

# STATEMENT OF ADDITIONAL INFORMATION

August 29, 2011

## THE HENSSLER EQUITY FUND

**Investor Class Shares: HEQFX**  
**Institutional Class Shares: HEQCX**

each, a portfolio of  
**THE HENSSLER FUNDS, INC.**  
3735 Cherokee Street  
Kennesaw, Georgia 30144  
Telephone No. (770) 425-6669

This Statement of Additional Information ("SAI") is not a prospectus and it should be read in conjunction with the Prospectus dated August 29, 2011 for The Henssler Equity Fund ("The Fund"), copies of which may be obtained by writing to The Henssler Funds, Inc., P.O. Box 8796, Denver, CO 80201, by calling 1-800-936-FUND (3863), or by visiting The Fund's website at <http://www.henssler.com>.

The Financial Statements of The Fund have been incorporated by reference to The Fund's most recent Annual Report. The Annual Report is available, without charge, upon request by calling the toll-free number provided above. The material relating to the purchase, redemption and pricing of shares has been incorporated by reference to the Prospectus.

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## TABLE OF CONTENTS

THE FUND	1
INVESTMENT OBJECTIVES, POLICIES AND RISK CONSIDERATIONS	1
Investments in Small Companies	1
Investments in Sectors	2
Investments in Foreign Securities	2
Portfolio Turnover	3
Temporary Defensive Position	3
Repurchase Agreements	3
INVESTMENT RESTRICTIONS	4
PORTFOLIO HOLDINGS	5
MANAGEMENT OF THE FUND	6
BOARD OF DIRECTORS	6
DIRECTOR COMPENSATION	8
INFORMATION CONCERNING OUR BOARD OF DIRECTORS	8
BOARD COMMITTEES	11
DIRECTOR SHARE OWNERSHIP	11
CODE OF ETHICS	12
ADVISORY AND ADMINISTRATION ARRANGEMENTS	12
ADVISORY AND OPERATING SERVICE AGREEMENTS	12
ADMINISTRATOR, TRANSFER AGENT, ACCOUNTING SERVICES AGENT	13
DISTRIBUTOR	14
ADDITIONAL INFORMATION ABOUT PORTFOLIO MANAGERS	14
PORTFOLIO TRANSACTIONS AND BROKERAGE ALLOCATION	16
GENERAL	16
RESEARCH SERVICES	16
OVER-THE-COUNTER TRANSACTIONS	17
POTENTIAL CONFLICTS	17
DETERMINATION OF NET ASSET VALUE	17
PURCHASE OF SHARES	18
Automatic Investment Plans	18
Written Shareholder Inquires	19
THE DISTRIBUTOR	19
REDEMPTION OF SHARES	19
Redemption By Mail or Telephone	19
SHAREHOLDER SERVICES	20
Investment Account	20
Reinvestment of Dividends and Capital Gains Distribution	20
MARKET TIMING ARRANGEMENTS	20
DIVIDENDS, DISTRIBUTIONS AND TAXES	22
GENERAL INFORMATION	23
Description of Shares	23
Indemnification of Officers and Directors	24
Principal Shareholders	24
Control Persons	26

Independent Registered Public Accounting Firm	26
Custodian	26
Transfer, Redemption, and Dividend Disbursing Agent	26
Legal Counsel	26
Reports To Shareholders	27
Additional Information	27
<b>FINANCIAL STATEMENTS</b>	<b>27</b>

## **THE FUND**

The Henssler Equity Fund (“The Fund”) is the only portfolio of The Henssler Funds, Inc., a no-load, diversified, open-end management investment company incorporated under the laws of the State of Maryland on February 12, 1998. Henssler Asset Management, LLC is The Fund’s investment adviser (the “Adviser”).

### **INVESTMENT OBJECTIVES, POLICIES AND RISK CONSIDERATIONS**

Reference is made to “Summary Section” and “Principal Investment Strategies, Related Risks and Disclosure of Portfolio Holdings Information” in the Prospectus for a discussion of the principal investment strategies, objectives, policies and risks of The Fund. Set forth below is certain further information relating to The Fund.

The Fund’s investment objective is to seek growth of capital. The Fund’s investment strategy is to emphasize long-term capital appreciation and safety of principal.

The Fund may also invest in securities of other investment companies, subject to the limits and restrictions contained in, and the rules and regulations promulgated under, the Investment Company Act of 1940, as amended (the “Investment Company Act”). In the event that The Fund invests in other investment companies, such investments would be for cash management purposes. Please see the section entitled “Temporary Defensive Position” on page 6 for a list of investments that The Fund may make to protect its share value against sustained market down cycles or adverse extraordinary circumstances.

The Fund is diversified, which means that The Fund may not, as to 75% of its assets, purchase securities of any one issuer, other than securities issued or guaranteed by the United States government, if immediately after such purchase more than 5% of The Fund’s total assets would be invested in securities of such issuer or The Fund would own 10% or more of the outstanding voting securities of such issuer. The Fund will not invest more than 25% of its assets in a particular industry sector. The Fund will not purchase securities on margin, but it may obtain such short-term credit from banks as may be necessary for the clearance of purchases and sales of securities.

**INVESTMENTS IN SMALL COMPANIES.** Although The Fund invests in companies of all sizes, i.e., large (annual revenues generally over \$5 billion), medium (annual revenues generally between \$1 billion and \$5 billion), and small (annual revenues generally under \$1 billion), there may be times when The Fund is significantly invested in small companies. Smaller growth companies may offer greater potential for capital appreciation than larger companies, particularly because they often have new products, methods or technologies, or may respond to changes in industry conditions due to regulatory or other developments more rapidly than their larger competitors. In addition, because they may be followed by fewer stock analysts and less information may be available on which to base stock price evaluations, the market may overlook favorable trends in particular smaller growth companies, and then adjust its valuation more quickly once investor interest increases. Smaller growth companies may also be more subject to a valuation catalyst (such as acquisition or disposition efforts or changes in management) than larger companies.

On the other hand, the smaller companies in which The Fund may invest may have relatively small revenues or market share for their products or services, their businesses may be limited to regional markets, or they may provide goods or services for a limited market. For example, they may be developing or marketing new products or services for which markets are not yet established and may never become established or may have or develop only a regional market for product or services and thus be affected by local or regional market conditions. In addition, small companies may lack depth of management or they may be unable to generate funds necessary for growth or potential development.

either internally or through external financing on favorable terms. Such companies may also be insignificant in their industries and become subject to intense competition from larger companies.

Due to these and other factors, small companies may suffer significant losses or realize substantial growth; therefore, investments in such companies tend to be volatile and are more speculative.

**INVESTMENTS IN SECTORS.** Although The Fund anticipates that, under normal circumstances, its investments will be diversified across all equity market sectors, The Fund is permitted to invest up to 25% of its assets in a particular industry sector. Sector markets, like the national economy as a whole, tend to be cyclical. Significant product development or favorable regulatory change in a particular sector may rapidly result in a substantial upswing in that sector's sales and profits and corresponding increases in the stock prices of the sector's companies. By investing a substantial percentage of The Fund's assets in a particular sector, the Adviser will attempt to capitalize on the strength of that sector and the growth of that industry in relation to other sectors of the overall economy.

On the other hand, investments in a particular sector are also volatile in response to unanticipated negative changes in the sector's economy. For example, unexpected declines in demand, adverse regulatory changes, or shortages of materials, skilled employees or growth capital may negatively affect an industry sector without affecting the overall economy. If The Fund is substantially invested in a particular sector which experiences an unanticipated decline, The Fund's performance may suffer accordingly.

**INVESTMENTS IN FOREIGN SECURITIES.** The Adviser may invest up to 20% of The Fund's total assets in common stocks of foreign issuers that are traded in the United States and in American Depositary Receipts of foreign companies. By doing so, the Adviser attempts to take advantage of differences between economic trends and the performance of securities markets in various countries. The Adviser believes that it may be possible to obtain significant appreciation from a portfolio consisting, in part, of foreign investments and also achieve increased diversification. Increased diversification is gained by combining securities from various countries that offer different investment opportunities and are affected by different economic trends.

Generally, investments in securities of foreign companies involve greater risks than are present in domestic investments. Canadian securities, however, are not considered by the Adviser to have the same risks as other nations' securities because Canadian and U.S. companies are generally subject to similar auditing and accounting procedures and similar governmental supervision and regulation. Also, Canadian securities are normally more liquid than other non-U.S. securities. Compared to U.S. and Canadian companies, there is generally less publicly available information about foreign companies and there may be less governmental regulation and supervision of foreign stock exchanges, brokers and listed companies.

In addition, investing in foreign securities also involves the following considerations: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulation or currency restrictions that would prevent cash from being brought back to the U.S.; lack of uniform accounting, auditing, and financial reporting standards; lack of uniform settlement periods and trading practices; less liquidity and frequently greater price volatility; possible expropriation or nationalization of assets; and possible imposition of foreign taxes. Furthermore, the U.S. government has from time to time imposed restrictions, through taxation and otherwise, on foreign investments by U.S. investors such as The Fund.

To the extent portfolio securities are denominated in foreign currencies, the value of the assets of The Fund as measured in U.S. dollars may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations. Although The Fund values its assets daily in

terms of U.S. dollars, it does not intend to convert its holdings of foreign securities into U.S. dollars on a daily basis.

As one way of managing foreign currency exchange rate risk, The Fund may enter into forward foreign currency exchange contracts (i.e., purchasing or selling foreign currencies at a future date). These contracts are usually entered into in order to fix the U.S. dollar value of a security which The Fund has agreed to buy or sell, but which will not settle until some time in the future. These contracts may also be used to hedge the U.S. dollar value of a security already owned by The Fund (position hedging), particularly if a decrease in the value of the currency in which the foreign security is denominated is expected. This method of protecting the value of The Fund's securities against a decline in the value of a currency does not eliminate fluctuations in the underlying prices of the securities, but it does establish a rate of exchange, which The Fund may rely upon at a predetermined future point in time.

The Adviser seeks to benefit The Fund when using forward contracts, although the Adviser may not be able to project precisely the future exchange rates between foreign currencies and the U.S. dollar. The Fund may, therefore, incur a gain or a loss on a forward contract. A forward contract may help reduce The Fund's losses on a security when a foreign currency's value decreases but it may likewise reduce the potential gain on a security if the foreign currency's value increases.

**PORTFOLIO TURNOVER.** Due to The Fund's long-term investment style, The Fund anticipates that portfolio turnover will not exceed 100% per year. Portfolio turnover results from a change of the securities held by The Fund and involves expenses to The Fund in the form of brokerage commissions and other transaction costs. Portfolio turnover may also have an impact on the amount of taxable distributions to shareholders. Although the rate of portfolio turnover will not be a limiting factor when the Adviser deems change appropriate and in the best interest of The Fund's shareholders, the relatively low turnover rate anticipated in The Fund may benefit The Fund and its shareholders in the form of lower capital expenses and lower taxable distributions. The portfolio turnover rates for the fiscal years ended April 30, 2009, 2010 and 2011, were 35%, 15% and 24%, respectively.

