection with their personal securities transactions; the adoption by the Funds' investment manager of insider trading policies and procedures designed to prevent their employees' misuse of material non-public information; and the adoption by the Trust of a Code of Ethics for principal officers of the Trust that requires such officers to avoid conflicts of interest and to report to the Chief Compliance Officer any affiliations or other relationships that could potentially create a conflict of interest with the Funds.

- Public disclosure regarding the securities held by the Funds ("Portfolio Securities") is made in Annual Reports and Semi-Annual Reports to shareholders, and in quarterly holdings reports on Form N-Q ("Official Reports"). Except for such Official Reports and as otherwise expressly permitted by the Funds' policy, shareholders and other persons may not be provided with information regarding Portfolio Securities held, purchased or sold by the Funds.
- The Funds post a complete listing of their Portfolio Securities, represented as a percentage of total portfolio holdings, as of the end of each month at www.elitefunds.com. The listings of Portfolio Securities are made available on or about the first business day following the end of the month. The listings of Portfolio Securities on the website are available to the general public.
- Information regarding Portfolio Securities as of the end of the most recent month, and other information regarding the investment activities of the Funds during such month, may be disclosed to rating and ranking organizations for use in connection with their rating or ranking of the Funds.
- Information regarding Portfolio Securities as of the end of the most recent month may be disclosed to any other person or organization at the request of such person or organization, but only if such information has been posted to the Funds' website.
- The Funds' policy relating to disclosure of the Funds' holdings of Portfolio Securities does not prohibit: (i) disclosure of information to the investment manager or to other service providers of the Funds, including the Funds' administrator, custodian, legal counsel and auditors, or to brokers and dealers through which the Funds purchase and sell Portfolio Securities; and (ii) disclosure of holdings of or transactions in Portfolio Securities of a Fund that is made on the same basis to all shareholders of the Fund.
- Neither the investment manager nor the Trust (or any affiliated person, employee, officer, trustee or director of the investment manager or the Trust) may receive any direct or indirect compensation in consideration of the disclosure of information relating to Portfolio Securities held, purchased or sold by the Funds.

Below is a table that lists each service provider regularly receiving portfolio information along with information regarding the frequency of access, lag time for disclosure of portfolio information, and limitations on use (including a prohibition on trading on non-public information) of portfolio information. The following disclosures of non-public portfolio information have been approved by the Board of Trustees.

Type of Service Provider	Frequency of Access to Portfolio Information	Restrictions on Use	Lag Time
Investment Manager	Daily	Contractual and Ethical	None
Administrator and Fund Accountant	Daily	Contractual and Ethical	None
Custodian	Daily	Contractual and Ethical	None
Auditor	During annual audit, or as needed	Ethical	At least 30 days
Legal counsel	Regulatory filings, board meetings, and if a legal issue regarding the portfolio requires counsel's review	Ethical	As needed
Printers	Twice a year – printing of semi-annual and annual reports	No formal restrictions	At least 30 days
Broker/dealers through which Fund purchases and sells portfolio securities	Daily access to the relevant purchase and/or sale – no broker/dealer has access to the Fund's entire portfolio	Contractual and Ethical	None
Independent Rating or Ranking Agencies: Morningstar Inc., Lipper, Bloomberg L.P. and Standard & Poor's, Inc.	Monthly	No formal restrictions	1-7 business days following month end

The Board of Trustees has determined that the Funds and their shareholders are adequately protected by the restrictions on use in those instances listed above, including those where contractual obligations between the Funds and the other party do not exist. There can be no assurance, however, that the Funds' Policy Regarding the Selective Disclosure of Portfolio Holdings will prevent the misuse of such information by firms or individuals that receive such information.

