

**STATEMENT OF ADDITIONAL INFORMATION
for FMI LARGE CAP FUND**

January 29, 2010

**FMI FUNDS, INC.
100 East Wisconsin Avenue, Suite 2200
Milwaukee, Wisconsin 53202**

**FMI Large Cap Fund
(Ticker: FMIHX)**

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Prospectus of FMI Large Cap Fund dated January 29, 2010. Requests for copies of the Prospectus should be made by writing to FMI Funds, Inc., 100 East Wisconsin Avenue, Suite 2200, Milwaukee, Wisconsin 53202, Attention: Corporate Secretary or by calling (414) 226-4555. The Prospectus is also available on our website (www.fmifunds.com).

The following financial statements are incorporated by reference to the Annual Report, dated September 30, 2009, of FMI Large Cap Fund (File No. 811-07831) as filed with the Securities and Exchange Commission on Form N-CSR on November 13, 2009:

Statement of Assets and Liabilities
Schedule of Investments
Statement of Operations
Statements of Changes in Net Assets
Financial Highlights
Notes to Financial Statements
Report of Independent Registered Public Accounting Firm

Shareholders may obtain a copy of the Annual Report, without charge, by calling 1-800-811-5311.

FMI FUNDS, INC.

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No person has been authorized to give any information or to make any representations other than those contained in this Statement of Additional Information and the Prospectus dated January 29, 2010 and, if given or made, such information or representations may not be relied upon as having been authorized by FMI Funds, Inc.

This Statement of Additional Information does not constitute an offer to sell securities.

FUND HISTORY AND CLASSIFICATION

FMI Funds, Inc., a Maryland corporation incorporated on September 5, 1996 (the “Corporation”), is an open-end management investment company consisting of one diversified portfolio, FMI Focus Fund (the “Focus Fund”), and one non-diversified portfolio, FMI Large Cap Fund (the “Large Cap Fund”) (collectively the Focus Fund and the Large Cap Fund are referred to as the “Funds”). This Statement of Additional Information provides information about the Large Cap Fund. The Corporation is registered under the Investment Company Act of 1940 (the “1940 Act”).

INVESTMENT RESTRICTIONS

The Large Cap 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 Large Cap Fund’s shares present or represented at a shareholders meeting at which the holders of more than 50% of such shares are present or represented; or (ii) more than 50% of the outstanding shares of the Large Cap Fund.

1. The Large Cap Fund will not purchase securities on margin, participate in a joint trading account, sell securities short, or write or invest in put or call options.

2. The Large Cap Fund will not borrow money or issue senior securities except for temporary bank borrowings for emergency or extraordinary purposes, and will not purchase securities while it has any outstanding borrowings.

3. The Large Cap Fund may pledge or hypothecate its assets to secure its borrowings.

4. The Large Cap Fund will not lend money (except by purchasing publicly distributed debt securities, purchasing securities of a type normally acquired by institutional investors or entering into repurchase agreements) and will not lend its portfolio securities.

5. The Large Cap Fund will not make investments for the purpose of exercising control or management of any company.

6. The Large Cap Fund will not purchase securities of any issuer (other than the United States or an instrumentality of the United States) if, as a result of such purchase, the Large Cap Fund would hold more than 10% of any class of securities, including voting securities, of such issuer or more than 5% of the Large Cap Fund’s assets, taken at current value, would be invested in securities of such issuer, except that up to 50% of the Large Cap Fund’s total assets may be invested without regard to these limitations.

7. The Large Cap Fund will not invest 25% or more of the value of its total assets, determined at the time an investment is made, exclusive of U.S. government securities, in securities issued by companies primarily engaged in the same industry.

8. The Large Cap 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 Corporation or an officer, director or other affiliated person of its investment adviser.

9. The Large Cap Fund will not act as an underwriter or distributor of securities other than shares of the Large Cap Fund (except to the extent that the Large Cap 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).

10. The Large Cap Fund will not purchase any interest in any oil, gas or other mineral leases or any interest in any oil, gas or any other mineral exploration or development program.

11. The Large Cap Fund will not purchase or sell real estate or real estate mortgage loans or real estate limited partnerships.

12. The Large Cap Fund will not purchase or sell commodities or commodity contracts.

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

1. The Large Cap Fund will not invest more than 15% of the value of its net assets in illiquid securities.

2. The Large Cap Fund's investments in warrants will be limited to 5% of the Fund's net assets. Included within such 5%, but not to exceed 2% of the value of the Large Cap Fund's net assets, may be warrants which are not listed on either the New York Stock Exchange (the "NYSE") or the American Stock Exchange, now known as NYSE Amex Equities.

3. The Large Cap Fund will not purchase the securities of other investment companies except: (a) as part of a plan of merger, consolidation or reorganization approved by the shareholders of the Large Cap Fund; (b) securities of registered open-end investment companies; or (c) securities of registered closed-end investment companies on the open market where no commission results, other than the usual and customary broker's commission. No purchases described in (b) and (c) will be made if as a result of such purchases (i) the Large Cap 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 Large Cap Fund's net assets would be invested in shares of any one registered investment company; and (iii) more than 10% of the Large Cap Fund's net assets would be invested in shares of registered investment companies; provided, however, that the Large Cap Fund may invest in shares of money market funds in excess of the foregoing limitations, subject to the conditions of Rule 12d1-1 under the 1940 Act, including the requirement that the Large Cap Fund not pay any sales charge or service fee in connection with such investment.

The aforementioned fundamental and non-fundamental percentage restrictions on investment or utilization of assets refer to the percentage at the time an investment is made. If

these restrictions (other than those relating to borrowing of money, illiquid securities or issuing senior securities) 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 Large Cap Fund's fundamental restrictions will be deemed to have occurred. Any changes in the Large Cap Fund's investment restrictions made by the Board of Directors will be communicated to shareholders prior to their implementation.

In accordance with the requirements of Rule 35d-1 under the 1940 Act, it is a non-fundamental policy of the Large Cap Fund to normally invest at least 80% of the value of its net assets in the particular type of investment suggested by the Large Cap Fund's name. If the Corporation's Board of Directors determines to change this non-fundamental policy for the Large Cap Fund, the Large Cap Fund will provide 60 days prior notice to the shareholders before implementing the change of policy. Any such notice will be provided in plain English in a separate written document containing the following prominent statement in bold-face type: "Important Notice Regarding Change in Investment Policy." If the notice is included with other communications to shareholders, the aforementioned statement will also be included on the envelope in which the notice is delivered.

INVESTMENT CONSIDERATIONS

The Large Cap Fund's prospectus describes its principal investment strategies and risks. This section expands upon that discussion and also discusses non-principal investment strategies and risks.

The Large Cap Fund invests mainly in a limited number of large capitalization value common stocks of companies traded on a national securities exchange or listed on an automated quotation system sponsored by a national securities association. However when the Large Cap Fund's investment adviser, Fiduciary Management, Inc. (the "Adviser") believes that securities other than common stocks offer opportunity for long-term capital appreciation, the Large Cap Fund may invest in publicly distributed debt securities, preferred stocks, particularly those which are convertible into or carry rights to acquire common stocks, and warrants. The percentage limitations set forth in this section on investment considerations are not fundamental policies and may be changed without shareholder approval.

Investment Grade Investments

The Large Cap Fund may invest in publicly distributed debt securities and nonconvertible preferred stocks which offer an opportunity for growth of capital during periods of declining interest rates, when the market value of such securities in general increases. The Large Cap Fund will invest in debt securities rated at the time of purchase "Baa3" or better by Moody's Investors Service, Inc. ("Moody's"), or "BBB-" or better by Standard & Poor's Rating Service ("Standard & Poor's"). The Large Cap Fund may invest in securities with equivalent ratings from another nationally recognized rating agency and non-rated issues that are determined by the Adviser to have financial characteristics that are comparable and that are otherwise similar in quality to the rated issues it purchases. If a security is downgraded below "Baa3" or "BBB-", the Adviser will consider whether to dispose of the security. Investors should be aware that ratings are relative and subjective and are not absolute standards of quality. A description of the foregoing ratings is set forth in "Description of Securities Ratings."

