

STATEMENT OF ADDITIONAL INFORMATION
October 28, 2009

PORTFOLIO 21

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This Statement of Additional Information (“SAI”) is not a prospectus and it should be read in conjunction with the Prospectus for the Class R and Class I shares, Portfolio 21’s retail and institutional classes, respectively, dated October 28, 2009, of Portfolio 21, advised by Portfolio 21 Investments, formerly Progressive Investment Management Corporation (the “Advisor”), a series of Professionally Managed Portfolios (the “Trust”). Copies of Portfolio 21’s Prospectus for the Class R shares and the Class I shares are available on Portfolio 21’s website at portfolio21.com or by calling the above number.

Portfolio 21’s most recent Annual Report to shareholders is a separate document supplied with this SAI. The financial statements, accompanying notes and report of independent registered public accounting firm appearing in the Annual Report are incorporated into this SAI by reference to Portfolio 21’s Annual Report dated June 30, 2009 as filed with the Securities and Exchange Commission (“SEC”).

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THE TRUST

The Trust is a Massachusetts business trust organized on February 24, 1987 and is registered with the SEC as an open-end management investment company. The Trust's Agreement and Declaration of Trust (the "Declaration of Trust") permits the Trust's Board of Trustees (the "Board") to issue an unlimited number of full and fractional shares of beneficial interest, without par value, which may be issued in any number of series. The Trust consists of various series that represent separate investment portfolios. The Board may from time to time issue other series, the assets and liabilities of which will be separate and distinct from any other series. This SAI relates only to Portfolio 21.

The shareholders of a Massachusetts business trust could, under certain circumstances, be held personally liable as partners for its obligations. However, the Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Trust.

The Declaration of Trust also provides for indemnification and reimbursement of expenses out of Portfolio 21's assets for any shareholder held personally liable for obligations of Portfolio 21 or the Trust. The Declaration of Trust provides that the Trust shall, upon request, assume the defense of any claim made against any shareholder for any act or obligation of Portfolio 21 or the Trust and satisfy any judgment thereon. All such rights are limited to the assets of Portfolio 21. The Declaration of Trust further provides that the Trust may maintain appropriate insurance (for example, fidelity bonding and errors and omissions insurance) for the protection of the Trust, its shareholders, trustees, officers, employees and agents to cover possible tort and other liabilities. However, the activities of the Trust as an investment company would not likely give rise to liabilities in excess of the Trust's total assets. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which both inadequate insurance exists and Portfolio 21 itself is unable to meet its obligations.

The SEC is not involved in the supervision or management of Portfolio 21. Portfolio 21's Prospectus and this SAI are a part of the Trust's Registration Statement filed with the SEC. Copies of the Trust's complete Registration Statement may be obtained from the SEC upon payment of the prescribed fee or may be accessed free of charge at the SEC's website at sec.gov.

INVESTMENT POLICIES AND RISKS

Portfolio 21 primarily invests in common stocks of domestic and foreign companies that satisfy certain environmental sustainability criteria. Portfolio 21 is diversified. Under applicable federal securities laws, the diversification of a mutual fund's holdings is measured at the time the mutual fund purchases a security. If Portfolio 21 purchases a security and holds it for a period of time, the security may become a larger percentage of Portfolio 21's total assets due to movements in the financial markets. If the market affects several securities held by Portfolio 21, Portfolio 21 may have a greater percentage of its assets invested in securities of fewer issuers. Portfolio 21 would then be subject to the risk that its performance may be hurt disproportionately by the poor performance of relatively few securities despite Portfolio 21 qualifying as a diversified mutual fund under applicable federal securities laws.

Whenever an investment policy or limitation states a maximum percentage of Portfolio 21's assets that may be invested in any security or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitation will be determined immediately after and as a result of Portfolio 21's acquisition or sale of such security or other asset. Accordingly, except with respect to borrowing, any subsequent change in values, net assets or other circumstances will not be considered in determining whether an investment complies with Portfolio 21's investment policies and limitations. If the value of the Fund's holdings of illiquid securities at

any time exceeds the percentage limitation applicable due to subsequent fluctuations in value or other reasons, the Board will consider what actions, if any, are appropriate to maintain adequate liquidity. In addition, if a bankruptcy or other extraordinary event occurs concerning a particular investment by Portfolio 21, Portfolio 21 may receive stock, real estate or other investments that Portfolio 21 would not, or could not buy. If this happens Portfolio 21 would sell such investments as soon as practicable while trying to maximize the return to its shareholders.

The following information supplements the discussion of Portfolio 21's investment objective and policies as set forth in the Prospectus. Portfolio 21 may invest in the following types of investments, each of which is subject to certain risks, as discussed below.

Equity Securities.

Common stocks, preferred stocks and convertible securities are examples of equity securities in which Portfolio 21 may invest. All investments in equity securities are subject to market risks that may cause their prices to fluctuate over time. Historically, the equity markets have moved in cycles and the value of Portfolio 21's securities may fluctuate substantially from day-to-day. Owning an equity security can also subject Portfolio 21 to the risk that the issuer may discontinue paying dividends.

The economic crisis that began to unfold in 2007 continues to manifest itself in nearly all areas of the U.S. economy and has caused dramatic volatility in the financial markets, as well as a significant decrease in the value of many financial institutions, including, in general, a decrease in the value of stocks and bonds. The U.S. government has taken a number of measures to attempt to restore stability to the financial markets and to promote economic recovery. The measures have included various programs to stimulate economic activity, to reform regulatory oversight, to advance various social goals and to provide relief to businesses and individuals suffering from the effects of the economic crisis. There is no guarantee that any of these programs or other efforts will be successful and therefore there is no guarantee that the financial markets or stock and bond values will stabilize in the near future.

To the extent Portfolio 21 invests in the equity securities of small- or medium-sized companies, it will be exposed to the risks of small- and medium-sized companies. Such companies may have narrower markets for their goods and/or services and may have more limited managerial and financial resources than larger, more established companies. Furthermore, such companies may have limited product lines, or services, markets, or financial resources, or may be dependent on a small management group. In addition, because these stocks may not be well-known to the investing public, do not have significant institutional ownership and are typically followed by fewer security analysts, there will normally be less publicly available information concerning these securities compared to what is available for the securities of larger companies. Adverse publicity and investor perceptions, whether based on fundamental analysis, can decrease the value and liquidity of securities held by Portfolio 21. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of Portfolio 21.

Common Stock

Common stocks represent a proportionate share of the ownership of a company and its value is based on the success of the company's business, any income paid to stockholders, the value of its assets, and general market conditions. In addition to the general risks set forth above, investments in common stocks are subject to the risk that in the event a company in which Portfolio 21 invests is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to Portfolio 21 as a holder of common stock. It is possible that all assets of that company will be exhausted before any payments are made to Portfolio 21.

Preferred Stock

Preferred stocks are equity securities that often pay dividends at a specific rate and have a preference over common stocks in dividend payments and liquidation of assets. A preferred stock is a blend of the characteristics of a bond and common stock. It can offer the higher yield of a bond and has priority over common stock in equity ownership, but does not have the seniority of a bond. Unlike common stock, a preferred stock's participation in the issuer's growth may be limited. Although the dividend is set at a fixed annual rate, it is subject to the risk that the dividend can be changed or omitted by the issuer.

Convertible Securities

Convertible securities are securities (such as debt securities or preferred stock) that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. Convertible securities also include corporate bonds, notes and preferred stock. A convertible security entitles the holder to receive interest paid or accrued on debt or dividends paid on preferred stock until the convertible stock matures or is redeemed, converted or exchanged. While no securities investment is without some risk, investments in convertible securities generally entail less risk than an issuer's common stock. However, the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed income security. In addition to the general risks associated with equity securities discussed above, the market value of convertible securities is also affected by prevailing interest rates, the credit quality of the issuer and any call provisions. While convertible securities generally offer lower interest or dividend yields than nonconvertible debt securities of similar quality, they do enable the investor to benefit from increases in the market price of the underlying common stock.

Foreign Investments and Currencies.

Portfolio 21 may invest in the securities of foreign issuers ("foreign securities"), including sponsored and unsponsored American Depositary Receipts ("ADRs").

Investing in foreign securities involves certain risks not ordinarily associated with investments in securities of domestic issuers. Foreign securities markets have, for the most part, substantially less volume than the U.S. markets and securities of many foreign companies are generally less liquid and their prices more volatile than securities of U.S. companies. There is generally less government supervision and regulation of foreign exchanges, brokers and issuers than in the U.S. The rights of investors in certain foreign countries may be more limited than those of shareholders of U.S. issuers and Portfolio 21 may have greater difficulty taking appropriate legal action to enforce its rights in a foreign court than in a U.S. court. Investing in foreign securities also involves risks associated with government, economic, monetary, and fiscal policies (such as the adoption of protectionist trade measures), possible foreign withholding taxes on dividends and interest payable to Portfolio 21, possible taxes on trading profits, inflation, and interest rates, economic expansion or contraction, and global or regional political, economic or banking crises. Furthermore, there is the risk of possible seizure, nationalization or expropriation of the foreign issuer or foreign deposits and the possible adoption of foreign government restrictions such as exchange controls. Also, foreign issuers are not necessarily subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to domestic issuers and as a result, there may be less publicly available information on such foreign issuers than is available from a domestic issuer.

In addition, Portfolio 21 may invest in foreign securities of companies that are located in developing or emerging markets. Investing in securities of issuers located in these markets may pose greater risks not typically associated with investing in more established markets such as increased risk of social, political and economic instability. Emerging market countries typically have smaller securities markets than developed countries and therefore less liquidity and greater price volatility than more developed markets. Securities traded in emerging markets may also be subject to risks associated with the lack of modern technology, poor infrastructures, the lack of capital base to expand business operations and the inexperience of financial

intermediaries, custodians and transfer agents. Emerging market countries are also more likely to impose restrictions on the repatriation of an investor's assets and even where there is no outright restriction on repatriation, the mechanics of repatriations may delay or impede Portfolio 21's ability to obtain possession of its assets. As a result, there may be an increased risk or price volatility associated with Portfolio 21's investments in emerging market countries, which may be magnified by currency fluctuations.

From time to time, Portfolio 21 may invest a significant portion of its assets in the securities of a single country or region. Substantial investment in a single country or region will subject Portfolio 21, to a greater extent, to the risks associated with investments in that region or country. Portfolio 21 will also be subject to the risks that its return will be more dependent on the economic performance of that country or region than a fund that is not so concentrated.

Dividends and interest payable on Portfolio 21's foreign securities may be subject to foreign withholding tax. Portfolio 21 may also be subject to foreign taxes on its trading profits. Some countries may also impose a transfer or stamp duty on certain securities transactions. The imposition of these taxes will increase the cost to Portfolio 21 of investing in those countries that impose these taxes. To the extent such taxes are not offset by credits or deductions available to shareholders in Portfolio 21, under U.S. tax law, they will reduce the net return to Portfolio 21's shareholders.

Foreign Currency Transactions

Investments in foreign companies will usually involve currencies of foreign countries. To the extent that Portfolio 21 may invest in securities denominated in currencies other than the U.S. dollar and may temporarily hold funds in bank deposits or other money market investments denominated in foreign currencies, it may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the dollar. The rate of exchange between the U.S. dollar and other currencies is determined by the forces of supply and demand in the foreign exchange markets. The international balance of payments and other economic and financial conditions, government intervention, speculation and other factors affect these forces.