**TEMPORARY DEFENSIVE POSITION.** Under extraordinary circumstances or to attempt to protect The Fund from significant down cycles in the stock market, The Fund may invest in cash and certain cash equivalents, money market instruments, U.S. Government securities and certain other fixed income securities. The Fund will limit its investments in corporate bonds and notes to those which are considered investment grade (generally, bonds and notes that have received a rating from Standard & Poor's Corporation of "BBB" or better or from Moody's Investors Service, Inc. of "Baa" or better) at the time of their purchase.

The Fund's investments in fixed income securities will generally be subject to both credit risk and market risk. Credit risk relates to the ability of the issuer to meet interest or principal payments as they become due. Market risk relates to the fact that market values of fixed income securities generally will be affected by changes in the level of interest rates. Generally, as interest rates rise, the market value of fixed income securities will fall. Conversely, as interest rates fall, the market value of fixed income securities will rise. Fluctuations in market value do not affect the interest income from the securities, but are reflected in The Fund's net asset value.

**REPURCHASE AGREEMENTS.** The Fund may enter into repurchase agreements with "primary dealers" in U.S. government securities and member banks of the Federal Reserve System which furnish collateral equal in value or market price to at least 102% of the amount of their repurchase obligation. In a repurchase agreement, The Fund purchases a security from a seller, which undertakes to repurchase the security at a specified resale price on an agreed future date (ordinarily a week or less). The resale price generally exceeds the purchase price by an amount, which reflects an agreed-upon market interest rate for the term of the repurchase agreement. The principal risk is that, if the seller defaults, The Fund might

suffer a loss to the extent that the proceeds from the sale of the underlying securities and other collateral held by The Fund in connection with the related repurchase agreement are less than the repurchase price. Repurchase agreements maturing in more than seven (7) days are considered by The Fund to be illiquid.

## INVESTMENT RESTRICTIONS

The Fund has adopted the following restrictions and policies relating to the investment of its assets and its activities, which are fundamental policies and may not be changed without the approval of the holders of a majority of The Fund's outstanding voting securities (which for this purpose and under the Investment Company Act means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares).

Any investment restriction which involves a maximum percentage of securities or assets shall not be considered to be violated unless an excess over the percentage occurs immediately after, and is caused by, an acquisition of securities or assets of, or borrowings by, The Fund.

The Fund may not:

1. As to 75% of its total assets, purchase securities of any one issuer, other than those issued or guaranteed by the United States government, if immediately after such purchase more than 5% of The Fund's total assets would be invested in securities of such issuer or The Fund would own 10% or more of the outstanding voting securities of such issuer.
2. Invest 25% or more of its total assets in the securities of issuers in any particular Standard & Poor's 500 industry sector.
3. Issue senior securities, except as permitted under the Investment Company Act.
4. Make investments for the purpose of exercising control or management.
5. Purchase or sell real estate or interests in real estate, including real estate limited partnerships; PROVIDED, HOWEVER, that The Fund may invest in securities secured by real estate or interests therein or issued by companies, including real estate investment trusts, which invest in real estate or interests therein.
6. Purchase or sell commodities or commodity contracts, including future contracts, provided however that The Fund may enter into foreign currency exchange contracts as described above under "Investments in Foreign Securities."
7. Purchase any securities on margin, except that The Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities.
8. Make loans to other persons; provided, however, that, for purposes of this restriction, the term "loan" does not include the purchase of an issue of publicly distributed bonds or debentures, government obligations, certificates of deposit, bankers' acceptances or repurchase agreements.
9. Borrow amounts in excess of 10% of its total assets, taken at market value, and then only from banks as a temporary measure for extraordinary or emergency purposes such as the redemption of Fund shares.
10. Mortgage, pledge, hypothecate or in any manner transfer, as security for indebtedness, any securities owned or held by The Fund except as may be necessary in connection with

borrowings mentioned in nine (9) above, and then such mortgaging, pledging or hypothecating may not exceed 10% of The Fund's total assets, taken at market value.

11. Invest more than 10% of The Fund's total assets in securities for which there are legal or contractual restrictions on resale, securities which are not readily marketable, securities of foreign issuers which are not listed on a recognized domestic or foreign securities exchange, or other illiquid securities.
12. Underwrite securities of other issuers except insofar as The Fund may be deemed an underwriter under the Securities Act of 1933 in selling portfolio securities.
13. Write, purchase or sell puts, calls or combinations thereof.
14. Purchase or sell interests in oil, gas or other mineral exploration or development programs or leases; PROVIDED, HOWEVER, that The Fund may purchase or sell securities of entities which invest in such programs.

## **PORTFOLIO HOLDINGS**

The Board of Directors has adopted policies to govern the circumstances under which disclosure regarding securities held by The Fund and disclosure of purchases and sales of such securities, may be made to shareholders of The Fund or other persons. These policies include the following:

- o Public disclosure regarding The Fund's portfolio securities is made quarterly through The Fund's Form N-Q and Semi-Annual and Annual Reports (the "Official Reports"). Other than the Official Reports, shareholders and other persons generally may not be provided with information regarding portfolio securities held, purchased or sold by The Fund.
- o Notwithstanding the foregoing, information regarding portfolio securities, and other information regarding the investment activities of the portfolios, may be disclosed to rating and ranking organizations for use in connection with their rating or ranking of The Fund. In addition, the policy relating to disclosure of The Fund's holdings of portfolio securities does not prohibit: (i) disclosure of information to The Fund's investment adviser or to other service providers, including but not limited to The Fund's administrator, distributor, custodian, legal counsel and auditors, or to brokers and dealers through which The Fund purchases and sells portfolio securities; and (ii) disclosure of holdings of or transactions in portfolio securities by The Fund that is made on the same basis to all Fund shareholders.
- o Any arrangements to disclose information about The Fund's portfolio securities before public disclosure requires the approval of the Chief Compliance Officer (The Fund does not have any such arrangement as of December 31, 2010). In determining whether to approve such an arrangement, the Chief Compliance Officer may consider, among other things, the information to be disclosed, the timing of the disclosure, the intended use of the information, whether the arrangement is reasonably necessary to aid in conducting the ongoing business of The Fund, and whether the arrangement will adversely affect The Fund or its shareholders. The Chief Compliance Officer shall inform the Board of Directors of any special portfolio holdings disclosure arrangements that are approved by the Chief Compliance Officer, and the rationale supporting approval.
- o Neither The Fund's investment adviser nor The Fund (or any affiliated person, employee, officer, trustee or director of the investment adviser or The Fund) may receive any direct or

indirect compensation in consideration of the disclosure of information relating to portfolio securities held, purchased or sold by The Fund.

Adviser employees that are access persons under The Fund’s and Adviser’s Codes of Ethics have access to portfolio holdings on a regular basis. The Codes of Ethics prohibit use or dissemination of such information by such persons for unlawful purposes, including insider trading. Compliance with the Codes of Ethics is monitored regularly and reports are provided quarterly to the Board of Directors.

Notwithstanding the foregoing, there is no guarantee that The Fund’s policies on use and dissemination of holdings information will protect The Fund from the potential misuse of holdings by individuals or firms in possession of such information.

## **MANAGEMENT OF THE FUND**

Reference is made to “Management of The Fund” in the Prospectus. Set forth below is further information about The Fund’s management.

### **BOARD OF DIRECTORS**

The Fund is governed by a Board of Directors, which is responsible for protecting the interests of The Fund’s shareholders. The members of the Board of Directors are experienced executives who meet throughout the year to oversee The Fund’s activities, review The Fund’s contractual relationships with service providers, and review the performance of The Fund.

The Board of Directors is responsible for the overall management of The Fund, including general supervision of its investment activities. The officers who administer The Fund’s daily operations are appointed by the Board of Directors. The current Directors and principal officers of The Fund, their addresses, and their principal occupations for the past five years are set forth below. The “interested persons” of The Fund, as defined by the Investment Company Act, are designated below.

<b>Name, Address<sup>1</sup> and Age</b>	<b>Position(s) Held with The Fund</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Number of Portfolios in Fund Complex Overseen By Director</b>	<b>Other Directorships Held by Director During Past Five Years</b>
<b>INDEPENDENT DIRECTORS</b>					
Robert E. Nickels (68)	Director	Indefinite Term, Since 2002	Retired.	1	None.
David P. O’Brien, III, M.D. (70)	Director	Indefinite Term, ince 2004	Urologist. Retired.	1	None.
Joseph W. Owen (50)	Director	Indefinite Term, Since 2004	Vice President, Sybase Inc.	1	None.
<b>INTERESTED DIRECTORS AND OFFICERS</b>					
<sup>2</sup> Gene W. Henssler, Ph.D. (71)	President and Director	Indefinite Term, Since 1998	President, G.W. Henssler & Associates, Ltd.; Member, Henssler Asset Management, LLC.	1	None.

<b>Name, Address<sup>1</sup> and Age</b>	<b>Position(s) Held with The Fund</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Number of Portfolios in Fund Complex Overseen By Director</b>	<b>Other Directorships Held by Director During Past Five Years</b>
<sup>2</sup> Patricia T. Henssler, C.P.A. (56)	Executive Vice President, Treasurer and Director	Indefinite Term, Since 1998	Treasurer, G.W. Henssler & Associates, Ltd.; Certified Public Accountant, P.T. Henssler, C.P.A., LLC; Member, Henssler Asset Management, LLC.	1	None.
Scott L. Keller, CFA (45)	Vice President	Indefinite Term, Since 1998	Principal, G.W. Henssler & Associates, Ltd.; Member, Henssler Asset Management, LLC.	N/A	N/A
William G. Lako, Jr., CFP® (40)	Vice President	Indefinite Term, Since 1998	Principal, G.W. Henssler & Associates, Ltd.; Member, Henssler Asset Management, LLC.	N/A	N/A
Theodore L. Parrish, CFA (38)	Vice President	Indefinite Term, Since 1998	Principal, G.W. Henssler & Associates, Ltd.; Member, Henssler Asset Management, LLC.	N/A	N/A
Christopher E. Reeves, Esq. (40)	Chief Compliance Officer	Indefinite Term, Since 2007	Attorney, Powell Goldstein, LLP; Attorney, Lantz & Reeves P.C.; Chief Compliance Officer, G.W. Henssler & Associates, Ltd. and Henssler Asset Management, LLC.	N/A	N/A

<sup>1</sup> Address: 3735 Cherokee Street, Kennesaw, Georgia, 30144.

<sup>2</sup> Dr. Gene Henssler and Patricia Henssler are “interested persons” of The Fund as defined under the Investment Company Act, because of their positions with the Adviser; they are related by marriage.

