

*The Yacktman Funds, Inc.*

January 30, 2012

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Supplement to the Statement of Additional Information  
dated April 30, 2011

***Redemptions***

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The section of the Statement of Additional Information labeled “Redemptions” is supplemented by adding the following information:

“The Yacktman Fund and The Yacktman Focused Fund have granted authority to the Funds’ investment adviser, Yacktman Asset Management Co., to waive the redemption fee at its sole discretion where the adviser believes such waiver is in the best interests of the Funds. While the investment adviser has been granted sole discretion by the Funds to waive the redemption fee, the adviser will consult with the Funds’ Chief Compliance Officer prior to the adviser authorizing any such waivers.”

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The date of this Supplement is January 30, 2012.

Please retain this Supplement for future reference.

**STATEMENT OF ADDITIONAL INFORMATION**

**April 30, 2011**

**for THE YACKTMAN FUNDS, INC.**

**THE YACKTMAN FOCUSED FUND – (Ticker Symbol: YAFFX)**

**THE YACKTMAN FUND - (Ticker Symbol: YACKX)**

**THE YACKTMAN FUNDS, INC.**

6300 Bridgepoint Parkway  
Building One, Suite 320  
Austin, Texas 78730  
Call Toll-Free 1-800-525-8258

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Prospectus of The Yacktman Funds, Inc., a Maryland corporation, dated April 30, 2011 (the “Prospectus”), for The Yacktman Focused Fund and The Yacktman Fund (each referred to individually as a “Fund” and collectively as the “Funds”). Requests for copies of the Prospectus should be made by writing to The Yacktman Funds, Inc., Shareholder Services Center, 615 East Michigan Street, 3<sup>rd</sup> Floor, Milwaukee, Wisconsin 53201-5207, or by calling 1-800-525-8258.

The following financial statements are incorporated by reference to the Annual Report, dated December 31, 2010, of The Yacktman Funds, Inc. (File No. 811-06628), as filed with the Securities and Exchange Commission on March 8, 2011:

Portfolio of Investments  
    The Yacktman Fund  
    The Yacktman Focused Fund  
Statements of Assets and Liabilities  
Statements of Operations  
Statements of Changes in Net Assets  
Financial Highlights  
Notes to the Financial Statements  
Report of Independent Registered Public Accounting Firm

You may request a copy of the Annual Report by writing to The Yacktman Funds, Inc., Shareholder Services Center, 615 East Michigan Street, 3<sup>rd</sup> Floor, Milwaukee, Wisconsin 53201-5207, or by calling 1-800-525-8258. We will furnish the copy free of charge.

**THE YACKTMAN FUNDS, INC.**

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## **FUND HISTORY AND CLASSIFICATION**

The Yacktman Funds, Inc. (the “Company”) is an open-end, management investment company consisting of a non-diversified portfolio, The Yacktman Focused Fund, and a diversified portfolio, The Yacktman Fund. The Company is registered under the Investment Company Act of 1940, as amended (the “Act”). The Company was incorporated as a Maryland corporation on April 6, 1992.

## **INVESTMENT RESTRICTIONS AND CONSIDERATIONS**

### **THE YACKTMAN FOCUSED FUND**

The Yacktman Focused Fund has adopted the following investment restrictions, which are matters of fundamental policy and cannot be changed without approval of the holders of the lesser of: (i) 67% of The Yacktman Focused Fund’s shares present or represented at a stockholder’s meeting at which the holders of more than 50% of such shares are present or represented; or (ii) more than 50% of the outstanding shares of The Yacktman Focused Fund.

1. The Yacktman Focused Fund may issue senior securities to the extent permitted under the Act.

2. The Yacktman Focused Fund will not sell securities short, buy securities on margin, purchase warrants or participate in a joint trading account. The Yacktman Focused Fund may invest in and commit its assets to writing and purchasing put and call options on securities and stock indexes to the extent permitted by the Act.

3. The Yacktman Focused Fund may borrow money to the extent permitted by the Act. The Yacktman Focused Fund may pledge or hypothecate its assets to secure its borrowings.

4. The Yacktman Focused Fund will not act as an underwriter or distributor of securities other than shares of The Yacktman Focused Fund (except to the extent that The Yacktman Focused Fund may be deemed to be an underwriter within the meaning of the Securities Act in the disposition of restricted securities).

5. The Yacktman Focused Fund will not concentrate 25% or more of its total assets in securities of any one industry. This restriction does not apply to obligations issued or guaranteed by the United States Government, its agencies or instrumentalities.

6. The Yacktman Focused Fund will not purchase or sell real estate or real estate mortgage loans and will not make any investments in real estate limited partnerships.

7. The Yacktman Focused Fund will not purchase or sell commodities or commodity contracts, including futures contracts.

8. The Yacktman Focused Fund will not make loans, except it may acquire debt securities from the issuer or others which are publicly distributed or are of a type normally acquired by institutional investors and except that it may make loans of portfolio securities if any such loans are secured continuously by collateral at least equal to the market value of the securities loaned in the form of cash and/or securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities and provided that no such loan will be made if upon the making of that loan more than 30% of the value of The Yacktman Focused Fund's total assets would be the subject of such loans.

9. The Yacktman Focused Fund will not purchase securities of any issuer if, as a result of such purchase, The Yacktman Focused Fund would own more than 10% of the outstanding voting securities of such issuer or more than 5% of The Yacktman Focused Fund's assets would be invested in securities of such issuer, except that up to 50% of the value of The Yacktman Focused Fund's total assets may be invested without regard to this limitation. This restriction does not apply to obligations issued or guaranteed by the United States Government, its agencies or instrumentalities.

10. The Yacktman Focused Fund will not purchase securities for which there is no established market if, as a result of such purchase, more than 5% of the value of its total assets would be invested in such securities.

11. The Yacktman Focused Fund will not make investments for the purpose of exercising control or management of any company.

12. The Yacktman Focused Fund will not purchase or sell any interest in any oil, gas or other mineral exploration or development program, including any oil, gas or mineral leases.

The Yacktman Focused Fund has adopted certain other investment restrictions which are not fundamental policies and which may be changed by the Company's Board of Directors without stockholder approval. These additional restrictions are as follows:

1. The Yacktman Focused Fund will not purchase securities of other investment companies (as defined in the Act), except: (a) as part of a plan of merger, consolidation, reorganization or acquisition of assets; (b) securities of registered open-end investment companies that invest exclusively in high quality, short-term debt securities; or (c) securities of registered investment companies on the open market where no commission results, other than the usual and customary broker's commission. No purchase described in (b) and (c) will be made if as a result of such purchases (i) The Yacktman Focused Fund and its affiliated persons would hold more than 3% of any class of securities, including voting securities, of any registered investment company; (ii) more than 5% of The Yacktman Focused Fund's net assets would be invested in shares of any one registered investment company; and (iii) more than 10% of The Yacktman Focused Fund's net assets would be invested in shares of registered investment companies.

2. The Yacktman Focused Fund will not acquire or retain any security issued by a company, an officer or director of which is an officer or director of the Company or an officer, director or other affiliated person of the investment adviser to The Yacktman Fund or The Yacktman Focused Fund, without authorization of the Board of Directors of the Company.

3. The Yacktman Focused Fund will not pledge, mortgage, hypothecate or otherwise encumber any of its assets, except as provided pursuant to its investment restrictions and to the extent permitted by the Act.

4. It is the position of the Securities and Exchange Commission (and an operating although not a fundamental policy of The Yacktman Focused Fund) that The Yacktman Focused Fund may not make certain illiquid investments if thereafter more than 15% of the value of its net assets would be so invested.

The aforementioned percentage restrictions on investment or utilization of assets refer to the percentage at the time an investment is made other than with respect to borrowings and the investment restriction related to illiquid securities. If these restrictions are adhered to at the time an investment is made, and such percentage subsequently changes as a result of changing market values or some similar event, no violation of The Yacktman Focused Fund's fundamental restrictions will be deemed to have occurred. Any changes in The Yacktman Focused Fund's investment restrictions made by the Board of Directors will be communicated to stockholders prior to their implementation, which communication may be made in an amendment to the Statement of Additional Information incorporated by reference into the Prospectus.

## THE YACKTMAN FUND

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

1. The Yacktman Fund will diversify its assets in different companies and will not purchase securities of any issuer if, as a result of such purchase, The Yacktman Fund would own more than 10% of the outstanding voting securities of such issuer or more than 5% of The Yacktman Fund's assets would be invested in securities of such issuer (except that up to 25% of the value of The Yacktman Fund's total assets may be invested without regard to this limitation). This restriction does not apply to obligations issued or guaranteed by the United States Government, its agencies or instrumentalities.

2. The Yacktman Fund will not sell securities short, buy securities on margin, purchase warrants, participate in a joint-trading account, or deal in options.

3. The Yacktman Fund will not borrow money, except for temporary or emergency purposes, and then only from banks, in an amount not exceeding 10% of

the value of The Yacktman Fund's total assets. The Yacktman Fund will not borrow money for the purpose of investing in securities, and The Yacktman Fund will not purchase any portfolio securities for so long as any borrowed amounts remain outstanding.

4. The Yacktman Fund will not pledge or hypothecate its assets, except to secure borrowings for temporary or emergency purposes.

5. The Yacktman Fund will not invest more than 5% of The Yacktman Fund's total assets in securities of any issuer which has a record of less than three (3) years of continuous operation, including the operation of any predecessor business of a company which came into existence as a result of a merger, consolidation, reorganization or purchase of substantially all of the assets of such predecessor business.

6. The Yacktman Fund will not purchase securities of other investment companies (as defined in the Act), except as part of a plan of merger, consolidation, reorganization or acquisition of assets.

7. The Yacktman Fund will not act as an underwriter or distributor of securities other than shares of The Yacktman Fund (except to the extent that The Yacktman Fund may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), in the disposition of restricted securities).

8. The Yacktman Fund will not purchase securities for which there is no established market if, as a result of such purchase, more than 5% of the value of its total assets would be invested in such securities.

9. The Yacktman Fund will not make loans, except it may acquire debt securities from the issuer or others which are publicly distributed or are of a type normally acquired by institutional investors and except that it may make loans of portfolio securities if any such loans are secured continuously by collateral at least equal to the market value of the securities loaned in the form of cash and/or securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities and provided that no such loan will be made if upon the making of that loan more than 30% of the value of The Yacktman Fund's total assets would be the subject of such loans.

10. The Yacktman Fund will not concentrate 25% or more of its total assets in securities of any one industry. This restriction does not apply to obligations issued or guaranteed by the United States Government, its agencies or instrumentalities.

11. The Yacktman Fund will not make investments for the purpose of exercising control or management of any company.

12. The Yacktman Fund will not purchase or sell real estate or real estate mortgage loans and will not make any investments in real estate limited partnerships.

13. The Yacktman Fund will not purchase or sell commodities or commodity contracts, including futures contracts.

14. The Yacktman Fund will not purchase or sell any interest in any oil, gas or other mineral exploration or development program, including any oil, gas or mineral leases.

The Yacktman Fund has adopted other investment restrictions which are not a matter of fundamental policy and which may be changed by the Company's Board of Directors without stockholder approval. This additional restrictions are as follows:

1. The Yacktman Fund will not acquire or retain any security issued by a company, an officer or director of which is an officer or director of the Company or an officer, director or other affiliated person of the investment adviser to The Yacktman Fund or The Yacktman Focused Fund, without authorization of the Board of Directors of the Company.

2. The Yacktman Fund will not pledge, mortgage, hypothecate or otherwise encumber any of its assets, except as provided pursuant to its investment restrictions and to the extent permitted by the Act.