Although “Baa3” and “BBB-“ rated securities are investment grade, they may have speculative characteristics.

The principal risks associated with investments in debt securities are interest rate risk and credit risk. Interest rate risk reflects the principle that, in general, the value of debt securities rises when interest rates fall and falls when interest rates rise. Longer-term obligations are usually more sensitive to interest rate changes than shorter-term obligations. Credit risk is the risk that the issuers of debt securities held by the Large Cap Fund may not be able to make interest or principal payments. Even if these issuers are able to make interest or principal payments, they may suffer adverse changes in financial condition that would lower the credit quality of the security leading to greater volatility in the price of the security.

Preferred Stocks

The Large Cap Fund may invest in preferred stocks. Preferred stocks have a preference over common stocks in liquidation (and generally dividends as well) but are subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risks while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similarly stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer’s board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Warrants

The Large Cap Fund may invest in warrants. Warrants are pure speculation in that they have no voting rights, pay no dividends and have no rights with respect to the assets of the corporation issuing them. Warrants are options to purchase equity securities at a specific price valid for a specific period of time. They do not represent ownership of the securities, but only the right to buy them. Warrants involve the risk that the Large Cap Fund could lose the purchase value of the warrant if the warrant is not exercised prior to its expiration. They also involve the risk that the effective price paid for the warrant added to the subscription price of the related security may be greater than the value of the subscribed security’s market price.

Foreign Securities

The Large Cap Fund may invest in securities of foreign issuers traded on a foreign securities exchange or in American Depositary Receipts of such issuers, but will limit its investments in such securities to 30% of its net assets. The 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, and such investments are not subject to the 30% limitation. Such investments may involve risks which are in addition to the usual risks inherent in domestic investments.

The value of the Large Cap Fund's foreign investments may be significantly affected by changes in currency exchange rates and the Large Cap 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 the Large Cap Fund's income without providing a tax credit for the Large Cap Fund's shareholders. Although the Large Cap Fund intends to invest in securities of foreign issuers domiciled in nations which the Large Cap Fund's investment adviser considers as having stable and friendly governments, there is the possibility of expropriation, confiscatory taxation, currency blockage or political or social instability which would affect investments in those nations.

American Depositary Receipts ("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.

Money Market Instruments

The Large Cap Fund may invest in cash and money market securities. The Fund may do so when taking a temporary defensive position or to have assets available to pay expenses, satisfy redemption requests or take advantage of investment opportunities. The money market securities in which the Large Cap Fund invests include conservative fixed-income securities, such as United States Treasury Bills, certificates of deposit of U.S. banks (provided that the bank has capital, surplus and undivided profits, as of the date of its most recently published annual financial statements, with a value in excess of \$100 million at the time of purchase), commercial paper rated A-1 or A-2 by Standard & Poor's, or Prime-1 or Prime-2 by Moody's, commercial paper master notes and repurchase agreements. These money market instruments are the types of investments the Large Cap Fund may make while assuming a temporary defensive position. Commercial paper master notes are unsecured promissory notes issued by corporations to finance short-term credit needs. They permit a series of short-term borrowings under a single note. Borrowings under commercial paper master notes are payable in whole or in part at any time upon demand, may be prepaid in whole or in part at any time, and bear interest at rates which are fixed to known lending rates and automatically adjusted when such known lending rates change. There is no secondary market for commercial paper master notes. The Adviser will monitor the creditworthiness of the issuer of the commercial paper master notes while any borrowings are outstanding. The principal investment risk associated

with the Large Cap Fund's investments in commercial paper and commercial paper master notes is credit risk.

The Large Cap Fund may enter into repurchase agreements with banks that are Federal Reserve Member banks and non-bank dealers of U.S. government securities which, at the time of purchase, are on the Federal Reserve Bank of New York's list of primary dealers with a capital base greater than \$100 million. 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. The Large Cap Fund will not invest over 5% of its 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 Large Cap 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 Large Cap Fund. In such event, the Large Cap 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. The principal investment risk associated with the Large Cap Fund's investments in repurchase agreements is credit risk. There is also the risk of lost opportunity if the market price of the repurchased security exceeds the repurchase price.

Portfolio Turnover

The Large Cap Fund does not trade actively for short-term profits. However, if the objectives of the Large Cap Fund would be better served, short-term profits or losses may be realized from time to time. The annual portfolio turnover rate indicates changes in the Large Cap 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 Large Cap 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 greater transaction costs (such as brokerage commissions or mark-ups or mark-downs) which the Large Cap Fund must pay and increased realized gains (or losses) to investors. Distributions to shareholders 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.

Illiquid Securities

The Large Cap 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 certain securities whose disposition would be subject to legal restrictions ("restricted securities"). However certain restricted securities that may be resold pursuant to Rule 144A under the Securities Act may be considered liquid. Rule 144A permits certain qualified institutional buyers to trade in privately placed securities not registered under the Securities Act. Institutional markets for restricted securities have developed as a result of Rule 144A, providing both readily ascertainable market values for Rule 144A securities and the ability to liquidate these securities to satisfy redemption requests. However an insufficient number of qualified institutional buyers interested in purchasing Rule 144A securities held by the Large Cap Fund could adversely affect

their marketability, causing the Large Cap Fund to sell securities at unfavorable prices. The Board of Directors of the Corporation has delegated to the Adviser the day-to-day determination of the liquidity of a security although it has retained oversight and ultimate responsibility for such determinations. Although no definite quality criteria are used, the Board of Directors has directed the Adviser to consider such factors as (i) the nature of the market for a security (including the institutional private resale markets); (ii) the terms of these securities or other instruments allowing for the disposition to a third party or the issuer thereof (*e.g.* certain repurchase obligations and demand instruments); (iii) the availability of market quotations; and (iv) other permissible factors.

Restricted securities may be sold in privately negotiated or other exempt transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act. When registration is required, the Large Cap Fund may be obligated to pay all or part of the registration expenses and a considerable time may elapse between the decision to sell and the sale date. If, during such period, adverse market conditions were to develop, the Large Cap Fund might obtain a less favorable price than the price which prevailed when it decided to sell. Restricted securities will be priced at fair value as determined in good faith by the Board of Directors.

DISCLOSURE OF PORTFOLIO HOLDINGS

The Large Cap Fund maintains written policies and procedures as described below regarding the disclosure of its portfolio holdings to ensure that disclosure of information about portfolio securities is in the best interests of the Large Cap Fund's shareholders. The Large Cap Fund's Chief Compliance Officer will report periodically to the Board of Directors with respect to compliance with the Fund's portfolio holdings disclosure procedures. The Board of Directors or the Fund's Chief Compliance Officer may authorize the disclosure of the Large Cap Fund's portfolio holdings prior to the public disclosure of such information.

The Large Cap Fund may not receive any compensation for providing its portfolio holdings information to any category of persons. The Large Cap Fund generally does not provide its portfolio holdings to rating and ranking organizations until the portfolio holdings have been disclosed on the Fund's website as described below. The Large Cap Fund may not pay any of these rating and ranking organizations. The disclosure of the Large Cap Fund's portfolio holdings to Fund service providers is discussed below.

There may be instances where the interests of the shareholders of the Large Cap Fund respecting the disclosure of information about portfolio securities may conflict with the interests of the Adviser or an affiliated person of the Fund. In such situations, the Fund's Chief Compliance Officer will bring the matter to the attention of the Board of Directors, and the Board will determine whether or not to allow such disclosure.