## **DIRECTOR COMPENSATION**

The Adviser, under an Operating Services Agreement, pays each interested Director an annual fee of \$2,500 per year, and effective December 13, 2007, The Fund pays each independent Director an annual fee of \$8,000 per year, together with the Directors' actual out-of-pocket expenses relating to attendance at meetings. The annual fees are payable in four equal quarterly installments and are paid as of the date of each quarterly Board meeting. The amount that The Fund paid each Director during the fiscal year ended April 30, 2011, is shown in the compensation table below.

<b>Director</b>	<b>Aggregate Compensation from Fund</b>	<b>Total Compensation from Fund Complex Paid to Directors</b>
<b>INTERESTED DIRECTORS</b>		
Gene W. Henssler, Ph.D.	\$0	\$0
Patricia T. Henssler, C.P.A.	\$0	\$0
<b>INDEPENDENT DIRECTORS</b>		
Robert E. Nickels	\$8,000	\$8,000
David P. O'Brien, III, M.D.*	\$8,000	\$8,000
Joseph W. Owen*	\$8,000	\$8,000

\* Dr. O'Brien and Mr. Owen began serving as Directors in October 2004.

The Fund does not offer its Directors a pension or retirement plan.

## **INFORMATION CONCERNING OUR BOARD OF DIRECTORS**

### *The Role of the Board*

The Board of Directors (the "Board") of The Fund provides oversight of the management and operations of The Fund. Like all mutual funds, the day-to-day responsibility for the management and operation of The Fund is the responsibility of various service providers to The Fund, such as The Fund's Adviser, Distributor, Administrator, Custodian and Transfer Agent, each of whom are discussed in greater detail in this SAI. The Board approves all significant agreements between The Fund and its service providers, including the agreements with the Adviser, Distributor, Administrator, Custodian and Transfer Agent. The Board has appointed various senior individuals of certain of these service providers as officers of The Fund, with responsibility to monitor and report to the Board on The Fund's day-to-day operations. In conducting this oversight, the Board receives regular reports from these officers and service providers regarding The Fund's operations. The Board has appointed a Chief Compliance Officer who administers The Fund's compliance program and regularly reports to the Board as to compliance matters. Some of these reports are provided as part of formal "Board Meetings" which are typically held quarterly, in person, and involve the Board's review of recent Fund operations. From time to time, one or members of the Board may also meet with Fund officers in less formal settings, between formal "Board Meetings," to discuss various topics. In all cases, however, the role of the Board and of any individual Director is one of oversight and not of management of the day-to-day affairs of The Fund and its oversight role does not make the Board a guarantor of The Fund's investments, operations or activities.

### *Board Leadership Structure*

The Board has structured itself in a manner that it believes allows it to effectively perform its oversight function. It has established one standing committee, an Audit Committee, which is discussed in greater detail below under "Board Committees." The Audit Committee also serves as The Fund's Qualified Legal Compliance Committee (the "QLCC"). A majority of the members of the Board are not "interested

persons,” as defined by the Investment Company Act, of The Fund (the “Independent Directors”), which are Directors that are not affiliated with the Adviser or its affiliates. The Audit Committee is comprised entirely of Independent Directors. The Board has neither appointed a Chairman nor a lead Independent Director, so that each of the Directors provide equal oversight of The Fund.

The Fund has determined that the Board’s leadership structure is appropriate given the characteristics of The Fund. The Board reviews its structure annually. The Board has also determined that the structure, function and composition of the Audit Committee, which also serves as The Fund’s QLCC, are appropriate means to provide effective oversight and address any potential conflicts of interest that may arise.

#### *Board Oversight of Risk Management*

As part of its oversight function, the Board receives and reviews various risk management reports and assessments and discusses these matters with appropriate management and other personnel. Because risk management is a broad concept comprised of many elements (such as, for example, investment risk, issuer and counterparty risk, compliance risk, operational risks, business continuity risks, etc.) the oversight of different types of risks is handled in different ways. For example, the Audit Committee supports the Board’s oversight of risk management in a variety of ways, including (i) meeting with The Fund’s Treasurer and with The Fund’s independent registered public accounting firm to discuss, among other things, the internal control structure of The Fund’s financial reporting function and compliance with the requirements of the Sarbanes-Oxley Act of 2002, and (ii) reporting to the Board as to these and other matters.

#### *Information about Each Director’s Qualification, Experience, Attributes or Skills*

The Board believes that each of the Directors has the qualifications, experience, attributes and skills (“Director Attributes”) appropriate to their continued service as Directors of The Fund in light of The Fund’s business and structure. Each of the Directors has substantial business and professional backgrounds that indicate they have the ability to critically review, evaluate and access information provided to them. Certain of these business and professional experiences are set forth in detail in the table above. Each of the Directors has served on the Board of The Fund for several years. They therefore have substantial board experience and, in their service to The Fund, have gained substantial insight as to the operation of The Fund and have demonstrated a commitment to discharging their oversight responsibilities as Directors. The Board annually conducts a “self-assessment” wherein the performance and effectiveness of the Board and individual Directors is reviewed. In addition to the information provided above, below is certain additional information concerning each particular Director and certain of their Director Attributes. The information provided below, and above, is not all-inclusive. Many Director Attributes involve intangible elements, such as intelligence, integrity and work ethic, the ability to work together, to communicate effectively, to exercise judgment, to ask incisive questions, and commitment to shareholder interests. In conducting its annual self-assessment, the Board has determined that the Directors have the appropriate attributes and experience to continue to serve effectively as Directors of The Fund.

#### *Robert E. Nickels – Independent Director*

Robert E. Nickels has been serving an indefinite term as an Independent Director of The Henssler Equity Fund since 2002. Mr. Nickels is currently retired. Mr. Nickels’ previous employment includes being the director of two Fortune 500 companies and the CEO of a billion-dollar enterprise. Through his work, Mr. Nickels participated in several acquisitions and one merger. He has served as a board member of a charitable foundation and as a Red Cross volunteer. Mr. Nickels holds a Bachelor of Science and an MBA from Michigan State University and an SEP from Leland Stanford Jr. University. The Board of

Directors believes that Mr. Nickels' experience in business and familiarity with financial reports and board operations benefits The Fund.

*David P. O'Brien, III, M.D. – Independent Director*

David P. O'Brien, III, M.D. has been serving an indefinite term as an Independent Director of The Henssler Equity Fund since 2004. Dr. O'Brien recently retired after 42 years as Physician and Surgeon on the Transplant Service of both Emory University Medical Center and Piedmont Health Care in Atlanta. He has served as President of both The Atlanta Urologic Association and The Georgia Urologic Society. Dr. O'Brien also holds the title of Emeritus Professor of Surgery of the Emory University Medical School. Prior, Dr. O'Brien served in the United States Navy Medical Corps serving with the U.S. Marine Corps from 1968 to 1970. He served in Vietnam from 1968 to 1969. As a 1962 graduate of Princeton University, Dr. O'Brien finished medical school at The University of Kentucky Medical School in 1966. He currently serves as President of the Princeton University Class of 1962. The Board believes that Dr. O'Brien's experience as a doctor and as presidents of several professional associations benefit The Fund.

*Joseph W. Owen – Independent Director*

Joseph W. Owen has been serving an indefinite term as an Independent Director of The Henssler Equity Fund since 2004. Mr. Owen is currently Vice President of Engineering at Sybase. Previously he was Chief Technical Officer of XcelleNet. Mr. Owen has worked in the computer software business for 25 years and has held several senior management positions. The Board of Directors believes that Mr. Owen's valuable insight in technology is useful to both understanding long-term trends in the technology industry and to internal technology used by The Fund.

*Gene W. Henssler, Ph.D. – Director and Officer*

Gene W. Henssler, Ph.D., is the President and Chief Investment Officer of G.W. Henssler & Associates, Ltd. and Henssler Asset Management, LLC both federally registered investment advisers. Dr. Henssler is responsible for the overall direction of the firm, which offers financial advice and portfolio management to individual, corporate and institutional clients. Dr. Henssler founded G.W. Henssler & Associates in March 1987 at the urging of friends and acquaintances who sought his counsel and advice for investing their money. In 1998, Dr. Henssler started Henssler Asset Management, LLC to serve as the investment adviser for The Henssler Equity Fund that was introduced to the market place that same year. Prior, Dr. Henssler earned both his Master of Business Administration and doctorate in finance at the University of Michigan. He taught at Georgia State University, University of Toledo and Grand Valley State University in Michigan. In 1986 he became a Professor of Finance at Kennesaw State University, retiring in 1996. Dr. Henssler holds the title of Professor Emeritus of Finance at Kennesaw State University. The Board believes that Dr. Henssler's vast experience as both an investment adviser and a professor and his familiarity with the financial services industry benefit The Fund.

*Patricia T. Henssler, C.P.A. – Director and Officer*

Patricia T. Henssler, C.P.A., is the Principal in P.T. Henssler, C.P.A., LLC, a public accounting firm. It is affiliated with the Tax & Accounting Division of The Henssler Financial Group. Ms. Henssler's previous background includes two assistant professor positions at both Grand Valley State College in Michigan and Morris Brown College in Atlanta, Georgia. She was also Senior Staff Tax Accountant with Bennett Thrasher, P.C. Ms. Henssler received her Bachelor's of Business Administration from the University of Toledo, her Master's of Business Administration from Michigan State University, and attended Kennesaw State University for credits necessary for Certified Public Accountancy. The Board believes

that Ms. Henssler’s vast experience as both a Certified Public Accountant and a professor and her familiarity with the financial services industry benefit The Fund.

## **BOARD COMMITTEES**

The Fund has established two standing committees and the membership of each committee to assist in its oversight of the risks The Fund faces: the Audit Committee and the QLCC. There is no assurance, however, that the Board’s committee structure will prevent or mitigate risks in actual practice. The Fund’s committee structure is specifically not intended or designed to prevent or mitigate The Fund’s investment risks. The purpose of the Audit Committee is to assist the Board in monitoring (i) the integrity of The Fund’s financial statements and financial reporting, (ii) the compliance by The Fund with legal and regulatory requirements, (iii) the independence and performance of The Fund’s external accountants, and (iv) the performance of The Fund’s internal audit function.

The Audit Committee was established in December 2003, and met once during the fiscal year ended April 30, 2011. The Audit Committee is currently composed of the Independent Directors, Mr. Nickels, Dr. O’Brien and Mr. Owen.

The Audit Committee also serves as the QLCC for The Fund for the purpose of compliance with Rules 205.2(k) and 205.3(c) of the Code of Federal Regulations, regarding alternative reporting procedures for attorneys retained or employed by an issuer who appear and practice before the Securities and Exchange Commission on behalf of the issuer (the “issuer attorneys”). An issuer attorney who becomes aware of evidence of a material violation by The Fund, or by any officer, director, employee, or agent of The Fund, may report evidence of such material violation to the QLCC as an alternative to the reporting requirements of Rule 205.3(b) (which requires reporting to the chief legal officer and potentially “up the ladder” to other entities). The QLCC meets as needed. During the fiscal year ended April 30, 2011, the QLCC did not meet.