Although Portfolio 21 has no present intent of conducting foreign currency contracts, Portfolio 21 may, in the future, conduct foreign currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the foreign exchange market or by entering into a forward foreign currency contract.

Portfolio 21 may conduct foreign currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the foreign exchange market or by entering into a forward foreign currency contract. A forward foreign currency contract ("forward contract") involves an obligation to purchase or sell a specific amount of a specific currency at a future date, which may be any fixed number of days (usually less than one year) from the date of the contract agreed upon by the parties, at a price set at the time of the contract. Forward contracts are considered to be derivatives. Portfolio 21 enters into forward contracts in order to "lock in" the exchange rate between the currency it will deliver and the currency it will receive for the duration of the contract. In addition, Portfolio 21 may enter into forward contracts to hedge against risks arising from securities Portfolio 21 owns or anticipates purchasing, or the U.S. dollar value of interest and dividends paid on those securities. Portfolio 21 will not enter into forward contracts for speculative purposes. Portfolio 21 will not have more than 10% of its total assets committed to forward contracts, or maintain a net exposure to forward contracts that would obligate Portfolio 21 to deliver an amount of foreign currency in excess of the value of Portfolio 21's investment securities or other assets denominated in that currency.

At or before settlement of a forward currency contract, Portfolio 21 may either deliver the currency or terminate its contractual obligation to deliver the currency by purchasing an offsetting contract. If Portfolio 21 makes delivery of the foreign currency at or before the settlement of a forward contract, it may be required to obtain

the currency through the conversion of assets of Portfolio 21 into the currency. Portfolio 21 may close out a forward contract obligating it to purchase a foreign currency by selling an offsetting contract, in which case it will realize a gain or a loss.

Risks of Foreign Currency Transactions

Foreign currency transactions involve certain costs and risks. Portfolio 21 incurs foreign exchange expenses in converting assets from one currency to another. Forward contracts involve a risk of loss if the Adviser is inaccurate in its prediction of currency movements. The projection of short-term currency market movements is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain. The precise matching of forward contract amounts and the value of the securities involved is generally not possible. Accordingly, it may be necessary for Portfolio 21 to purchase additional foreign currency if the market value of the security is less than the amount of the foreign currency Portfolio 21 is obligated to deliver under the forward contract and the decision is made to sell the security and make delivery of the foreign currency. The use of forward contracts as a hedging technique does not eliminate fluctuations in the prices of the underlying securities Portfolio 21 owns or intends to acquire, but it does fix a rate of exchange in advance. Although forward contracts can reduce the risk of loss due to a decline in the value of the hedged currencies, they also limit any potential gain that might result from an increase in the value of the currencies.

In addition, there is no systematic reporting of last sale information for foreign currencies, and there is no regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Quotation information available is generally representative of very large transactions in the interbank market. The interbank market in foreign currencies is a global around-the-clock market. Because foreign currency transactions occurring in the interbank market involve substantially larger amounts than those that may be involved in the use of foreign currency options, Portfolio 21 may be disadvantaged by having to deal in an odd lot market (generally consisting of transactions of less than \$1 million) for the underlying foreign currencies at prices that are less favorable than for round lots. Portfolio 21 may take positions in options on foreign currencies in order to hedge against the risk of foreign exchange fluctuation on foreign securities Portfolio 21 holds in its portfolio or which it intends to purchase.

American Depository Receipts

Portfolio 21 may invest in ADRs. ADRs represent receipts typically issued by a U.S. bank or trust company which evidence ownership of underlying securities of foreign issuers. ADR prices are denominated in U.S. dollars although the underlying securities are denominated in a foreign currency. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter (“OTC”) market. Investments in ADRs involve risks similar to direct investment in the underlying foreign security. Unsponsored ADRs are organized independently of the issuer of the underlying security and without its cooperation. Available information about the issuer of an unsponsored ADR may not be current or as readily available as for sponsored ADRs and therefore the prices of unsponsored ADRs may be more volatile than for sponsored ADRs.

Other Registered Investment Companies.

Portfolio 21 may invest in the securities of other registered investment companies, subject to the limitations set forth in the Investment Company Act of 1940, as amended, (the “1940 Act”). Investments in the securities of other investment companies may involve duplication of advisory fees and certain other expenses. By investing in another investment company, Portfolio 21 becomes a shareholder of that investment company. As a result, Portfolio 21 shareholders indirectly will bear Portfolio 21’s proportionate share of the fees and expenses paid by shareholders of the other investment company, in addition to the fees and expenses Portfolio 21 shareholders directly bear in connection with Portfolio 21’s own operations.

Section 12(d)(1)(A) generally prohibits a fund from purchasing (1) more than 3% of the total outstanding voting stock of another fund; (2) securities of another fund having an aggregate value in excess of 5% of the value of

the acquiring fund; and (3) securities of the other fund and all other funds having an aggregate value in excess of 10% of the value of the total assets of the acquiring fund. There are some exceptions, however, to these limitations pursuant to various rules promulgated by the SEC.

Illiquid Securities.

Portfolio 21 may not invest more than 15% of the value of its net assets in securities that are illiquid. The Advisor will monitor the amount of illiquid securities in Portfolio 21, under the supervision of the Board, to ensure compliance with this investment restriction.

Historically, illiquid securities have included securities subject to contractual or legal restrictions on resale because they have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), securities which are otherwise not readily marketable and repurchase agreements having a maturity of longer than seven days. Mutual funds do not typically hold a significant amount of these restricted or other illiquid securities because of the potential for delays on resale and uncertainty in valuation. Limitations on resale may have an adverse effect on the marketability of the securities, and Portfolio 21 might be unable to sell restricted or other illiquid securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemption requests within seven days.

Restricted Securities.

Portfolio 21 may invest in securities that are subject to restrictions on resale because they have not been registered under the Securities Act. These securities are sometimes referred to as private placements. Although securities which may be resold only to "qualified institutional buyers" in accordance with the provisions of Rule 144A under the Securities Act are technically considered "restricted securities," Portfolio 21 may purchase Rule 144A securities without regard to the limitation on investments in illiquid securities described above in the "Illiquid Securities" section, provided that a determination is made that such securities have a readily available trading market. Portfolio 21 may also purchase certain commercial paper issued in reliance on the exemption from regulations in Section 4(2) of the Securities Act ("4(2) Paper"). The Advisor will determine the liquidity of Rule 144A securities and 4(2) Paper under the supervision of the Board. The liquidity of Rule 144A securities and 4(2) Paper will be monitored by the Advisor, and if as a result of changed conditions it is determined that a Rule 144A security or 4(2) Paper is no longer liquid, Portfolio 21's holdings of illiquid securities will be reviewed to determine what, if any, action is required to assure that Portfolio 21 does not exceed its applicable percentage limitation for investments in illiquid securities.

Limitations on the resale of restricted securities may have an adverse effect on the marketability of portfolio securities and Portfolio 21 might be unable to dispose of restricted securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemption requirements. Portfolio 21 might also have to register such restricted securities in order to dispose of them, resulting in additional expense and delay. Adverse market conditions could impede such a public offering of securities.

Repurchase Agreements.

Portfolio 21 may enter into repurchase agreements. For purposes of the 1940 Act, a repurchase agreement is deemed to be a loan from Portfolio 21 to the seller of the U.S. government security subject to the repurchase agreement. Under such agreements, the seller of the security agrees to repurchase it at a mutually agreed upon time and price. The repurchase price may be higher than the purchase price, the difference being income to Portfolio 21, or the purchase and repurchase prices may be the same, with interest at a stated rate due to Portfolio 21 together with the repurchase price on repurchase. In either case, the income to Portfolio 21 is unrelated to the interest rate on the U.S. government security itself. Such repurchase agreements will be made only with banks with assets of \$500 million or more that are insured by the Federal Deposit Insurance Corporation or with government securities dealers recognized by the Federal Reserve Board and registered as broker-dealers with the SEC or exempt from such registration. Portfolio 21 will generally enter into repurchase

agreements of short durations, from overnight to one week, although the underlying securities generally have longer maturities. Portfolio 21 may not enter into a repurchase agreement with more than seven days to maturity if, as a result, more than 15% of the value of its net assets would be invested in illiquid securities, including such repurchase agreements.

Because a repurchase agreement is deemed to be a loan under the 1940 Act, it is not clear whether a court would consider the U.S. government security acquired by Portfolio 21 subject to a repurchase agreement as being owned by Portfolio 21 or as being collateral for a loan by Portfolio 21 to the seller. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the U.S. government security before its repurchase under a repurchase agreement, Portfolio 21 may encounter delays and incur costs before being able to sell the security. Delays may involve loss of interest or a decline in price of the U.S. government security. If a court characterizes the transaction as a loan, and Portfolio 21 has not perfected a security interest in the U.S. government security, Portfolio 21 may be required to return the security to the seller's estate and be treated as an unsecured creditor of the seller. As an unsecured creditor, Portfolio 21 would be at risk of losing some or all of the principal and income involved in the transaction. As with any unsecured debt instrument purchased for Portfolio 21, the Advisor seeks to minimize the risk of loss through repurchase agreements by analyzing the creditworthiness of the other party, in this case the seller of the U.S. government security.

Apart from the risk of bankruptcy or insolvency proceedings, there is also the risk that the seller may fail to repurchase the security. However, Portfolio 21 will always receive as collateral for any repurchase agreement to which it is a party securities acceptable to it, the market value of which is equal to at least 100% of the amount invested by Portfolio 21 plus accrued interest, and Portfolio 21 will make payment against such securities only upon physical delivery or evidence of book entry transfer to the account of its custodian. If the market value of the U.S. government security subject to the repurchase agreement becomes less than the repurchase price (including interest), Portfolio 21 will direct the seller of the U.S. government security to deliver additional securities so that the market value of all securities subject to the repurchase agreement will equal or exceed the repurchase price. It is possible that Portfolio 21 will be unsuccessful in seeking to impose on the seller a contractual obligation to deliver additional securities.

Short-Term Investments.

Portfolio 21 may invest in any of the following securities and instruments:

Certificates of Deposit, Bankers' Acceptances and Time Deposits.

Portfolio 21 may hold certificates of deposit, bankers' acceptances and time deposits. Certificates of deposit are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return. Bankers' acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are "accepted" by a bank, meaning in effect that the bank unconditionally agrees to pay the face value of the instrument on maturity. Certificates of deposit and bankers' acceptances acquired by Portfolio 21 will be dollar-denominated obligations of domestic banks, savings and loan associations or financial institutions which, at the time of purchase, have capital, surplus and undivided profits in excess of \$100 million (including assets of both domestic and foreign branches), based on latest published reports, or less than \$100 million if the principal amount of such bank obligations are fully insured by the U.S. government.

In addition to buying certificates of deposit and bankers' acceptances, Portfolio 21 also may make interest-bearing time or other interest-bearing deposits in commercial or savings banks. Time deposits are non-negotiable deposits maintained at a banking institution for a specified period of time at a specified interest rate.

Commercial Paper and Short-Term Notes.

Portfolio 21 may invest a portion of its assets in commercial paper and short-term notes. Commercial paper consists of unsecured promissory notes issued by corporations. Commercial paper and short-term notes will normally have maturities of less than nine months and fixed rates of return, although such instruments may have maturities of up to one year.

