

MUTUAL FUND SHARE CLASS AND BREAKPOINT DISCLOSURE

A single mutual fund, with one portfolio, may offer more than one “class” of shares to investors. Each class represents the same interest in the mutual fund's portfolio, but has different fees and expenses. Your broker may also be compensated differently depending on what class of shares you choose. When deciding which share class is best for you, carefully consider:

- How long you plan to hold the fund
- The size of your investment
- The expenses you'll pay for each class
- Whether you qualify for any sales charge discounts

You can find out if a mutual fund has different classes by looking at the **prospectus**. The most common share classes - A, B, and C - are described below.

Class A Shares

These shares typically charge a front-end sales charge or “load” that is deducted from your initial investment. **Often Class A shares offer you discounts, called breakpoints, on the front-end sales charge if you:**

- Make a large purchase
- Already hold other mutual funds offered by the same fund family
- Commit to regularly purchasing mutual fund shares
- Have family members (or others with whom you may link according to fund rules) who hold funds in the same fund family

Class A shares may also charge 12b-1 fees, but they are generally lower than the **12b-1 fees** of Class B and C shares. Because of the lower 12b-1 fees, the **total annual fund operating expenses** on Class A shares is generally lower too.

What Are 12b-1 Fees?

Named after the Securities and Exchange Commission (SEC) rule, these are the fees that you do not directly pay, but which are taken out of a mutual fund's assets annually to cover the costs of marketing and distributing the fund to investors. Like sales charges, 12b-1 fees can be used to compensate a broker or other investment professional.

Class B Shares

These shares do not impose a front-end sales charge that is deducted from the initial investment, but they do impose a 12b-1 fee that may be higher than those that you would incur if you purchased Class A shares. Class B shares also normally impose a contingent deferred sales charge (CDSC), which you pay if you sell your shares within a certain number of years. The CDSC normally gets smaller each year and eventually is eliminated after several years.

Selling Class B shares during the period in which the CDSC applies can significantly diminish the overall return on your investment, especially when coupled with the higher annual expenses charged when you hold Class B shares.

Most Class B shares “convert” into Class A shares after a certain number years. When they convert, they will begin to charge the same annual fund operating expenses as Class A shares.

Keeping Track of B Shares

If you own Class B shares, be sure to keep track of when they are scheduled to convert to Class A shares - particularly if your fund shares are held in an account that's been transferred from one brokerage firm to another. You can find out when your B shares convert to A shares by looking at the prospectus or checking with your broker or adviser.

Class C Shares

These shares typically do not charge a front-end sales charge. And Class C shares also generally impose a lower CDSC than Class B shares, e.g., 1%, and for a shorter period, such as one year.

Like Class B shares, Class C shares typically impose higher annual fund operating expenses than Class A shares, due primarily to higher 12b-1 fees. But unlike Class B shares, they typically do not convert to Class A shares and instead continue to charge higher annual expenses - including 12b-1 fees - for as long as the shares are held.

Class C shares may be less expensive than Class A or B shares if you have a shorter-term investment horizon because you will pay little or no sales charge. However, your annual expenses could be higher than Class A shares, and even Class B shares if you hold your shares for a long time!

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