## **DIRECTOR SHARE OWNERSHIP**

The table below shows the dollar range of Fund shares that each Director beneficially owned as of December 31, 2010.

<b>Director</b>	<b>Dollar Range of Equity Securities in The Fund</b>	<b>Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Director in Family of Investment Companies</b>
<b>INTERESTED DIRECTORS</b>		
Gene W. Henssler, Ph.D.	Over \$100,000	Over \$100,000
Patricia T. Henssler, C.P.A.	Over \$100,000	Over \$100,000
<b>INDEPENDENT DIRECTORS</b>		
Robert E. Nickels	\$10,001 - \$50,000	\$10,001 - \$50,000
David P. O’Brien, III, M.D.	\$1 - \$10,000	\$1 - \$10,000
Joseph W. Owen	\$1 - \$10,000	\$1 - \$10,000

During the two most recently completed calendar years:

- o No independent Director or member of his immediate family owned of record or beneficially any interest in the Adviser, The Fund's distributor, or any person controlling, controlled by, or under common control with the Adviser or distributor.
- o No independent Director or member of his immediate family has had any direct or indirect material interest in, or relationships or transactions with: (1) the Adviser, the distributor, or officers of the Adviser or distributor; (2) The Fund or any officer of The Fund; (3) any person controlling, controlled by, or under common control with the Adviser or distributor or any officer of such person.
- o No independent Director has served on a board with an officer of the Adviser or distributor or with an officer of a person directly or indirectly controlling, controlled by, or under common control with the Adviser or distributor.

## **CODE OF ETHICS**

The Fund, its Adviser, and its distributor, ALPS Distributors, Inc. ("ADI" or "Distributor"), have adopted codes of ethics. The Fund's and Adviser's Code of Ethics (the "Code") permits access persons to purchase and sell securities for their own accounts, including securities that may be purchased or held by The Fund. Personal securities transactions of access persons and persons in their immediate households are subject to preclearance by designated persons under the terms of the Code. Access persons must also comply with transaction reporting requirements that are set forth in the Code.

## **ADVISORY AND ADMINISTRATION ARRANGEMENTS**

Reference is made to "Fund Management" in the Prospectus for certain information concerning the management and Advisory arrangements of The Fund.

## **ADVISORY AND OPERATING SERVICE AGREEMENTS**

The Adviser has entered into an Investment Advisory Agreement (the "Advisory Agreement") with The Fund to provide investment management services to The Fund. In addition to the Advisory Agreement, the Adviser has entered into an Amended and Restated Operating Services Agreement (the "Services Agreement") with The Fund to provide, or make arrangements for the provision of, virtually all day-to-day operational services to The Fund.

In determining whether to renew the Advisory Agreement, the Directors reviewed The Fund's performance and compared the advisory fees paid by certain comparable funds to The Fund's advisory fee. The Directors also recognized that the substantial resources that the Adviser devoted to The Fund were in large part subsidized by the Adviser's other businesses. The Directors also noted that the Adviser has only recently begun to earn a modest profit from its relationship with The Fund, and recognized the extremely high quality staff the Adviser has dedicated to The Fund. A discussion regarding the basis for the Directors' decision to renew the Advisory Agreement is included in The Fund's Semi-Annual Report for the period ended October 31, 2010.

Gene W. Henssler, Ph.D. a portfolio manager of The Fund, and Patricia T. Henssler, C.P.A. both affiliated persons of The Fund and the Adviser, control the Adviser through their ownership of the Adviser.

As explained in the Prospectus, the terms of the Advisory Agreement and the Services Agreement empower the Adviser, subject to the Board of Directors of The Fund, to manage The Fund's assets and provide or arrange for the provision of operational and other administrative services for the day-to-day operation of The Fund. The Adviser has entered into several agreements with third party providers to provide, among other services, accounting, administrative, dividend disbursing, transfer agent, registrar, custodial, distribution, shareholder reporting, sub-accounting and recordkeeping services to The Fund. The combined effect of the Advisory Agreement and the Services Agreement is to place a cap or ceiling on the total expenses of The Fund, excepting brokerage interest, taxes, litigation, annual fees paid to the Independent Directors and their related expenses, fees and expenses of legal counsel for the Independent Directors, certain insurance policy premiums, a portion of the salary of The Fund's Chief Compliance Officer and other extraordinary expenses, at an annual rate of 1.20% and 0.70% of the daily net asset value of The Fund for the Investor Class shares and the Institutional Class shares, respectively.

For the fiscal years ended April 30, 2009, 2010 and 2011, The Fund paid the Adviser, \$456,224, \$602,690 and \$798,435, respectively, for its services under the Advisory Agreement and \$638,742, \$843,767 and \$1,117,809, respectively, for its services under the Services Agreement.

**PROXY VOTING.** The Adviser votes proxies on behalf of The Fund with respect to portfolio securities. All proxy statements received on behalf of The Fund are reviewed by an investment manager or analyst. After completing the review, such investment manager or analyst highlights any unusual or controversial issues, and recommends a vote (or abstention) on each issue presented. Proxy voting decisions are made by the Adviser's Proxy Policy Committee, which consists of two or more members appointed by the Board of Managers of the Adviser. The Proxy Policy Committee will make all proxy voting decisions on a case by case basis, taking into account the best interests of The Fund and its shareholders. The Adviser's proxy voting policies are attached hereto as Appendix B.

In the event that a conflict arises between the interests of The Fund shareholders and those of the Adviser, or its affiliates, in connection with voting proxies, such conflict will be disclosed to an Independent Director of The Fund. The Adviser will propose to such Independent Director the manner in which it believes the vote should be cast (e.g., for or against management, or abstain), and seek the Independent Director's consent to voting in such manner. In the event the Independent Director does not consent to such manner of voting, the Adviser will vote the proxy in the manner directed by such Independent Director.

Information regarding how the Adviser voted proxies relating to Fund portfolio securities on behalf of The Fund during the most recent 12 month period ended June 30 is available without charge upon request by calling 1-800-936-3863, or on the Securities and Exchange Commission's website at <http://www.sec.gov>.

#### **ADMINISTRATOR, TRANSFER AGENT, ACCOUNTING SERVICES AGENT**

Pursuant to a Fund Accounting and Administrative Agreement, a Transfer Agency and Services Agreement and a Transfer Agent Interactive Client Services Agreement, ALPS Fund Services, Inc. ("ALPS"), with principal offices at 1290 Broadway, Suite 1100, Denver, Colorado 80203, serves as The Fund's administrator, accounting agent and transfer agent.

Pursuant to the Accounting and Administrative Services agreement, ALPS acts as The Fund's administrator and accounting agent and performs the following services: assists The Fund in monitoring compliance with investment restrictions, diversification requirements and tax matters; coordinates the preparation and filing of required SEC filings for The Fund; assists The Fund with quarterly Board of Director meetings, insurance matters and fidelity bond; prepares annual and semi-annual financial statements for The Fund; provides assistance with audits of The Fund; monitors expense accruals; reports

performance and related information to The Fund and outside agencies; assists The Fund to maintain blue sky registrations; performs distribution calculations; prepares tax returns; maintains accounts for The Fund; computes net asset value of The Fund; transmits to NASDAQ The Fund's daily value and price; maintains and keeps current all books and records of The Fund as required by Section 31 of the Investment Company Act and the rules thereafter in connection with ALPS duties; reconciles cash and investment balances; provides The Fund with values, net asset values and other statistical data; computes net income, net income rates and capital gains and losses for The Fund; reviews and updates The Fund's Registration Statement; provides legal review of The Fund's Semi-Annual Reports, Annual Reports & Form NSARs; coordinates EDGARization and filings for The Fund; reviews The Fund's legal contracts and oversees the code of ethics reporting.

Under the Transfer Agency and Services Agreement, ALPS has, among other things, agreed to: (a) issue and redeem shares of The Fund; (b) make dividend and other distributions to shareholders of The Fund; (c) effect transfers of shares; (d) mail communications to shareholders of The Fund, including account statements, confirmations, and dividend and distribution notices; and (e) maintain shareholder accounts. Under the Transfer Agency Agreement, ALPS receives an annual minimum fee based upon each shareholder account and is reimbursed for out-of-pocket expenses.

Under the Interactive Client Services Agreement, ALPS provides The Fund with the use of ALPS interactive client services to provide The Fund's shareholders with access to shareholder account information and real-time transaction processing capabilities in accordance with the terms of the Agreement.

Pursuant to the Services Agreements between The Fund and the Adviser, the Adviser will pay all of the fees under The Fund's and the Adviser's agreements with ALPS.

## **DISTRIBUTOR**

ADI, with principal offices at 1290 Broadway, Suite 1100, Denver, Colorado 80203, acts as the distributor of The Fund's shares pursuant to a Distribution Agreement. Shares are sold on a continuous basis by ADI as agent of The Fund, and ADI has agreed to use its best efforts to solicit orders for the sale of The Fund's shares, although it is not obliged to sell any particular amount of shares. ADI is not entitled to any compensation for its services as Distributor.

The Fund offers its shares to the public on a continuous basis. For information on the purchase and redemption of Fund shares, see "Purchase of Shares" below.

## **ADDITIONAL INFORMATION ABOUT PORTFOLIO MANAGERS**

Gene W. Henssler, Ph.D. and Theodore L. Parrish, CFA are jointly and primarily responsible for the day-to-day portfolio management of The Fund. They are supported by a group of research analysts and other members of The Fund's investment staff.

**Other Accounts Managed.** Set forth below is a table showing the numbers and asset values of other accounts managed by Dr. Henssler and Mr. Parrish in the categories shown:

	<b>Number of Other Registered Investment Companies Managed (assets in millions)</b>	<b>Number of Other Pooled Vehicles Managed (assets in millions)</b>	<b>Number of Other Accounts Managed (assets in millions)</b>
Gene W. Henssler, Ph.D.	0 (\$0)	0 (\$0)	0 (\$0)
Theodore L. Parrish, CFA	0 (\$0)	0 (\$0)	0 (\$0)

As of December 2010, neither the Adviser nor any of its affiliates managed any accounts that charge a performance fee.

**Potential Conflicts of Interest.** Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one fund or other account (each an “Account”). Dr. Henssler and Mr. Parrish do not manage Accounts (other than The Fund) directly, but do supervise the portfolio managers responsible for the Accounts and manage a model portfolio (the “Model”) that the portfolio managers of the Adviser and G.W. Henssler & Associates, Ltd. (“G.W. Henssler”) use in making purchase and sale decisions for the Accounts.

In general, Accounts managed by the Adviser and by G.W. Henssler focus on the same or a similar investment discipline, so that the Accounts are managed in the same or a similar way and hold many of the same securities at the same time. Nevertheless, the management of multiple Accounts may give rise to potential conflicts of interest to the extent the Accounts have different objectives, strategies, benchmarks, time horizons, tax considerations, fees or client restrictions, as the Adviser’s portfolio managers must allocate time and investment ideas across these different Accounts. Dr. Henssler’s and Mr. Parrish’s management of the Model may affect The Fund and the other Accounts as transactions carried out in the Model indirectly influence the management of the Accounts.