Commercial paper and short-term notes will consist of issues rated at the time of purchase “A-2” or higher by Standard & Poor’s[®] Ratings Group, “Prime-1” or “Prime-2” by Moody’s Investors Service[®], Inc., or similarly rated by another nationally recognized statistical rating organization or, if unrated, will be determined by the Advisor to be of comparable quality. These rating symbols are described in Appendix A.

INVESTMENT RESTRICTIONS

The Trust (on behalf of Portfolio 21) has adopted the following restrictions as fundamental policies (unless otherwise noted), which may not be changed without the affirmative vote of the holders of a “majority” of the outstanding voting securities of Portfolio 21. Under the 1940 Act, the “vote of the holders of a majority of the outstanding voting securities” means the vote of the holders of the lesser of (i) 67% of the shares of Portfolio 21 represented at a meeting at which the holders of more than 50% of Portfolio 21’s outstanding shares are represented or (ii) more than 50% of the outstanding shares of Portfolio 21.

Portfolio 21 may not:

1. Make loans to others, except (a) through the purchase of debt securities in accordance with its investment objective and policies, or (b) to the extent the entry into a repurchase agreement is deemed to be a loan.
2. Borrow money, except for temporary or emergency purposes. Any such borrowings will be made only if immediately thereafter there is an asset coverage of at least 300% of all borrowings.
3. Mortgage, pledge or hypothecate any of its assets except in connection with any borrowings and only with respect to 33 1/3% of its assets.
4. Purchase securities on margin, participate on a joint or joint and several basis in any securities trading account, or underwrite securities. (This restriction does not preclude Portfolio 21 from obtaining such short-term credit as may be necessary for the clearance of purchases and sales of its portfolio securities.)
5. Purchase real estate, commodities or commodity contracts. (As a matter of operating policy, the Board may authorize Portfolio 21 in the future to engage in certain activities regarding futures contracts for bona fide hedging purposes; any such authorization will be accompanied by appropriate notification to shareholders.)
6. Issue senior securities, as defined in the 1940 Act, except that this restriction shall not be deemed to prohibit Portfolio 21 from (a) making any permitted borrowings, mortgages or pledges or (b) entering into options, futures or repurchase transactions.
7. Invest 25% or more of the market value of its assets in the securities of companies engaged in any one industry, except that this restriction does not apply to investment in the securities of the U.S. government, its agencies or instrumentalities.

8. With respect to 75% of its total assets, invest more than 5% of its total assets in securities of a single issuer or hold more than 10% of the voting securities of such issuer, except that this restriction does not apply to investment in the securities of the U.S. government, its agencies or instrumentalities.

Portfolio 21 observes the following policies, which are not deemed fundamental and which may be changed without shareholder vote. Portfolio 21 may not:

1. Invest in any issuer for purposes of exercising control or management.
2. Invest in securities of other investment companies except as permitted under the 1940 Act.
3. Invest, in the aggregate, more than 15% of its net assets in securities with legal or contractual restrictions on resale, securities that are not readily marketable and repurchase agreements with more than seven days to maturity.
4. With respect to fundamental investment restriction No. 2 above, Portfolio 21 will not purchase portfolio securities while outstanding borrowings exceed 5% of its assets.

Except with respect to borrowing, if a percentage restriction set forth in the Prospectus or in this SAI is adhered to at the time of investment, a subsequent increase or decrease in a percentage resulting from a change in the values of assets will not constitute a violation of that restriction. If the value of the Fund's holdings of illiquid securities at any time exceeds the percentage limitation applicable due to subsequent fluctuations in value or other reasons, the Board will consider what actions, if any, are appropriate to maintain adequate liquidity.

PORTFOLIO TURNOVER

Although Portfolio 21 generally will not invest for short-term trading purposes, securities may be sold without regard to the length of time they have been held when, in the opinion of the Advisor, investment considerations warrant such action. Portfolio turnover rate is calculated by dividing (1) the lesser of purchases or sales of portfolio securities for the fiscal year by (2) the monthly average of the value of portfolio securities owned during the fiscal year. A 100% turnover rate would occur if all the securities in Portfolio 21's portfolio, with the exception of securities whose maturities at the time of acquisition were one year or less, were sold and either repurchased or replaced within one year. A high rate of portfolio turnover (100% or more) generally leads to higher transaction costs and may result in a greater number of taxable transactions and taxable distributions. Portfolio 21's portfolio turnover rate for the following fiscal periods is shown in the table below. See "Execution of Portfolio Transactions and Brokerage."

	June 30, 2009	June 30, 2008
Portfolio Turnover Rate	13%	4%

PORTFOLIO HOLDINGS INFORMATION

The Trust, on behalf of Portfolio 21, has adopted a portfolio holdings disclosure policy that governs the timing and circumstances of disclosure of the holdings of Portfolio 21. The policy was developed in consultation with the Advisor and has been adopted by the Advisor. Information about Portfolio 21's holdings will not be distributed to any third party except in accordance with this policy. The Board considered the circumstances under which Portfolio 21's holdings may be disclosed under this policy and the actual and potential material conflicts that could arise in such circumstances between the interests of Portfolio 21's shareholders and the interests of the Advisor, the principal underwriter or any other affiliated person of Portfolio 21. After due consideration, the Board determined that Portfolio 21 has a legitimate business purpose for disclosing holdings to persons described in the policy, including mutual fund rating or statistical agencies, or persons performing similar functions, and internal parties involved in the investment process, or custody of Portfolio 21. Pursuant to the policy, the Trust's Chief Compliance Officer ("CCO"), President and Treasurer are each authorized to consider and authorize dissemination of portfolio holdings information to additional third parties, after considering the best interests of the shareholders and potential conflicts of interest in making such disclosures.

The Board exercises continuing oversight of the disclosure of Portfolio 21's holdings by (1) overseeing the implementation and enforcement of the policy, Codes of Ethics and other relevant policies of Portfolio 21 and its service providers by the Trust's CCO, (2) by considering reports and recommendations by the Trust's CCO concerning any material compliance matters (as defined in Rule 38a-1 under the 1940 Act), and (3) by considering to approve any amendment to this policy. The Board reserves the right to amend the policy at any time without prior notice in its sole discretion.

Disclosure of Portfolio 21's complete holdings is required to be made quarterly within 60 days of the end of each period covered by the Annual Report and Semi-Annual Report to Portfolio shareholders and in the quarterly holdings report on Form N-Q. These reports are available, free of charge, on the EDGAR database on the SEC's website at sec.gov. In addition, Portfolio 21 also discloses its complete holdings and certain other portfolio characteristics on Portfolio 21's website at portfolio21.com generally on the first business day after each month-end. The month-end holdings for Portfolio 21 will remain posted on Portfolio 21's website until updated the following month-end. Holdings information posted on Portfolio 21's website may be provided separately to any person, commencing on the day after it is first published on Portfolio 21's website. In addition, Portfolio 21 may provide its complete portfolio holdings at the same time that it is filed with the SEC.

In the event of a conflict between the interests of Portfolio 21 and the interests of the Advisor or an affiliated person of the Advisor, the Advisor's CCO, in consultation with the Trust's CCO, shall make a determination in the best interests of Portfolio 21, and shall report such determination to the Board at the end of the quarter in which such determination was made. Any employee of the Advisor who suspects a breach of this obligation must report the matter immediately to the CCO or to his or her supervisor.

In addition, material non-public holdings information may be provided without lag as part of the normal investment activities of Portfolio 21 to each of the following entities which, by explicit agreement or by virtue of their respective duties to Portfolio 21, are required to maintain the confidentiality of the information disclosed, including a duty not to trade on non-public information: fund administrator, fund accountant, custodian, transfer agent, auditors, counsel to Portfolio 21 or the trustees, broker-dealers (in connection with the purchase or sale of securities or requests for price quotations or bids on one or more securities) and regulatory authorities. Holdings information not publicly available with the SEC or through Portfolio 21's website may only be provided to additional third parties, including mutual fund ratings or statistical agencies, in accordance with the policy, when Portfolio 21 has a legitimate business purpose and when the third party recipient is subject to a confidentiality agreement that includes a duty not to trade on non-public information.

In no event shall the Advisor, its affiliates or employees, Portfolio 21, or any other party in connection with any arrangement receive any direct or indirect compensation in connection with the disclosure of information about Portfolio 21's holdings.

There can be no assurance that the policy and these procedures will protect Portfolio 21 from potential misuse of that information by individuals or entities to which it is disclosed.

From time to time, the Advisor may make additional disclosure of the Fund's portfolio holdings on the Fund's website. Shareholders can access the Fund's website at www.portfolio21.com for additional information about the Fund, including, without limitation, the periodic disclosure of its portfolio holdings.

TRUSTEES AND EXECUTIVE OFFICERS

The Board is responsible for the overall management of the Trust, including general supervision and review of the investment activities of Portfolio 21. The Board, in turn, elects the officers of the Trust, who are responsible for administering the day-to-day operations of the Trust and its separate series. The current Trustees and officers of the Trust, their dates of birth, position with the Trust, term of office with the Trust and length of time served, their principal occupation for the past five years and other directorships are set forth below.

Name, Age and Address	Position with the Trust ⁽¹⁾	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex ⁽²⁾ Overseen by Trustees	Other Directorships Held
Independent Trustees of the Trust					
Dorothy A. Berry (born 1943) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Chairman and Trustee	Indefinite Term; Since May 1991.	President, Talon Industries, Inc. (administrative, management and business consulting); formerly, Executive Vice President and Chief Operating Officer, Integrated Asset Management (investment adviser and manager) and formerly, President, Value Line, Inc. (investment advisory and financial publishing firm).	1	Trustee, Allegiant Funds.
Wallace L. Cook (born 1939) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Trustee	Indefinite Term; Since May 1991.	Investment Consultant; formerly, Chief Executive Officer, Rockefeller Trust Co., (prior thereto Senior Vice President), and Managing Director, Rockefeller & Co. (Investment Manager and Financial Advisor); formerly, Senior Vice President, Norton Simon, Inc.	1	The Dana Foundation; The University of Virginia Law School Foundation.
Carl A. Froebel (born 1938) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Trustee	Indefinite Term; Since May 1991.	Owner, Golf Adventures, LLC, (Vacation Services); formerly, President and Founder, National Investor Data Services, Inc. (investment related computer software).	1	None.
Steven J. Paggioli (born 1950) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Trustee	Indefinite Term; Since May 1991.	Consultant; formerly, Executive Vice President, Investment Company Administration, LLC ("ICA") (mutual fund administrator).	1	Independent Trustee, The Managers Funds; Trustee, Managers AMG Funds; Sustainable Growth Advisers, LP; Independent Director, Chase Investment Counsel

Name, Age and Address	Position with the Trust ⁽¹⁾	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex ⁽²⁾ Overseen by Trustees	Other Directorships Held
Officers of the Trust					
Robert M. Slotky (born 1947) 2020 E. Financial Way Suite 100 Glendora, CA 91741	President	Indefinite Term; Since August 2002.	Senior Vice President, U.S. Bancorp Fund Services, LLC since July 2001.	Not Applicable	Not Applicable
	Chief Compliance Officer	Indefinite Term; Since September 2004			
	Anti-Money Laundering Officer	Indefinite Term; Since December 2005.			
Eric W. Falkeis (born 1973) 615 East Michigan St. Milwaukee, WI 53202	Treasurer	Indefinite Term; Since August 2002.	Senior Vice President USBFS since September 2007; Chief Financial Officer, U.S. Bancorp Fund Services, LLC, since April 2006; Vice President, U.S. Bancorp Fund Services, LLC since 1997.	Not Applicable	Not Applicable
Elaine E. Richards (born 1968) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Secretary	Indefinite Term; Since February 2008.	Vice President and Legal Compliance Officer, U.S. Bancorp Fund Services, LLC, since July 2007; formerly, Vice President and Senior Counsel, Wells Fargo Funds Management, LLC (2004-2007); formerly, Vice President and Legal Compliance Officer, U.S. Bancorp Fund Services, LLC (1998-2004).	Not Applicable	Not Applicable

⁽¹⁾ The Trustees of the Trust are not “interested persons” of the Trust as defined under the 1940 Act (“Independent Trustees”).