Capital Stock and Voting

The capital of the Trust consists of an unlimited number of shares of beneficial interest, no par value, which may be classified or reclassified by the Board of Trustees among the Funds or any new series of the Trust as it deems appropriate. Currently the Trustees have authorized two such Funds, the Elite Income Fund and the Elite Growth & Income Fund, and have authorized an unlimited number of shares which may be sold to the public. Although they reserve the right to do so, the Trustees have no present intention to create any additional series, or funds, of the Trust. Each share represents an equal proportionate interest in the particular Fund with every other outstanding share of that Fund. Under Massachusetts law, shareholders of a business trust may, under certain circumstances, be held personally liable as partners for the obligations of the trust. The Declaration of Trust, therefore, contains provisions which are intended to mitigate such liability.

In the event of liquidation, shareholders of a Fund are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders. Shares of each Fund, when issued, are fully paid and non-assessable and have no preemptive, subscription or conversion rights. Shareholders are entitled to one vote for each full share and a fractional vote for each fractional share held. Shares have non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of Trustees can elect 100% of the Trustees and, in this event, the holders of the remaining shares voting will not be able to elect any Trustees. The Declaration of Trust provides that, if elected, the Trustees will hold office for the life of the Trust, except that: (1) any Trustee may resign or retire; (2) any Trustee may be removed with or without cause at any time: (a) by a written instrument, signed by at least two-thirds of the number of Trustees prior to such removal or (b) by vote of shareholders holding not less than two-thirds of the outstanding shares of the Trust, cast in person or by proxy at a meeting called for that purpose; (c) by a written declaration signed by shareholders holding not less than two-thirds of the outstanding shares of the Trust and filed with the Trust's custodian. In case a vacancy or an anticipated vacancy shall for any reason exist, the vacancy shall be filled by a majority of the remaining Trustees, subject to the provisions of Section 16(a) of the 1940 Act. Otherwise there will normally be no meeting of shareholders for the purpose of electing Trustees, and the Funds do not expect to hold annual meetings of shareholders. The Trustees have agreed, if requested to do so by the holders of at least 10% of the Trust's outstanding shares, to call a meeting of shareholders for the purpose of voting upon the question of removal of a Trustee or Trustees and to assist shareholders in communication with other shareholders for this purpose. On any matter submitted to a vote of shareholders, all shares of a Fund shall be voted by a Fund's shareholders individually when the matter affects the specific interests of that particular Fund (such as approval of the Investment Management Agreement with the investment manager), except as otherwise required by the 1940 Act.

Taxation of the Funds

Each Fund is treated as a separate tax entity for Federal income tax purposes. Each Fund has qualified and intends to continue to qualify annually as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As a regulated investment company, a Fund will not be subject to federal income tax to the extent it distributes its net taxable income and its net capital gains to its shareholders. To qualify as a regulated investment company, a Fund must, among other things, (1) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currency, certain other income (including but not limited to gains from options, futures and forward contracts) derived with respect to its business of investing in stock, securities or currencies, or from net income derived from an interest in a qualified publicly traded partnership ("PTP"); and (2) diversify its holdings so that at the end of each quarter of its taxable year the following two conditions are met: (a) at least 50% of the value of the Fund's total assets is represented by cash, U.S. Government securities, securities of other regulated investment companies and other securities (for this purpose such other securities will qualify only if the Fund's investment is limited in respect to any issuer to an amount not greater than 5% of the value of the Fund's total assets and not greater than 10% of the outstanding voting securities of such issuer) and (b) not more than 25% of the value of the Fund's total assets is invested in the securities (other than U.S. Government securities or securities of other regulated investment companies) of any one issuer, the securities of any two or more issuers that the Fund controls and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses, or the securities of one or more qualified PTPs. For these purposes, a qualified PTP is generally a PTP other than one where at least 90% of its gross income is gross income that would otherwise be qualifying income for a regulated investment company.

A 4% non-deductible excise tax is imposed on a regulated investment company that fails to distribute, in each calendar year, an amount equal to 98% of ordinary taxable income for the calendar year and 98% of capital gain net income for the one-year period ended on October 31 of such calendar year. Each Fund intends to make sufficient distributions of its ordinary taxable income and capital gain net income prior to the end of each calendar year to avoid liability for the excise tax.