Because Accounts may have different objectives, strategies, benchmarks, time horizons, tax considerations, fees or client restrictions, there may be times when different Accounts hold different securities. These conditions may give rise to potential conflicts of interest to the extent Dr. Henssler and Mr. Parrish direct transactions for The Fund or the Model that may adversely impact the value of securities held by the Accounts. Securities selected for the Model or for Accounts other than The Fund may outperform the securities selected for The Fund from time to time.

With respect to securities transactions for The Fund, the Adviser determines or will determine (as applicable) the broker that executes or will execute each order, which determinations shall be made consistent with the duty to seek best execution of the transaction. The Adviser has adopted a policy that permits the aggregation of trades (each, a “bunched trade”) in the same security for the same Accounts on the same day. In a bunched trade, each Account receives the same price, but different commission rates may apply to different Accounts owing either to the size of an Account’s position, the minimum ticket charges applied by the broker, or both.

Although Dr. Henssler and Mr. Parrish generally do not trade securities in their personal accounts, the Adviser and The Fund have adopted code of ethics that, among other things, permits personal trading by employees (including the Adviser’s portfolio managers) under conditions where it has been determined that such trades would not adversely impact client accounts. Nevertheless, the management of personal

accounts may give rise to potential conflicts of interest, and there is no assurance that these codes of ethics will adequately address such conflicts.

In general, the Adviser does not invest Accounts in private placements, IPOs or similar limited investment opportunities. However, to the extent that Dr. Henssler or Mr. Parrish recommends a limited investment opportunity for The Fund or the Model, the Adviser has adopted a policy to allocate such limited opportunities *pro rata* based on account size, available cash or any other method determined to be fair by the Adviser; provided, however, that the Adviser may determine a minimum amount that accounts must be able to purchase to participate.

**Compensation.** Each of Dr. Henssler and Mr. Parrish is paid a base salary, and is eligible to participate in the Adviser's retirement plan arrangements. Dr. Henssler and Mr. Parrish are also eligible to receive bonuses based on the performance of all of the Advisers' Accounts, including, without limitation, The Fund. Dr. Henssler, as the principal and a 51% owner of the Adviser, and Mr. Parrish, as a 6.6% owner of the Adviser, also participate in the profits of the Adviser after all expenses are paid. Since profits are expected to increase as assets increase, Dr. Henssler and Mr. Parrish are expected to receive increased profits through their ownership of the Adviser as Account assets (including, without limitation, the assets of The Fund) increase.

**Ownership of Securities.** The dollar value of the shares of The Fund beneficially owned by Dr. Henssler is between \$500,001 and \$1,000,000.

The dollar value of the shares of The Fund beneficially owned by Mr. Parrish is between \$100,001 and \$500,000.

## **PORTFOLIO TRANSACTIONS AND BROKERAGE ALLOCATION**

Subject to the policies established by the Board of Directors of The Fund, the Adviser is responsible for The Fund's portfolio decisions, the placing of The Fund's portfolio transactions and the negotiation of the commissions to be paid on such transactions. In executing such transactions, the Adviser will use its best efforts to obtain the execution of portfolio transactions at prices which are advantageous to The Fund and involving commission rates which are reasonable in relation to the value of the transaction.

### **GENERAL**

The Fund has no obligation to deal with any broker or dealer in the execution of transactions for its portfolio securities. The Adviser will select brokers or dealers taking into account such factors as price (including the commission or spread), size of order, difficulty of execution and operational facilities of the firm involved, and the firm's risk in positioning a block of securities. The Adviser will also consider the research services which the broker or dealer has provided to the Adviser relating to the security involved in the transaction and/or to other securities. For the fiscal years ended April 30, 2009, 2010 and 2011, The Fund paid \$104,387, \$78,467 and \$93,237, respectively, in brokerage fees.

### **RESEARCH SERVICES**

Under Section 28(e) of the Securities Exchange Act of 1934 and its Advisory Agreement with The Fund, the Adviser is authorized to pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, if the Adviser determines in good faith that the amount of such transactions cost is reasonable in relation to the value of brokerage and/or research services provided by the broker. These research and investment information services make available to the Adviser for its analysis and consideration the views and information of individuals and research staffs of other securities firms. These services may be useful to the Adviser in connection with advisory clients other than The

Fund and not all such services may be useful to the Adviser in connection with The Fund. Although such information may be a useful supplement to the Adviser's own investment information in rendering services to The Fund, the value of such research and services is not expected to reduce materially the expenses of the Adviser in the performance of its services under the Advisory Agreement and will not reduce the management fees payable to the Adviser by The Fund.

### **OVER-THE-COUNTER TRANSACTIONS**

The Fund may invest in securities traded in the over-the-counter market. Transactions in the over-the-counter market are generally principal transactions with dealers and the costs of such transactions involve dealer spreads rather than brokerage commissions. The Fund, where possible, deals directly with the dealers who make a market in the securities involved except in those circumstances where better prices and execution are available elsewhere. When a transaction involves exchange-listed securities, the Adviser considers the advisability of effecting the transaction with a broker which is not a member of the securities exchange on which the security to be purchased is listed (i.e., a third market transaction) or effecting the transaction in the institutional or fourth market.

### **POTENTIAL CONFLICTS**

The Fund may have investment objectives and strategies similar to those of other clients of the Adviser. Accordingly, securities held by The Fund may also be held by other clients of the Adviser and the Adviser may find it desirable to purchase or sell the same security for The Fund and another client of the Adviser at the same time. Similarly, due to differing investment objectives or strategies, the Adviser may find it desirable to purchase a security for The Fund at the same time that the Adviser wishes to sell the security for another of the Adviser's clients, or vice versa. In either of the foregoing circumstances, transactions in the securities will be made, insofar as feasible, for The Fund and the Adviser's other clients in a manner deemed equitable to all.

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

The net asset value of the shares of The Fund is determined as of 4:00 p.m. Eastern Time on each day during which The New York Stock Exchange is open for trading. The New York Stock Exchange is not open on New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The Fund will also determine its net asset value once daily on each day (other than a day during which no shares were tendered for redemption and no order to purchase or sell shares was received by The Fund) in which there is sufficient trading in its portfolio securities that the net asset value might be materially affected. The net asset value per share is computed by dividing the sum of the value of the securities held by The Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares outstanding at such time, rounded to the nearest cent. Expenses, including the management fee payable to the Adviser, are accrued daily.

Equity securities listed or traded on a national securities exchange or quoted on the over-the-counter market are valued at the last sale price on the day the valuation is made or, if no sale is reported, at the last bid price. Valuations of fixed income securities are supplied by independent pricing services approved by The Fund's Board of Directors. Money market securities with a remaining maturity of sixty (60) days or less are valued on an amortized cost basis if their original term to maturity from the date of purchase was sixty (60) days or less, or by amortizing their value on the 61st day prior to maturity, if their term to maturity from the date of purchase exceeded sixty (60) days, unless the Board of Directors determines that such valuation does not represent fair value. Other assets and securities for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of The Fund's Board of Directors.

## **PURCHASE OF SHARES**

Reference is made to “Purchase of Fund Shares” in each Prospectus. Set forth below is further information about the purchase of shares of The Fund. Shares of The Fund are continuously offered at net asset value, and The Fund does not impose any sales charges on purchases of Fund shares.

For Investor Class shares, the minimum initial investment in The Fund is generally \$2,000 and the minimum subsequent investment is \$200. The minimum initial investment for an Individual Retirement Account (“IRA”), other tax-deferred retirement account, including accounts with plans administered under Sections 401(k) and 403(b) of the Internal Revenue Code of 1986, as amended, or an account under the Uniform Gift to Minors Act is \$1,000, with minimum subsequent investments of \$100. The Fund will waive minimum investment requirements for any automatic investment plan of \$100 or more per month.

For Institutional Class shares, the minimum initial investment in The Fund is \$1,000,000. There is not a subsequent investment minimum.

Orders for the purchase of shares of The Fund placed directly with The Fund’s transfer agent, ALPS Fund Services, Inc. (the “Transfer Agent”) by an investor are executed at their next determined net asset value after receipt by the Transfer Agent. Orders for the purchase of shares of The Fund placed through brokers are executed at their next determined net asset value after receipt by the broker. Shares are eligible to receive dividends the day they are purchased. For further information regarding net asset value, see “Additional Information-Determination of Net Asset Value.” The Fund reserves the right to reject any order for the purchase of its shares in whole or in part. For initial and subsequent investments, shares of The Fund may be purchased by sending a check payable to “The Henssler Equity Fund,” together with a completed Application to:

### Regular Mail

The Henssler Equity Fund  
P.O. Box 8796  
Denver, CO 80201

### Overnight Delivery

The Henssler Equity Fund  
c/o ALPS Fund Services  
1290 Broadway, Suite 1100  
Denver, CO 80203

Shareholders should be aware that purchases and redemptions mailed to The Fund at its address in Georgia will not be effected until received by the Transfer Agent at the address listed above. Investments in The Fund may also be made through brokerage firms and institutions. However, investors who place their orders through a broker-dealer may be charged a fee for the broker-dealer’s services. No such charge will be imposed on an investor who purchases Fund shares directly from The Fund as described above.

**AUTOMATIC INVESTMENT PLANS.** To set up an Automatic Investment Plan to invest a specific amount of money in The Fund on a regular basis, complete the appropriate section of the Account Application to authorize the Transfer agent to automatically debit your bank account accordingly. Debits must be made in amounts of \$100 or more and may be made once per month on the 15th or last business day of the month. If the 15th falls on a weekend or holiday, the account will be debited on the previous business day.

Requests to modify or discontinue an Automatic Investment Plan must be received by the Transfer Agent in writing fifteen (15) days prior to the next scheduled debit date. Please call The Fund at 1-800-936-3863 to inquire about the Automatic Investment Plan.

WRITTEN SHAREHOLDER INQUIRIES. Written shareholder inquiries may be directed to The Fund's Transfer Agent at The Henssler Equity Fund, P.O. Box 8796, Denver, CO 80201, or by 1-800-936-FUND (3863).

## **THE DISTRIBUTOR**

Shares of The Fund are continuously offered at net asset value. The Adviser has entered into a Distribution Agreement (the "Distribution Agreement") on The Fund's behalf with the Distributor. Under the Distribution Agreement, the Distributor will distribute The Fund's shares in exchange for a flat fee to be paid by the Adviser.

The Distribution Agreement will remain in effect from year to year if approved at least annually by (i) the Distributor, (ii) the Directors of The Fund or by a vote of a majority of the outstanding voting securities of The Fund, and in either case (iii) by a majority of the Directors who are not "interested persons" of The Fund or the Distributor.

## **REDEMPTION OF SHARES**

Reference is made to "Redemption of Fund Shares" in the Prospectus for certain information as to the redemption of shares of The Fund.