3. It is the position of the Securities and Exchange Commission (and an operating although not a fundamental policy of The Yacktman Fund) that The Yacktman Fund may not make certain illiquid investments if thereafter more than 15% of the value of its net assets would be so invested.

The aforementioned percentage restrictions on investment or utilization of assets refer to the percentage at the time an investment is made other than with respect to borrowings and the investment restriction related to illiquid securities. If these restrictions are adhered to at the time an investment is made, and such percentage subsequently changes as a result of changing market values or some similar event, no violation of The Yacktman Fund's fundamental restrictions will be deemed to have occurred. Any changes in The Yacktman Fund's investment restrictions made by the Board of Directors will be communicated to stockholders prior to their implementation, which communication may be made in an amendment to the Statement of Additional Information incorporated by reference into the Prospectus.

## **Money Market Instruments**

Each Fund may invest in money market instruments such as United States Treasury Bills, certificates of deposit of U.S. banks, commercial paper, and commercial paper master notes, which are demand instruments without a fixed maturity bearing interest at rates that are fixed to known lending rates and automatically adjusted when such lending rates change, rated A-2 or better by Standard & Poor's Corporation ("Standard & Poor's") or Prime-2 by Moody's Investors Service, Inc. ("Moody's"). The Yacktman Focused Fund may also invest in securities issued by other investment companies that invest in high-quality, short-term debt securities (i.e., money market funds). In addition to the advisory fees and other expenses that The Yacktman Focused Fund bears directly in connection with its own operations, as a stockholder of another investment company, The Yacktman Focused Fund would bear its pro rata portion of the other investment company's advisory fees and other expenses, and, in turn, The Yacktman Focused Fund's stockholders would bear such fee and other expenses indirectly.

Each Fund may, in response to adverse market, economic, political or other conditions, take a temporary defensive position. When a Fund takes a temporary defensive position, it will invest some or all of its assets in money market instruments.

Repurchase agreements are agreements under which the seller of a security agrees at the time of sale to repurchase the security at an agreed time and price. None of the Funds will enter into repurchase agreements with entities other than banks or invest over 15% of their net assets in repurchase agreements with maturities of more than seven days. If a seller of a repurchase agreement defaults and does not repurchase the security subject to the agreement, the Fund will look to the collateral security underlying the seller's repurchase agreement, including the securities subject to the repurchase agreement, for satisfaction of the seller's obligation to the Fund. In such event, the Fund might incur disposition costs in liquidating the collateral and might suffer a loss if the value of the collateral declines. In addition, if bankruptcy proceedings are instituted against a seller of a repurchase agreement, realization upon the collateral may be delayed or limited.

## **Fixed Income and Convertible Securities**

Both Funds may invest in U.S. government securities and publicly distributed corporate bonds and debentures to generate current income and possible capital gains at those times when Yacktman Asset Management Co. (the "Adviser") believes such securities offer opportunities for long-term growth of capital, such as during periods of declining interest rates when the market value of such securities generally rises. Fixed income securities purchased by the Funds may include, among others: bonds, notes and debentures issued by corporations and debt securities issued or guaranteed by the U.S. government. The Funds may invest in fixed income securities of any length maturity. The value of fixed income securities will tend to decrease when interest rates rise and increase when interest rates fall. Fixed income securities with shorter maturities, while generally offering lower yields, generally provide greater price stability than longer-term securities and are less affected by changes in interest rates.

The Funds may also invest in convertible securities (debt securities or preferred stocks of corporations which are convertible into or exchangeable for common stocks). The Adviser will

select only those convertible securities for which it believes (a) the underlying common stock is a suitable investment for the Fund in question and (b) a greater potential for total return exists by purchasing the convertible security because of its higher yield and/or favorable market valuation.

The Funds have no restrictions regarding the rating or credit quality of the fixed income or convertible securities they may purchase and hold in their portfolios. Corporate obligations rated less than investment grade (hereinafter referred to as “low-rated securities”) are commonly referred to as “junk bonds”, and while generally offering higher yields than investment grade securities with similar maturities, involve greater risks, including the possibility of default or bankruptcy. They are regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. Each of the Funds may invest up to an aggregate of 20% of its net assets in convertible debt securities and low-rated securities (in any proportion provided that the total invested in both does not exceed the 20% threshold). The special risk considerations in connection with investments in low-rated securities are discussed below:

Effect of Interest Rates and Economic Changes. Interest-bearing securities typically experience appreciation when interest rates decline and depreciation when interest rates rise. The market values of low-rated securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates. Low-rated securities also tend to be more sensitive to economic conditions than higher-rated securities. As a result, they generally involve more credit risks than securities in the higher-rated categories. During an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of low-rated securities may experience financial stress and may not have sufficient revenues to meet their payment obligations. The issuer’s ability to service its debt obligations may also be adversely affected by specific corporate developments, or the issuer’s inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by an issuer of low-rated securities is significantly greater than issuers of higher-rated securities because such securities are generally unsecured and are often subordinated to other creditors. Further, if the issuer of a low-rated security defaulted, the applicable Fund might incur additional expenses in seeking recovery. Periods of economic uncertainty and changes would also generally result in increased volatility in the market prices of low-rated securities and thus in the applicable Fund’s net asset value.

As previously stated, the value of a low-rated security generally will decrease in a rising interest rate market, and accordingly, so normally will the applicable Fund’s net asset value. If such Fund experiences unexpected net redemptions in such a market, it may be forced to liquidate a portion of its portfolio securities without regard to their investment merits. Due to the limited liquidity of low-rated securities (discussed below), the Fund may be forced to liquidate these securities at a substantial discount. Any such liquidation would reduce the Fund’s asset base over which expenses could be allocated and could result in a reduced rate of return for the Fund.

Payment Expectations. Low-rated securities typically contain redemption, call or prepayment provisions which permit the issuer of securities containing such provisions to, at their discretion, redeem the securities. During periods of falling interest rates, issuers of low-rated securities are likely to redeem or prepay the securities and refinance them with debt securities with a lower interest rate. To the extent an issuer is able to refinance the securities or

otherwise redeem them, the applicable Fund may have to replace the securities with a lower yielding security which would result in lower returns for the Fund.

Credit Ratings. Credit ratings issued by credit rating agencies evaluate the safety of principal and interest payments of rated securities. They do not, however, evaluate the market value risk of low-rated securities and therefore may not fully reflect the true risks of an investment. In addition, credit rating agencies may or may not make timely changes in a rating to reflect changes in the economy or in the condition of the issuer that affect the market value of the security. Consequently, credit ratings are used only as a preliminary indicator of investment quality.

Liquidity and Valuation. A Fund may have difficulty disposing of certain low-rated securities because there may be a thin trading market for such securities. Because not all dealers maintain markets in all low-rated securities, there is no established retail secondary market for many of these securities. The Funds anticipate that such securities could be sold only to a limited number of dealers or institutional investors. To the extent a secondary trading market does exist, it is generally not as liquid as the secondary market for higher rated securities. The lack of a liquid secondary market may have an adverse impact on the market price of the security, and accordingly, the net asset value of a particular Fund and its ability to dispose of particular securities when necessary to meet its liquidity needs, or in response to a specific economic event, or an event such as a deterioration in the creditworthiness of the issuer. The lack of a liquid secondary market for certain securities may also make it more difficult for the Funds to obtain accurate market quotations for purposes of valuing their respective portfolios. Market quotations are generally available on many low-rated issues only from a limited number of dealers and may not necessarily represent firm bids of such dealers or prices for actual sales. During periods of thin trading, the spread between bid and asked prices is likely to increase significantly. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of high-yield securities, especially in a thinly-traded market.

## **Foreign Securities**

The Funds may also invest in foreign equity securities and debt securities. Each Fund may invest up to 20% of its assets in foreign securities. This 20% limit does not apply to investments in U.S. dollar-denominated securities of foreign issuers in the form of American Depositary Receipts (“ADRs”) that are regularly traded on recognized U.S. exchanges or in the U.S. over-the-counter market.

Each Fund may invest in foreign securities traded on a national securities exchange or listed on an automated quotation system sponsored by a national securities association. Such investments may involve risks which are in addition to the usual risks inherent in domestic investments. The value of a Fund’s foreign investments may be significantly affected by changes in currency exchange rates and such Fund may incur costs in converting securities denominated in foreign currencies to U.S. dollars.

In many countries, there is less publicly available information about issuers than is available in the reports and ratings published about companies in the United States.

Additionally, foreign companies are not subject to uniform accounting, auditing and financial reporting standards. Dividends and interest on foreign securities may be subject to foreign withholding taxes, which would reduce a Fund's income without providing a tax credit for such Fund's shareholders. Individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth or gross national product, inflation rate, capital reinvestment, resource self-sufficiency and balance of payment positions.

Each Fund may hold securities of U.S. and foreign issuers in the form of ADRs. These securities may not necessarily be denominated in the same currency as the securities for which they may be exchanged. ADRs typically are issued by an American bank or trust company and evidence ownership of underlying securities issued by a foreign corporation. Generally, ADRs in registered form are designed for use in U.S. securities markets.

ADRs are U.S. dollar-denominated receipts generally issued by a domestic bank evidencing its ownership of a security of a foreign issuer. ADRs generally are publicly traded in the United States. ADRs are subject to many of the same risks as direct investments in foreign securities, although ownership of ADRs may reduce or eliminate certain risks associated with holding assets in foreign countries, such as the risk of expropriation. ADRs may be issued as sponsored or unsponsored programs. In sponsored programs, the issuer makes arrangements to have its securities traded as depositary receipts. In unsponsored programs, the issuer may not be directly involved in the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, the issuers of unsponsored depositary receipts are not obligated to disclose material information in the United States and, therefore, the import of such information may not be reflected in the market value of such securities.

### **Options on Securities**

The Yacktman Fund may not purchase or write (sell) put or call options, but The Yacktman Focused Fund may purchase and write put and call options on stocks. The Yacktman Focused Fund may purchase put options on specific stocks to hedge against losses caused by declines in the prices of stocks in its portfolio, and may purchase call options on specific stocks to realize gains if the prices of the stocks increase. The Yacktman Focused Fund may write (sell) put options on specific stocks to generate income. The Yacktman Focused Fund will only write put options if it is willing to purchase the stock at the exercise price. The Yacktman Focused Fund may write call options on specific stocks to generate income and to hedge against losses caused by declines in the prices of stocks in its portfolio.

When writing a put option and receiving a premium payment, The Yacktman Focused Fund may become obligated during the term of the option to purchase the security underlying the option at a specific price (exercise price). This event is unlikely to occur unless the market price of such security is less than the exercise price. To cover its obligation, The Yacktman Focused Fund will maintain with its custodian cash or liquid securities equal in value to the exercise price. When purchasing a put option, The Yacktman Focused Fund has the right, in return for a premium paid, during the term of the option, to sell the security underlying the option at the exercise price. If a put option which The Yacktman Focused Fund has purchased is not exercised, the option will become worthless on the expiration date, and The Yacktman Focused Fund will realize a loss in the amount of the premium paid, plus commission costs. The stocks

underlying put options purchased by The Yacktman Focused Fund need not be stocks in The Yacktman Focused Fund's portfolio if the Adviser believes that the put options purchased can provide an effective hedge for stocks held by The Yacktman Focused Fund. However in such situations, there may be an imperfect correlation between movements in the prices of the stocks underlying the put options and movements in the prices of the stocks held by The Yacktman Focused Fund. It is possible that The Yacktman Focused Fund could suffer losses on both the put options it purchases and on the stocks held in its portfolio.