A Fund's net realized capital gains from securities transactions will be distributed only after reducing such gains by the amount of any available capital loss carryforwards. Capital losses may be carried forward to offset any capital gains for eight years, after which any undeducted capital loss remaining is lost as a deduction. As of September 30, 2009, the Growth & Income Fund had capital loss carryforwards of \$3,110,409, of which \$917,595 expires on September 30, 2016 and \$2,192,814 expires on September 30, 2017.

In addition, the Growth & Income Fund realized capital losses of \$11,020,259 occurring subsequent to October 31, 2008, which are treated for federal income tax purposes as arising during the Fund's tax year ending September 30, 2010. As

of September 30, 2009, the Income Fund had capital loss carryforwards of \$141,578, of which \$6,712 expires on September 30, 2015 and \$134,866 expires on September 30, 2016. In addition, the Income Fund realized capital losses of \$147,739 occurring subsequent to October 31, 2008, which are treated for federal income tax purposes as arising during the Fund's tax year ending September 30, 2010. These capital loss carryforwards and "post-October" losses may be utilized in future years to offset net realized capital gains, if any, prior to distributing such gains to shareholders.

Dividends from net investment income and distributions of any capital gains will be taxable to shareholders (except shareholders who are exempt from paying taxes on their income), whether received in cash or invested in additional Fund shares. Individual shareholders may benefit from lower rates applicable to long-term capital gains on certain distributions that are attributable to certain dividends received by the Funds from U.S. corporations and certain foreign corporations ("Qualified Dividends"). Such dividends are scheduled to be taxed at ordinary income rates starting in 2011. It appears that for an individual shareholder to benefit from the lower tax rate on Qualified Dividends, the shareholder must hold shares in the Fund, and the Fund must hold shares in the dividend-paying corporation, at least 61 days during the 121-day period beginning 60 days before the date on which the shareholder or the Fund, as the case may be, becomes entitled to receive the dividend. Furthermore, in determining the holding period for this purpose, any period during which the recipient's risk of loss is offset by means of options, short sales or similar instruments is not included. Additionally, an individual shareholder would not benefit from the lower tax rate to the extent it or the Fund is obligated (for example, pursuant to a short sale) to make related payments with respect to positions in substantially similar or related property. For corporate shareholders, the 70% dividends received deduction may apply to dividends from the Funds. The Funds will send you information each year on the tax status of dividends and distributions.

A dividend or capital gains distribution paid shortly after shares have been purchased, although in effect a return of investment, is subject to federal income taxation. Dividends from net investment income and from net option income, along with capital gains, will be taxable to shareholders whether received in cash or shares and no matter how long the shares have been held, even if they reduce the net asset value of shares below your cost and thus, in effect, result in a return of a part of your investment. Any loss realized upon the redemption or exchange of shares within six months from their date of purchase will be treated as a long-term capital loss to the extent of distributions received of net long-term capital gains during such six-month period.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and related Treasury Regulations currently in effect. For the complete provisions, reference should be made to the pertinent Code sections and Treasury Regulations. The Code and Regulations are subject to change by legislative or administrative action at any time. Investors should consult with their own advisors for the effect of any state or local taxation and for more complete information on federal taxation.

Performance Data

The Funds may, from time to time, advertise average annual total return information. Such total return data is calculated by finding the average annual compounded rates of return over 1, 5 and 10 year periods that would equate the initial amount invested to the ending redeemable value, according to the following formula:

$$P(1+T)^n = ERV$$

P = a hypothetical initial payment of \$1,000

T = average annual total return

n = number of years

ERV = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the 1, 5 and 10 year periods at the end of the 1, 5 or 10 year periods (or fractional portion thereof)

The table below shows each Fund's average annual total returns for periods ended September 30, 2009:

Elite Growth & Income Fund

1 Year	8.64%
5 Years	2.88%
10 Years	2.03%

Elite Income Fund

1 Year	16.53%
5 Years	4.84%
10 Years	5.48%

The Funds may, from time to time, advertise average annual total return information after taxes on distributions. Such total return data is calculated by finding the average annual compounded rates of return over 1, 5 and 10 year periods that would equate the initial amount invested to the ending value, according to the following formula:

$$P(1+T)^n = ATV_D$$

P = a hypothetical initial payment of \$1,000

T = average annual total return (after taxes on distributions)

n = number of years

ATV = ending value of a hypothetical \$1,000 payment made at the beginning of the 1, 5 or 10 year periods at the end of the 1, 5 or 10 year periods (or fractional portion thereof), after taxes on fund distributions but not after taxes on redemption

The Funds may, from time to time, advertise average annual total return information after taxes on distributions and redemptions. Such total return data is calculated by finding the average annual compounded rates of return over 1, 5 and 10 year periods that would equate the initial amount invested to the ending value, according to the following formula:

$$P(1+T)^n = ATV_{DR}$$

P = a hypothetical initial payment of \$1,000

T = average annual total return (after taxes on distributions and redemption)

n = number of years

ATV_{DR} = ending value of a hypothetical \$1,000 payment made at the beginning of the 1, 5 or 10 year periods at the end of the 1, 5 or 10 year periods (or fractional portion thereof), after taxes on fund distributions and redemption

The calculations assume the reinvestment of all dividends and distributions. After-tax returns are calculated using the highest applicable individual federal marginal tax rate in effect on the reinvestment date of a distribution. The tax rates used correspond to the tax character of each component of the distributions (that is, the ordinary income tax rate for ordinary income distributions and the long-term capital gains rate for capital gains distributions). The tax rates may vary over the course of the measurement period. State and local tax liabilities are disregarded, as are the effect of phaseouts of certain exemptions, deductions and credits at various income levels and the impact of the federal alternative minimum income tax. Actual after-tax returns will depend on an investor's tax situation and may differ from those shown. The after-tax returns are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts. A Fund's past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future.

The Funds may also advertise total return (a "nonstandardized quotation") which is calculated differently from average annual total return. A nonstandardized quotation of total return may be a cumulative return which measures the percentage change in the value of an account between the beginning and end of a period, assuming no activity in the account other than reinvestment of dividends and capital gains distributions. A nonstandardized quotation may also indicate average annual compounded rates of return over periods other than those specified for average annual total return. A nonstandardized quotation of total return will always be accompanied by a Fund's average annual total return as described above.

From time to time, each Fund may also advertise its yield. A yield quotation is based on a 30-day (or one month) period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period, according to the following formula:

$$\text{Yield} = 2[(a-b/cd + 1)^6 - 1]$$

Where:

- a = dividends and interest earned during the period
- b = expenses accrued for the period (net of reimbursements)
- c = the average daily number of shares outstanding during the period that were entitled to receive dividends
- d = the maximum offering price per share on the last day of the period

Solely for the purpose of computing yield, dividend income is recognized by accruing 1/360 of the stated dividend rate of the security each day that a Fund owns the security. Generally, interest earned (for the purpose of "a" above) on debt obligations is computed by reference to the yield to maturity of each obligation held based on the market value of the obligation (including actual accrued interest) at the close of business on the last business day prior to the start of the 30-day (or one month) period for which yield is being calculated, or, with respect to obligations purchased during the month, the purchase price (plus actual accrued interest). With respect to the treatment of discount and premium on mortgage or other receivables-backed obligations which are expected to be subject to monthly paydowns of principal and interest, gain or loss attributable to actual monthly paydowns is accounted for as an increase or decrease to interest income during the period and discount or premium on the remaining security is not amortized.

The performance quotations described above are based on historical earnings and are not intended to indicate future performance.

Each Fund's performance may be compared in advertisements, sales literature and other communications to the performance of other mutual funds having similar objectives or to standardized indices or other measures of investment performance. In particular, a Fund may compare its performance to the S&P 500 Index, which is generally considered to be representative of the performance of unmanaged common stocks that are publicly traded in the United States securities markets. Comparative performance may also be expressed by reference to a ranking prepared by a mutual fund monitoring service, such as Lipper or Morningstar, Inc., or by one or more newspapers, newsletters or financial periodicals. Performance comparisons may be useful to investors who wish to compare a Fund's past performance to that of other mutual funds and investment products. Of course, past performance is no guarantee of future results.