**REDEMPTION BY MAIL OR TELEPHONE.** Shares may be redeemed in writing or by telephone. If the shareholder is a corporation, partnership, agent, fiduciary or surviving joint owner, additional documentation of a customary nature may be required. Shares are redeemed at their next determined net asset value after a redemption request in good order has been received by the Transfer Agent or, for redemptions through a broker, after the request has been received by the broker. A request is deemed to be in good order if it has been signed by the account holder and is accompanied, where necessary, by a signature guarantee.

Shares may also be redeemed by telephone by calling toll-free 1-800-936-3863. The Fund, through the Transfer Agent, has established procedures designed to confirm the authenticity of telephonic instructions, which procedures include requiring callers to establish their personal identity and limiting the mailing of telephone redemption proceeds to the address or bank account set forth on the Account Application. Investors should understand that neither The Fund nor the Transfer Agent will be liable for acting upon instructions communicated by telephone that it reasonably believes to be genuine.

Redemption proceeds wired to a designated account at a shareholder's request for amounts less than \$10,000 will be reduced by a wire transfer fee (currently \$10.00). Certain institutional clients will not be charged this wire redemption fee. Changes to the designated address or bank account must be made in writing and may be required to be accompanied by a signature guarantee from an eligible guarantor.

The Fund reserves the right to redeem, at net asset value, the shares of any shareholder if, because of redemptions by the shareholder, the account of such shareholder has a value of less than \$1,000. Before The Fund exercises its right to redeem such shares, the shareholder will be given written notice of the proposed redemption and will be allowed ninety (90) days to make an additional investment in an amount which will increase the value of the account to at least \$1,000.

The right to redeem shares or to receive payment with respect to any such redemptions may be suspended for more than seven (7) days only for periods during which trading on the New York Stock Exchange is restricted as determined by the Securities and Exchange Commission or such Exchange is closed (other than customary weekend and holiday closings), or any period during which an emergency exists, as defined by the Securities and Exchange Commission, as a result of which disposal of portfolio securities

or determination of the net asset value of The Fund is not reasonably practicable, and for such other periods as the Securities and Exchange Commission may by order permit for the protection of shareholders of The Fund.

The Fund has made an election with the Securities and Exchange Commission to pay in cash all redemptions requested by any shareholder of record limited in amount during any 90-day period to the lesser of \$250,000 or one percent (1%) of the net assets of The Fund at the beginning of such period. Such commitment is irrevocable without the prior approval of the Securities and Exchange Commission. Redemptions in excess of the above limits may be paid in whole or in part, in investment securities or in cash, as the Board of Directors may deem advisable; however, payment will be made wholly in cash unless the Board of Directors believes that economic or market conditions exist which would make such a practice detrimental to the best interests of The Fund. If redemptions are paid in investment securities, such securities will be valued as set forth in the Prospectus under "Shareholder Information – Pricing of Fund Shares" and a redeeming shareholder would normally incur brokerage expenses if he converted these securities to cash.

The Fund will generally first sell any cash equivalent securities it holds to meet redemptions and, to the extent these proceeds are insufficient to meet redemptions, The Fund will sell other portfolio securities at the discretion of the Adviser. See "Shareholder Information - Redemption Fund of Shares" in the Prospectus.

The value of shares at the time of redemption may be more or less than the shareholder's cost, depending on the market value of the securities held by The Fund at such time. Shareholders who redeem their shares through a broker-dealer may be charged a fee for the broker-dealer's services.

## **SHAREHOLDER SERVICES**

The Fund offers the following shareholder services designed to facilitate investment in its shares.

**INVESTMENT ACCOUNT.** Each shareholder has an Investment Account and will receive statements from The Fund's Transfer Agent after each transaction showing the cumulative activity in the account since the beginning of the year. After the end of each year, shareholders will receive federal income tax information regarding dividends and capital gains distributions.

**REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTION.** Unless the Transfer Agent receives specific written instructions as to the method of payment of dividends and capital gains distributions, dividends and distributions will automatically be reinvested in additional shares of The Fund. Such reinvestment will be at the net asset value of shares of The Fund, without sales charge, as of the close of business on the ex-dividend date of the dividend or distribution. Shareholders may elect in writing to receive either their income dividends or capital gains distributions, or both, in cash, in which event payment will be mailed on the payment date.

Shareholders may, at any time, notify the Transfer Agent in writing that they wish to change how they receive their dividend or capital gain distributions. The Transfer Agent will effect such instructions within ten business days after their receipt.

## **MARKET TIMING ARRANGEMENTS**

Frequent or excessive short-term purchases and redemptions by a shareholder may be indicative of market timing and otherwise disruptive trading which can have harmful effects for other shareholders. These risks and harmful effects include the following:

- An adverse effect on portfolio management, as determined by the portfolio managers in their sole discretion, such as causing The Fund to maintain a higher level of cash than would otherwise be the case, or causing The Fund to liquidate investments prematurely; and
- Reducing returns to long-term shareholders through increased brokerage and administrative expenses.

The Fund employs an investment strategy that emphasizes long-term capital appreciation. As a result, the Board of Directors discourages short-term or excessive trading of their shares by shareholders. Historically, The Fund has not experienced excessive trading. Many of The Fund's shareholders are either clients or affiliates of the Adviser or participants in 401(k) plans that offer The Fund as an investment option, which serves to minimize the potential for excessive trading or market timing. The Board of Directors, in consultation with The Fund's portfolio managers, has determined that trading activity in Fund shares not in excess of one percent (1%) of The Fund's net assets on any given day should not generally be disruptive and have the harmful effects described below to an extent disproportional to what should normally be expected for The Fund. In general, The Fund considers frequent roundtrip transactions in an account to constitute excessive trading. A "roundtrip transaction" is one where a shareholder buys and then sells, or sells and then buys, shares of The Fund within seven (7) days. While there is no specific limit on roundtrip transactions, The Fund reserves the right to (i) refuse any purchase order; or (ii) restrict or terminate purchase privileges for shareholders, particularly in cases where The Fund determines that a shareholder has engaged in more than one roundtrip transaction within any rolling seven-day period. In any day where trading activity in Fund shares exceeds the one percent (1%) threshold, The Fund will analyze the activity to determine its nature and what action, if any, should be taken.

In determining the frequency of roundtrip transactions, The Fund will not include purchases pursuant to dollar cost averaging or other similar programs, and The Fund will not count systematic withdrawals and/or automatic purchases, mandatory retirement distributions, and transactions initiated by a plan sponsor. For record holders, The Fund will calculate roundtrip transactions at the shareholder level, and may contact a shareholder to request an explanation of any activity that The Fund suspects as disruptive trading. The Fund's ability to monitor trades that are placed by individual shareholders within group, or omnibus, accounts maintained by financial intermediaries is severely limited because The Fund does not have simultaneous access to the underlying shareholder account information. The Fund and financial intermediaries, however, attempt to monitor aggregate trades placed in omnibus accounts and seek to work with financial intermediaries to discourage shareholders from engaging in market timing or disruptive trading and to impose restrictions on such activities.

The Fund may also take action if a shareholder's trading activity (measured by roundtrip trading or otherwise) is determined to be disruptive trading by The Fund, even if applicable shares are held longer than seven (7) days. In addition, The Fund may, without prior notice, take whatever action it deems appropriate to comply with or take advantage of any state or federal regulatory requirement.

In compliance with Rule 22c-2 of the Investment Company Act, The Fund's distributor on behalf of The Fund, has or will enter into written agreements with each of The Fund's financial intermediaries, under which the intermediary must, upon request, provide The Fund with certain shareholder and identity trading information so that The Fund can enforce its market timing and disruptive trading policies. There is no guarantee that The Fund's policies and procedures will be effective in detecting and preventing market timing or disruptive trading, in whole or in part.

## **DIVIDENDS, DISTRIBUTIONS AND TAXES**

The Fund intends to distribute all of its net investment income and net realized long- or short-term capital gains, if any, to its shareholders annually after the close of The Fund's fiscal year. See "Dividends, Distributions and Tax Matters" for information concerning the manner in which dividends and distributions may be automatically reinvested in shares of The Fund. Shareholders may elect in writing to receive any such dividends or distributions, or both, in cash. Dividends and distributions are taxable to shareholders as discussed below whether they are reinvested in shares of The Fund or received in cash.

The Fund qualifies and intends to continue to qualify for the special tax treatment afforded regulated investment companies under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). If The Fund does not qualify, it generally will be taxed in the same manner as an ordinary corporation and distributions to its shareholders would not be deductible by The Fund in computing its taxable income. Additionally, The Fund's distributions would generally be taxable to shareholders as ordinary income.

Dividends paid by The Fund from its ordinary income, and distributions of The Fund's net realized short-term capital gains, are taxable to non-tax-exempt investors as ordinary income or qualified dividend income. Dividends received by The Fund and properly reported when distributed that are qualified dividend income are eligible for the reduced maximum rate to individuals of 15%. Ordinary income dividends may generally be eligible for the 70% dividends received deduction allowed to corporations under the Code, if certain requirements are met.

Distributions made from The Fund's net realized long-term capital gains are generally taxable to shareholders as long-term capital gains regardless of the length of time the shareholder has owned Fund shares. Generally, long-term capital gains are currently taxable at a maximum federal income rate of 15%. Absent further legislation, the maximum 15% tax rate on qualified dividend income and long-term capital gain will cease to apply to taxable years beginning after December 31, 2012. Upon redemption of Fund shares, a non-tax exempt investor generally will realize a capital gain or loss equal to the difference between the redemption price received by the investor and the adjusted basis of the shares redeemed. If the redemption by The Fund is in-kind, capital gain or loss will be measured by the difference between the fair market value of securities received and the adjusted basis of the shares redeemed. Such capital gain or loss, generally, will constitute a short-term capital gain or loss if the redeemed Fund shares were held for twelve (12) months or fewer, and long-term capital gain or loss if the redeemed Fund shares were held for more than twelve (12) months. If, however, Fund shares were redeemed within six (6) months of their purchase by an investor, and if a capital gain dividend was paid with respect to The Fund's shares while they were held by the investor, then any loss realized by the investor will be treated as long-term capital loss to the extent of the capital gain dividend.

Under certain provisions of the Code, some shareholders may be subject to 28% withholding on dividends, capital gains distributions and redemption payments ("backup withholding"). Generally, shareholders subject to backup withholding will be those for whom a taxpayer identification number is not on file with The Fund or who, to The Fund's knowledge, have furnished an incorrect number. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that the investor is not otherwise subject to backup withholding. Backup withholding is not an additional tax and any amounts withheld may be credited against a shareholder's ultimate federal income tax liability if proper documentation is provided.

Dividends paid by The Fund from its ordinary income and distributions of The Fund's net realized short-term capital gains paid to shareholders who are non-resident aliens will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and foreign

entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Non-resident aliens and foreign entities are urged to consult their own tax advisers concerning the applicability of the United States withholding tax.