Disclosure to Fund Service Providers

The Large Cap Fund has entered into arrangements with certain third party service providers for services that require these groups to have access to the Large Cap Fund's portfolio holdings from time to time, on an ongoing basis. As a result, such third party service providers will receive portfolio holdings information prior to and more frequently than the public

disclosure of such information, but only on an as needed basis in connection with their services to the Large Cap Fund. In each case, the Large Cap Fund’s Board of Directors has determined that such advance disclosure is supported by a legitimate business purpose and that the recipient is subject to a duty to keep the information confidential. These third party service providers are the Large Cap Fund’s administrator and transfer agent, U.S. Bancorp Fund Services, LLC (“USBFS”), the Large Cap Fund’s independent registered public accountants, PricewaterhouseCoopers LLP, the Large Cap Fund’s legal counsel, Foley and Lardner LLP, and the Large Cap Fund’s custodian, U.S. Bank, N.A. The Large Cap Fund may also provide non-public portfolio holdings information to the Large Cap Fund’s financial printer in connection with the preparation, distribution and filing of the Large Cap Fund’s financial reports and public filings.

Website Disclosure

The complete portfolio holdings for the Fund are publicly available on the Fund’s website (www.fmifunds.com) approximately 10 business days after the end of each quarter. In addition, top ten holdings information for the Fund is publicly available on the Fund’s website approximately 10 to 45 business days after the end of each quarter.

DIRECTORS AND OFFICERS OF THE CORPORATION

As a Maryland corporation, the business and affairs of the Corporation are managed by its officers under the direction of its Board of Directors. Certain important information with respect to each of the current directors and officers of the Corporation are as follows:

Interested Directors

<u>Name, Address, Age and Position(s)</u>	<u>Term of Office, Length of Time Served and Number of Portfolios in Fund Complex Overseen</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Director</u>
Patrick J. English, ⁽¹⁾ 49 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Director and Vice President	Director since 2001 (Indefinite term); Vice President since 2001 (One year term); 3 Portfolios	Mr. English is President, Chief Investment Officer and Treasurer of Fiduciary Management, Inc. and, since December 1986, has been employed by the Adviser in various capacities.	FMI Common Stock Fund, Inc.
Ted D. Kellner, ⁽¹⁾ 63 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Director, President and Treasurer	Director since 2001 (Indefinite term); President and Treasurer since 2001 (One year term for each office); 3 Portfolios	Mr. Kellner is Chairman of the Board and Chief Executive Officer of Fiduciary Management, Inc. which he co-founded in 1980.	Marshall & Ilsley Corporation and FMI Common Stock Fund, Inc.

Interested Directors

Name, Address, Age and Position(s)	Term of Office, Length of Time Served and Number of Portfolios in Fund Complex Overseen	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director
Richard E. Lane, ⁽¹⁾ 54 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Director	Director since 2001 (Indefinite term); 2 Portfolios	Mr. Lane is President of Broadview Advisors, LLC, the sub-adviser to the Focus Fund.	None

⁽¹⁾ Messrs. English, Kellner and Lane are directors who are “interested persons” of the Corporation as that term is defined in the 1940 Act. Messrs. English and Kellner are “interested persons” of the Corporation because they are officers of the Corporation and the Large Cap Fund’s investment adviser, and Mr. Lane is an “interested person” of the Corporation because he is an officer of the Focus Fund’s sub-adviser.

Non-Interested Directors

Name, Address, Age and Position(s)	Term of Office, Length of Time Served and Number of Portfolios in Fund Complex Overseen	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director
Barry K. Allen, 61 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Director	Director since 2001 (Indefinite term); 4 Portfolios	Mr. Allen is President of Allen Enterprises, LLC (Boca Grande, FL), a private equity investments and management company; Senior Advisor for Providence Equity Partners (Providence, RI) since September 2007. He was Executive Vice President of Qwest Communications International, Inc. (Denver, CO), a global communications company, from September 2002 to June 2007.	BCE, Inc. (Bell Canada Enterprise), Harley-Davidson, Inc., FMI Common Stock Fund, Inc. and FMI Mutual Funds, Inc.

Non-Interested Directors

Name, Address, Age and Position(s)	Term of Office, Length of Time Served and Number of Portfolios in Fund Complex Overseen	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director
<p>Robert C. Arzbaeher, 50 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Director</p>	<p>Director since 2007 (Indefinite term); 4 Portfolios</p>	<p>Mr. Arzbaeher is President and Chief Executive Officer of Actuant Corporation (Butler, WI), a manufacturer of a broad range of industrial products and systems since August 2000, and, since January 2002, has been the Chairman of the Board of Directors of Actuant Corporation.</p>	<p>Actuant Corporation, CF Industries Holdings, Inc., FMI Common Stock Fund, Inc., and FMI Mutual Funds, Inc.</p>
<p>Gordon H. Gunnlaugsson, 65 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Director</p>	<p>Director since 2001 (Indefinite term); 4 Portfolios</p>	<p>Mr. Gunnlaugsson retired from Marshall & Ilsley Corporation (Milwaukee, WI) in December 2000.</p>	<p>FMI Common Stock Fund, Inc. and FMI Mutual Funds, Inc.</p>
<p>Paul S. Shain, 47 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Director</p>	<p>Director since 2001 (Indefinite term); 4 Portfolios</p>	<p>Mr. Shain is President and Chief Executive Officer of Singlewire Software, LLC (Madison, WI), a provider of IP-based paging and emergency notification systems. Prior to joining Singlewire in April 2009, Mr. Shain was Senior Vice President of CDW Corporation (Vernon Hills, IL) and Chief Executive Officer of Berbee Information Networks, a strategic business unit of CDW which CDW acquired in 2006. Mr. Shain was employed in various capacities by CDW and Berbee Information Networks from January 2000 to October 2008.</p>	<p>FMI Common Stock Fund, Inc. and FMI Mutual Funds, Inc.</p>

Other Officers

Name, Address, Age and Position(s)	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Officer
John S. Brandser, 48 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Vice President	Vice President since 2008 (One year term)	Mr. Brandser is Executive Vice President, Secretary, Chief Operating Officer and Chief Compliance Officer of Fiduciary Management, Inc. and, since March 1995, has been employed by the Adviser in various capacities.	FMI Common Stock Fund, Inc. and FMI Mutual Funds, Inc.
Kathleen M. Lauters, 57 c/o Fiduciary Management, Inc. 100 E. Wisconsin Avenue Suite 2200 Milwaukee, WI 53202 Chief Compliance Officer	Chief Compliance Officer since 2004 (at Discretion of Board)	Since September 2004, Ms. Lauters has been the Fund's Chief Compliance Officer.	None

Committees

The Corporation's Board of Directors has created an audit committee whose members consist of Messrs. Allen, Arzbaeher, Gunnlaugsson and Shain, all of whom are non-interested directors. The primary functions of the audit committee are to recommend to the Board of Directors the independent auditors to be retained to perform the annual audit of the Funds, to review the results of the audit, to review the Funds' internal controls and to review certain other matters relating to the Funds' auditors and financial records. The Corporation's Board of Directors has no other committees. The Corporation's Board of Directors met four times during the fiscal year ended September 30, 2009, and all of the directors attended each of those meetings, except for Mr. Lane who attended three meetings. The audit committee met once during the fiscal year ended September 30, 2009, and all of the members attended that meeting.

Compensation

During the fiscal year ended September 30, 2009, the Corporation paid a total of \$69,000 in director's fees. The Corporation's standard method of compensating directors is to pay each director who is not an officer of the Corporation a fee of \$3,500 for each meeting of the Board of Directors attended, and each member of the audit committee an annual fee of \$1,900.

The following table sets forth the aggregate compensation paid by the Corporation to each of the directors of the Corporation for the fiscal year ended September 30, 2009 and total compensation paid by the Corporation and the Fund Complex to each of the directors of the Corporation for the fiscal year ended September 30, 2009.