- **Lipper** ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all capital gains distributions and income dividends and takes into account any change in net asset value over a specific period of time.
- **Morningstar, Inc.** rates mutual funds of all types, according to their risk-adjusted returns. The maximum rating is five stars, and ratings are effective for one month.

Investors may use such performance comparisons to obtain a more complete view of the Funds' performance before investing. Of course, when comparing a Fund's performance to any index, factors such as composition of the index and prevailing market conditions should be considered in assessing the significance of such comparisons. When comparing funds using reporting services, or total return, investors should take into consideration any relevant differences in funds such as permitted portfolio compositions and methods used to value portfolio securities and to compute offering price. Advertisements and other sales literature for the Funds may quote total returns that are calculated on non-standardized base periods. The total returns represent the historic change in the value of an investment in a Fund assuming monthly reinvestment of dividends over a specified period of time.

From time to time the Funds may include in advertisements and other communications information, charts, and illustrations relating to inflation and the effects of inflation on the dollar, including the purchasing power of the dollar at various rates of inflation. The Funds may also disclose from time to time information about their portfolio allocation and holdings at a particular date (including ratings of securities assigned by independent rating services such as Standard & Poor's Ratings Group and Moody's Investors Service, Inc.). The Funds may also depict the historical performance of the securities in which the Funds may invest over periods reflecting a variety of market or economic conditions either alone or in comparison with alternative investments, performance indices of those investments, or economic indicators. The Funds may also include in advertisements and in materials furnished to present and prospective shareholders statements or illustrations relating to the appropriateness of types of securities and/or mutual funds that may be employed to meet specific financial goals, such as saving for retirement, children's education, or other future needs.

Financial Statements

The financial statements of each Fund will be audited at least once each year by an independent registered public accounting firm. Financial statements of each Fund for the year ended September 30, 2009, together with the report of the Funds' independent registered public accounting firm thereon, are included in the Trust's Annual Report to Shareholders, incorporated herein by reference. A copy of the Annual Report will accompany the Statement of Additional Information at no charge whenever requested by a shareholder or prospective shareholder. Shareholders will receive annual audited and semiannual unaudited reports when published and will receive written confirmation of all confirmable transactions in their account.

Appendix A: Debt Securities Ratings

Description of Commercial Paper Ratings

Moody's Investors Service, Inc., in rating commercial paper, considers various factors including the following: (1) evaluation of the management of the issuer; (2) evaluation of the issuer's industry or industries and an appraisal of the risks which may be inherent in certain areas; (3) evaluation of the issuer's products in relation to competition and customer acceptance; (4) liquidity; (5) amount, type and maturity of schedules of long-term debt; (6) trend of earnings over a period of years; (7) financial strength of a parent company and the relationships which exist with the issuer; and (8) recognition by the management of obligations which may be present or may arise as a result of public interest questions and preparation to meet such obligations. Based on the foregoing, "P-1", "P-2" and "P-3" represent relative rankings (P-1 being the highest) of companies that receive a Moody's rating.

Standard & Poor's Ratings Group describes its highest ("A") rating for commercial paper, with the numbers 1, 2 and 3 being used to denote relative strength within the "A" classification as follows: liquidity ratios are adequate to meet cash requirements; long-term senior debt rating should be "A" or better; in some instances "BBB" credit ratings may be allowed if other factors outweigh the "BBB" rating. The issuer should have access to at least two additional channels of borrowing. Basic earnings and cash flow should have an upward trend, with allowances made for unusual circumstances. Typically, the issuer's industry should be well established and the issuer should have a strong position within its industry. The reliability and quality of management should be unquestioned.

Fitch Ratings describes its highest (F1) rating for commercial paper as having the strongest intrinsic capacity for timely payment of financial commitments. This rating may have an added "+" to denote any exceptionally strong credit feature.