The Code requires each regulated investment company to pay a nondeductible 4% excise tax to the extent the company does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98.2% of its capital gains, determined, in general, on an October 31 year-end, plus any undistributed amount from prior years. The Fund anticipates that it will make sufficient timely distributions to avoid imposition of the excise tax. If The Fund pays a dividend or distributions in January which was declared in the previous October, November or December to shareholders of record on a date in those months, then such dividend or distribution will be treated for tax purposes as being paid on December 31 of the year it was declared and will be taxable to shareholders as if received on December 31.

The foregoing is a general and abbreviated summary of certain applicable provisions of the Code and Treasury regulations presently in effect and is generally focused on the consequences to non-exempt investors. The Code and these Treasury regulations are subject to change by legislative or administrative action possibly with retroactive effect. Dividends and capital gain distributions may also be subject to state and local taxes.

The federal income tax consequences set forth above do not address any particular tax considerations a shareholder of The Fund might have. Shareholders are urged to consult their tax advisors as to the particular tax consequences of the acquisition, ownership and disposition of shares of The Fund, including the application of state, local and foreign tax laws and possible future changes in federal tax laws. Foreign investors should consider applicable foreign taxes in their evaluation of an investment in The Fund.

## **GENERAL INFORMATION**

The Fund is the only portfolio of The Henssler Funds, Inc. (the "Company"), an open-end diversified management investment company incorporated under the laws of the State of Maryland on February 12, 1998. The Company, on behalf of The Fund, has adopted a Multiple Class Plan pursuant to Rule 18f-3 under the Investment Company Act, which details the attributes of each class. Currently, The Fund is authorized to issue two classes of shares: Investor Class shares and Institutional Class shares.

The Fund's address is 3735 Cherokee Street, Kennesaw, Georgia 30144, and its telephone number is (770) 429-9166.

**DESCRIPTION OF SHARES.** The Company has an authorized capital of 500,000,000 shares of Common Stock, par value \$.0001 per share, 100,000,000 shares of which have been classified as shares of common stock of The Fund. The Board of Directors has the power to authorize and issue additional classes of stock, without stockholder approval, by classifying or reclassifying unissued stock, subject to the requirements of the Investment Company Act. In the event of liquidation, each share of Common Stock is entitled to a *pro rata* portion of The Fund's assets after payment of debts and expenses. Shareholders of The Fund are entitled to one vote for each share held and fractional votes for fractional shares held and will vote on the election of Directors and any other matter submitted to a shareholder vote. Shareholders' voting rights can be modified only with the approval of the majority of The Fund's outstanding shares. In addition, shareholders have the right to remove Directors and are entitled to their *pro rata* share of The Fund's distributions. The Fund's Articles of Incorporation state that The Fund reserves the right from time to time to make any amendment to its Articles of Incorporation now or hereafter authorized by law, including any amendment which alters the contract rights, as expressly set

forth in the Articles of Incorporation, of any outstanding capital stock. The Fund does not intend to hold meetings of shareholders in any year in which the Investment Company Act does not require shareholders to act, including with respect to the following matters: (i) election of Directors; (ii) approval of an investment advisory agreement; (iii) approval of a distribution agreement; and (iv) ratification of selection of independent auditors. Voting rights for Directors are not cumulative. Shares issued are fully paid and non-assessable and have no preemptive or conversion rights.

**INDEMNIFICATION OF OFFICERS AND DIRECTORS.** The Fund has elected to indemnify its directors and officers to the maximum extent permitted under the Maryland General Corporation Law and the Investment Company Act. Accordingly, a director or officer of The Fund will not be liable to The Fund or its shareholders for monetary damages, except in the case of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office. See the Articles of Incorporation and Bylaws on file with the Securities and Exchange Commission for the full text of these provisions.

Under the Maryland General Corporation Law, a stockholder of a corporation cannot be obligated to a corporation or its creditors with respect to the stock, except to the extent that the subscription price for the stock has not been paid.

**PRINCIPAL SHAREHOLDERS.** As of July 31, 2011, the following entities were known by The Fund to own of record or beneficially five percent (5%) or more of the outstanding Investor Class shares of The Fund:

Name and Address of Record Owner	Percentage of Fund's Outstanding Shares Owned
Taynik & Co. 200 Clarendon Street FPG 90 Boston, MA 02116	37.35%
Charles Schwab & Co., Inc. Omnibus Account 101 Montgomery Street San Francisco, CA 94104	20.86%
Massachusetts Mutual Life Insurance Co. 1295 State Street Springfield, MA 01111	11.70%
ACRU Wealth LLC 9860 Highway 92 Woodstock, GA 30188	8.03%
National Financial Services Corp 200 Liberty Street New York, NY 10281	5.72%

As of July 31, 2011, the following entities were known by The Fund to own of record or beneficially five percent (5%) or more of the outstanding Institutional Class shares of The Fund:

Name and Address of Record Owner	Percentage of Fund's Outstanding Shares Owned
Benefit Trust Company AS Trustee P.O. Box 12770 Overland Park, KS 66282	100%

CONTROL PERSONS. As of July 31, 2011, the following entities were known by The Fund to own of record or beneficially more than twenty-five percent (25%) of the outstanding Investor Class shares of The Fund:

Name and Address of Record Owner	Percentage of Fund's Outstanding Shares Owned
Taynik & Co. 200 Clarendon Street FPG 90 Boston, MA 02116	37.35%

As of July 31, 2011, the following entities were known by The Fund to own of record or beneficially more than twenty-five percent (25%) of the outstanding Institutional Class shares of The Fund:

Name and Address of Record Owner	Percentage of Fund's Outstanding Shares Owned
Benefit Trust Company AS Trustee P.O. Box 12770 Overland Park, KS 66282	100%

Because of their significant ownership of Fund shares, the control persons listed above have greater power to determine the outcome of a shareholder vote than other shareholders.

As of July 31, 2011, the Officers and Directors of the Company and the Adviser, as a group, owned less than one percent (1%) of the outstanding Investor Class shares of The Fund.

As of July 31, 2011, the Officers and Directors of the Company and the Adviser, as a group, owned less than one percent (1%) of the outstanding Institutional Class shares of The Fund.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. Cohen Fund Audit Services, Ltd., has been selected as the independent registered public accounting firm of The Fund. This firm is responsible for auditing the financial statements of The Fund.

CUSTODIAN. The Fifth Third Bank, 38 Fountain Square, Cincinnati, Ohio 45263, acts as Custodian of The Fund's assets. The Custodian is responsible for safeguarding and controlling The Fund's cash and securities, handling the delivery of securities and collecting interest on The Fund's investments.

TRANSFER, REDEMPTION, AND DIVIDEND DISBURSING AGENT. ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203, acts as The Fund's Transfer, Redemption, and Dividend Disbursing Agent. The Transfer, Redemption, and Dividend Disbursing Agent is responsible for the issuance, transfer and redemption of shares and the operating, maintenance and servicing of shareholder accounts.

LEGAL COUNSEL. Paul Hastings LLP, 600 Peachtree Street, N.E., Suite 2400, Atlanta, GA 30308, has been selected as counsel for The Fund. Paul Hastings LLP will pass on legal matters for The Fund in connection with the offering of its shares. Paul Hastings LLP also represents the Adviser in regard to Fund-related matters and will pass on certain legal matters for the Adviser.

REPORTS TO SHAREHOLDERS. The fiscal year of The Fund ends on April 30 of each year. The Fund sends to its shareholders at least semi-annually reports showing The Fund's portfolio and other information. An annual report, containing financial statements audited by independent auditors, is sent to shareholders each year.

ADDITIONAL INFORMATION. The Prospectus and this Statement of Additional Information do not contain all the information set forth in the Registration Statement and the exhibits relating thereto which The Fund has filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1933 and the Investment Company Act, to which reference is hereby made.

## **FINANCIAL STATEMENTS**

The Fund's most recent Financial Statements, which have been audited by Cohen Fund Audit Services, Ltd. are hereby incorporated by reference into this Statement of Additional Information.

### **FINANCIAL STATEMENTS OF THE FUND INCORPORATED BY REFERENCE:**

Annual Report to Shareholders for the fiscal year ended April 30, 2011:  
Report of Independent Registered Public Accounting Firm  
Schedule of Investments  
Statement of Assets and Liabilities  
Statement of Operations  
Statements of Changes in Net Assets  
Financial Highlights  
Notes to Financial Statements

## **APPENDIX A**

### **RATINGS OF CORPORATE DEBT OBLIGATIONS**

The characteristics of debt obligations rated by Moody's are generally as follows:

Aaa - Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." 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 rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities of 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, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

The characteristics of debt obligations rated by Standard & Poor's are generally as follows:

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

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

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

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

#### **Ratings of Commercial Paper**

The Funds' purchases of commercial paper are limited to those instruments rated A-1 or A-2 by Standard & Poor's or Prime-1 or Prime-2 by Moody's.

Commercial paper rated A-1 or A-2 by Standard & Poor's has the following characteristics: liquidity ratios are adequate to meet cash requirements; the issuer's long-term debt is rated "A" or better; the issuer has access to at least two additional channels of borrowing; and basic earnings and cash flow have an up

and down trend with allowances made for unusual circumstances. Typically, the issuer's industry is well-established and the issuer has a strong position within the industry. Relative strength or weakness of the above factors determines whether an insurer's commercial paper is rated A-1 or A-2, with the relative degree of safety of commercial paper rated A-2 not being as high as for commercial paper rated A-1.

Commercial paper rated Prime-1 or Prime-2 by Moody's is the highest commercial paper rating assigned by Moody's. Among the factors considered by Moody's in assigning ratings are the following: (1) evaluation of management of the issuer; (2) economic evaluation of the issuer's industry or industries and an appraisal of speculative-type risks which may be inherent in certain areas; (3) evaluation of the issuer's products in relation to competition and consumer acceptance; (4) liquidity; (5) amount and quality of long-term debt; (6) trend of earnings over a period of ten years; (7) financial strength of a parent company and the relationships which exist with the issuer; and (8) recognition by the management of obligations which may be present or may arise as a result of public interest questions and preparations to meet such obligations. Relative strength or weakness of the above factors determine how the issuer's commercial paper is rated within various categories.

A commercial paper rating is not a recommendation to purchase, sell or hold a particular instrument, inasmuch as it does not comment as to market price or suitability for a particular investment.

## **APPENDIX B**

### **PROXY POLICIES AND PROCEDURES**

#### **A PROXY POLICIES**

Henssler has the fiduciary obligation to, at all times, place the best interest of advisory clients (plan participants and beneficiaries in the case of ERISA accounts) as the sole consideration when voting proxies of portfolio companies. Proxy issues shall receive consideration based on all relevant facts and circumstances. Henssler may, from time to time, find that not voting is in the clients' best interest, for example—when the cost of voting a proxy exceeds the expected benefit to the client. As a general rule, Henssler shall vote against any actions that would reduce the rights or options of shareholders, reduce shareholder influence over the board of directors and management, reduce the alignment of interests between management and shareholders, or reduce the value of shareholders' investments.