When writing a call option and receiving a premium payment, The Yacktman Focused Fund may become obligated during the term of the option to sell the security underlying the option at a specific price (exercise price). This event is unlikely to occur unless the market price of such security is greater than the exercise price. If the call is exercised, The Yacktman Focused Fund forgoes any gain from an increase in the market price over the exercise price. Writing calls is a profitable strategy if prices remain the same or fall. Through receipt of the option premium, The Yacktman Focused Fund mitigates the effects of a price decline. To cover its obligation The Yacktman Focused Fund will maintain with its custodian the security subject to the call option. When purchasing a call option, The Yacktman Focused Fund has the right, in return for a premium paid, during the term of the option to purchase the security underlying the option at the exercise price. If a call option which The Yacktman Focused Fund has purchased is not exercised, the option will become worthless on the expiration date.

No assurances can be given that a market will exist at all times for all outstanding options purchased or sold by The Yacktman Focused Fund. If no such market exists, The Yacktman Focused Fund would be unable to realize its profits or limit its losses until it could exercise the options it holds and it would remain obligated until the options it wrote were exercised or had expired.

When The Yacktman Focused Fund wishes to terminate The Yacktman Focused Fund's obligation with respect to a put or call option it has written, The Yacktman Focused Fund may effect a "closing purchase transaction." The Yacktman Focused Fund accomplishes this by buying a put or call option, as applicable, of the same series as the put or call option previously written by The Yacktman Focused Fund. The effect of the purchase is that the writer's position will be canceled. However, a writer may not effect a closing purchase transaction after the writer has been notified of the exercise of an option. When The Yacktman Focused Fund is the holder of a put or call option, it may liquidate its position by effecting a "closing sale transaction." The Yacktman Focused Fund accomplishes this by selling a put or call option, as applicable, of the same series as the put option previously purchased by The Yacktman Focused Fund. There is no guarantee that either a closing purchase or a closing sale transaction can be effected.

The Yacktman Focused Fund will realize a gain (or a loss) on a closing purchase transaction with respect to an option previously written by it if the premium, plus commission costs, paid by The Yacktman Focused Fund to purchase the option is less (or greater) than the premium, less commission costs, received by The Yacktman Focused Fund on the sale of the option. The Yacktman Focused Fund will realize a gain (or a loss) on a closing sale transaction with respect to an option previously purchased by it if the premium, less commission costs, received by The Yacktman Focused Fund on the sale of the option is greater (or less) than the premium, plus commission costs, paid by The Yacktman Focused Fund to purchase the option.

Exchanges generally have established limitations governing the maximum number of call or put options on the same index which may be bought or written (sold) by a single investor, whether acting alone or in concert with others (regardless of whether such options are written on the same or different exchanges or are held or written on one or more accounts or through one or more brokers). Under these limitations, options positions of certain other accounts advised by the same investment adviser are combined for purposes of these limits. Pursuant to these limitations, an exchange may order the liquidation of positions and may impose other sanctions or restrictions. These position limits may restrict the number of listed options which The Yacktman Focused Fund may buy or sell; however, the Adviser intends to comply with all limitations.

### **Illiquid Securities, Private Placements and Restricted Securities**

Each Fund may invest up to 15% of its net assets in securities for which there is no readily available market (“illiquid securities”). The 15% limitation includes securities whose disposition would be subject to legal restrictions (“restricted securities”). Illiquid and restricted securities often have a market value lower than the market price of unrestricted securities of the same issuer and are not readily marketable without some time delay. This could result in a Fund being unable to realize a favorable price upon disposition of such securities and in some cases might make disposition of such securities at the time desired by the Fund impossible.

Illiquid securities include securities of private issuers, securities traded in unregulated or shallow markets, and securities that are purchased in private placements and are subject to legal or contractual restrictions on resale. Because relatively few purchasers of these securities may exist, especially in the event of adverse market or economic conditions or adverse changes in the issuer’s financial condition, a Fund could have difficulty selling them when the Adviser believes it advisable to do so or may be able to sell them only at prices that are lower than if they were more widely held. Disposing of illiquid securities may involve time-consuming negotiation and legal expenses, and selling them promptly at an acceptable price may be difficult or impossible.

While private placements may offer attractive opportunities not otherwise available in the open market, the securities purchased are usually restricted securities or are “not readily marketable.” Restricted securities cannot be sold without being registered under the Securities Act, unless they are sold pursuant to an exemption from registration (such as Rules 144 or 144A). Securities that are not readily marketable are subject to other legal or contractual restrictions on resale. A Fund may have to bear the expense of registering restricted securities for resale and the risk of substantial delay in effecting registration. A Fund selling its securities in a registered offering may be deemed to be an “underwriter” for purposes of Section 11 of the Securities Act. In such event, the Fund may be liable to purchasers of the securities under Section 11 if the registration statement prepared by the issuer, or the prospectus forming a part of it, is materially inaccurate or misleading, although the Fund may have a due diligence defense.

At times, the inability to sell illiquid securities can make it more difficult to determine their fair value for purposes of computing a Fund’s net asset value. The judgment of the Adviser normally plays a greater role in valuing these securities than in valuing publicly traded securities.

## **Portfolio Turnover**

The Funds do not trade actively for short-term profits. However, if the objectives of the Funds would be better served, short-term profits or losses may be realized from time to time. The annual portfolio turnover rate indicates changes in a Fund's portfolio and is calculated by dividing the lesser of purchases or sales of portfolio securities (excluding securities having maturities at acquisition of one year or less) for the fiscal year by the monthly average of the value of the portfolio securities (excluding securities having maturities at acquisition of one year or less) owned by the Fund during the fiscal year. The annual portfolio turnover rate may vary widely from year to year depending upon market conditions and prospects. Increased portfolio turnover necessarily results in correspondingly higher transaction costs (such as brokerage commissions or mark-ups or mark-downs) which the Fund must pay and increased realized gains (or losses) to investors. Distributions to stockholders of realized gains, to the extent that they consist of net short-term capital gains, will be considered ordinary income for federal income tax purposes.

## **Lending Securities**

For income purposes, a Fund may lend its portfolio securities. The Funds' investment restrictions provide that no such loan may be made if thereafter more than 30% of the value of a Fund's total assets would be subject to such loans. Income may be earned on collateral received to secure the loans. Cash collateral would be invested in money market instruments. U.S. government securities collateral would yield interest or earn discount. Part of this income might be shared with the borrower. Alternatively, a Fund could allow the borrower to receive the income from the collateral and charge the borrower a fee. In either event, the Fund would receive the amount of dividends or interest paid on the loaned securities.

Usually these loans would be made to brokers, dealers or financial institutions. Loans would be fully secured by collateral deposited with the Funds' custodian in the form of cash and/or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities. This collateral must be increased within one business day in the event that its value shall become less than the market value of the loaned securities. Because there may be delays in recovery or even loss of rights in the collateral should the borrower fail financially, the loans will be made only to firms deemed by the Adviser to be of good standing. Loans will not be made unless, in the judgment of the Adviser, the consideration which can be earned from such loans justifies the risk.

The borrower, upon notice, must deliver the loaned securities within three business days. In the event that voting rights with respect to the loaned securities pass to the borrower and a material proposal affecting the securities arises, the loan may be called or the Fund will otherwise secure or be granted a valid proxy in time for it to vote on the proposal. In making such loans, a Fund may utilize the services of a loan broker and pay a fee for these services. A Fund may incur additional custodian fees for services in connection with the lending of securities.

## **Borrowing**

The Yacktman Focused Fund may borrow money for investment purposes. Borrowing for investment purposes is known as leveraging. Leveraging investments, by purchasing securities with borrowed money, is a speculative technique which increases investment risk, but also increases investment opportunity. Since substantially all of The Yacktman Focused Fund's assets will fluctuate in value, whereas the interest obligations on borrowings may be fixed, the net asset value per share of The Yacktman Focused Fund when it leverages its investments will increase more when The Yacktman Focused Fund's assets increase in value and decrease more when the portfolio assets decrease in value than would otherwise be the case. Interest costs on borrowings may partially offset or exceed the returns on the borrowed funds. Under adverse conditions, The Yacktman Focused Fund might have to sell portfolio securities to meet interest or principal payments at a time investment considerations would not favor such sales. As required by the Act, The Yacktman Focused Fund must maintain continuous asset coverage (total assets, including assets acquired with borrowed funds, less liabilities exclusive of borrowings) of 300% of all amount borrowed. If, at any time, the value of The Yacktman Focused Fund's assets should fail to meet this 300% coverage test, The Yacktman Focused Fund within three business days will reduce the amount of The Yacktman Focused Fund's borrowings to the extent necessary to meet this 300% coverage. Maintenance of this percentage limitation may result in the sale of portfolio securities at a time when investment considerations otherwise indicate that it would be disadvantageous to do so.

### **DETERMINATION OF NET ASSET VALUE**

The net asset value of the Funds will normally be determined as of the close of regular trading (normally 4:00 p.m. Eastern time) on each day the New York Stock Exchange is open for trading. The New York Stock Exchange is open for trading Monday through Friday except New Year's Day, Martin Luther King, Jr. Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Additionally, if any of the aforementioned holidays falls on a Saturday, the New York Stock Exchange will not be open for trading on the preceding Friday and when any such holiday falls on a Sunday, the New York Stock Exchange will not be open on the succeeding Monday, unless unusual business conditions exist, such as the ending of a monthly or the yearly accounting period. Each Fund's net asset value is equal to the quotient obtained by dividing the value of its net assets (its assets less its liabilities) by the number of shares outstanding.

*Securities Traded on an Exchange.* Securities that are traded on a recognized stock exchange (other than on The NASDAQ Stock Market, Inc.) are valued at the last sale price on the securities exchange on which such securities are primarily traded or at last sale price on the national securities market. Securities that are traded on The NASDAQ Stock Market, Inc. (collectively, "Nasdaq-traded securities") are valued at the Nasdaq Official Closing Price ("NOCP"). Exchange-traded securities for which there were no transactions and Nasdaq-traded securities for which there is no NOCP are valued at the current bid prices.

*Securities Traded Over-the-Counter.* Securities traded on only over-the-counter markets are valued on the basis of closing over-the-counter bid prices. Options written or purchased are

valued at the last sales price on the valuation date if the last sales price is between the closing bid and asked prices. Otherwise, options are valued at the mean of the closing bid and asked prices.

*Debt Securities.* Debt securities and other fixed income securities (other than short-term securities described below) held by the Funds are valued by an independent pricing service that uses various valuation methodologies such as matrix pricing and other analytical pricing models as well as market transactions and dealer quotations.

*Short-Term Securities.* Short-term securities, including bonds, notes, debentures and other debt securities, and money market instruments (such as certificates of deposit, commercial paper, bankers' acceptances and obligations of domestic and foreign banks) with remaining maturities of 61 days or more, are valued at current market quotations as provided by an independent pricing service on the day of valuation. Such securities maturing in 60 days or less are generally valued at amortized cost on the day of valuation.

*Pricing Services.* Notwithstanding anything stated above, in determining the value of any security, the Funds may use a valuation provided by Interactive Data Corporation, or another pricing service commonly used in the industry. The pricing service may base such valuations upon dealer quotes, by analyzing the listed market, by utilizing matrix pricing, by analyzing market correlations and pricing and/or employing sensitivity analysis. If on any day the Funds do not receive a valuation from the valuation services for a portfolio security that is being valued using a pricing service, such security shall be valued at the mean of the most recent bid and asked quotations received by the Adviser from one or two market makers.