COMPENSATION TABLE

<u>Name of Person</u>	<u>Aggregate Compensation from Corporation</u>	<u>Pension or Retirement Benefits Accrued as Part of Fund Expenses</u>	<u>Estimated Annual Benefits Upon Retirement</u>	<u>Total Compensation from Corporation and Fund Complex Paid to Directors⁽¹⁾</u>
Interested Directors				
Patrick J. English	\$ 0	\$ 0	\$ 0	\$ 0
Ted D. Kellner	0	0	0	0
Richard E. Lane	0	0	0	0
Non-Interested Directors				
Barry K. Allen	\$15,900	\$ 0	\$ 0	\$25,000
Robert C. Arzbaecher	\$15,900	\$ 0	\$ 0	\$25,000
George D. Dalton ⁽²⁾	\$5,400	\$ 0	\$ 0	\$8,500
Gordon H. Gunnlaugsson	\$15,900	\$ 0	\$ 0	\$25,000
Paul S. Shain	\$15,900	\$ 0	\$ 0	\$25,000

⁽¹⁾ The Large Cap Fund and the Focus Fund (the portfolios of FMI Funds, Inc.), the FMI Common Stock Fund (the sole portfolio of FMI Common Stock Fund, Inc.), and the FMI Provident Trust Strategy Fund (the sole portfolio of FMI Mutual Funds, Inc.) comprise a “fund complex,” as such term is defined in the 1940 Act.

⁽²⁾ Retired as Director at December 19, 2008 Board meeting.

Code of Ethics

The Corporation and the Adviser have adopted separate codes of ethics pursuant to Rule 17j-1 under the 1940 Act. Each code of ethics permits personnel subject thereto to invest in securities, including securities that may be purchased or held by the Large Cap Fund, subject to certain conditions. Each 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 the Large Cap Fund or is being purchased or sold by the Large Cap Fund.

Proxy Voting Policies

The Fund votes proxies in accordance with the Adviser’s proxy voting policy. In general the Adviser votes proxies in a manner that it believes best protects the interests of the holders of common stock of the issuer. The Adviser generally votes in favor of the re-election of directors and the appointment of auditors. The Adviser generally votes against poison pills, green mail, super majority voting provisions, golden parachute arrangements, staggered board arrangements and the creation of classes of stock with superior voting rights. The Adviser generally votes in favor of maintaining preemptive rights for shareholders and cumulative voting rights. Whether or not the Adviser votes in favor of or against a proposal to a merger, acquisition or spin-off depends on its evaluation of the impact of the transaction on the common stockholder over a two to three year time horizon. The Adviser generally votes in favor of

transactions paying what it believes to be a fair price in cash or liquid securities and against transactions which do not. The Adviser generally votes against traditional stock option plans unless the absolute amount is low and the options are earmarked to lower level employees. The Adviser generally votes in favor of compensation plans that encourage outright ownership of stock provided that they are based on tangible operating performance metrics and management is not excessively compensated. The Adviser generally supports management with respect to social issues (i.e. issues relating to the environment, labor, etc.)

In the event that a vote presents a conflict of interest between the interests of the Fund and the Adviser, the Adviser will vote with management on those issues for which brokerage firms are allowed to vote without customer approval under the rules of the NYSE. On other issues, the Adviser will disclose the conflict to the Board of Directors and vote as the Board of Directors directs. If the Adviser receives no direction from the Board of Directors, the Adviser will abstain from voting.

Information on how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available at the Fund's website at <http://www.fmifunds.com> or the website of the Securities and Exchange Commission (the "SEC") at <http://www.sec.gov>.

DOLLAR RANGE OF FUND SHARES

The following table describes the dollar range of equity securities of the Large Cap Fund beneficially owned by each current director as of December 31, 2009, which is also the valuation date:

<u>Name of Director or Nominee</u>	<u>Dollar Range of Equity Securities in the Fund</u>	<u>Aggregate Dollar Range of Equity Securities in All Funds Overseen by Director in Family of Investment Companies⁽¹⁾</u>
Interested Directors		
Patrick J. English	Over \$100,000	Over \$100,000
Ted D. Kellner	Over \$100,000	Over \$100,000
Richard E. Lane	\$50,001-\$100,000	Over \$100,000
Non-Interested Directors		
Barry K. Allen	Over \$100,000	Over \$100,000
Robert C. Arzbaeher	Over \$100,000	Over \$100,000
Gordon H. Gunnlaugsson	Over \$100,000	Over \$100,000
Paul S. Shain	Over \$100,000	Over \$100,000

⁽¹⁾ The funds included are the Large Cap Fund, the Focus Fund, the FMI Common Stock Fund and the FMI Provident Trust Strategy Fund.

PRINCIPAL SHAREHOLDERS

Set forth below are the names and addresses of all holders of the Large Cap Fund's Common Stock who as of December 31, 2009 owned of record or beneficially owned more than 5% of the then outstanding shares of the Large Cap Fund's Common Stock.

<u>Name and Address</u>	<u>Percent of Fund</u>
Charles Schwab & Co. Inc. ⁽¹⁾ Reinvest Account 101 Montgomery Street San Francisco, CA 94104-4151	36.98%
Strafe & Co. ⁽²⁾ P.O. Box 160 Westerville, OH 43086-0160	28.57%

National Financial Services LLC⁽¹⁾ 17.06%
FBO The Exclusive Benefit of Customers
200 Liberty Street
New York, NY 10281-1003

Pershing, LLC⁽¹⁾ 7.08%
P.O. Box 2052
Jersey City, NJ 07303-2052

⁽¹⁾ Owner of record only.

⁽²⁾ Strafe & Co. is a subsidiary or affiliate of J.P. Morgan Chase. The shares are held for the benefit of underlying accounts for which Strafe & Co. may have voting or investment power. Specifically, 28.49% of outstanding shares are held at J.P. Morgan Chase Bank and 0.08% of outstanding shares are held at J.P. Morgan Securities Inc. for the benefit of their clients.

As of December 31, 2009, the Officers and Director as a group owned less than 1% of the outstanding shares of the Fund.

Due to the share ownership of Strafe & Co., J.P. Morgan Chase may be deemed to be a “controlling person” of the Large Cap Fund under the 1940 Act. The Corporation does not control any person. Shareholders with a controlling interest could affect the outcome of proxy voting or the direction of management of the Large Cap Fund.

INVESTMENT ADVISER, PORTFOLIO MANAGEMENT COMMITTEE AND ADMINISTRATOR

The investment adviser to the Large Cap Fund is Fiduciary Management, Inc. (the “Adviser”).

Investment Adviser

The Adviser is a Wisconsin corporation and a registered investment adviser. The Adviser is controlled by Ted D. Kellner. The Adviser’s executive officers include Mr. Ted D. Kellner, Chairman of the Board and Chief Executive Officer; Mr. Patrick J. English, President, Chief Investment Officer and Treasurer; Mr. John S. Brandser, Executive Vice President, Secretary, Chief Operating Officer and Chief Compliance Officer; and Mr. Bladen J. Burns, Senior Vice President. The directors of the Adviser are Messrs. Kellner, English and Brandser.

Pursuant to an investment advisory agreement between the Large Cap Fund and the Adviser (the “Advisory Agreement”), the Adviser furnishes continuous investment advisory services to the Large Cap Fund. The Adviser supervises and manages the investment portfolio of the Large Cap Fund and, subject to such policies as the Board of Directors may determine, directs the purchase or sale of investment securities in the day-to-day management of the Large Cap Fund’s investment portfolio. Under the Advisory Agreement, the Adviser, at its own expense and without reimbursement from the Large Cap Fund, furnishes office space and all necessary office facilities, equipment and executive personnel for managing the Large Cap Fund’s investments, and bears all sales and promotional expenses of the Large Cap Fund, other than distribution expenses paid by the Large Cap Fund pursuant to the Large Cap Fund’s Service

and Distribution Plan, if any, and expenses incurred in complying with laws regulating the issue or sale of securities. For the foregoing, the Adviser receives an annual fee of 0.75% of the daily net assets of the Fund. During the fiscal years ended September 30, 2009, 2008 and 2007, the Large Cap Fund paid the Adviser advisory fees of \$11,801,546, \$5,724,895 and \$3,129,297, respectively.