⁽²⁾ The Trust is comprised of numerous series managed by unaffiliated investment advisors. The term “Fund Complex” applies only to Portfolio 21. Portfolio 21 does not hold itself out as related to any other series within the Trust for purposes of investment and investor services, nor does it share the same investment advisor with any other series.

Trust Committees.

The Trust has four standing committees: the Nominating Committee, the Audit Committee, which also serves as the Qualified Legal Compliance Committee (“QLCC”), and the Valuation Committee.

The Nominating Committee, comprised of all the Independent Trustees, is responsible for seeking and reviewing candidates for consideration as nominees for Trustees and meets only as necessary. The Nominating Committee will consider nominees nominated by shareholders. Recommendations for consideration by shareholders to the Nominating Committee should be sent to the President of the Trust in writing together with the appropriate biographical information concerning each such proposed Nominee, and such recommendation must comply with the notice provisions set forth in the Trust By-Laws. In general, to comply with such

procedures, such nominations, together with all required biographical information, must be delivered to, and received by, the President of the Trust at the principal executive offices of the Trust not later than 60 days prior to the shareholder meeting at which any such nominee would be voted on. The Nominating Committee did not meet during Portfolio 21's last fiscal period.

The Audit Committee is comprised of all of the Independent Trustees. The Audit Committee typically meets on a quarterly basis with respect to each series of the Trust and may meet more frequently. The function of the Audit Committee, with respect to each series of the Trust, is to review the scope and results of the audit and any matters bearing on the audit or a fund's financial statements and to ensure the integrity of a fund's pricing and financial reporting. The Audit Committee met once with respect to Portfolio 21 during its last fiscal period.

The function of the QLCC is to receive reports from an attorney retained by the Trust of evidence of a material violation by the Trust or by any officer, director, employee or agent of the Trust. The QLCC did not meet with respect to Portfolio 21 during its last fiscal period.

The Board has delegated day-to-day valuation issues to a Valuation Committee that is comprised of one or more Independent Trustees and the Trust's Treasurer. The function of the Valuation Committee is to value securities held by any series of the Trust for which current and reliable market quotations are not readily available. Such securities are valued at their respective fair values as determined in good faith by the Valuation Committee, and the actions of the Valuation Committee are subsequently reviewed and ratified by the Board. The Valuation Committee meets as needed. The Valuation Committee met once with respect to Portfolio 21 during its last fiscal period.

Trustee Ownership of Portfolio Shares and Other Interests.

The following table shows the value of any Portfolio 21 shares and shares in other portfolios of the Trust owned by the Trustees as of the calendar year ended December 31, 2008.

Name	Dollar Range of Portfolio Shares	Aggregate Dollar Range of Fund Shares in the Trust
Dorothy A. Berry	None	\$10,001 - \$50,000
Wallace L. Cook	None	\$10,001 - \$50,000
Carl A. Froebel	None	\$10,001 - \$50,000
Steven J. Paggioli	None	\$50,001 - \$100,000

Furthermore, neither the Independent Trustees nor members of their immediate family, own securities beneficially or of record in the Advisor, Portfolio 21's principal underwriter, or any of their affiliates. Accordingly, neither the Independent Trustees nor members of their immediate family, have had a direct or indirect interest, during the two most recently completed calendar years, the value of which exceeds \$120,000, in the Advisor, Portfolio 21's principal underwriter or any of its affiliates.

Compensation.

Independent Trustees each receive an annual retainer of \$40,000 allocated among each of the various portfolios comprising the Trust. The Chairman of the Board receives an additional annual retainer of \$8,000 also allocated among each of the various portfolios comprising the Trust. Independent Trustees receive additional fees from the applicable portfolios for any special meetings at rates assessed by the Trustees depending on the length of the meeting and whether in-person attendance is required. Independent Trustees are also reimbursed for expenses in connection with each board meeting attended, which reimbursement is allocated among applicable portfolios of the Trust. The Trust has no pension or retirement plan. No other entity affiliated with the Trust pays any compensation to the Trustees. Set forth below is the rate of compensation received by the following Independent Trustees for the fiscal year ended June 30, 2009.

Name of Person/Position	Aggregate Compensation From Portfolio 21	Pension or Retirement Benefits Accrued as Part of Portfolio Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation from Portfolio and Fund Complex ⁽¹⁾ Paid to Trustees
Dorothy A. Berry, Trustee	\$2,696	None	None	\$2,696
Wallace L. Cook, Trustee	\$2,246	None	None	\$2,246
Carl A. Froebel, Trustee	\$2,246	None	None	\$2,246
Steven J. Paggioli, Trustee	\$2,246	None	None	\$2,246

⁽¹⁾ There are currently numerous unaffiliated portfolios comprising the Trust. The term “Fund Complex” applies only to Portfolio 21. For the fiscal period ended June 30, 2009, aggregate Trustees’ fees and expenses of \$168,000 were incurred by the Trust.

The Trust, the Advisor and the principal underwriter have each adopted Codes of Ethics under Rule 17j-1 of the 1940 Act. These Codes permit, subject to certain conditions, personnel of the Advisor and the principal underwriter to invest in securities that may be purchased or held by Portfolio 21.

PROXY VOTING POLICIES

The Board has adopted Proxy Voting Policies and Procedures (“Policies”) on behalf of the Trust which delegate the responsibility for voting proxies to the Advisor, subject to the Board’s continuing oversight. The Policies require that the Advisor vote proxies received in a manner consistent with the best interests of Portfolio 21 and its shareholders. The Policies also require the Advisor to present to the Board, at least annually, the Advisor’s proxy voting policies and a record of each proxy voted by the Advisor on behalf of Portfolio 21, including a report on the resolution of all proxies identified by the Advisor as involving a conflict of interest. The Advisor has also adopted a proxy voting policy (the “Advisor’s Policy”) that underscores the Advisor’s concern that all proxy voting decisions be made in the best interests of Portfolio 21 and to maximize its values over time. The Advisor’s Policy is attached as Appendix B.

The Trust is required to file a Form N-PX, with Portfolio 21’s complete proxy voting record for the 12 months ended June 30, no later than August 31 of each year. Form N-PX for Portfolio 21 will be available without charge, upon request, by calling toll-free 877.351.4115, and on the SEC’s website at sec.gov.

CONTROL PERSONS, PRINCIPAL SHAREHOLDERS

A principal shareholder is any person who owns of record or beneficially 5% or more of the outstanding shares of Portfolio 21. A control person is one who owns beneficially or through controlled companies more than 25% of the voting securities of Portfolio 21 or acknowledges the existence of control. As of September 30,

2009, the Trustees as a group did not own more than 1% of the outstanding shares of Portfolio 21. As of September 30, 2009, the following shareholders were considered to be either a control person or principal shareholder of Portfolio 21:

Principal Holders of Portfolio 21 – Class R Shares

Name and Address	% Ownership	Type of Ownership
Charles Schwab & Co., Inc.* Special Custody Account Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4151	36.06%	Record
National Financial Services, LLC For the Sole Benefit of It's Customers Attn: Mutual Funds Dept. 200 Liberty Street, Floor 5 New York, NY 10281-5503	15.82%	Record
Prudential Investment Management FBO Mutual Fund Clients Mail Stop NJ 05-11-20 100 Mulberry Street 3 Gateway Center Floor 11 Newark, NJ 07102-4000	7.50%	Record
Ameritrade Inc. Exclusive Benefit of Our Customers P.O. Box 2226 Omaha, NE 68103-2226	5.50%	Record

Principal Holders of Portfolio 21 – Class I Shares

Name and Address	% Ownership	Type of Ownership
Charles Schwab & Co., Inc.* Special Custody Account Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4151	93.47%	Record

*Charles Schwab & Co., Inc. is organized under the laws of the State of Delaware and its parent company is The Charles Schwab Corporation.

PORTFOLIO 21'S INVESTMENT ADVISOR

Portfolio 21 Investments, formerly, Progressive Investment Management Corporation 721 N.W. Ninth Avenue, Suite 250, Portland, Oregon, 97209, acts as investment advisor to Portfolio 21 pursuant to an investment advisory agreement (the "Advisory Agreement") with the Trust. Carsten Henningsen, Chairman of the Advisor and a portfolio manager of the Fund, controls the Advisor.

The Advisory Agreement continues in effect from year to year if such continuance is specifically approved at least annually by the Board or by a vote of a majority of Portfolio 21's outstanding voting securities and by a majority of the Independent Trustees at a meeting called for the purpose of voting on such Advisory Agreement.

The Advisory Agreement is terminable without penalty by the Trust on behalf of Portfolio 21 on not more than a 60-day, nor less than a 30-day, written notice and will automatically terminate in the event of its “assignment” (as defined in the 1940 Act). The Advisory Agreement provides that the Advisor under such agreement shall not be liable for any error of judgment or mistake of law or for any loss arising out of any investment or for any act or omission in the execution of portfolio transactions for Portfolio 21, except for willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of reckless disregard of its obligations and duties thereunder.

In consideration of the services provided by the Advisor pursuant to the Advisory Agreement, the Advisor is entitled to receive from Portfolio 21 an investment advisory fee computed daily and paid monthly, based on a rate equal to 0.95% of Portfolio 21’s average daily net assets as specified in Portfolio 21’s Prospectus. However, the Advisor may voluntarily agree to waive a portion of the fees payable to it on a month-to-month basis.

The Advisor has contractually agreed to reduce its fees and/or pay Portfolio 21’s expenses (excluding Acquired Fund Fees and Expenses, interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for Class R and Class I shares of Portfolio 21 to 1.50% and 1.20%, respectively, of Portfolio 21’s average net assets (the “Expense Caps”). The Expense Caps will remain in effect for at least the one year period shown in the Expense Example in the Prospectus and may continue thereafter for an indefinite period, as determined by the Trust’s Board of Trustees (the “Board”). The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. Any such reimbursement is subject to the Board’s review and approval. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by Portfolio 21 toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Caps. Portfolio 21’s accrued advisory fees and waived fees for the following fiscal periods is shown in the table below.

Fiscal Period Ended,	Fees Accrued	Fees Waived	Total Fees Paid to Advisor
June 30, 2009	\$2,082,676	\$23,007	\$2,059,669
June 30, 2008⁽¹⁾	\$2,462,745	\$0	\$2,462,745
June 30, 2007	\$1,689,416	\$120,444	\$1,568,972

⁽¹⁾ The Advisor recouped \$29,334 in expenses that were previously waived and/or reimbursed.

Portfolio Managers.

Portfolio 21 is managed by a committee of investment professionals associated with the Advisor, each of whom provides particular expertise to the management function. The investment committee consists of Leslie E. Christian, Carsten Henningsen, James Madden and Tony Tursich. The following provides information regarding other accounts managed by each member of the investment committee as of June 30, 2009.