Any securities for which there are no readily available market quotations and other assets will be valued at their fair value as determined in good faith by the Adviser pursuant to procedures established by and under the supervision of the Board of Directors. Types of securities that the Funds may hold for which fair value pricing might be required include, but are not limited to: (a) illiquid securities, including "restricted" securities and private placements for which there is no public market; (b) securities of an issuer that has entered into a restructuring; and (c) securities whose trading has been halted or suspended. Further, if events occur that materially affect the value of a security between the time trading ends on that particular security and the close of the normal trading session of the New York Stock Exchange, the Funds may value the security at its fair value. Valuing securities at fair value involves greater reliance on judgment than securities that have readily available market quotations. There can be no assurance that the Funds could obtain the fair value assigned to a security if they were to sell the security at approximately the time at which the Funds determine their net asset value per share.

## **DISCLOSURE OF PORTFOLIO HOLDINGS**

The Funds maintain written policies and procedures regarding the disclosure of their portfolio holdings to ensure that disclosure of information about portfolio securities is in the best interests of the Funds' stockholders. The Funds will not receive any compensation for providing this information. The Funds' Chief Compliance Officer will report annually to the Board of Directors with respect to compliance with the Funds' portfolio holdings disclosure procedures.

The officers of the Funds receive reports on a regular basis as to any purchases and redemptions of shares of the Funds and review these reports to determine if there is any unusual trading in shares of the Funds. The officers of the Funds will report to the Board of Directors any such unusual trading in shares of the Funds.

There may be instances where the interests of the Funds' shareholders respecting the disclosure of information about portfolio securities may conflict with the interests of the Adviser or an affiliated person of the Funds. In such situations, the Board of Directors will be afforded the opportunity to determine whether or not to allow such disclosure.

### **Fund Service Providers**

The Funds have entered into arrangements with certain third party service providers for services that require these groups to have access to the Funds' portfolio holdings. As a result, such third party service providers may receive portfolio holdings information prior to and more frequently than the public disclosure of such information. In each case, the Board of Directors has determined that such advance disclosure is supported by a legitimate business purpose and that the recipient by reason of the federal securities laws (1) is prohibited as an "insider" from trading on the information and (2) has a duty of confidence to the Funds because the recipient has a history and practice of sharing confidences such that the recipient of the information knows or reasonably should know that the Funds expect that the recipient will maintain its confidentiality. Due to the non-contractual nature of this duty of confidentiality, there is some uncertainty that the Funds will be able to enforce this duty. The third party service providers to whom the Funds provide non-public portfolio holdings information are the Adviser and the Funds' administrator, independent registered public accountants and custodian. The Funds may also provide non-public portfolio holdings information to Funds' financial printer in connection with the preparation, distribution and filing of the Funds' financial reports and public filings.

### **Rating and Ranking Organizations**

The Funds' Board of Directors has determined that the Funds may provide their portfolio holdings to the rating and ranking organizations listed below on either a monthly or quarterly basis (as determined by the officers in their discretion).

Morningstar, Inc.  
Lipper, Inc.  
Standard & Poor's Ratings Group  
Bloomberg L.P.

The determination was made that these organizations provide investors with a valuable service and, therefore, it is in the best interests of the stockholders of the Funds to provide them with non-public portfolio holdings information. Since this information is not provided on the condition that it be kept confidential or that these organizations not trade on the information, such disclosure could provide these organizations with the ability to make advantageous decisions to place orders for shares of the Funds or to trade against the Funds to the detriment of other stockholders of the Funds. However, the Funds will not provide this information until such information is at least 15 calendar days old, after which time the disclosure of such non-public

portfolio holdings should not be problematic. Also, as noted above, the officers of the Funds receive and review reports on a regular basis as to any purchases and redemptions of shares of the Funds to determine if there is any unusual trading in shares of the Funds. The Funds will not pay these organizations.

### **Website Disclosure**

The Funds publish their portfolio holdings on either a monthly or a quarterly basis (as determined by the officers in their discretion) on their website ([www.yacktman.com](http://www.yacktman.com)). This information is updated at least 15 calendar days following the end of the applicable period. It is available to anyone that visits the website.

## **DIRECTORS AND OFFICERS OF THE COMPANY**

### **Board Leadership Structure**

The Board of Directors has general oversight responsibility with respect to the operation of the Company and the Funds. The Board has engaged the Adviser to manage the Funds and is responsible for overseeing the Adviser and other service providers to the Company and the Funds in accordance with the provisions of the Act and other applicable laws. The Board has established an audit committee to assist the Board in performing its oversight responsibilities.

The Company does not have a Chairman of the Board. As President of the Company, Mr. Donald Yacktman is the presiding officer at all meetings of the Board of Directors. The Company does not have a lead independent director. The Company has determined that its leadership structure is appropriate because it has been in place for over ten years and during that time both Funds have delivered above market returns for their investors.

### **Board Oversight of Risk**

Through its direct oversight role, and indirectly through the audit committee, and Fund officers and service providers, the Board of Directors performs a risk oversight function for the Funds. To effectively perform its risk oversight function, the Board, among other things, performs the following activities: receives and reviews reports related to the performance and operations of the Funds; reviews and approves, as applicable, the compliance policies and procedures of the Company; approves the Funds' principal investment policies; adopts policies and procedures designed to deter market timing; meets with representatives of various service providers, including the Adviser and the independent registered public accounting firm of the Funds, to review and discuss the activities of the Funds and to provide direction with respect thereto; and appoints a chief compliance officer of the Funds who oversees the implementation and testing of the Funds' compliance program and reports to the Board regarding compliance matters for the Funds and their service providers.

The Company has an audit committee consisting solely of the three independent directors. The audit committee plays a significant role in the risk oversight of the Funds as it meets annually with the auditors of the Funds and quarterly with the Funds' chief compliance officer.

### **Management Information**

As a Maryland corporation, the business and affairs of the Company are managed by its officers under the direction of its Board of Directors. (The Yacktman Fund and The Yacktman Focused Fund are the only mutual funds in a "fund complex", as such term is defined in the Act.) The name, age (as of March 31, 2011), address, principal occupations during the past five years, and other information with respect to each of the directors and officers of the Company are as follows:

<u>Name, Address, and Age</u>	<u>Position(s) Held with the Funds</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios in the Fund Complex Overseen by Director</u>	<u>Other Directorships (During Past 5 Years) Held by Director</u>
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**“Disinterested Persons” of the Funds**

Bruce B. Bingham Age: 62 Address: c/o Yackman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, Texas 78730	Director	Indefinite, until successor elected  12 years	Mr. Bingham has been a partner in Hamilton Partners, a real estate development firm, for more than five years.	2	None
Albert J. Malwitz Age: 74 Address: c/o Yackman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, Texas 78730	Director	Indefinite, until successor elected  12 years	Mr. Malwitz has been owner and chief executive officer of Arlington Fastener Co., a manufacturer and distributor of industrial fasteners, for more than five years.	2	None
George J. Stevenson, III Age: 71 Address: c/o Yackman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, Texas 78730	Director	Indefinite, until successor elected  12 years	Mr. Stevenson has been President of Stevenson & Company, a registered business broker, and President of Healthmate Products Co., a fruit juice concentrate manufacturing company, for more than five years.	2	None

<u>Name, Address, and Age</u>	<u>Position(s) Held with the Funds</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios in the Fund Complex Overseen by Director</u>	<u>Other Directorships (During Past 5 Years) Held by Director</u>
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**“Interested Persons” (as defined in the Act) of the Funds:**

Donald A. Yacktman Age: 69 Address: c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, Texas 78730	Director President Treasurer	<u>Director:</u> Indefinite, until successor elected 19 years  <u>Officer:</u> One year term 19 years	Mr. Yacktman has been the President of the Adviser since April, 1992. Mr. Yacktman is an Interested Person of the Funds because of his affiliation with the Adviser.	2	None
Stephen Yacktman Age: 41 Address: c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, Texas 78730	Vice President Secretary	One year term 8 years	Mr. Yacktman has been Vice President of the Adviser for more than five years. Mr. Yacktman is an Interested Person of the Funds because of his affiliation with the Adviser.	N/A	None
Kent A. Arnett Age: 70 Address: c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, Texas 78730	Vice President Chief Compliance Officer	One year term 6 years	Mr. Arnett has been Vice President and Chief Compliance Officer of the Adviser for five years.	N/A	None

<u>Name, Address, and Age</u>	<u>Position(s) Held with the Funds</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios in the Fund Complex Overseen by Director</u>	<u>Other Directorships (During Past 5 Years) Held by Director</u>
Jason Subotky Age: 40 Address: c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, Texas 78730	Vice President	One year term 3 years	Mr. Subotky has been Vice President and Portfolio Manager for Yacktman Asset Management for more than five years.	N/A	None

### **Qualification of Directors**

Donald Yacktman has been a director and portfolio manager of the Funds since their inception. His experience and skills as a portfolio manager, as well as his familiarity with the investment strategies utilized by the Adviser and with the Funds' portfolios, led to the conclusion that he should serve as a director. Each of Bruce Bingham, Albert Malwitz and George Stevenson, III became directors in 1998. They are all experienced businessmen and are familiar with financial statements. Each takes a conservative and thoughtful approach to addressing issues facing the Funds. This combination of skills and attributes led to the conclusion that each of Messrs. Bingham, Malwitz and Stevenson should serve as a director.

### **Committees**

The Company has an Audit Committee whose members are Messrs. Bingham, Malwitz and Stevenson. The primary functions of the Audit Committee are to recommend to the Board of Directors the independent registered public accountants to be retained to perform the annual audit, to review the results of the audit, to review the Funds' internal controls and to review certain other matters relating to the Funds' independent registered public accountants and financial records. The Audit Committee met twice in fiscal 2010.

The Company also has a Compliance Committee whose members are Messrs. Bingham, Malwitz and Stevenson. The Compliance Committee was established for the purpose of overseeing the compliance processes of the Funds. The Compliance Committee met four times in fiscal 2010.

The Company's Board of Directors has no other committees.

## Compensation

Effective January 1, 2011, the Funds' standard method of compensating directors is to pay each disinterested director an annual fee of \$30,000 (for fiscal 2010, the annual fee was \$20,000) for services rendered, including attending meetings of the Board of Directors. The Funds also may reimburse their directors for travel expenses incurred in order to attend meetings of the Board of Directors. For the fiscal year ended December 31, 2010 the disinterested directors received aggregate fees of \$60,000. The table below sets forth the compensation paid by the Funds to each of the current directors of the Company during the fiscal year ended December 31, 2010.

### COMPENSATION TABLE

<u>Name of Person</u>	<u>Aggregate Compensation from Company</u>	<u>Pension or Retirement Benefits Accrued As Part of Funds Expenses</u>	<u>Estimated Annual Benefits Upon Retirement</u>	<u>Total Compensation From Company Paid to Directors</u>
<b>Disinterested Persons of the Funds</b>				
Bruce B. Bingham	\$20,000	\$0	\$0	\$20,000
Albert J. Malwitz	\$20,000	\$0	\$0	\$20,000
George J. Stevenson, III	\$20,000	\$0	\$0	\$20,000
<b>Interested Persons of the Funds</b>				
Donald A. Yacktman	\$0	\$0	\$0	\$0

## Code of Ethics

The Company and the Adviser have adopted a code of ethics pursuant to Rule 17j-1 under the Act. This code of ethics permits personnel subject thereto to invest in securities, including securities that may be purchased or held by the Funds. This code of ethics generally prohibits, among other things, persons subject thereto from purchasing or selling securities if they know at the time of such purchase or sale that the security is being considered for purchase or sale by a Fund or is being purchased or sold by a Fund until the Funds have completed their purchases or sales.