Description of Bond Ratings

Description of Moody's Investors Service, Inc.'s Corporate Bond Ratings:

Aaa: Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edged." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa: Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements that make the long-term risks appear somewhat larger than in Aaa securities.

A: Bonds rated A possess many favorable investment attributes and are to be considered upper medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present that suggest a susceptibility to impairment sometime in the future.

Baa: Bonds rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba: Bonds rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B: Bonds rated B generally lack characteristics of a desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa: Bonds rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to payment of principal or interest.

Ca: Bonds rated Ca represent obligations that are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

Description of Standard & Poor's Ratings Group's Bond Ratings:

AAA: This is the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay principal and interest.

AA: Bonds rated AA also qualify as high-quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from AAA issues only in small degree.

A: Bonds rated A have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB: Bonds rated BBB are regarded as having an adequate capacity to pay principal and interest. Whereas they normally exhibit protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay principal and interest for bonds in this category than for bonds in the A category.

BB, B, CCC, CC: Bonds rated BB, B, CCC or CC are regarded, on balance, as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures or adverse conditions.

Description of Fitch Ratings Ltd.'s Bond Ratings:

AAA: Highest credit quality. 'AAA' rating denotes the lowest expectation of default risk and is 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: Very high credit quality. 'AA' rating denotes expectations of very low default risk and indicates very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality. 'A' rating denotes expectations of low default risk and 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: Good credit quality. 'BBB' rating indicates 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: Speculative. 'BB' rating indicates 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: Highly speculative. 'B' rating indicates 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: Bonds rated CCC, CC and C are regarded as having substantial or exceptionally high levels of credit risk.

Appendix B

Proxy Policy The Elite Group of Mutual Funds McCormick Capital Management

Background & Explanation

The Elite Group of Mutual Funds is a small family of two funds. The Elite Funds are the only client for McCormick Capital Management, the Investment Advisor. With over thirty-five years of voting proxies, the investment advisor has developed an unusual but unique approach to voting proxies.

In participating in, and observing thousands of proxy issues over the last several decades, we have rarely observed when corporate management has lost a vote in those securities for which we had responsibility. This would include management's nominees for directors, corporate governance issues, and their opposition to social issues. With few exceptions, other shareholders routinely "rubber stamp" management directors and their proposals. With these realities, the challenge is to develop a proxy policy that would be in the best interest of our shareholders and deliver the "biggest bang" for our small number of shares.

Proxy Issues

Nominees for Directors: Given that there are no alternatives nominated for director, we will withhold all votes for management nominees.

Independent Auditors

We believe that the relationship between the company and its auditors should be limited primarily to the audit engagement, although it may include certain closely related activities that do not, in the aggregate, raise any appearance of impaired independence.

- We will vote against proposed auditors where non-audit fees make up more than 50% of the total fees paid by the company to the audit firm.
- We will evaluate on a case-by-case basis instances in which the audit firm has a substantial non-audit relationship with the company (regardless of its size relative to the audit fee) to determine whether we believe independence has been compromised.

Compensation / Option plans etc.

We will oppose. As a generalization, management compensation is overly generous.

Corporate governance

Issues that we interpret as technical in nature (such as increasing shares outstanding) we vote in favor. Issues such as staggered boards, different class of stocks, cumulative voting and super majority voting, we oppose. Any issues that would entrench management's position, we oppose.

Corporate and social policy issues

We believe that "ordinary business matters" are primarily the responsibility of management and should be approved solely by the corporation's board of directors. Proposals in this category, initiated primarily by shareholders, typically request that the company disclose or amend certain business practices.

Material Conflicts of Interest

The SEC regulations required a policy to address how proxies would be voted if there were a "material conflict of interest" between the investment advisor and our mutual funds. Granted, that much larger financial institutions with many subsidiaries and divisions may have many conflicts when voting proxies. However, given the size, and nature of the Elite Mutual Funds, it is difficult to imagine any "material conflict" between the advisor and the funds. If such an issue does materialize, the proxy vote will be determined by a majority vote of the independent trustees.