Category of Account	Total Number of Accounts Managed	Total Assets in Accounts Managed	Number of Accounts for which Advisory Fee is Based on Performance	Assets in Accounts for which Advisory Fee is Based on Performance
Leslie Christian				
Other Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	0	\$0	0	\$0

Category of Account	Total Number of Accounts Managed	Total Assets in Accounts Managed	Number of Accounts for which Advisory Fee is Based on Performance	Assets in Accounts for which Advisory Fee is Based on Performance
Carsten Henningsen				
Other Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	0	\$0	0	\$0
James Madden				
Other Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	115	\$171 Million	0	\$0
Tony Tursich				
Other Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	115	\$171 Million	0	\$0

The portfolio managers' and investment committee members' compensation consists of a fixed salary, a bonus, and a retirement plan. A portfolio manager's salary and bonus is not based on the performance of Portfolio 21 or other managed accounts. Salary is determined by the position a portfolio manager holds, as well as his or her experience, education, merit, productivity and contribution to the management team. Regular salary surveys are conducted to ensure salaries are paid with the appropriate range in accordance with industry standards. Bonuses are determined by the profits of the Advisor for the fiscal year. The distributions of the bonuses to all employees are based on a wide range of factors as applied to each employee, including length of employment, position held and employee performance. The portfolio managers participate in a fixed retirement plan that is available to all employees of the firm.

The Advisor does not manage other accounts or products using the same or similar investment strategy as Portfolio 21's strategy, but does manage other accounts for individual or institutional clients. Such separate accounts are composed of domestic stocks, bonds and shares of Portfolio 21. The Advisor does not receive a fee from its managed account clients for the portions of managed accounts that are invested in Portfolio 21.

Actual or apparent material conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities for more than one investment account or in other circumstances. These potential conflicts of interests include the allocation of investment opportunities and the allocation of time and investment ideas. The Advisor does not aggregate orders among Portfolio 21 and the other accounts, nor does the Advisor participate in any soft dollar arrangements with respect to Portfolio 21 or any other accounts. The Advisor

believes such inherent conflicts of interest in managing accounts for various clients are controlled and mitigated by its trade allocation policy, code of ethics, other compliance policies and procedures to which the portfolio managers are subject and the fact that the compensation for portfolio managers is not based on the performance of Portfolio 21 or other managed accounts.

The following indicates the dollar range of beneficial ownership of shares by each member of Portfolio 21's investment committee as of June 30, 2009:

Name of Portfolio Manager	Dollar Range of Equity Securities in the Fund Beneficially Owned (None, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, \$100,001 - \$500,000, \$500,000-\$1,000,000, Over \$1,000,000)
Leslie Christian	\$100,001 - \$500,000
Carsten Henningsen	\$100,001 - \$500,000
James Madden	\$100,001 - \$500,000
Tony S. Tursich	\$50,001 - \$100,000

SERVICE PROVIDERS

Administrator, Transfer Agent and Fund Accountant.

Pursuant to an administration agreement (the "Administration Agreement"), U.S. Bancorp Fund Services, LLC ("USBFS" or the "Transfer Agent"), 615 East Michigan Street, Milwaukee, WI, 53202, acts as administrator to Portfolio 21. USBFS provides certain administrative services to Portfolio 21. Including, among other responsibilities, coordinating the negotiation of contracts and fees with, and the monitoring of performance and billing of, Portfolio 21's independent contractors and agents; preparation for signature by an officer of the Trust of all documents required to be filed for compliance by the Trust and Portfolio 21 with applicable laws and regulations excluding those of the securities laws of various states; arranging for the computation of performance data, including net asset value ("NAV") and yield; responding to shareholder inquiries; and arranging for the maintenance of books and records of Portfolio 21, and providing, at its own expense, office facilities, equipment and personnel necessary to carry out its duties. In this capacity, USBFS does not have any responsibility or authority for the management of Portfolio 21, the determination of investment policy, or for any matter pertaining to the distribution of Portfolio 21 shares.

Pursuant to the Administration Agreement, as compensation for its services, USBFS receives from Portfolio 21 a fee based on Portfolio 21's current average daily net assets of 0.15% on assets up to \$50 million, 0.12% on assets between \$50 million and \$100 million, 0.10% on assets between \$100 million and \$150 million and 0.05% on the remaining balance with a minimum fee of \$30,000. USBFS also is entitled to certain out-of-pocket expenses. USBFS also serves as fund accountant, transfer agent and dividend disbursing agent under separate agreements. Additionally, USBFS provides Chief Compliance Officer services to the Trust under a separate agreement. The cost for the Chief Compliance Officer services is allocated to Portfolio 21 by the Board of Trustees.

The table below shows the amount of administration fees paid by Portfolio 21 to USBFS for the periods shown.

Fiscal Period Ended,	Administration Fee Paid
June 30, 2009	\$219,614
June 30, 2008	\$239,710
June 30, 2007	\$221,988

Custodian.

U.S. Bank, National Association, is the custodian for the assets of Portfolio 21 (the “Custodian”) pursuant to a custody agreement between the Custodian and the Trust, whereby the Custodian provides for fees on a transactional basis plus out-of-pocket expenses. The Custodian’s address is 1555 N. River Center Drive, Suite 302, Milwaukee, Wisconsin 53212. The Custodian does not participate in decisions relating to the purchase and sale of securities by Portfolio 21. USBFS, the Custodian, and Portfolio 21’s principal underwriter are affiliated entities under the common control of U.S. Bancorp. The Custodian and its affiliates may participate in revenue sharing arrangements with the service providers of mutual funds in which the Fund may invest.

Independent Registered Public Accounting Firm and Legal Counsel.

Tait, Weller & Baker LLP, 1818 Market Street, Suite 2400, Philadelphia, Pennsylvania 19103, is the independent registered public accounting firm for Portfolio 21.

Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, New York, 10022, serves as legal counsel to the Trust.

EXECUTION OF PORTFOLIO TRANSACTIONS AND BROKERAGE

Pursuant to the Advisory Agreement, the Advisor determines which securities are to be purchased and sold by Portfolio 21 and which broker-dealers will be used to execute Portfolio 21’s securities transactions. The purchases and sales of securities in the OTC market will be executed directly with a “market-maker” unless, in the opinion of the Advisor, a better price and execution can otherwise be obtained by using a broker for the transaction.

Purchases of securities for Portfolio 21 also may be made directly from issuers or from underwriters. Where possible, purchase and sale transactions will be made through dealers (including banks) that specialize in the types of securities which Portfolio 21 will be holding, unless better executions are available elsewhere. Dealers and underwriters usually act as principal for their own account. Purchases from underwriters will include a concession paid by the issuer to the underwriter and purchases from dealers will include the spread between the bid and the asked price. If the execution and price offered by more than one dealer or underwriter are comparable, the order may be allocated to a dealer or underwriter that has provided research or other services as discussed below.

In placing portfolio transactions, the Advisor will seek best execution. The full range and quality of services available will be considered in making this determination, such as the size of the order, the difficulty of execution, the operational facilities of the firm involved, the firm’s risk in positioning a block of securities and other factors. In those instances where it is reasonably determined that more than one broker-dealer can offer the best execution, the Advisor considers such information, which is in addition to and not in lieu of the services required to be performed by them under their Advisory Agreement with Portfolio 21, to be useful in varying degrees, but of indeterminable value. Transactions may be placed with broker-dealers who sell shares of Portfolio 21 subject to rules adopted by Financial Industry Regulatory Authority (“FINRA”) and the SEC.

It is the Advisor’s general policy to seek best execution in selecting a broker-dealer to execute portfolio transactions for Portfolio 21. In accordance with Section 28(e) of the Securities and Exchange Act of 1934, when it is determined that more than one broker-dealer can deliver best execution, the Advisor may, but does not currently, give weight to the ability of a broker-dealer to furnish brokerage and research services to Portfolio 21 or to the Advisor, even if the specific services are not directly useful to Portfolio 21 and may be useful to the Advisor in advising other clients. In negotiating commissions with a broker or evaluating the spread to be paid to a dealer, Portfolio 21 may therefore pay a higher commission or spread than would be the case if no weight were given to the furnishing of these supplemental services, provided that the amount of such

commission or spread has been determined in good faith by the Advisor to be reasonable in relation to the value of the brokerage and/or research services provided by such broker-dealer. Additionally, in accordance with procedures adopted by the Trust, the Advisor may direct transactions to a broker-dealer with which it has an affiliation.

Investment decisions for Portfolio 21 are made independently from those of other client accounts managed or advised by the Advisor. Nevertheless, it is possible that at times identical securities will be acceptable for both Portfolio 21 and one or more of such client accounts. In such event, the position of Portfolio 21 and such client accounts in the same issuer may vary and the length of time that each may choose to hold its investment in the same issuer may likewise vary. However, to the extent any of these client accounts seeks to acquire the same security as Portfolio 21 at the same time, Portfolio 21 may not be able to acquire as large a portion of such security as it desires, or it may have to pay a higher price or obtain a lower yield for such security. Similarly, Portfolio 21 may not be able to obtain as high a price for, or as large an execution of, an order to sell any particular security at the same time. If one or more of such client accounts simultaneously purchases or sells the same security that Portfolio 21 is purchasing or selling, each day's transactions in such security will be allocated between Portfolio 21 and all such client accounts in a manner deemed equitable by the Advisor, taking into account the respective sizes of the accounts and the amount being purchased or sold. It is recognized that in some cases this system could have a detrimental effect on the price or value of the security insofar as Portfolio 21 is concerned. In other cases, however, it is believed that the ability of Portfolio 21 to participate in volume transactions may produce better executions for Portfolio 21.

Portfolio 21 does not effect securities transactions through brokers in accordance with any formula, nor does it direct securities transactions to brokers in exchange for selling shares of Portfolio 21. However, broker-dealers who execute brokerage transactions may effect purchase of shares of Portfolio 21 for their customers.

The table below shows the amount of brokerage commission paid by Portfolio 21 with respect to transactions for the fiscal periods shown.

	June 30, 2009	June 30, 2008	June 30, 2007
Brokerage Fees Paid	\$49,922	\$50,763	\$56,951

CAPITAL STOCK

Shares issued by Portfolio 21 have no preemptive, conversion, or subscription rights. Shares issued and sold by Portfolio 21 are deemed to be validly issued, fully paid and non-assessable by the Trust. Shareholders have equal and exclusive rights as to dividends and distributions as declared by Portfolio 21 and to the net assets of Portfolio 21 upon liquidation or dissolution. Portfolio 21, as a separate series of the Trust, votes separately on matters affecting only Portfolio 21 (*e.g.*, approval of the Advisory Agreement); all series of the Trust vote as a single class on matters affecting all series jointly or the Trust as a whole (*e.g.*, election or removal of Trustees).

Voting rights are not cumulative, so that the holders of more than 50% of the shares voting in any election of Trustees can, if they so choose, elect all of the Trustees. While the Trust is not required and does not intend to hold annual meetings of shareholders, such meetings may be called by the Board in its discretion, or upon demand by the holders of 10% or more of the outstanding shares of the Trust, for the purpose of electing or removing Trustees.