## Proxy Voting Policy

*General Voting Policy.* Each Fund has delegated proxy voting decisions on securities held in the Fund's portfolio to the Adviser. The Adviser has adopted a Proxy Voting Policy (the "Proxy Voting Policy") that sets forth its proxy voting policy and related procedures and guidelines. When the Adviser votes proxies for the Funds, the Adviser makes voting decisions consistent with the "economic best interests" of the Funds and reviews each proxy on a case by case basis, with the final decision based on the merits. Consistent with its duty of care the Adviser monitors proxy proposals just as it monitors other corporate events affecting the companies in which the Funds invest.

*Conflict of Interest.* There may be instances where the interests of the Adviser may conflict or appear to conflict with the interests of a Fund. In such situations the Adviser will, consistent with its duty of care and duty of loyalty, vote the securities in accordance with the Proxy Voting Policy, but only after disclosing any such conflict to the Company's Board of Directors prior to voting and affording such Fund the opportunity to direct the Adviser in the voting of such securities.

*Proxy Voting Records.* Information on how the Funds voted proxies relating to their portfolio securities during the most recent twelve-month period ended June 30 is available by calling 800-356-6356 or on the website of the Securities and Exchange Commission at <http://www.sec.gov>.

*Proxy Guidelines.* Set forth below are guidelines that the Adviser uses for voting on specific issues:

1. Routine Matters – The Adviser will tend to vote with management on most routine matters, although it reserves the right to vote otherwise. A partial list includes:
  - a. Board of Directors;
    1. Election of Directors;
    2. Independence of Directors;
    3. Separate offices of Chairperson and Chief Executive Officer;
    4. Limiting personal liability; and
    5. Board's composition and size.
  - b. Scheduling of annual meetings;
  - c. Appointment of auditors;
  - d. Increase in authorized common stock;
  - e. Reincorporation;
  - f. Employee stock purchase plans;
  - g. Charitable, political, or educational contributions; and
  - h. Business operations in foreign countries.

2. Social, Environmental or Political Proposals – The economic interest of the client is the foremost consideration in the evaluation of these proposals. The Adviser will tend to vote with management on most of the following issues:
  - a. High-Performance workplace practices;
  - b. Restrictive energy or environmental proposals;
  - c. Restrictions on military contracting;
  - d. Limitations on the marketing of controversial products; and
  - e. Limiting or restricting business in countries as a protest against political and moral practices in those countries.
  
3. Stockholder Sovereignty – The Adviser will tend to vote against any proposal that limits stockholder influence on management or adversely affects the potential value to be received by stockholders. Issues in this category would include:
  - a. Confidential proxy voting practices;
  - b. Elimination of cumulative voting;
  - c. Greenmail;
  - d. “Poison Pills” or “Golden Parachutes”;
  - e. Executive compensation plans that exceed the requirement necessary to attract and retain qualified and skilled managers, that are excessively generous, that lack clear and challenging performance goals or that adversely affect employee productivity and morale;
  - f. The issuance of securities contingent on a corporate reorganization that offers special voting rights, is dilutive, or in general is not designed to enhance stockholder value; and
  - g. Stock option plans.

### **Share Ownership**

As of March 31, 2011, all officers and directors of the Company as a group (7 persons) beneficially owned 418,055 shares of The Yacktman Fund, or 0.16% of the then outstanding shares, and beneficially owned 635,084 shares of The Yacktman Focused Fund, or 0.46% of the then outstanding shares.

As of March 31, 2011, the following shareholders owned more than 5% of the outstanding voting securities of:

**The Yacktman Focused Fund**

<u>Name and Address of Owner</u>	<u>Number of Shares Owned</u>	<u>Percentage Ownership</u>
Charles Schwab & Co. * 101 Montgomery Street San Francisco, California 94104-4151	46,412,087	37.0%
National Financial Services Corp. * One World Financial Center, 5 <sup>th</sup> Floor 200 Liberty Street New York, New York 10281-1003	42,317,431	33.7%
Merrill Lynch Pierce Fenner & Smith * 4800 Deer Lake Drive E Jacksonville, Florida 32246-6484	11,615,289	9.3%
Prudential Investment Management * Attn: PruChoice Unit 100 Mulberry Street 3 Gateway Center, Suite 11 Newark, New Jersey 07102-4000	8,667,106	6.9%

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\* All of the shares owned by Charles Schwab & Co., National Financial Services Corp., Merrill Lynch Pierce Fenner & Smith and Prudential Investment Management were owned of record only.

### The Yacktman Fund

<u>Name and Address of Owner</u>	<u>Number of Shares Owned</u>	<u>Percentage Ownership</u>
National Financial Services Corp. * One World Financial Center, 5 <sup>th</sup> Floor 200 Liberty Street New York, New York 10281-1003	108,013,599	49.8%
Charles Schwab & Co. * 101 Montgomery Street San Francisco, California 94104-4151	56,816,668	26.2%
Prudential Investment Management * Attn: PruChoice Unit 100 Mulberry Street 3 Gateway Center, Suite 11 Newark, New Jersey 07102-4000	15,284,461	7.0%
Merrill Lynch Pierce Fenner & Smith * 4800 Deer Lake Drive E Jacksonville, Florida 32246-6484	14,213,404	6.6%

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\* All of the shares owned by National Financial Services Corp., Charles Schwab & Co., Prudential Investment Management and Merrill Lynch Pierce Fenner & Smith were owned of record only.

The following table sets forth the dollar range of equity securities beneficially owned by each current director in The Yacktman Fund and in The Yacktman Focused Fund, as of December 31, 2010, which is also the valuation date:

<u>Name of Director</u>	<u>Dollar Range of Equity Securities in The Yacktman Focused Fund</u>	<u>Dollar Range of Equity Securities in The Yacktman Fund</u>	<u>Dollar Range of Equity Securities in All Funds*</u>
<b>Disinterested Persons</b>			
Bruce B. Bingham	None	Over \$100,000	Over \$100,000
Albert J. Malwitz	Over \$100,000	Over \$100,000	Over \$100,000
George J. Stevenson, III	Over \$100,000	\$10,001-\$50,000	Over \$100,000
<b>Interested Persons</b>			
Donald A. Yacktman	Over \$100,000	None	Over \$100,000

\* The Funds form a “Family of Investment Companies” as defined in the Act and are the only funds in the Family of Investment Companies.

## **INVESTMENT ADVISER, ADMINISTRATOR AND FUND ACCOUNTANT**

### **Investment Adviser**

The investment adviser to the Funds is Yacktman Asset Management Co., 6300 Bridgepoint Parkway, Building One, Suite 320, Austin, Texas 78730. Pursuant to the investment advisory agreements entered into between the Company, on behalf of each of the Funds, and the Adviser (each an “Advisory Agreement”, and, collectively, the “Advisory Agreements”), the Adviser furnishes continuous investment advisory services to each of the Funds. The Adviser is controlled by Donald A. Yacktman, its President, and the owner of 100% of the voting stock of the Adviser.

The benefits derived by the Adviser from soft dollar arrangements are described under the caption “Allocation of Portfolio Brokerage.” None of the directors who are Disinterested Persons, or any members of their immediate family, own shares of the Adviser or companies, other than registered investment companies, controlled by or under common control with the Adviser.

The Adviser supervises and manages the investment portfolios of the Funds and, subject to such policies as the Board of Directors of the Company may determine, directs the purchase or sale of investment securities in the day-to-day management of the Funds’ investment portfolios. Under the Advisory Agreements, the Adviser, at its own expense and without reimbursement from the Funds, furnishes office space and all necessary office facilities, equipment and

executive personnel for managing the investments of the Funds and pays the salaries and fees of all officers (other than a portion of the Chief Compliance Officer's salary) and directors of the Funds (except the fees paid to directors who are not interested persons of the Adviser). For the foregoing, the Adviser receives a monthly fee from a monthly fee from The Yacktman Focused Fund based on The Yacktman Focused Fund's average daily net assets at the annual rate of 1% on average daily net assets, and from The Yacktman Fund based on The Yacktman Fund's average daily net assets at the annual rate of .65 of 1% on the first \$500,000,000 of average daily net assets, .60 of 1% on the next \$500,000,000 of average daily net assets and .55 of 1% on average daily net assets in excess of \$1,000,000,000.

The Funds pay all of their own expenses, including, without limitation, the cost of preparing and printing the registration statement required under the Securities Act and any amendments thereto, the expense of registering shares with the Securities and Exchange Commission and in the various states, the printing and distribution costs of prospectuses mailed to existing investors, reports to investors, reports to government authorities and proxy statements, fees paid to directors who are not Interested Persons of the Adviser, interest charges, taxes, legal expenses, association membership dues, auditing services, insurance premiums, brokerage commissions and expenses in connection with portfolio transactions, fees and expenses of the custodian of the Funds' assets, printing and mailing expenses and charges and expenses of dividend disbursing agents, accounting services agents, registrars and stock transfer agents.

The Adviser has undertaken to reimburse each Fund to the extent that the aggregate annual operating expenses, including the investment advisory fee and the administration fee but excluding interest, taxes, brokerage commissions and other costs incurred in connection with the purchase or sale of portfolio securities, and extraordinary items, exceed that percentage of the average net assets of such Fund for such year, as determined by valuations made as of the close of each business day of the year, which is the most restrictive percentage provided by the state laws of the various states in which the shares of such Fund are qualified for sale. As of the date of this Statement of Additional Information, no such state law provision was applicable to the Funds. Additionally, on a voluntary basis, the Adviser has contractually agreed to reimburse The Yacktman Focused Fund to the extent aggregate annual operating expenses as described above exceed specified percentages of such Fund's daily net assets as set forth in the Prospectus. For the fiscal year ended December 31, 2010 such specified percentage was 1.25%. The Funds monitor their expense ratios on a monthly basis. If the accrued amount of the expenses of either Fund exceeds the applicable expense limitation, the Fund creates an account receivable from the Adviser for the amount of such excess. In such a situation the monthly payment of the Adviser's fee will be reduced by the amount of such excess (and if the amount of such excess in any month is greater than the monthly payment of the Adviser's fee, the Adviser will pay each Fund the amount of such difference), subject to adjustment month by month during the balance of each Fund's fiscal year if accrued expenses thereafter fall below this limit.

For services provided by the Adviser under the applicable Advisory Agreement for the fiscal years ended December 31, 2010, 2009 and 2008, The Yacktman Focused Fund paid the Adviser \$12,235,984, \$2,589,932 and \$680,363, respectively, and the Adviser reimbursed The Yacktman Focused Fund \$234,094, \$77,878 and \$70,600, respectively, for excess expenses. For services provided by the Adviser under the applicable Advisory Agreement for the fiscal

years ended December 31, 2010, 2009 and 2008, The Yacktman Fund paid the Adviser \$13,618,666, \$4,212,748 and \$1,745,836, respectively. The Adviser was not required to reimburse The Yacktman Fund for excess expenses during such years.

Each Advisory Agreement will remain in effect as long as its continuance is specifically approved at least annually (i) by the Board of Directors of the Company or by the vote of a majority (as defined in the Act) of the outstanding shares of the applicable Fund, and (ii) by the vote of a majority of the directors of the Company who are not parties to the Advisory Agreement or interested persons of the Adviser, cast in person at a meeting called for the purpose of voting on such approval. Each Advisory Agreement provides that it may be terminated at any time without the payment of any penalty, by the Board of Directors of the Company or by vote of the majority of the applicable Fund's stockholders on sixty (60) days' written notice to the Adviser, and by the Adviser on the same notice to the applicable Fund, and that it shall be automatically terminated if it is assigned.