The single most important stock ownership right that shareholders can execute is the election of directors. Henssler's proxy policies hold directors to a high standard of qualifications. Henssler policies strive to reward significant contributions and ultimately hold directors responsible for corporate performance. The entire board is evaluated on their long-term corporate performance, independence of the full board and key board committees, diversity, compensation and responsiveness to majority votes, among others. Individual's director nominees are analyzed on attendance, lack of independence, failure to establish any key board committees, serving on an excessive number of boards, performance on compensation committees, and performance on audit committees, among others. For further information please refer to the Proxy Guideline Summary in Section C.

In addition to the foregoing, the following shall be strictly adhered to unless contrary action receives the prior written approval of Henssler's Chief Compliance Officer:

1. Henssler shall not engage in conduct that involves an attempt to change or influence the control of a public company.
2. Henssler will not announce its voting intentions and the reasons therefore.
3. Henssler shall not participate in a proxy solicitation or otherwise seek proxy-voting authority from any other public company shareholder.
4. All communications with portfolio companies or fellow shareholders shall be for the sole purpose of expressing and discussing Henssler's concerns for its advisory clients' (plan participants and beneficiaries in the case of ERISA Accounts) interests and not for an attempt to influence the control of management.

It is Henssler's policy to fully comply with ERISA's requirements regarding proxy voting. Therefore, with respect to ERISA accounts for which Henssler is an investment manager, Henssler will act prudently and solely in the interest of the participants and beneficiaries of each such account. Henssler's policy and procedures regarding proxy voting may be amended from time to time to reflect developments in applicable law.

Some ERISA accounts for which Henssler is investment manager may wish to retain responsibility for proxy voting or to assign that responsibility to a different investment manager. Such accounts must either provide Henssler with a plan document that expressly precludes investment managers from voting proxies or execute an investment management agreement with Henssler that expressly precludes Henssler from

voting proxies. In the absence of such documentation, Henssler has the legal responsibility and the obligation to vote proxies for its ERISA accounts.

## **PROXY POLICIES AND PROCEDURES**

### **B. PROXY PROCEDURES**

Proxy Committee. Representatives from Portfolio Management, Operations and Compliance shall come together and collectively form the Proxy Committee (the "Committee"). The Committee shall meet on an as needed basis to oversee the proxy voting process to ensure that proxies are voted in accordance with the guidelines. Minutes of the Committee meetings may be recorded.

The Proxy Committee shall consider its fiduciary responsibility to all clients when addressing proxy issues and vote accordingly, taking into account the general policies outlined above. Henssler may, based on client needs, applicable regulatory requirements, business product style, and company specific factors, retain or assign proxy voting procedures as deemed suitable in order to properly fulfill its fiduciary responsibilities for voting client proxies.

If, when carrying out the process of analyzing and voting proxy issues, the Proxy Committee is unable to reach a unanimous decision regarding any specific proxy issue, that proxy issue shall be forwarded to the appropriate Investment Committee/Chief Executive Officer/Legal Counsel (as appropriate) for further analysis and voting resolution. Any voting decision that deviates from Henssler's standard policies, shall be discussed, analyzed, and resolved by the Proxy Committee, and/or the Investment Committee/Chief Executive Officer/Legal Counsel as deemed necessary.

The Proxy Committee is responsible for identifying material conflicts of interest. If a material conflict of interest arises between the adviser's interests and those of the clients concerning proxy voting, Henssler will escalate the issue(s) to Legal Counsel.

ERISA Accounts. As a general matter, the policies stated above also apply to ERISA accounts. The Proxy Committee must act prudently, solely in the interests of ERISA account plan participants and beneficiaries, and for the exclusive purpose of providing benefits to them.

In compliance with the U.S. Department of Labor, the Proxy Administrator and/or the Proxy Committee shall maintain applicable records regarding proxy voting for ERISA accounts. The Proxy Administrator shall document all proxy responses voted on by Henssler's Proxy Committee.

ADV Disclosure. Henssler's Form ADV Part II summarizes its proxy policies and procedures and provides contact information for obtaining copies of such policies and procedures. Furthermore, Henssler will disclose to its clients how they may obtain information on how Henssler voted their proxies. All requests for information will be documented indicating the name of the requestor, the date of the request and the date the information was sent.

Recordkeeping. The Proxy Administrator will ensure that all voting records, research analysis, client requests and other information shall be maintained in accordance with applicable books and records rules and regulations; e.g., Rule 204-2 of the Investment Advisers Act of 1940.

With respect to its investment company clients, Henssler will create and maintain (or cause to be created and maintained) records of each company's proxy voting record for 12-month periods ended June 30. Henssler will compile (or cause to be compiled) the following information for each matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which the company was entitled to vote:

- The name of the issuer of the portfolio security;
- The exchange ticker symbol of the portfolio security (if the symbol is available through reasonably practicable means);
- The Council on Uniform Securities Identification Procedures number for the portfolio security (if the number is available through reasonably practicable means);
- The shareholder meeting date;
- A brief identification of the matter voted on;
- Whether the matter was proposed by the issuer or by a security holder;
- Whether the company cast its vote on the matter;
- How the company cast its vote (e.g. for or against proposal, or abstain; for or withhold regarding election of directors); and
- Whether the company cast its vote for or against management.

## **PROXY POLICIES AND PROCEDURES**

### **C. PROXY GUIDELINE SUMMARY**

#### **Auditors**

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

- An auditor has a financial interest in or association with the company, and is therefore not independent
- Fees for non-audit services are excessive, or
- There is reason to believe that the independent auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position.

#### **Board of Directors**

##### **Voting on Director Nominees in Uncontested Elections**

Votes on director nominees should be made on a CASE-BY-CASE basis, examining the following factors: independence of the board and key board committees, attendance at board meetings, corporate governance provisions and takeover activity, long-term company performance, responsiveness to shareholder proposals, any egregious board actions, and any excessive non-audit fees or other potential auditor conflicts.

##### **Classification/Declassification of the Board**

Vote AGAINST proposals to classify the board.

Vote FOR proposals to repeal classified boards and to elect all directors annually.

### **Independent Chairman (Separate Chairman/CEO)**

Vote on a CASE-BY-CASE basis shareholder proposals requiring that the positions of chairman and CEO be held separately. Because some companies have governance structures in place that counterbalance a combined position, certain factors should be taken into account in determining whether the proposal warrants support. These factors include the presence of a lead director, board and committee independence, governance guidelines, company performance, and annual review by outside directors of CEO pay.

### **Majority of Independent Directors/Establishment of Committees**

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

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

### **Shareholder Rights**

#### **Shareholder Ability to Act by Written Consent**

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

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

Shareholder Ability to Call Special Meetings

Vote AGAINST proposals to restrict or prohibit shareholder ability to call special meetings.

Vote FOR proposals that remove restrictions on the right of shareholders to act independently of management.

#### **Supermajority Vote Requirements**

Vote AGAINST proposals to require a supermajority shareholder vote.

Vote FOR proposals to lower supermajority vote requirements.

#### **Cumulative Voting**

Vote AGAINST proposals to eliminate cumulative voting.

Vote proposals to restore or permit cumulative voting on a CASE-BY-CASE basis relative to the company's other governance provisions.

#### **Confidential Voting**

Vote FOR shareholder proposals requesting that corporations adopt confidential voting, use independent vote tabulators and use independent inspectors of election.

## **Proxy Contests**

### **Voting for Director Nominees in Contested Elections**

Votes in a contested election of directors must be evaluated on a CASE-BY-CASE basis, considering the factors that include the long-term financial performance, management's track record, qualifications of director nominees (both slates), and an evaluation of what each side is offering shareholders.

### **Reimbursing Proxy Solicitation Expenses**

Vote CASE-BY-CASE. Where Henssler votes in favor of the dissidents, we also recommend voting for reimbursing proxy solicitation expenses.

### **Poison Pills**

Vote for shareholder proposals that ask a company to submit its poison pill for shareholder ratification. Review on a CASE-BY-CASE basis shareholder proposals to redeem a company's poison pill and management proposals to ratify a poison pill.

### **Mergers and Corporate Restructurings**

Vote CASE-BY-CASE on mergers and corporate restructurings based on such features as the fairness opinion, pricing, strategic rationale, and the negotiating process.

### **Reincorporation Proposals**

Proposals to change a company's state of incorporation should be evaluated on a CASE-BY-CASE basis, giving consideration to both financial and corporate governance concerns, including the reasons for reincorporating, a comparison of the governance provisions, and a comparison of the jurisdictional laws.

Vote FOR reincorporation when the economic factors outweigh any neutral or negative governance changes.

When a company seeks to reincorporate offshore we evaluate the merits of the move on a CASE-BY-CASE basis.

Support is generally given for shareholder requests calling for "expatriate" companies that are domiciled abroad yet predominantly owned and operated in America to re-domesticate back to a U.S. state of jurisdiction.

## **Capital Structure**

### **Common Stock Authorization**

Votes on proposals to increase the number of shares of common stock authorized for issuance are determined on a CASE-BY-CASE basis.

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

Vote FOR proposals to approve increases beyond the allowable increase when a company's shares are in danger of being delisted or if a company's ability to continue to operate as a going concern is uncertain.

### **Dual-class Stock**

Vote AGAINST proposals to create a new class of common stock with superior voting rights.

Vote FOR proposals to create a new class of nonvoting or sub-voting common stock if:

- It is intended for financing purposes with minimal or no dilution to current shareholders
- It is not designed to preserve the voting power of an insider or significant shareholder

### **Executive and Director Compensation**

Votes with respect to compensation plans should be determined on a CASE-BY-CASE basis. The methodology for reviewing compensation plans primarily focuses on the transfer of shareholder wealth (the dollar cost of pay plans to shareholders instead of simply focusing on voting power dilution).

Vote AGAINST equity plans that explicitly permit repricing or where the company has a history of repricing without shareholder approval.

### **Employee Stock Purchase Plans**

Votes on employee stock purchase plans should be determined on a CASE-BY-CASE basis.

Vote AGAINST employee stock purchase plans unless these conditions apply:

- Purchase price is at least 85 percent of fair market value
- Offering period is 27 months or less, and
- Potential voting power dilution (VPD) is ten percent or less.

### **Shareholder Proposals on Compensation**

Vote on a CASE-BY-CASE basis for all other shareholder proposals regarding executive and director pay, taking into account company performance, pay level versus peers, pay level versus industry, and long term corporate outlook.

### **Social and Environmental Issues**

These issues cover a wide range of topics, including consumer and public safety, environment and energy, general corporate issues, labor standards and human rights, military business, and workplace diversity.

In general, vote CASE-BY-CASE. While a wide variety of factors goes into each analysis, the overall principal guiding all vote recommendations focuses on how the proposal will enhance the economic value of the company.