DETERMINATION OF NET ASSET VALUE

The NAV per share of Portfolio 21 is determined as of the close of regular trading on the New York Stock Exchange (the “NYSE”) (generally 4:00 p.m., Eastern time), each day the NYSE is open for trading. The NYSE annually announces the days on which it will not be open for trading. It is expected that the NYSE will not be open for trading on the following holidays: New Year’s Day, Martin Luther King, Jr. Day, Presidents’ Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Generally, Portfolio 21’s investments are valued at market value or, in the absence of a market value, at fair value as determined in good faith by the Trust’s Valuation Committee pursuant to procedures approved by or under the direction of the Board. Pursuant to those procedures, the Valuation Committee considers, among other things: (1) the last sales price on the securities exchange, if any, on which a security is primarily traded; (2) the mean between the bid and asked prices; (3) price quotations from an approved pricing service, and (4) other factors as necessary to determine a fair value under certain circumstances.

Securities primarily traded in the NASDAQ Global Market[®] for which market quotations are readily available shall be valued using the NASDAQ[®] Official Closing Price (“NOCP”). If the NOCP is not available, such securities shall be valued at the last sale price on the day of valuation, or if there has been no sale on such day, at the mean between the bid and asked prices. OTC securities which are not traded in the NASDAQ Global Market[®] shall be valued at the most recent trade price. Securities and assets for which market quotations are not readily available (including restricted securities which are subject to limitations as to their sale) are valued at fair value as determined in good faith under procedures approved by or under the direction of the Board.

Short-term debt obligations with remaining maturities in excess of 60 days are valued at current market prices, as discussed above. In order to reflect their fair value, short-term securities with 60 days or less remaining to maturity are, unless conditions indicate otherwise, amortized to maturity based on their cost to Portfolio 21.

The securities in Portfolio 21, including ADRs, which are traded on securities exchanges are valued at the last sale price on the exchange on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any reported sales, at the mean between the last available bid and asked price. Securities that are traded on more than one exchange are valued on the exchange on which the security is principally traded.

Portfolio 21 will invest in foreign securities, and as a result, the calculation of Portfolio 21’s NAV may not take place contemporaneously with the determination of the prices of certain of Portfolio 21 securities used in the calculation. Occasionally, events which affect the values of such securities and such exchange rates may occur between the times at which they are determined and the close of the NYSE and will therefore not be reflected in the computation of Portfolio 21’s NAV. If events materially affecting the value of such securities occur during such period, then these securities may be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Board as described above. Portfolio securities that are traded both on an exchange and in the OTC market will be valued according to the broadest and most representative market. All assets and liabilities initially expressed in foreign currency values will be converted into U.S. dollar values at the mean between the bid and offered quotations of the currencies against U.S. dollars as last quoted by any recognized dealer. When portfolio securities are traded, the valuation will be the last reported sale price on the day of valuation.

All other assets of Portfolio 21 are valued in such manner as the Board in good faith deems appropriate to reflect their fair value.

PURCHASE AND REDEMPTION INFORMATION

The information provided below supplements the information contained in Portfolio 21's Prospectus regarding the purchase and redemption of Portfolio 21 shares.

How to Buy Shares.

In addition to purchasing shares directly from Portfolio 21, you may purchase shares of Portfolio 21 through certain financial intermediaries and their agents that have made arrangements with Portfolio 21 and are authorized to buy and sell shares of Portfolio 21 (collectively, "Financial Intermediaries"). Investors should contact their Financial Intermediary directly for appropriate instructions, as well as information pertaining to accounts and any service or transaction fees that may be charged. If you transmit your order to these Financial Intermediaries before the close of regular trading (generally 4:00 p.m., Eastern time) on a day that the NYSE is open for business, your order will be priced at Portfolio 21's NAV next computed after it is received by the Financial Intermediary. Investors should check with their Financial Intermediary to determine if it is subject to these arrangements.

The public offering price of Portfolio 21 shares is its NAV. Shares are purchased at the public offering price next determined after the Transfer Agent receives your order in proper form as discussed in Portfolio 21's Prospectus. In order to receive that day's public offering price, the Transfer Agent must receive your order in proper form as discussed in Portfolio 21's prospectus before the close of regular trading on the NYSE, generally 4:00 p.m., Eastern time.

The Trust reserves the right in its sole discretion (i) to suspend the continued offering of Portfolio 21's shares, (ii) to reject purchase orders in whole or in part when in the judgment of the Advisor such rejection is in the best interest of Portfolio 21, and (iii) to reduce or waive the minimum for initial and subsequent investments for certain fiduciary accounts or under circumstances where certain economies can be achieved in sales of Portfolio 21's shares.

In addition to cash purchases, Portfolio 21 shares may be purchased by tendering payment in kind in the form of shares of stock, bonds or other securities. Any securities used to buy Portfolio 21 shares must be readily marketable, their acquisition consistent with Portfolio 21's objective and otherwise acceptable to the Advisor and the Board.

How to Sell Shares and Delivery of Redemption Proceeds.

You can sell your Portfolio 21 shares any day the NYSE is open for regular trading. Payments to shareholders for Portfolio 21 shares redeemed directly from Portfolio 21 will be made as promptly as possible but no later than seven days after receipt by the Transfer Agent of the written request in proper form, with the appropriate documentation as stated in the Prospectus, except that Portfolio 21 may suspend the right of redemption or postpone the date of payment during any period when (a) trading on the NYSE is restricted as determined by the SEC or the NYSE is closed for other than weekends and holidays; (b) an emergency exists as determined by the SEC making disposal of portfolio securities or valuation of net assets of Portfolio 21 not reasonably practicable; or (c) for such other period as the SEC may permit for the protection of Portfolio 21's shareholders. Under unusual circumstances, Portfolio 21 may suspend redemptions, or postpone payment for more than seven days, but only authorized by SEC rules.

The value of shares on redemption or repurchase may be more or less than the investor's cost, depending upon the market value of Portfolio 21's securities at the time of redemption or repurchase.

Telephone Instructions.

As described in the Prospectus, shareholders with telephone privileges established on their account may redeem Portfolio 21 shares by telephone. Upon receipt of any instruction or inquiry from a person claiming to be a shareholder, Portfolio 21 or its authorized agents may carry out the instruction and/or respond to the inquiry consistent with the shareholder's previously established account service options. For joint accounts, instructions or inquiries from either party will be carried out without prior notice to the other account owners. In acting upon telephone instructions, Portfolio 21 and its agents use procedures that are reasonably designed to ensure that such instructions are genuine. These include recording all telephone calls, requiring pertinent information about the account and sending written confirmation of each transaction to the registered owner.

The Transfer Agent will employ these and other reasonable procedures to confirm that instructions communicated by telephone are genuine. If the Transfer Agent fails to employ reasonable procedures, Portfolio 21 and the Transfer Agent may be liable for any losses due to unauthorized or fraudulent instructions. If these procedures are followed, however, to the extent permitted by applicable law, neither Portfolio 21 nor its agents will be liable for any loss, liability, cost or expense arising out of any redemption request, including any fraudulent or unauthorized request. For additional information, contact the Transfer Agent.

During periods of unusual market changes and shareholder activity, you may experience delays in contacting the Transfer Agent by telephone. In this event, you may wish to submit a written request, as described in the Prospectus. Telephone privileges may be modified or terminated without notice.

Redemptions In-Kind.

The Trust has filed an election under SEC Rule 18f-1 under the 1940 Act committing to pay in cash all redemptions by a shareholder of record up to amounts specified by the rule (in excess of the lesser of (i) \$250,000 or (ii) 1% of Portfolio 21's assets). Portfolio 21 has reserved the right to pay the redemption price of its shares in excess of the amounts specified by the rule, either totally or partially, by a distribution in kind of portfolio securities (instead of cash). The securities so distributed would be valued at the same amount as that assigned to them in calculating the NAV for the shares being sold. If a shareholder receives a distribution in kind, the shareholder could incur brokerage or other charges in converting the securities to cash. A redemption in-kind is treated as a taxable transaction and a sale of the redeemed shares, generally resulting in capital gain or loss to you, subject to certain loss limitation rules.

Portfolio 21 does not intend to hold any significant percentage of its portfolio in illiquid securities, although Portfolio 21, like virtually all mutual funds, may from time to time hold a small percentage of securities that are illiquid. In the unlikely event Portfolio 21 were to elect to make an in-kind redemption, Portfolio 21 expects that it would follow the normal protocol of making such distribution by way of a pro rata distribution based on its entire portfolio. If Portfolio 21 held illiquid securities, such distribution may contain a pro rata portion of such illiquid securities or Portfolio 21 may determine, based on a materiality assessment, not to include illiquid securities in the in-kind redemption. Portfolio 21 does not anticipate that it would ever selectively distribute a greater than pro rata portion of any illiquid securities to satisfy a redemption request. If such securities are included in the distribution, shareholders may not be able to liquidate such securities and may be required to hold such securities indefinitely. Shareholders' ability to liquidate such securities distributed in-kind may be restricted by resale limitations or substantial restrictions on transfer imposed by the issuers of the securities or by law. Shareholders may only be able to liquidate such securities distributed in-kind at a substantial discount from their value, and there may be higher brokerage costs associated with any subsequent disposition of these securities by the recipient.

RULE 12B-1 DISTRIBUTION PLAN

As noted in the Prospectus, Portfolio 21 has adopted a Distribution Plan for its Class R shares in accordance with Rule 12b-1 (the “Plan”) under the 1940 Act. The Plan provides that Portfolio 21 will pay a fee at an annual rate of up to 0.25% of Portfolio 21’s average daily net assets of its Class R shares. The fee is paid to the Advisor as distribution coordinator for its Class R shares as compensation for distribution related activities, not reimbursement for specific expenses incurred.

The Plan allows excess Class R share distribution expenses to be carried forward by the Advisor, as distribution coordinator, and resubmitted in a subsequent fiscal year provided that (i) distribution expenses cannot be carried forward for more than three years following initial submission; (ii) the Board has made a determination at the time of initial submission that the distribution expenses are appropriate to be carried forward; and (iii) the Board makes a further determination, at the time any distribution expenses which have been carried forward are resubmitted for payment, to the effect that payment at the time is appropriate, consistent with the objectives of the Plan and in the current best interests of shareholders.

The table below shows the 12b-1 payments paid by the Class R shares of Portfolio 21 pursuant to the Plan for the fiscal year ended June 30, 2009.

12b-1 Payments Paid
\$351,524

Of this amount, payments were made for the following activities:

Advertising and Marketing	Printing and Postage	Payment to Distributor	Payment to Dealers	Compensation to Sales Personnel
\$70,380	\$6,216	\$0	\$151,110	\$123,818

DISTRIBUTIONS AND TAX INFORMATION

Distributions.

Dividends from net investment income and distributions from net profits from the sale of securities are generally made annually. Also, Portfolio 21 typically distributes any undistributed net investment income on or about December 31 of each year. Any net capital gains realized through the period ended October 31 of each year will also be distributed by December 31 of each year.

Each distribution by Portfolio 21 is accompanied by a brief explanation of the form and character of the distribution. In January of each year, Portfolio 21 will issue to each shareholder a statement of the federal income tax status of all distributions to each shareholder.

Tax Information.

Each series of the Trust is treated as a separate entity for federal income tax purposes. Portfolio 21 has elected to qualify and intends to continue to qualify to be treated as a “regulated investment company” under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), provided it complies with all applicable requirements regarding the source of its income, diversification of its assets and timing and amount of distributions. Portfolio 21’s policy is to distribute to its shareholders all of its investment company taxable income and any net realized long-term capital gains for each fiscal year in a manner that complies with such distribution requirements of the Code, so that Portfolio 21 will not be subject to any federal income or excise taxes. However, Portfolio 21 can give no assurances that its distributions will be sufficient to eliminate all taxes. To comply with such requirements, Portfolio 21 must also distribute (or be deemed to have distributed) by December 31 of each calendar year (i) at least 98% of ordinary income for such year, (ii) at least 98% of the excess of realized capital gains over realized capital losses for the 12-month period ending on October 31 during such year and (iii) any amounts from the prior calendar year that were not distributed and on which Portfolio 21 paid no federal income tax. If Portfolio 21 fails to qualify as a regulated investment company under Subchapter M of the Code, it will be taxed as a corporation.