The Large Cap Fund pays all of its expenses not assumed by the Adviser pursuant to the Advisory Agreement or the administration agreement, including, but not limited to, the professional costs of preparing and the cost of printing its registration statements required under the Securities Act and the 1940 Act and any amendments thereto, the expense of registering its shares with the SEC and in the various states, the printing and distribution cost of prospectuses mailed to existing shareholders, director and officer liability insurance, reports to shareholders, reports to government authorities and proxy statements, interest charges, and brokerage commissions and expenses in connection with portfolio transactions. The Large Cap Fund also pays the fees of directors who are not interested persons of the Adviser or officers or employees of the Large Cap Fund, salaries of administrative and clerical personnel, association membership dues, auditing and accounting services, fees and expenses of any custodian or trustees having custody of the Large Cap Fund's assets, expenses of repurchasing and redeeming shares, printing and mailing expenses, charges and expenses of dividend disbursing agents, registrars and stock transfer agents, including the cost of keeping all necessary shareholder records and accounts and handling any problems related thereto.

The Adviser has undertaken to reimburse the Large Cap Fund to the extent that the aggregate annual operating expenses, including the investment advisory fee and the administration fee but excluding interest, reimbursement payments to securities lenders for dividend and interest payments on securities sold short, taxes, brokerage commissions and extraordinary items, exceed that percentage of the average net assets of the Large Cap 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 its shares are qualified for sale or, if the states in which its shares are qualified for sale impose no such restrictions, 1.20%. In addition to the reimbursement required under the Advisory Agreement, the Adviser voluntarily reimbursed the Large Cap Fund to the extent necessary to insure that the expenses of the Large Cap Fund did not exceed 1.00% of the Large Cap Fund's average net assets for the fiscal years ended 2009, 2008 and 2007. As of the date of this Statement of Additional Information, the shares of the Large Cap Fund are not qualified for sale in any state which imposes an expense limitation. Accordingly, the percentage applicable to the Large Cap Fund is 1.20%. The Large Cap Fund monitors its expense ratio on a monthly basis. If the accrued amount of the expenses of the Large Cap Fund exceeds the expense limitation, the Large Cap Fund creates an account receivable from the Adviser for the amount of such excess. No expense reimbursement was required during the fiscal year ended September 30, 2009. During the fiscal years ended September 30, 2008 and 2007, the Adviser reimbursed the Large Cap Fund \$131,118 and \$129,360, respectively, for excess expenses.

The Advisory Agreement will remain in effect as long as its continuance is specifically approved at least annually by (i) the Board of Directors of the Corporation, or by the vote of a majority (as defined in the 1940 Act) of the outstanding shares of the Large Cap Fund, and (ii) by the vote of a majority of the directors of the Corporation 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.

The benefits derived by the Adviser from soft dollar arrangements are described under the caption “Allocation of Portfolio Brokerage.” None of the non-interested directors, nor 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.

Portfolio Management Committee

The Fund’s investment decisions are made by a Portfolio Management Committee (“PMC”). The investment process employed by the PMC is team-based utilizing primarily in-house, fundamental research, and the PMC as a whole, not any individual PMC member, is primarily responsible for the day-to-day management of the Fund’s portfolio. These portfolio managers to the Large Cap Fund may have responsibility for the day-to-day management of accounts other than the Large Cap Fund. Information regarding these other accounts is set forth on the next page. The number of accounts and assets (in millions) shown is as of September 30, 2009.

Name of PMC Member	Number of Other Accounts Managed and Total Assets by Account Type			Number of Accounts and Total Assets for Which Advisory Fee is Performance-Based		
	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Ted D. Kellner	2	5	628	--	--	1
	\$1,184.7	\$191.8	\$2,679.1	\$--	\$--	\$69.2
Patrick J. English	2	5	628	--	--	1
	\$1,184.7	\$191.8	\$2,679.1	\$--	\$--	\$69.2
John S. Brandser	2	5	628	--	--	1
	\$1,184.7	\$191.8	\$2,679.1	\$--	\$--	\$69.2
Matthew J. Goetzinger	2	5	628	--	--	1
	\$1,184.7	\$191.8	\$2,679.1	\$--	\$--	\$69.2
Robert M. Helf	2	5	628	--	--	1
	\$1,184.7	\$191.8	\$2,679.1	\$--	\$--	\$69.2
Karl T. Poehls	2	5	628	--	--	1
	\$1,184.7	\$191.8	\$2,679.1	\$--	\$--	\$69.2

Andy P. Ramer	2	5	628	--	--	1
	\$1,184.7	\$191.8	\$2,679.1	\$--	\$--	\$69.2
Daniel G. Sievers	2	5	628	--	--	1
	\$1,184.7	\$191.8	\$2,679.1	\$--	\$--	\$69.2

The portfolio managers of the Large Cap Fund 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, the side-by-side management of the Large Cap Fund and other accounts may raise potential conflicts of interest due to the interest held by the portfolio managers (for example, cross trades between the Large Cap 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 designed to ensure the fair allocation of securities purchased on an aggregated basis.

The portfolio managers are compensated in various forms. The portfolio managers' salary, bonus or retirement plan benefits are not based on the performance of the Fund or the value of the Fund's assets. The table below outlines the forms of compensation paid to each portfolio manager as of September 30, 2009.

<u>Name of PMC Member</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>
Ted D. Kellner	Salary	Adviser	Mr. Kellner's salary is based upon the revenues of the Adviser. The type of account and source of the revenues has no bearing upon the salary except insofar as they affect the revenues of the company.
Patrick J. English	Salary	Adviser	Mr. English's salary is based upon the revenues of the Adviser. The type of account and source of the revenues has no bearing upon the salary except insofar as they affect the revenues of the company.
John S. Brandser	Salary/Bonus	Adviser	Mr. Brandser's salary and bonus are based upon the management fees of the Adviser. The type of account has no bearing upon the salary and bonus except insofar as they affect the revenues of the company.
Matthew J. Goetzinger	Salary/Bonus	Adviser	Mr. Goetzinger's salary and bonus are based upon the management fees of the Adviser. The type of account has no bearing upon the salary and bonus except insofar as they affect the revenues of the company.
Robert M. Helf	Salary/Bonus	Adviser	Mr. Helf's salary and bonus are based upon the management fees of the Adviser. The type of account has no bearing upon the salary and bonus except insofar as they affect

			the revenues of the company.
Karl T. Poehls	Salary/Bonus	Adviser	Mr. Poehls' salary and bonus are based upon the management fees of the Adviser. The type of account has no bearing upon the salary and bonus except insofar as they affect the revenues of the company.
Andy P. Ramer	Salary/Bonus	Adviser	Mr. Ramer's salary and bonus are based upon the management fees of the Adviser. The type of account has no bearing upon the salary and bonus except insofar as they affect the revenues of the company.
Daniel G. Sievers	Salary/Bonus	Adviser	Mr. Sievers' salary and bonus are based upon the management fees of the Adviser. The type of account has no bearing upon the salary and bonus except insofar as they affect the revenues of the company.

<u>Name of PMC Member</u>	<u>Dollar Range of Equity Securities in the Large Cap Fund</u>	<u>Aggregate Dollar Range of Equity Securities in all Registered Investment Companies Overseen by Portfolio Manager in Family of Investment Companies*</u>
Ted Kellner	Over \$1,000,000	Over \$1,000,000
Patrick J. English	Over \$1,000,000	Over \$1,000,000
John S. Brandser	\$100,001-\$500,000	\$500,001-\$1,000,000
Matthew J. Goetzinger	\$50,001-\$100,000	\$500,001-\$1,000,000
Robert M. Helf	\$100,001-\$500,000	\$500,001-\$1,000,000
Karl T. Poehls	\$10,001-\$50,000	\$50,001-\$100,000
Andy P. Ramer	\$100,001-\$500,000	\$500,001-\$1,000,000
Daniel G. Sievers	None	None

* The funds that comprise the "Family of Investment Companies" are the Large Cap Fund, the Focus Fund, the FMI Common Stock Fund and the FMI Provident Trust Strategy Fund.