### **Administrator**

U.S. Bancorp Funds Services, LLC (the "Administrator" or "USBFS"), 615 East Michigan Street, Milwaukee, Wisconsin 53202, an affiliate of U.S. Bank, N.A., serves as administrator and fund accountant to the Funds, subject to the overall supervision of the Company's Board of Directors. Pursuant to a Fund Administration Servicing Agreement (the "Administration Agreement"), the Administrator provides certain administrative services to the Funds. These services include, but are not limited to, the following: acting as a liaison among the Funds' service providers; coordinating the Company's Board of Directors communications; maintaining and managing a regulatory compliance calendar; preparing and filing appropriate state securities law filings; maintaining state registrations; preparing and filing annual and semiannual reports on Forms N-CSR, N-PX, N-Q and N-SAR; preparing financial reports for officers, shareholders, tax authorities and independent registered public accountants; monitoring expense accruals; and preparing monthly financial statements.

For the foregoing, the Administrator receives from the Funds a fee, paid monthly at an annual rate of 0.03% of the first \$300,000,000 of the Funds' average net assets, 0.025% of the next \$200,000,000 of the Funds' average net assets, and 0.02% of the Funds average net assets in excess of \$500,000,000. Notwithstanding the foregoing, the minimum annual fee payable to the Administrator is \$75,000.

The Administration Agreement will remain in effect as long as its continuance is approved at least annually by the Board of Directors of the Company and the Administrator. The Administration Agreement may be terminated on not less than 90 days' notice, without the payment of any penalty, by the Board of Directors of the Company or by the Administrator. For the fiscal years ended December 31, 2010, 2009 and 2008, The Yacktman Focused Fund paid USBFS \$279,910, \$47,275 and \$17,473, respectively, pursuant to the administration agreement with USBFS. For the fiscal years ended December 31, 2010, 2009 and 2008, The Yacktman Fund paid USBFS \$535,580, \$137,360 and \$73,060, respectively, pursuant to the administration agreement with USBFS.

The Advisory Agreements and the Administration Agreement provide that the Adviser and the Administrator, as the case may be, shall not be liable to the Funds or its stockholders for anything other than willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations or duties. The Advisory Agreements and the Administration Agreement also provide that the Adviser and the Administrator, as the case may be, and their officers, directors and employees may engage in other businesses, devote time and attention to any other business whether of a similar or dissimilar nature, and render services to others.

### **Fund Accountant**

The Funds have entered into a Fund Accounting Servicing Agreement with U.S. Bancorp Fund Services, LLC pursuant to which U.S. Bancorp Fund Services, LLC has agreed to maintain the financial accounts and records of each Fund and provide other accounting services to the Funds. For its accounting services, U.S. Bancorp Fund Services, LLC is entitled to receive fees, payable monthly from the Funds at an annual rate of 0.02% of the first \$300,000,000 of the Funds' average net assets, 0.015% of the next \$200,000,000 of the Funds' average net assets, and 0.01% of the Funds' average net assets in excess of \$500,000,000. Notwithstanding the foregoing, the minimum annual fee payable to the Accountant is \$55,000. U.S. Bancorp Fund Services, LLC is also entitled to certain out of pocket expenses, including pricing expenses. For the fiscal years ended December 31, 2010, 2009 and 2008, the Funds paid USBFS \$423,720, \$136,865 and \$61,798, respectively, pursuant to the Fund Accounting Servicing Agreement.

## PORTFOLIO MANAGERS

The sole investment adviser to the Funds is Yacktman Asset Management Co. The portfolio managers to the Funds may have responsibility for the day-to-day management of accounts other than the Funds. Information regarding these other accounts is set forth below. The number of accounts and assets is shown as of December 31, 2010.

Name of Portfolio <u>Managers</u>	Number of Other Accounts Managed and Total <u>Assets</u> <u>by Account Type</u>			Number of Accounts and Total Assets for <u>Which Advisory Fee is Performance-Based</u>		
	Registered Investment <u>Companies</u>	Other Pooled Investment <u>Vehicles</u>	<u>Other Accounts</u>	Registered Investment <u>Companies</u>	Other Pooled Investment <u>Vehicles</u>	<u>Other Accounts</u>
Donald A. Yacktman	1	--	35	--	--	--
	\$302,765,087 <sup>(1)</sup>	\$--	\$223,083,396 <sup>(1)</sup>	\$--	\$--	\$--
Stephen Yacktman	--	3	15	--	--	--
	\$--	\$97,777,515 <sup>(1)</sup>	\$648,508,595 <sup>(1)(2)</sup>	\$--	\$--	\$--
Jason Subotky	--	3	15	--	--	--
	\$--	\$97,777,515 <sup>(1)</sup>	\$648,508,595 <sup>(1)(2)</sup>	\$--	\$--	\$--

<sup>(1)</sup> The Adviser takes a team approach in managing these accounts, with more than one of the Adviser's portfolio managers managing the accounts.

<sup>(2)</sup> Two of the "Other Accounts" are wrap fee programs which include approximately 482 underlying clients with total assets of approximately \$425.4 million.

The portfolio managers of the Adviser are often responsible for managing other accounts. The Adviser typically assigns accounts with similar investment strategies to the portfolio managers to mitigate the potentially conflicting investment strategies of accounts. Other than potential conflicts between investment strategies, the side-by-side management of both the Funds and other accounts may raise potential conflicts of interest due to the interest held by the Adviser or one of its affiliates in an account and certain trading practices used by the portfolio managers (for example, cross trades between a Fund and another account and allocation of aggregated trades). The Adviser has developed policies and procedures reasonably designed to mitigate those conflicts. In particular, the Adviser has adopted policies limiting the ability of portfolio managers to cross securities between Funds and policies designed to ensure the fair allocation of securities purchased on an aggregated basis.

The portfolio managers are compensated in various forms. The following table outlines the forms of compensation paid to each portfolio manager as of December 31, 2010.

<u>Name of Portfolio Managers</u>	<u>Form of Compensation</u>	<u>Source of Compensation</u>	<u>Method Used to Determine Compensation (Including Any Differences in Method Between Account Types)</u>
Donald A. Yacktman	Salary/Distribution	Yacktman Asset Management Co.	Donald Yacktman receives an annual base salary from the Adviser. He also has an ownership interest in the Adviser. As a result, Mr. Yacktman will receive distributions from the Adviser, which may come from profits generated by the Adviser.
Stephen Yacktman	Salary/Distribution	Yacktman Asset Management Co.	Stephen Yacktman receives an annual base salary from the Adviser. He also has an ownership interest in the Adviser. As a result, Mr. Yacktman will receive distributions from the Adviser, which may come from profits generated by the Adviser.
Jason Subotky	Salary/Distribution	Yacktman Asset Management Co.	Jason Subotky receives an annual base salary from the Adviser. He also has an ownership interest in the Adviser. As a result, Mr. Subotky will receive distributions from the Adviser, which may come from profits generated by the Adviser.

As of December 31, 2010, the dollar range of shares of the Yacktman Focused Fund beneficially owned by Donald A. Yacktman is over \$1,000,000. As of December 31, 2010, the dollar range of shares of the Yacktman Focused Fund beneficially owned by Stephen Yacktman is over \$1,000,000. As of December 31, 2010, the dollar range of shares of the Yacktman Focused Fund beneficially owned by Jason Subotky is over \$1,000,000. As of December 31, 2010, Donald A. Yacktman did not beneficially own any shares of the Yacktman Fund. As of December 31, 2010, Stephen Yacktman did not beneficially own any shares of the Yacktman Fund. As of December 31, 2010, Jason Subotky did not beneficially own any shares of the Yacktman Fund.

### **EXCHANGE PRIVILEGE**

Investors may exchange shares of either Fund for shares of the other Fund at their net asset value. Investors who are interested in exercising the exchange privilege should first contact the Funds to obtain instructions and any necessary forms. There is a five dollar (\$5) fee for each telephone exchange, and no fee for a written exchange.

The exchange privilege will not be available if (i) the proceeds from a redemption of shares are paid directly to the investor or at his or her discretion to any persons other than the Funds or (ii) the proceeds from redemption of the shares of the applicable Fund are not immediately reinvested in shares of the other Fund through a subsequent exercise of the exchange privilege. There is currently no limitation on the number of exchanges an investor may make. The exchange privilege may be terminated by the Funds upon at least 60 days prior notice to investors.

For federal income tax purposes, a redemption of shares of a Fund pursuant to the exchange privilege will result in a capital gain if the proceeds received exceed the investor's tax-cost basis of the shares redeemed. Such a redemption may also be taxed under state and local tax laws, which may differ from the Internal Revenue Code of 1986.

## **REDEMPTIONS**

Frequent purchases and redemptions of any of the Funds' shares by a shareholder may harm other shareholders of that Fund by interfering with the efficient management of that Fund's portfolio, increasing brokerage and administrative costs, and potentially diluting the value of their shares. Because there may be less liquidity in the stocks of small capitalization companies in which the Funds may invest, the Funds may be subject to greater risk of market timing activities than if the Funds invested only in large capitalization companies.

The Board of Directors has adopted the market timing policies and procedures below to discourage frequent purchases and redemptions of each Fund's shares.

- Each Fund reserves the right to reject any purchase order for any reason or no reason, including purchase orders from potential investors that a Fund believes might engage in frequent purchases and redemptions of that Fund's shares based on any unusual trading activity by such investor and/or such investor's trading history.
- Each Fund imposes a 2% redemption fee on redemptions that occur less than thirty calendar days after purchase. Any proceeds of the fee will be credited to the assets of the appropriate Fund.

The redemption fee will not apply to (1) shares purchased through reinvested distributions (dividends and capital gains), (2) shares held in retirement plans (other than IRAs), or (3) shares redeemed through any systematic withdrawal plans, but otherwise applies to all investors in the Funds, including those that invest through omnibus accounts at intermediaries such as broker-dealers. The Funds also impose a 2% exchange fee on the value of shares exchanged less than thirty calendar days after purchase.

If inappropriate trading is detected in an omnibus account registered in the name of a nominee, financial intermediary or plan sponsor, a Fund may request that the nominee, financial intermediary or plan sponsor take action to prevent the particular investor or investors from engaging in frequent or short-term trading. If inappropriate trading recurs, a Fund may refuse all

future purchases from the plan, including those of plan participants not involved in the inappropriate activity.

In calculating whether a sale of Fund shares (including an exchange) is subject to a redemption fee, a shareholder's holdings will be viewed on a "first in/first out" basis. This means that, in determining whether any fee is due, the shareholder will be deemed to have sold the shares he or she acquired earliest. The fee will be calculated based on the current price of the shares as of the trade date of the sale or exchange.

The Funds reserve the right to suspend redemptions during any period when the New York Stock Exchange is closed because of financial conditions or any other extraordinary reason and to postpone redemptions for any period during which (a) trading on the New York Stock Exchange is restricted pursuant to rules and regulations of the Securities and Exchange Commission, (b) the Securities and Exchange Commission has by order permitted such suspension or (c) an emergency, as defined by rules and regulations of the Securities and Exchange Commission, exists as a result of which it is not reasonably practicable for a Fund to dispose of its securities or fairly to determine the value of its net assets.

Each of the Funds has reserved the right to pay the redemption price of its shares in assets other than cash. In accordance with Rule 18f-1 under the Act, the Company has filed Form N-18F-1 with the Securities and Exchange Commission pursuant to which each Fund has committed to pay in cash all requests for redemption by any stockholder of record, limited in amount with respect to each stockholder during any ninety-day period to the lesser of (i) \$250,000, or (ii) 1% of the net asset value of the Fund at the beginning of the ninety-day period.