Portfolio 21’s ordinary income generally consists of interest and dividend income, less expenses. Net realized capital gains for a fiscal period are computed by taking into account any capital loss carry-forward of Portfolio 21.

Distributions of net investment income and net short-term capital gains are taxable to shareholders as ordinary income. For individual shareholders, a portion of the distributions paid by Portfolio 21 may be qualified dividends currently eligible for taxation at long-term capital gain rates to the extent Portfolio 21 designates the amount distributed as a qualifying dividend and certain holding period requirements are met. In the case of corporate shareholders, a portion of the distributions may qualify for the inter-corporate dividends-received deduction to the extent Portfolio 21 designates the amount distributed as a qualifying dividend. The aggregate amount so designated to either individual or corporate shareholders cannot, however, exceed the aggregate amount of qualifying dividends received by the applicable Portfolio for their taxable year. In view of Portfolio 21’s investment policy, it is expected that dividends from domestic corporations will be part of Portfolio 21’s gross income and that, accordingly, part of the distributions by Portfolio 21 may be eligible for treatment as qualified income for individual shareholders and for the dividends-received deduction for corporate shareholders. However, the portion of Portfolio 21’s gross income attributable to qualifying dividends is largely dependent on Portfolio 21’s investment activities for a particular year and therefore cannot be predicted with any certainty. The deduction may be reduced or eliminated if Portfolio 21 shares held by an individual investor are held for less than 61 days, or Portfolio shares held by a corporate investor are treated as debt-financed or are held for less than 46 days.

Any long term capital gain distributions are taxable to shareholders as long term capital gains regardless of the length of time they have held their shares. Capital gains distributions are not eligible for the dividends received deduction referred to in the previous paragraph. There is no requirement that Portfolio 21 take into consideration any tax implication when implementing its investment strategy. Distributions of any ordinary income and net realized capital gains will be taxable as described above, whether received in shares or in cash. Shareholders who choose to receive distributions in the form of additional shares will have a cost basis for federal income tax purposes in each share so received equal to the NAV of a share on the reinvestment date. Distributions are generally taxable when received. However, distributions declared in October, November or December to shareholders of record on a date in such a month and paid the following January are taxable as if received on December 31. Distributions are includable in alternative minimum taxable income in computing a shareholder's liability for the alternative minimum tax.

Portfolio 21 may be subject to foreign withholding taxes on dividends and interest earned with respect to securities of foreign corporations.

Under the Code, Portfolio 21 will be required to report to the Internal Revenue Service ("IRS") all distributions of ordinary income and capital gains as well as gross proceeds from the redemption or exchange of Portfolio shares, except in the case of exempt shareholders, which includes most corporations. Pursuant to the backup withholding provisions of the Code, distributions of any taxable income and capital gains and proceeds from the redemption of Portfolio shares may be subject to withholding of federal income tax at the rate of 28% in the case of non-exempt shareholders who fail to furnish Portfolio 21 with their correct taxpayer identification numbers and with required certifications regarding their status under the federal income tax law or if the IRA notifies the Fund that such backup withholding is required. If the withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in additional shares, will be reduced by the amounts required to be withheld. Corporate and other exempt shareholders should provide Portfolio 21 with their taxpayer identification numbers or certify their exempt status in order to avoid possible erroneous application of backup withholding. Portfolio 21 reserves the right to refuse to open an account for any person failing to provide a certified taxpayer identification number.

If more than 50% in value of the total assets of Portfolio 21 at the end of its fiscal year is invested in stock or securities of foreign corporations, Portfolio 21 may elect to pass through to its shareholders the pro rata share of all foreign income taxes paid by Portfolio 21. If this election is made, shareholders will be (i) required to include in their gross income their pro rata share of Portfolio 21's foreign source income (including any foreign income taxes paid by Portfolio 21), and (ii) entitled either to deduct their share of such foreign taxes in computing their taxable income or to claim a credit for such taxes against their U.S. income tax, subject to certain limitations under the Code, including certain holding period requirements. In this case, shareholders will be informed in writing by Portfolio 21 at the end of each calendar year regarding the availability of any credits on and the amount of foreign source income (including or excluding foreign income taxes paid by Portfolio 21) to be included in their income tax returns. If not more than 50% in value of Portfolio 21's total assets at the end of its fiscal year is invested in stock or securities of foreign corporations, Portfolio 21 will not be entitled under the Code to pass through to its shareholders their pro rata share of the foreign taxes paid by Portfolio 21. In this case, these taxes will be taken as a deduction by Portfolio 21.

The use of hedging strategies, such as entering into forward contracts, involves complex rules that will determine the character and timing of recognition of the income received in connection therewith by Portfolio 21. Income from foreign currencies (except certain gains therefrom that may be excluded by future regulations) and income from transactions in forward contracts derived by Portfolio 21 with respect to its business of investing in securities or foreign currencies will qualify as permissible income under Subchapter M of the Code.

Any security or other position entered into or held by Portfolio 21 that substantially diminishes Portfolio 21's risk of loss from any other position held by Portfolio 21 may constitute a "straddle" for federal income tax purposes. In general, straddles are subject to certain rules that may affect the amount, character and timing of Portfolio 21's gains and losses with respect to straddle positions by requiring, among other things, that the loss realized on disposition of one position of a straddle be deferred until gain is realized on disposition of the offsetting position; that Portfolio 21's holding period in certain straddle positions not begin until the straddle is terminated (possibly resulting in the gain being treated as short-term capital gain rather than long-term capital gain); and that losses recognized with respect to certain straddle positions, which would otherwise constitute short-term capital losses, be treated as long-term capital losses. Different elections are available to Portfolio 21 that may mitigate the effects of the straddle rules.

Certain forward contracts that are subject to Section 1256 of the Code ("Section 1256 Contracts") and that are held by Portfolio 21 at the end of its taxable year generally will be required to be "marked-to-market" for federal income tax purposes, that is, deemed to have been sold at market value. Sixty percent of any net gain or loss recognized on these deemed sales and 60% of any net gain or loss realized from any actual sales of Section 1256 Contracts will be treated as long-term capital gain or loss, and the balance will be treated as short-term capital gain or loss.

Section 988 of the Code contains special tax rules applicable to certain foreign currency transactions that may affect the amount, timing and character of income, gain or loss recognized by Portfolio 21. Under these rules, foreign exchange gain or loss realized with respect to foreign currency forward contracts is treated as ordinary income or loss. Some part of Portfolio 21's gain or loss on the sale or other disposition of shares of a foreign corporation may, because of changes in foreign currency exchange rates, be treated as ordinary income or loss under Section 988 of the Code rather than as capital gain or loss.

Portfolio 21 will not be subject to corporate income tax in the Commonwealth of Massachusetts as long as it qualifies as a regulated investment company for federal income tax purposes. Distributions and the transactions referred to in the preceding paragraphs may be subject to state and local income taxes, and the tax treatment thereof may differ from the federal income tax treatment.

The foregoing discussion of U.S. federal income tax law relates solely to the application of that law to U.S. citizens or residents and U.S. domestic corporations, partnerships, trusts and estates. Each shareholder who is not a U.S. person should consider the U.S. and foreign tax consequences of ownership of shares of Portfolio 21, including the possibility that such a shareholder may be subject to a U.S. withholding tax at a rate of 30 percent (or at a lower rate under an applicable income tax treaty) on Portfolio 21 distributions.

In addition, the foregoing discussion of tax law is based on existing provisions of the Code, existing and proposed regulations thereunder, and current administrative rulings and court decisions, all of which are subject to change. Any such changes could affect the validity of this discussion. The discussion also represents only a general summary of tax law and practice currently applicable to Portfolio 21 and certain shareholders therein, and, as such, is subject to change. In particular, the consequences of an investment in shares of Portfolio 21 under the laws of any state, local or foreign taxing jurisdictions are not discussed herein. Each prospective investor should consult his or her own tax advisor to determine the application of the tax law and practice to his or her own particular circumstances.

DISTRIBUTOR

Quasar Distributors, LLC, 615 East Michigan Street, Milwaukee, Wisconsin 53202 (“Quasar”), acts as principal underwriter in a continuous public offering of Portfolio 21’s shares. Pursuant to a distribution agreement (the “Distribution Agreement”) between Portfolio 21 and Quasar, Quasar acts as Portfolio 21’s principal underwriter and distributor and provides certain administration services and promotes and arranges for the sale of Portfolio 21’s shares. Quasar is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of FINRA.

The Distribution Agreement between Portfolio 21 and Quasar continues in effect only if such continuance is specifically approved at least annually by the Board or the vote of a majority of Portfolio 21’s outstanding voting securities and, in either case, by a majority of the Independent Trustees. The Distribution Agreement is terminable without penalty by the Trust on behalf of Portfolio 21 on a 60-day written notice when authorized by a majority vote of Portfolio 21’s shareholders or by a vote of a majority of the Board, including a majority of the Independent Trustees, or by Quasar on a 60-day written notice, and will automatically terminate in the event of its “assignment” (as defined in the 1940 Act).

MARKETING AND SUPPORT PAYMENTS

The Advisor, out of its own resources and without additional cost to Portfolio 21 or its shareholders, may provide additional cash payments or other compensation to certain financial intermediaries who sell shares of Portfolio 21. Such payments may be divided into categories as follows:

Support Payments.

Payments may be made by the Advisor to certain financial intermediaries in connection with the eligibility of Portfolio 21 to be offered in certain programs and/or in connection with meetings between Portfolio 21’s representatives and financial intermediaries and their sales representatives. Such meetings may be held for various purposes, including providing education and training about Portfolio 21 and other general financial topics to assist financial intermediaries’ sales representatives in making informed recommendations to, and decisions on behalf of, their clients.

As of December 31, 2008, the Advisor has agreements with one firm to pay such Support Payments, which are structured in three ways: (i) as a percentage of net sales; (ii) as a percentage of net assets; and/or (iii) a flat fee.

Support Payments for the calendar year 2008 were as follows:

Firm	Payment
Charles Schwab	\$39,838

Entertainment, Conferences and Events.

The Advisor also may pay cash or non-cash compensation to sales representatives of financial intermediaries in the form of (i) occasional gifts; (ii) occasional meals, tickets or other entertainment; and/or (iii) sponsorship support for the financial intermediary’s client seminars and cooperative advertising. In addition, the Advisor pays for exhibit space or sponsorships at regional or national events of financial intermediaries.

The prospect of receiving, or the receipt of additional payments or other compensation as described above by financial intermediaries may provide such intermediaries and/or their salespersons with an incentive to favor sales of shares of Portfolio 21, and other mutual funds whose affiliates make similar compensation available, over sale of shares of mutual funds (or non-mutual fund investments) not making such payments. You may wish to take such payment arrangements into account when considering and evaluating any recommendations relating to Portfolio 21's shares.

FINANCIAL STATEMENTS

The Annual Report to shareholders for Portfolio 21 for the fiscal period ended June 30, 2009 is a separate document supplied with this SAI, and the financial statements, accompanying notes and report of the independent registered public accounting firm appearing therein are incorporated by reference into this SAI.