Administrator

Before October 1, 2009, the Adviser served as administrator to the Large Cap Fund under a prior administration agreement. The mutual fund administration and accounting servicing division of the Adviser was acquired by USBFS on October 1, 2009 and effective October 1, 2009, USBFS serves as administrator to the Fund. In connection with its duties as administrator, USBFS prepares and maintains the books, accounts and other documents required by the 1940 Act, calculates the Large Cap Fund's net asset value, responds to shareholder inquiries, prepares the Large Cap Fund's financial statements, prepares reports and filings with the SEC and with state Blue Sky authorities, furnishes statistical and research data, clerical, accounting and bookkeeping services and stationery and office supplies, keeps and maintains the Large Cap Fund's financial accounts and records and generally assists in all aspects of the Large Cap Fund's operations. For the foregoing, USBFS receives an annual fee of 0.20% on the first

\$30,000,000 of the average daily net assets of the Large Cap Fund, 0.10% on the next \$70,000,000 of the average daily net assets of the Large Cap Fund, and 0.05% on the average daily net assets of the Large Cap Fund in excess of \$100,000,000.

During the fiscal years ended September 30, 2009, 2008 and 2007, the Large Cap Fund paid the Adviser fees of \$870,167, \$466,854 and \$293,780, respectively, pursuant to the prior administration agreement.

Term of Agreements and Liability

The Advisory Agreement provides that it may be terminated at any time without the payment of any penalty, by the Board of Directors of the Corporation or by vote of a majority of the Large Cap Fund's shareholders, on sixty days written notice to the Adviser, and by the Adviser on the same notice to the Corporation and that it shall be automatically terminated if it is assigned.

The administration agreement will remain in effect for a period of three years. Subsequent to the initial three-year term, this agreement may be terminated by either the Large Cap Fund or USBFS upon giving 90 days prior written notice and authorized or approved by the Board of Directors.

The Advisory Agreement and the administration agreement provide that neither the Adviser nor USBFS shall be liable to the Large Cap Fund or its shareholders for anything other than willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations or duties. The Advisory Agreement and the administration agreement also provide that the Adviser, USBFS 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.

DETERMINATION OF NET ASSET VALUE

The net asset value of the Large Cap Fund will normally be determined as of the close of regular trading (4:00 P.M. Eastern Time) on each day the NYSE is open for trading. The NYSE is open for trading Monday through Friday except New Year's Day, Dr. 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 NYSE will not be open for trading on the preceding Friday and when any such holiday falls on a Sunday, the NYSE will not be open for trading on the succeeding Monday, unless unusual business conditions exist, such as the ending of a monthly or the yearly accounting period.

The Large Cap Fund's net asset value per share is determined by dividing the total value of its investments and other assets, less any liabilities, by the number of its outstanding shares. In determining the net asset value of the Large Cap Fund's shares, securities that are listed on a national securities exchange (other than The NASDAQ OMX Group, Inc., referred to as NASDAQ) are valued at the last sale price on the day the valuation is made. Securities that are traded on NASDAQ under one of its three listing tiers, NASDAQ Global Select Market, NASDAQ Global Market and NASDAQ Capital Market, are valued at the Nasdaq Official

Closing Price. Securities price information on listed stocks is taken from the exchange where the security is primarily traded. Securities which are listed on an exchange but which are not traded on the valuation date are valued at the most recent bid prices.

Any securities for which there are no readily available market quotations, will be valued at their fair value pursuant to procedures established by and under the supervision of the Board of Directors. The fair value of a security is the amount which the Large Cap Fund might reasonably expect to receive upon a current sale. The fair value of a security may differ from the last quoted price and the Large Cap Fund may not be able to sell a security at the fair value. Market quotations may not be available, for example, if trading in particular securities was halted during the day and not resumed prior to the close of trading on the NYSE. Short-term debt instruments (those with remaining maturities of 60 days or less) are valued at amortized cost, which approximates market. Other types of securities that the Fund may hold for which fair value pricing might be required include, but are not limited to: (a) illiquid securities; (b) securities of an issuer that has entered into a restructuring; and (c) securities whose trading has been halted or suspended.

DISTRIBUTION OF SHARES

The Large Cap Fund has adopted a Service and Distribution Plan (the “Plan”) in anticipation that the Large Cap Fund will benefit from the Plan through increased sales of shares, thereby reducing the Large Cap Fund’s expense ratio and providing greater flexibility in portfolio management. The Plan authorizes payments by the Large Cap Fund in connection with the distribution of its shares at an annual rate, as determined from time to time by the Board of Directors, of up to 0.25% of the Large Cap Fund’s average daily net assets. Payments made pursuant to the Plan may only be used to pay distribution expenses in the year incurred. Amounts paid under the Plan by the Large Cap Fund may be spent by the Large Cap Fund on any activities or expenses primarily intended to result in the sale of shares of the Large Cap Fund, including but not limited to, advertising, compensation for sales and marketing activities of financial institutions and others such as dealers and distributors, shareholder account servicing, the printing and mailing of prospectuses to other than current shareholders and the printing and mailing of sales literature.

The Plan permits the Large Cap Fund to employ a distributor of its shares, in which event payments under the Plan will be made to the distributor and may be spent by the distributor on any activities or expenses primarily intended to result in the sale of shares of the Large Cap Fund, including but not limited to, compensation to, and expenses (including overhead and telephone expenses) of, employees of the distributor who engage in or support distribution of the Large Cap Fund’s shares, printing of prospectuses and reports for other than existing shareholders, advertising and preparation and distribution of sales literature. Allocation of overhead (rent, utilities, etc.) and salaries will be based on the percentage of utilization in, and time devoted to, distribution activities. If a distributor is employed by the Large Cap Fund, the distributor will directly bear all sales and promotional expenses of the Large Cap Fund, other than expenses incurred in complying with laws regulating the issue or sale of securities. (In such event, the Large Cap Fund will indirectly bear sales and promotional expenses to the extent it makes payments under the Plan.) The Large Cap Fund has no present plans to employ a distributor. Pending the employment of a distributor, the Large Cap Fund’s distribution expenses will be authorized by the officers of the Corporation. To the extent any activity is one

which the Large Cap Fund may finance without a plan pursuant to Rule 12b-1, the Large Cap Fund may also make payments to finance such activity outside of the Plan and not subject to its limitations.

The Plan may be terminated by the Large Cap Fund at any time by a vote of the directors of the Corporation who are not interested persons of the Corporation and who have no direct or indirect financial interest in the Plan or any agreement related thereto (the “Rule 12b-1 Directors”) or by a vote of a majority of the outstanding shares of the Large Cap Fund. Messrs. Allen, Arzbaeher, Gunnlaugsson and Shain are currently the Rule 12b-1 Directors. Any change in the Plan that would materially increase the distribution expenses of the Large Cap Fund provided for in the Plan requires approval of the shareholders of the Large Cap Fund and the Board of Directors, including the Rule 12b-1 Directors.

While the Plan is in effect, the selection and nomination of directors who are not interested persons of the Corporation will be committed to the discretion of the directors of the Corporation who are not interested persons of the Corporation. The Board of Directors of the Corporation must review the amount and purposes of expenditures pursuant to the Plan quarterly as reported to it by a Distributor, if any, or officers of the Corporation. The Plan will continue in effect for as long as its continuance is specifically approved at least annually by the Board of Directors, including the Rule 12b-1 Directors. The Large Cap Fund has not incurred any distribution costs as of the date of this Statement of Additional Information.

AUTOMATIC INVESTMENT PLAN

Shareholders wishing to invest fixed dollar amounts in the Large Cap Fund monthly or quarterly can make automatic purchases in amounts of \$50 or more on any day they choose by using the Corporation’s Automatic Investment Plan. If such day is a weekend or holiday, such purchase shall be made on the next business day. There is no service fee for participating in this Plan. To use this service, the shareholder must authorize the transfer of funds from their checking account or savings account by completing the Automatic Investment Plan application included as part of the share purchase application. Additional application forms may be obtained by calling the Corporation’s office at (414) 226-4555. The Automatic Investment Plan must be implemented with a financial institution that is a member of the Automated Clearing House. The Corporation reserves the right to suspend, modify or terminate the Automatic Investment Plan without notice. If your bank rejects your payment, the Fund’s transfer agent will charge \$25 fee to your account.