It is important that the Funds maintain a correct address for each investor. An incorrect address may cause an investor's account statements and other mailings to be returned to the Funds. Upon receiving returned mail, the Funds will attempt to locate the investor or rightful owner of the account. If the Funds are unable to locate the investor, then they will determine whether the investor's account has legally been abandoned. The Funds are legally obligated to escheat (or transfer) abandoned property to the appropriate state's unclaimed property administrator in accordance with statutory requirements. The investor's last known address of record determines which state has jurisdiction.

### **SYSTEMATIC WITHDRAWAL PLAN**

An investor who owns shares of a Fund worth at least \$10,000 at the current net asset value may, by completing an application which may be obtained from the Funds or U.S. Bancorp Fund Services, LLC, create a Systematic Withdrawal Plan from which a fixed sum will be paid to the investor at regular intervals through redemption of shares of such Fund. To establish the Systematic Withdrawal Plan, the investor deposits shares of the Funds with the Company and appoints it as agent to effect redemptions of Fund shares held in the account for the purpose of making monthly or quarterly withdrawal payments of a fixed amount to the investor out of the account. Fund shares deposited by the investor in the account need not be endorsed or accompanied by a stock power if registered in the same name as the account; otherwise, a properly executed endorsement or stock power, obtained from any bank, broker-dealer or the

Funds is required. The investor's signature should be guaranteed by a bank, a member firm of a national stock exchange or other eligible guarantor.

The minimum amount of a withdrawal payment is \$100. These payments will be made from the proceeds of periodic redemptions of shares in the account at net asset value. Redemptions can be made monthly, quarterly or annually on any day the investor chooses or, if that day is a weekend day or a holiday, on the following business day. The Funds recommend that investors participating in the Systematic Withdrawal Plan elect to reinvest all income dividends and capital gains distributions payable on the shares held in their accounts in additional shares of the Funds, at net asset value. Investors may deposit additional shares in their accounts at any time.

Withdrawal payments cannot be considered as yield or income on the investor's investment, since portions of each payment will normally consist of a return of capital. Depending on the size or the frequency of the disbursements requested, and the fluctuation in the value of the applicable Fund's portfolio, redemptions for the purpose of making such disbursements may reduce or even exhaust the investor's account.

The investor may vary the amount or frequency of withdrawal payments, temporarily discontinue them, or change the designated payee or payee's address, by notifying U.S. Bancorp Fund Services, LLC in writing five business days prior to the next transaction. The Funds may terminate the Systematic Withdrawal Plan at any time.

## **AUTOMATIC INVESTMENT PLAN, TELEPHONE PURCHASES AND RETIREMENT PLANS**

### **Automatic Investment Plan**

The Funds offer an Automatic Investment Plan whereby an investor may automatically make purchases of shares of the Funds on a regular, convenient basis (\$100 minimum per transaction). A \$500 minimum initial investment must be met before the Automatic Investment Plan may be established. Under the Automatic Investment Plan, an investor's designated bank or other financial institution debits a preauthorized amount on the investor's account each month (up to four times per month as long as there are seven days between each debit) and applies the amount to the purchase of shares of the Funds. The Automatic Investment Plan must be implemented with a financial institution that is a member of the Automated Clearing House ("ACH"). No service fee is currently charged by the Funds for participating in the Automatic Investment Plan. A \$25 fee will be imposed by U.S. Bancorp Fund Services, LLC for any Automatic Investment Plan purchase that cannot be completed. Applications to establish the Automatic Investment Plan are available from the Funds. Investors who wish to make a change in investments made through an automatic investment plan may do so by calling U.S. Bancorp Fund Services, LLC five business days prior to the next transaction, at 1-800-457-6033.

### **Telephone Purchases**

An investor may make additions to the investor's account by telephone (\$100 minimum) using the investor's bank account to clear the purchase via electronic funds transfer ("EFT"). Only bank accounts held at domestic financial institutions that are ACH members can be used

for telephone transactions. Telephone transactions may not be used for initial purchases of shares of the Funds. Fund shares will be purchased at the net asset value determined as of the close of trading on the date that an investor places an order, if the call is received prior to the close of trading on that day. Most transfers are completed within one business day. No fee is currently charged for this service. To establish the telephone purchase option, please complete the appropriate section of the purchase application. Inquiries concerning this option may be directed to U.S. Bancorp Fund Services, LLC at 1-800-457-6033.

## **Retirement Plans**

The Funds offer the following retirement plans and savings account that may be funded with purchases of shares of the Funds and may allow investors to shelter some of their income from taxes:

### **Individual Retirement Account (“IRA”)**

Individual stockholders may establish their own tax-sheltered Individual Retirement Accounts (“IRA”). The minimum initial investment for an IRA is \$500. The Funds currently offer a prototype IRA plan and a prototype Roth IRA plan. There is currently no charge for establishing an account, although there is an annual maintenance fee. (See the applicable IRA Custodial Agreement and Disclosure Statement for a discussion of the annual maintenance fee, other fees associated with the account, eligibility requirements and related tax consequences.)

### **Simplified Employee Pension Plan (“SEP-IRA”)**

The Funds also offer a Simplified Employee Pension (“SEP”) plan for employers, including self-employed individuals, who wish to purchase shares of the Funds with tax-deductible contributions. Under the SEP plan, employer contributions are made directly to the IRA accounts of eligible participants.

### **Savings Incentive Match Plan for Employees of Small Employers (“SIMPLE”)**

The Funds also offer a SIMPLE plan for employers, including self-employed individuals, with 100 or fewer employees who wish to purchase shares of the Funds with tax-deductible contributions. A SIMPLE plan allows employees to elect to reduce their compensation and have such amounts contributed to the plan. Under the SIMPLE plan, employer and employee contributions are made directly to the SIMPLE IRA accounts of eligible participants.

### **Defined Contribution Retirement Plan (Keogh or Corporate Profit-sharing and Money-Purchase Plans)**

A prototype defined contribution retirement plan is available for employers, including self-employed individuals, who wish to purchase shares of the Funds with tax-deductible contributions.

### **Cash or Deferred 401(k) Plan**

A prototype cash or deferred 401(k) arrangement is also available as part of the Defined Contribution Retirement Plan for employers who wish to allow employees to elect to reduce their compensation and have such amounts contributed to the plan.

### **Coverdell Education Savings Account**

The Funds also offer a Coverdell Education Savings Account (an “Education IRA”). While contributions to the Education IRA are not tax deductible when made, if amounts contributed and earnings thereon are used for certain educational purposes, neither the contributor nor the beneficiary of the Education IRA are taxed upon distribution. The minimum initial investment for an Education IRA is \$500.

A description of applicable service fees and certain limitations on contributions and withdrawals, as well as application forms, are available from the Funds upon request. The IRA documents contain a disclosure statement which the Internal Revenue Service requires to be furnished to individuals who are considering adopting the IRA. Because a retirement program involves commitments covering future years, it is important that the investment objectives of the Funds be consistent with the participant’s retirement objectives. Premature withdrawals from a retirement plan will result in adverse tax consequences. Consultation with a competent financial and tax adviser regarding the foregoing retirement plans is recommended.

### **CUSTODIAN**

U.S. Bank, N.A., 1555 N. River Center Drive, Suite 302, Milwaukee, Wisconsin 53212, acts as custodian for the Funds. As such, U.S. Bank, N.A. holds all securities and cash of the Funds, delivers and receives payment for securities sold, receives and pays for securities purchased, collects income from investments and performs other duties, all as directed by officers of the Company. U.S. Bank, N.A. does not exercise any supervisory function over the management of the Funds, the purchase and sale of securities or the payment of distributions to stockholders. U.S. Bancorp Fund Services, LLC, an affiliate of U.S. Bank, N.A., acts as each Fund’s transfer agent and dividend disbursing agent.

### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Cohen Fund Audit Services, Ltd., 800 Westpoint Parkway, Suite 1100, Westlake, Ohio 44145 currently serves as the independent registered public accounting firm for the Funds. As such Cohen Fund Audit Services, Ltd. performs an audit of each Fund’s financial statements and considers each Fund’s internal control structure.

### **ALLOCATION OF PORTFOLIO BROKERAGE**

The Funds’ securities trading and brokerage policies and procedures are reviewed by and subject to the supervision of the Board of Directors of the Company. Decisions to buy and sell securities for each Fund are made by the Adviser subject to review by the Company’s Board of Directors. In placing purchase and sale orders for portfolio securities for the Funds, the Adviser

seeks the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided, as described below.

In selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental considerations. Specifically, when the Adviser allocates trades to brokers, the Adviser reviews and considers the following criteria:

- The Adviser's past experience with the broker or the proven ability of the broker to perform the trades.
- The difficulty of executing the trade in question (whether due to liquidity, volatility, speed of the broker or communication feedback).
- The ability of the broker to allocate "block trades" for multiple accounts at average pricing.
- Whether the broker makes available soft dollar or other research incentives.
- The ability of the broker to handle/provide size execution.
- The ability of the broker to report trades via the Depository Trust Company.
- The ability of the broker to service special needs (*for example*, certification/transfers/handle restrictions, etc.)
- The price of the broker's commissions alone.

In effecting trades that require execution through multiple brokers, the Adviser times the entry of the trades in a manner that is designed to provide no advantage to any individual account or group of accounts over time. In making this determination, the Adviser reviews and considers the factors below. After considering the factors below, the priority for order entry is set on a random or rotational basis.

- The liquidity of the issue in question and the broker's speed of response and ability to execute without negatively effecting price.
- The availability or need of cash in a given account or group of accounts.
- The relative size or position of the issue in question relative to other accounts or groups of accounts.
- The size of orders to be executed through the same broker.

As noted above, in allocating brokerage business for clients, the Adviser also takes into consideration the research, analytical, statistical and other information and services provided by the broker (known as soft dollar benefits). While the Adviser believe these services have substantial value, they are considered supplemental to the Adviser's own efforts in the

performance of its duties for its clients. Research services obtained on behalf of one client may indirectly benefit the Adviser's other clients. Specifically, the Adviser may cause the Funds and other clients to pay commissions higher than those charged by other brokers for soft dollar benefits (known as paying-up), if the Adviser determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by the executing broker viewed in terms of either the particular transaction or the Adviser's overall responsibilities with respect to its clients.

These research services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment the Adviser's own internal research and investment strategy capabilities. With respect to selecting brokers who provide research services, the Adviser selects brokers who can provide it with:

- Useful reports on individual companies and industries of particular interest to the Adviser;
- Current and historical statistical information, general economic data, and information on pertinent federal and state legislative developments and changes in accounting practices;
- Direct access by telephone or meeting with leading research analysts throughout the financial community, corporate management personnel, industry experts, leading economists and government officials;
- Comparative performance evaluation and technical measurement services;
- Economic advice; and
- Securities quotations.

When the Adviser uses client brokerage commissions to obtain research or other products or services, the Adviser receives a benefit because it does not have to produce or pay for the research, products or services. So, the Adviser may have an incentive to select or recommend a broker based on its interest in receiving the research or other products or services, rather than on the Funds' interest in receiving most favorable execution.

The Adviser seeks to allocate soft dollar benefits to the Funds and its other client accounts proportionately to the soft dollar credits the accounts generate, to the extent that account size has some correlation to the amount of credits generated and will have correlation to the amount of benefit received. During the last fiscal year the procedure used to direct client transactions to specific brokers in return for soft dollar benefits was simple. The Adviser made a determination as to whether there was a need for additional soft dollar benefits. If there was such a need, then all trades for the selected broker were designated as soft dollar trades until the determination for the need of additional soft dollar benefits was terminated. During that period client trades executed at the selected broker, including the Funds, paid soft dollar commissions.