Shareholders should notify the transfer agent, USBFS, of any changes to their Automatic Investment Plan at least five calendar days prior to the effective date. The transfer agent is unable to debit mutual fund or “pass through” accounts.

The Automatic Investment Plan is designed to be a method to implement dollar cost averaging. Dollar cost averaging is an investment approach providing for the investment of a specific dollar amount on a regular basis thereby precluding emotions dictating investment decisions. Dollar cost averaging does not insure a profit nor protect against a loss.

REDEMPTION OF SHARES

The right to redeem shares of the Large Cap Fund will be suspended for any period during which the NYSE is closed because of financial conditions or any other extraordinary reason and may be suspended for any period during which (a) trading on the NYSE is restricted pursuant to rules and regulations of the SEC, (b) the SEC has by order permitted such suspension, or (c) an emergency, as defined by rules and regulations of the SEC, exists as a result of which it is not reasonably practicable for the Large Cap Fund to dispose of its securities or fairly to determine the value of its net assets.

EXCHANGE PRIVILEGE

Investors may exchange shares of the Large Cap Fund for shares of the Focus Fund, FMI Common Stock Fund, the FMI Provident Trust Strategy Fund and the First American Prime Obligations Fund at their net asset value and at a later date exchange such shares and shares purchased with reinvested dividends for shares of the Fund at net asset value (provided that if an exchange is made to the FMI Common Stock Fund, the shareholder is a current shareholder of the FMI Common Stock Fund, as the FMI Common Stock Fund is closed to new investors). Investors who are interested in exercising the exchange privilege should first contact the Fund to obtain instructions and any necessary forms, including a prospectus of the aforementioned funds. The exchange privilege does not in any way constitute an offering of, or recommendation on the part of the Fund or the Adviser of, an investment in the Focus Fund, FMI Common Stock Fund, the FMI Provident Trust Strategy Fund or the First American Prime Obligations Fund, as applicable.

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 Large Cap Fund or (ii) the proceeds from redemption of the shares of the Focus Fund, the FMI Common Stock Fund, the FMI Provident Trust Strategy Fund or the First American Prime Obligations Fund, as applicable, are not immediately reinvested in shares of the Large Cap Fund, the Focus Fund, the FMI Common Stock Fund, the FMI Provident Trust Strategy Fund or the First American Prime Obligations 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 Fund upon at least 60 days prior notice to investors.

For federal income tax purposes, a redemption of shares of the Large Cap 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.

SYSTEMATIC WITHDRAWAL PLAN

The Corporation has available to shareholders a Systematic Withdrawal Plan, pursuant to which a shareholder who owns shares of the Large Cap Fund worth at least \$10,000 at current net asset value may provide that a fixed sum will be distributed to him or her at regular intervals. To participate in the Systematic Withdrawal Plan, a shareholder deposits his or her shares with the Corporation and appoints it as his or her agent to effect redemptions of shares held in his or her account for the purpose of making monthly or quarterly withdrawal payments

of a fixed amount to him or her out of the account. To utilize the Systematic Withdrawal Plan, the shares cannot be held in certificate form. The Systematic Withdrawal Plan does not apply to shares of the Large Cap Fund held in Individual Retirement Accounts or retirement plans. An application for participation in the Systematic Withdrawal Plan is included as part of the share purchase application. Additional application forms may be obtained by calling the Corporation's office at (414) 226-4555.

The minimum amount of a withdrawal payment is \$100. These payments will be made from the proceeds of periodic redemption of Large Cap Fund shares in the account at net asset value. Redemptions will be made on such day (no more than monthly) as a shareholder chooses or, if that day is a weekend or holiday, on the next business day. When participating in the Systematic Withdrawal Plan, shareholders should elect to have all income dividends and capital gains distributions payable by the Large Cap Fund on shares held in such account reinvested into additional Fund shares at net asset value. This election can be made at the time of application or can be changed at any time. The shareholder may deposit additional shares in his or her account at any time.

Withdrawal payments cannot be considered as yield or income on the shareholder'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 Large Cap Fund's portfolio, redemptions for the purpose of making such disbursements may reduce or even exhaust the shareholder's account.

Shareholders should notify the transfer agent, USBFS, of any other changes to their Systematic Withdrawal Plan at least five calendar days prior to the effective date. The shareholder may vary the amount or frequency of withdrawal payments, temporarily discontinue them, or change the designated payee or payee's address, by notifying USBFS, the Large Cap Fund's transfer agent.

ALLOCATION OF PORTFOLIO BROKERAGE

Decisions to buy and sell securities for the Large Cap Fund are made by the Adviser subject to review by the Corporation's Board of Directors. In placing purchase and sale orders for portfolio securities for the Large Cap Fund, it is the policy of the Adviser to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided, as described in this and the following paragraph. 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. Among these are the Adviser's evaluation of the broker's efficiency in executing and clearing transactions, block trading capability (including the broker's willingness to position securities and the broker's financial strength and stability). The most favorable price to the Large Cap Fund means the best net price (i.e., the price after giving effect to commissions, if any). Over-the-counter securities may be purchased and sold directly with principal market makers who retain the difference in their cost in the security and its selling price (i.e. "markups" when the market maker sells a security and "markdowns" when the market maker purchases a security). In some instances, the Adviser feels that better prices are available from non-principal market makers who are paid commissions directly.

In allocating brokerage business for the Large Cap Fund, the Adviser also takes into consideration the research, analytical, statistical and other information and services provided by the broker, such as general economic reports and information, reports or analyses of particular companies or industry groups, market timing and technical information, and the availability of the brokerage firm's analysts for consultation. While the Adviser believes these services have substantial value, they are considered supplemental to the Adviser's own efforts in the performance of its duties under the Advisory Agreement. Other clients of the Adviser may indirectly benefit from the availability of these services to the Adviser, and the Large Cap Fund may indirectly benefit from services available to the Adviser as a result of transactions for other clients. The Advisory Agreement provides that the Adviser may cause the Large Cap Fund to pay a broker which provides brokerage and research services to the Adviser a commission for effecting a securities transaction in excess of the amount another broker would have charged for effecting the transaction, 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 the Large Cap Fund and the other accounts as to which it exercises investment discretion. During the fiscal years ended September 30, 2009, 2008 and 2007, the Large Cap Fund paid brokerage commissions of \$1,780,417 on transactions having a total value of \$1,768,589,670; \$1,011,685 on transactions having a total value of \$1,000,382,514; and \$433,940 on transactions having a total value of \$550,247,263, respectively. Of the brokerage commissions paid by the Large Cap Fund in the fiscal year ended September 30, 2009, all but \$973,907 on transactions of \$1,317,540,992 were paid to brokers who provided research services to the Adviser.

CUSTODIAN

U.S. Bank, N.A., Custody Operations, 1555 North RiverCenter Drive, Suite 302, Milwaukee, Wisconsin 53212, acts as custodian for the Large Cap Fund. As such, U.S. Bank, N.A. holds all securities and cash of the Large Cap Fund, 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 Corporation. U.S. Bank, N.A. does not exercise any supervisory function over the management of the Large Cap Fund, the purchase and sale of securities or the payment of distributions to shareholders. USBFS, an affiliate of U.S. Bank, N.A., acts as the Large Cap Fund's administrator, transfer agent and dividend disbursing agent. Its address is 615 East Michigan Street, Milwaukee, Wisconsin 53202.

TAXES

The Large Cap Fund intends to qualify annually for and elect tax treatment applicable to a regulated investment company under Subchapter M of the Internal Revenue Code. The Large Cap Fund has so qualified in each of its fiscal years. If the Large Cap 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 Large Cap Fund 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. Shareholders of the Large Cap Fund would not be liable for income tax on the Large Cap Fund's net investment income or net realized capital gains in their individual capacities. Distributions to shareholders, whether from the Large

Cap 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 Large Cap Fund.