For the fiscal years ended December 31, 2010, 2009 and 2008, The Yacktman Focused Fund paid brokerage commissions of \$1,415,915, \$683,020 and \$267,005, respectively, on total transactions of \$1,134,015,106, \$413,656,252 and \$103,597,439, respectively. During the fiscal year ended December 31, 2010, The Yacktman Focused Fund paid brokerage commissions of \$1,180,801 on transactions of \$880,632,464 to brokers who provided research services to the Adviser. For the fiscal years ended December 31, 2010, 2009 and 2008, The Yacktman Fund paid brokerage commissions of \$2,277,360, \$1,276,200 and \$723,783, respectively, on total transactions of \$1,884,941,513, \$794,287,036 and \$260,647,434, respectively. During the fiscal year ended December 31, 2010, The Yacktman Fund paid brokerage commissions of \$1,808,206 on transactions of \$1,405,562,577 to brokers who provided research services to the Adviser.

## **TAXES**

Each Fund annually will endeavor to qualify for and elect tax treatment applicable to a regulated investment company under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). Each Fund has so qualified in each of its fiscal years. If a Fund fails to qualify as a regulated investment company under Subchapter M in any fiscal year, it will be treated as a corporation for federal income tax purposes. As such the Fund failing to qualify would be required to pay income taxes on its net investment income and net realized capital gains, if any, at the rates generally applicable to corporations. Stockholders of a Fund that did not qualify as a regulated investment company under Subchapter M would not be liable for income tax on the Fund's net investment income or net realized capital gains in their individual capacities. Distributions to stockholders, whether from the Fund's net investment income or net realized capital gains, would be treated as taxable dividends to the extent of current or accumulated earnings and profits of the Fund.

Each Fund intends to distribute all of its net investment income and net capital gain each fiscal year. Dividends from net investment income (including short-term capital gain) are taxable to investors as ordinary income (although a portion of such dividends may be taxable to investors at the lower rate applicable to dividend income), whereas distributions of net realized long-term capital gains are taxable as long-term capital gains regardless of the stockholder's holding period for the shares. Such dividends and distributions are taxable to stockholders, whether received in cash or in additional shares of the respective Fund. A portion of the Funds' income distributions may be eligible for the 70% dividends-received deduction for domestic corporate stockholders.

From time to time the Funds may elect to treat a portion of earnings and profits included in stockholder redemptions as part of the Funds' dividends paid deduction.

Any dividend or capital gain distribution paid shortly after a purchase of shares of a Fund will have the effect of reducing the per share net asset value of such shares by the amount of the dividend or distribution. Furthermore, if the net asset value of the shares of a Fund immediately after a dividend or distribution is less than the cost of such shares to the investor, the dividend or distribution will be taxable to the investor even though it results in a return of capital to the investor.

Redemption of shares will generally result in a capital gain or loss for income tax purposes. The tax treatment of such capital gain or loss will depend upon the stockholder's holding period. However, if a loss is realized on shares held for six months or less, and the stockholder received a capital gain distribution during that period, then such loss is treated as a long-term capital loss to the extent of the capital gain distribution received.

Investors may also be subject to state and local taxes.

Each Fund will be required to withhold federal income tax at a rate of 28% ("backup withholding") from dividend payments and redemption and exchange proceeds if an investor fails to furnish such Fund with his or her correct social security number or other tax identification number

This section is not intended to be a complete discussion of present or proposed federal income tax laws and the effect of such laws on an investor. Investors are urged to consult with their respective tax advisers for a complete review of the tax ramifications of an investment in a Fund.

## **STOCKHOLDER MEETINGS**

The Maryland General Corporation Law permits registered investment companies, such as the Funds, to operate without an annual meeting of stockholders under specified circumstances if an annual meeting is not required by the Act. The Company has adopted the appropriate provisions in its Bylaws and may, at its discretion, not hold an annual meeting in any year in which the election of directors is not required to be acted on by stockholders under the Act.

The Company's Bylaws also contain procedures for the removal of directors by its stockholders. At any meeting of stockholders, duly called and at which a quorum is present, the stockholders may, by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon, remove any director or directors from office and may elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed directors.

Upon the written request of the holders of shares entitled to not less than ten percent (10%) of all the votes entitled to be cast at such meeting, the Secretary of the Company shall promptly call a special meeting of stockholders for the purpose of voting upon the question of removal of any director. Whenever ten or more stockholders of record who have been such for at least six months preceding the date of application, and who hold in the aggregate either shares having a net asset value of at least \$25,000 or at least one percent (1%) of the total outstanding shares, whichever is less, shall apply to the Company's Secretary in writing, stating that they wish to communicate with other stockholders with a view to obtaining signatures to a request for a meeting as described above and accompanied by a form of communication and request which they wish to transmit, the Secretary shall within five business days after such application either: (1) afford to such applicants access to a list of the names and addresses of all stockholders as recorded on the books of the Funds; or (2) inform such applicants as to the approximate number of stockholders of record and the approximate cost of mailing to them the proposed communication and form of request.

If the Secretary elects to follow the course specified in clause (2) of the last sentence of the preceding paragraph, the Secretary, upon the written request of such applicants, accompanied by a tender of the material to be mailed and of the reasonable expenses of mailing, shall, with reasonable promptness, mail such material to all stockholders of record at their addresses as recorded on the books unless within five business days after such tender the Secretary shall mail to such applicants and file with the Securities and Exchange Commission, together with a copy of the material to be mailed, a written statement signed by at least a majority of the Board of Directors to the effect that in their opinion either such material contains untrue statements of fact or omits to state facts necessary to make the statements contained therein not misleading, or would be in violation of applicable law, and specifying the basis of such opinion.

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

## **CAPITAL STRUCTURE**

The Company's authorized capital consists of 1,000,000,000 shares of Common Stock, \$0.0001 par value. The Common Stock is divisible into an unlimited number of "series," each of which is a separate fund. Stockholders are entitled: (i) to one vote per full share of Common Stock; (ii) to such distributions as may be declared by the Company's Board of Directors out of funds legally available; and (iii) upon liquidation, to participate ratably in the assets available for distribution. There are no conversion or sinking fund provisions applicable to the shares, and the holders have no preemptive rights and may not cumulate their votes in the election of directors. Consequently the holders of more than 50% of the shares of Common Stock voting for the election of directors can elect the entire Board of Directors and, in such event, the holders of the remaining shares voting for the election of directors will not be able to elect any person or persons to the Board of Directors.

Shares of Common Stock are redeemable and are transferable. All shares issued and sold by the Funds will be fully paid and nonassessable. Fractional shares of Common Stock entitle the holder to the same rights as whole shares of Common Stock.

Pursuant to the Company's Articles of Incorporation, the Board of Directors may classify or reclassify any unissued shares of the Funds and may designate or redesignate the name of any outstanding class of shares of the Funds. As a general matter, shares are voted in the aggregate and not by class, except where class voting is required by Maryland law or the Act (e.g., a change in investment policy or approval of an investment advisory agreement). All consideration received from the sale of shares of any class of the Funds' shares, together with all income, earnings, profits and proceeds thereof, belong to that class and are charged with the liabilities in respect of that class and of that class' share of the general liabilities of the Funds in

the proportion that the total net assets of the class bear to the total net assets of all classes of the Funds' shares. The net asset value of a share of any class is based on the assets belonging to that class less the liabilities charged to that class, and dividends may be paid on shares of any class of Common Stock only out of lawfully available assets belonging to that class. In the event of liquidation or dissolution of the Funds, the holders of each class would be entitled, out of the assets of the Funds available for distribution, to the assets belonging to that class.

## **DESCRIPTION OF SECURITIES RATINGS**

Up to 10% of the net assets of each of The Yacktman Focused Fund and The Yacktman Fund may be invested in convertible debt securities and low-rated securities. Otherwise, the Funds have no restrictions regarding the rating or credit quality of the fixed income or convertible securities that they may purchase and hold in their portfolios. The Funds may invest in commercial paper and commercial paper master notes rated A-2 or better by Standard & Poor's or P-2 by Moody's. A brief description of the ratings symbols and their meanings follows.

Standard & Poor's Debt Ratings. A Standard & Poor's corporate debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors, insurers or lessees.

The debt rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor.

The ratings are based on current information furnished by the issuer or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform any audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information, or for other circumstances.

The ratings are based, in varying degrees, on the following considerations:

- I. Likelihood of default - capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;
- II. Nature of and provisions of the obligation;
- III. Protection afforded by, and relative position of the obligation in the event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights;

### **Investment Grade**

AAA - Debt rated 'AAA' has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated 'AA' has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A - Debt rated 'A' has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB - Debt rated 'BBB' is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

#### Speculative Grade

Debt rated 'BB', 'B', 'CCC', 'CC' and 'C' is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. 'BB' indicates the least degree of speculation and 'C' the highest. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

BB - Debt rated 'BB' has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The 'BB' rating category is also used for debt subordinated to senior debt that is assigned an actual or implied 'BBB-' rating.

B - Debt rated 'B' has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The 'B' rating category is also used for debt subordinated to senior debt that is assigned an actual or implied 'BB' or 'BB-' rating.

CCC - Debt rated 'CCC' has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The 'CCC' rating category is also used for debt subordinated to senior debt that is assigned an actual or implied 'B' or 'B-' rating.

CC - Debt rated 'CC' typically is applied to debt subordinated to senior debt that is assigned an actual or implied 'CCC' rating.

C - Debt rated 'C' typically is applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC-' debt rating. The 'C' rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

CI - The rating 'CI' is reserved for income bonds on which no interest is being paid.

D - Debt rated 'D' is in payment default. The 'D' rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such period. The 'D' rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

### Moody's Bond Ratings.

#### Investment Grade

Aaa - Bonds which are 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 which are 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 as in Aaa securities or fluctuation of protective elements may be of greater amplitude, or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

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

Baa - Bonds which are 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.

#### Speculative Grade

Ba - Bonds which are 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 which are rated B generally lack characteristics of the 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 which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

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

C - Bonds which are rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers 1, 2 and 3 in each of the foregoing generic rating classifications. The modifier 1 indicates that the company ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the company ranks in the lower end of its generic rating category.

Standard & Poor's Commercial Paper Ratings. A Standard & Poor's commercial paper rating is a current assessment of the likelihood of timely payment of debt considered short-term in the relevant market. Ratings are graded into several categories, ranging from A-1 for the highest quality obligations to D for the lowest. The three highest categories are as follows:

A-1. This highest category indicates that the degree of safety regarding timely payment is strong. Those issuers determined to possess extremely strong safety characteristics are denoted with a plus sign (+) designation.

A-2. Capacity for timely payment on issues with this designation is satisfactory. However the relative degree of safety is not as high as for issuers designated "A-1".

A-3. Issues carrying this designation have adequate capacity for timely payment. They are, however, more vulnerable to the adverse effects of changes in circumstances than obligations carrying a higher designation.

Moody's Commercial Paper Ratings. Among the factors considered by Moody's in assigning ratings are the following: (1) evaluation of the management of the issuer; (2) economic evaluation of the issuer's industry or industries 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 and quality of long-term debt; (6) trend of earnings over a period of ten 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 preparations to meet such obligations. Relative differences in these factors determine whether the issuer's commercial paper is rated P-1, P-2 or P-3.