As of September 30, 2009, the Large Cap Fund had \$22,891,907 of net capital loss carryovers expiring in 2017. To the extent the Large Cap Fund realizes future net capital gains, those gains will be offset by any unused capital loss carryovers.

The Large Cap Fund intends to distribute substantially all of its net investment income and net capital gain each fiscal year. Dividends from net investment income and short-term capital gains 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), while distributions of net long-term capital gains are taxable as long-term capital gain regardless of the shareholder's holding period for the shares. Distributions from the Large Cap Fund are taxable to investors, whether received in cash or in additional shares of the Large Cap Fund. A portion of the Large Cap Fund's income distributions may be eligible for the 70% dividends-received deduction for domestic corporate shareholders.

From time to time the Large Cap Fund may elect to treat a portion of earnings and profits included in shareholder redemptions as part of the Large Cap Fund's dividends paid deduction.

Any dividend or capital gain distribution paid shortly after a purchase of shares of the Large Cap 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 the Large Cap Fund immediately after a dividend or distribution is less than the cost of such shares to the shareholder, the dividend or distribution will be taxable to the shareholder even though it results in a return of capital to him.

Redemption of shares will generally result in a capital gain or loss for income tax purposes. Such capital gain or loss will be long-term or short-term, depending upon the holding period. However, if a loss is realized on shares held for six months or less, and the investor 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.

The Large Cap Fund may be required to withhold Federal income tax at a rate of 28% ("backup withholding") from dividend payments and redemption proceeds if a shareholder fails to furnish the Large Cap Fund with a correct social security 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 the Large Cap Fund.

SHAREHOLDER MEETINGS

The Maryland Business Corporation Law permits registered investment companies, such as the Corporation, to operate without an annual meeting of shareholders under

specified circumstances if an annual meeting is not required by the 1940 Act. The Corporation has adopted the appropriate provisions in its bylaws and may, at its discretion, not hold an annual meeting in any year in which none of the following matters is required to be acted upon by the shareholders under the 1940 Act: (i) election of directors; (ii) approval of an investment advisory agreement; (iii) ratification of the selection of auditors; and (iv) approval of a distribution agreement. The Corporation's bylaws also contain procedures for the removal of directors by its shareholders. At any meeting of shareholders, duly called and at which a quorum is present, the shareholders may, by the affirmative vote of the holders of a majority of the votes 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 Corporation shall promptly call a special meeting of shareholders for the purpose of voting upon the question of removal of any director. Whenever ten or more shareholders of record who have been such for at least six months preceding the date of application, and who hold in the aggregate either shares having a 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 Corporation's Secretary in writing, stating that they wish to communicate with other shareholders with a view to obtaining signatures to a request for a meeting as described above and accompanied by a form of communication and request which they wish to transmit, the Secretary shall within five business days after such application either: (1) afford to such applicants access to a list of the names and addresses of all shareholders as recorded on the books of the Corporation; or (2) inform such applicants as to the approximate number of shareholders of record and the approximate cost of mailing to them the proposed communication and form of request.

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

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

CAPITAL STRUCTURE

The Corporation's Articles of Incorporation permit the Board of Directors to issue 500,000,000 shares of common stock. The Board of Directors has the power to designate one or more classes ("series") of shares of common stock and to classify or reclassify any unissued shares with respect to such series. Currently the Corporation is offering two series, the Focus Fund and the Large Cap Fund.

The shares of each Fund are fully paid and non-assessable, have no preference as to conversion, exchange, dividends, retirement or other features; and have no pre-emptive rights. Such shares have non-cumulative voting rights, meaning that the holders of more than 50% of the shares voting for the election of directors can elect 100% of the directors if they so choose. Generally shares are voted in the aggregate and not by each Fund, except where class-voting rights by Fund is required by Maryland law or the 1940 Act.

The shares of each Fund have the same preferences, limitations and rights, except that all consideration received from the sale of shares of a Fund, together with all income, earnings, profits and proceeds thereof, belong to that Fund and are charged with the liabilities in respect of that Fund and of that Fund's share of the general liabilities of the Corporation in the proportion that the total net assets of the Fund bears to the total net assets of both Funds. However, the Board of Directors of the Corporation may, in its discretion, direct that any one or more general liabilities of the Corporation be allocated between the Funds on a different basis. The net asset value per share of each Fund is based on the assets belonging to that Fund less the liabilities charged to that Fund, and dividends are paid on shares of each Fund only out of lawfully available assets belonging to that Fund. In the event of liquidation or dissolution of the Corporation, the shareholders of each Fund will be entitled, out of the assets of the Corporation available for distribution, to the assets belonging to such Fund.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP is the independent registered public accounting firm for the Large Cap Fund. As such, PricewaterhouseCoopers LLP is responsible for auditing the financial statements of the Large Cap Fund.

DESCRIPTION OF SECURITIES RATINGS

Corporate Long-Term Debt Ratings

The Large Cap Fund will invest in debt securities rated at the time of purchase "Baa3" or better by Moody's, or "BBB-" or better by Standard & Poor's. The Large Cap Fund may invest in securities with equivalent ratings from another nationally recognized rating agency and non-rated issues that are determined by the Adviser to have financial characteristics that are comparable and that are otherwise similar in quality to the rated issues it purchases.

Standard & Poor's Debt Ratings. A Standard & Poor's corporate debt rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation. It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation.

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:

- Likelihood of payment - capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
- Nature of and provisions of the obligation; and
- 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.

The issue ratings definitions are expressed in terms of default risk. As such, they pertain to senior obligations of an entity, Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy.

Investment Grade

“AAA” This is the highest rating that may be assigned by Standard & Poor's to a debt instrument and indicates an extremely strong capacity to pay the debt obligations.

“AA” Debt rated “AA” also qualifies as a high-quality fixed income security. The capacity to pay debt obligations is very strong, although not as overwhelming as for issues rated “AAA.”

“A” An issued rated “A” is backed by a sound capacity to pay the debt obligations, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

“BBB” An issue rated “BBB” is regarded as backed by an adequate capacity to pay the debt obligations. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to make payments for debt in this category than for issues in the “A” category.

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 characteristic, 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 current 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 Standard & Poor’s 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.

Modifiers

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

Moody’s Long-Term Debt Ratings. Moody’s ratings are opinions, not recommendations to buy or sell, and their accuracy is not guaranteed.

Investment Grade

“Aaa” Bonds which are rated “Aaa” are judged to be 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 sometime in the future.

“Baa” Bonds which are rated “Baa” are considered as medium grade obligations; (namely, 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.

Modifiers

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.

Commercial Paper Ratings

The Large Cap Fund may also invest in commercial paper and commercial paper master notes assigned ratings of A-1 or A-2 by Standard & Poor's or Prime-1 or Prime-2 by Moody's. A brief description of the ratings symbols and their meanings follows.

Standard & Poor's Commercial Paper Ratings. A Standard & Poor's commercial paper rating is a current opinion 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. Moody's short-term debt ratings are opinions of the ability of issuers to repay punctually senior debt obligations. These obligations have an original maturity not exceeding one year, unless explicitly noted. Moody's ratings are opinions, not recommendations to buy or sell, and their accuracy is not guaranteed.

Moody's employs the following three designations, all judged to be investment grade, to indicate the relative repayment ability of rated issuers:

Prime-1 - Issuers rated Prime-1 (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics:

- Leading market positions in well-established industries.
- High rates of return on funds employed.
- Conservative capitalization structure with moderate reliance on debt and ample asset protection.
- Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- Well-established access to a range of financial markets and assured sources of alternate liquidity.

Prime-2 - Issuers rated Prime-2 (or supporting institutions) have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of

the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Prime-3 - Issuers rated Prime-3 (or supporting institutions) have an acceptable ability for repayment of senior short-term obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and may require relatively high financial leverage. Adequate alternate liquidity is maintained.