APPENDIX A
COMMERCIAL PAPER RATINGS

Moody's Investors Service, Inc.

Prime-1-Issuers (or related supporting institutions) rated "Prime-1" have a superior ability for repayment of senior short-term debt obligations. "Prime-1" repayment ability will often be evidenced by many of the following characteristics: leading market positions in well-established industries, high rates of return on funds employed, conservative capitalization structures with moderate reliance on debt and ample asset protection, broad margins in earnings coverage of fixed financial charges and high internal cash generation, and well-established access to a range of financial markets and assured sources of alternate liquidity.

Prime - 2 - Issuers (or related supporting institutions) rated "Prime-2" have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternative liquidity is maintained.

Standard & Poor's Ratings Group

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

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

APPENDIX B
Proxy Voting Policies

PORTFOLIO 21 INVESTMENTS

**PROXY VOTING AND CORPORATE ACTION
POLICIES AND PROCEDURES**

POLICY

Portfolio 21 Investments (“Advisor”) acts as discretionary investment advisor for various clients, including clients governed by the Employee Retirement Income Security Act of 1974 (“ERISA”) and registered open-end investment companies (“mutual funds”). Advisor’s authority to vote proxies or act with respect to other shareholder actions is established through the delegation of discretionary authority under our investment advisory contracts. Therefore, unless a client (including a “named fiduciary” under ERISA) specifically reserves the right, in writing, to vote its own proxies or to take shareholder action with respect to other corporate actions requiring shareholder actions, Advisor will vote all proxies and act on all other actions in a timely manner as part of its full discretionary authority over client assets in accordance with these Policies and Procedures. Corporate actions may include, for example and without limitation, tender offers or exchanges, bankruptcy proceedings, and class actions.

When voting proxies for clients or acting with respect to corporate actions, Advisor’s utmost concern is that all decisions be made solely in the best interest of the client (and for ERISA accounts, plan beneficiaries and participants, in accordance with the letter and spirit of ERISA). Advisor will act in a prudent and diligent manner intended to enhance the economic value of the assets of the client’s account.

PURPOSE

The purpose of these Policies and Procedures is to memorialize Advisor’s policies and procedures enabling it to comply with (1) its fiduciary responsibilities to clients in voting clients’ proxies and taking other shareholder action and (2) the requirements of Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended (“Advisers Act”). These Policies and Procedures also reflect the fiduciary standards and responsibilities set forth by the Department of Labor for ERISA accounts.

PROCEDURES

Jim Madden, Senior Portfolio Manager, is ultimately responsible for ensuring that all proxies received by Advisor are voted in a timely manner and in a manner consistent with Advisor’s determination of the client’s best interests. Although many proxy proposals can be voted in accordance with Advisor’s established guidelines (see Section V below, “Guidelines”), Advisor recognizes that some proposals require special consideration which may dictate that Advisor make an exception to the Guidelines.

Jim Madden is also responsible for: (1) ensuring that all corporate action notices or requests which require shareholder action received by Advisor are addressed in a timely manner; and (2) monitoring corporate actions and ensuring that, to the extent practicable, consistent action is taken across all similarly situated client accounts.

Conflicts of Interest

Where a proxy proposal raises a material conflict between Advisor's interests and a client's interest, including a mutual fund client, Advisor will resolve such a conflict in the manner described below:

Vote in Accordance with the Guidelines. *To the extent that the voting decision with respect to the proposal in question is determined by the Guidelines, Advisor will vote in accordance with the Guidelines.*

Obtain Consent of Clients. To the extent that the Guidelines are silent on the subject of the proposal in question, Advisor will disclose the conflict to the affected clients and obtain their consent to the proposed vote prior to voting the securities. The disclosure to the clients will include: (a) sufficient detail regarding the matter to be voted on; and (b) the nature of Advisor's conflict, so that the clients could make an informed decision regarding the vote. Depending on the timing of the required vote, the disclosure may be provided by a letter, a fax, electronic mail or a phone-call, as long as the client instructions received over the phone are confirmed in any type of writing (i.e., fax, email or letter). Advisor will take good faith efforts to reach the affected clients by any of the above methods (or a combination thereof). If a client cannot be timely reached, does not respond to the disclosure request or denies the request, Advisor will abstain from voting the securities held by that client. If Advisor receives specific voting instructions from some, but not all of the affected clients, Advisor will follow the specific instructions in voting securities of those clients who submitted the specific instructions and will abstain from voting the rest of the securities.

Client Directive to Use an Independent Third Party. A client may, in writing, specifically direct Advisor to forward all proxy matters, in which Advisor has a conflict of interest, to a specified independent third party for review and recommendation. Where such independent third party's recommendations are received on a timely basis, Advisor will vote all such proxies in accordance with such third party's recommendation. If the third party's recommendations are not timely received, Advisor will abstain from voting the securities held by that client's account.

Jim Madden will review proxy proposals for conflicts of interest as part of the overall vote review process. All material conflicts of interest so identified by Advisor will be addressed as described above in this Section III.A.

Limitations

In certain circumstances, in accordance with a client's investment advisory contract (or other written directive) or where Advisor has determined that it is in the client's best interest, Advisor will not vote proxies received. The following are certain circumstances where Advisor will limit its role in voting proxies:

Client Maintains Proxy Voting Authority: Where client specifies in writing that it will maintain the authority to vote proxies itself or that it has delegated the right to vote proxies to a third party, Advisor will not vote the securities and will direct the relevant custodian to send the proxy material directly to the client or the designated third party. If any proxy material is received by Advisor, Advisor will promptly forward the material to the client or specified third party.

Terminated Account or Securities Already Sold: Once a client account has been terminated in accordance with the advisory agreement, Advisor will not vote any proxies received after the termination of the account. Advisor also will not vote proxies received for securities which are no longer held by the client account. If any proxy material is received by Advisor after the termination of the account, Advisor will promptly forward the material to the client or specified third party.

Securities Lending Programs: When securities are out on loan, they are transferred into the borrower's name and are voted by the borrower, in its discretion. However, where Advisor determines that a proxy vote (or other shareholder action) is materially important to the client's account, Advisor may recall the security for purposes of voting, subject to the terms of the loan documents.

Unjustifiable Cost: In certain circumstances, after doing a cost-benefit analysis, Advisor may abstain from voting where the cost of voting a client's proxy would exceed any anticipated benefits to the client of the proxy proposal.

RECORDKEEPING

In accordance with Rule 204-2 under the Advisers Act, Advisor will maintain the following records for five years (retention during the first two years will be in Advisor's offices): (1) these proxy voting procedures and policies, and all amendments thereto; (2) all proxy statements received regarding client securities (provided, however, that Advisor may rely on proxy statements filed on EDGAR as its records); (3) a record of all votes cast on behalf of clients; (4) records of all client requests for proxy voting information; (5) any documents prepared by Advisor that were material to making a decision how to vote or that memorialized the basis for the decision; and (6) all records relating to requests made to clients regarding conflicts of interest in voting proxies.

Clients may obtain information on how their securities were voted or request a copy of these Policies and Procedures by a written request addressed to Advisor at 721 NW Ninth, Suite 250, Portland, OR 97209, attn: June Miller. Advisor will summarize these Policies and Procedures in Part II of its Form ADV (or other brochure fulfilling the requirements of Rule 204-3).

Advisor also will coordinate with its mutual fund clients to assist in the provision of all information required to be filed by such mutual funds on Form N-PX.

GUIDELINES

Advisor specializes in socially responsible investing, and Advisor's clients are concerned with social and environmental issues. As a result, Advisor's policy is to exercise shareholder rights through proxy voting in line with supporting progressive and socially responsible policies and actions. General principles that guide Advisor's proxy voting include supporting transparency, supporting policies and actions on sustainable development, and supporting principles of equity and fairness. This includes supporting shareholder proposals that encourage management to pursue socially and environmentally desirable goals.

Each proxy issue will be considered individually. The following guidelines are to be used in voting proposals contained in the proxy statements. For issues not specifically addressed below, they will be voted on a case-by-case basis according to the principles described above. In addition, all voting decisions will be consistent with Advisor's fiduciary duty and its criteria for evaluating the benefit of corporate actions to shareholders. The foregoing considerations may cause Advisor to vote proxies in a manner other than prescribed in these guidelines under appropriate conditions.

Environmental Resolutions

Bioaccumulative Pollutants – Vote in support of eliminating these substances.

CERES Principles – Vote in favor of proposals to adopt CERES principles.

Chlorine Bleach – Vote in favor of eliminating Chlorine Bleach in paper and pulp.

Genetically Engineered (GE) Foods – Vote in favor of resolutions calling for: (a) the phase-out of GE foods; (b) labeling of GE foods; and (c) reports on the financial and environmental costs, benefits and risks associated with GE foods.

PVC Medical Products – Vote in favor of phasing out or reducing the use of PVC in medical products.

Reporting – Vote in favor of resolutions that call for special reporting of environmental issues, thereby increasing transparency.

Renewable Energy Sources – Vote in favor of resolutions that call for increased use and development of renewable energy resources and energy efficiency.

Smoke Free Environment – Vote in favor of resolutions supporting a smoke-free environment.

Social Resolutions

Board Diversity – Vote in favor of resolutions calling for increased representation of women and minorities.

China Principles – Vote in favor of resolutions calling for the adoption of these principles.

Compensation Disclosure – Vote in favor of resolutions that support disclosure of compensation levels for executives and members of the board of directors, as transparency is imperative for fully informed decision making.

Drug availability in developing countries – Vote in support of attempts to make drug treatment for HIV/AIDS/TB/Malaria available in developing countries.

Equal Opportunity/Diversity – Vote in support of resolutions that promote equality, tolerance, and diversity.

International Labor Organization – Vote in support of proposals for the adoption of ILO principles and implementation of ILO monitoring.

McBride Principles – Vote in favor of resolutions that support the adoption of the McBride Principles.

Pharmaceutical Pricing Restraint – Vote in favor of resolutions asking companies to implement and report on price restraint policies for pharmaceutical products.

Political Contributions – Vote in favor of resolutions calling for the development and reporting of political contribution guidelines and activities.

Reporting – Vote in favor of resolutions that call for special reporting of social issues, thereby increasing transparency.

Weapons Manufacturing – Vote in support of efforts to reduce or end weapons manufacturing.

Corporate Governance Resolutions

Auditors: Vote in support of independent auditors. Oppose auditors who engage in any amount of consulting work (including tax consulting) in addition to auditing. Vote in support of resolutions that separate auditing from consulting and vote in favor of resolutions designed to limit the amount of non-audit services obtained from the auditor.

Board of Directors (BODs): Election – Support diverse boards. Vote for BODs that are comprised of at least one-third women and/or minorities. If less than one-third, vote only for the diverse candidates. If the BOD has no women/minorities, vote to withhold all nominees.

Board of Directors: Voting – Vote against cumulative voting. Support simple majority voting.

Board of Directors: Classified Boards – Oppose proposals for staggered and classified BODs. Support resolutions to abolish staggered terms.

Board of Directors: Democratic Elections – Recognizing that the current election process does not provide truly democratic elections, there is a need for reform in this area. However, current resolutions calling for multiple candidates for each director position do not provide a reasonable process for improving elections (such as how to attract multiple qualified independent candidates, addressing costs involved, and process standardization). As a result, votes will be cast against these proposals until a reasonable process is defined.

Board of Directors: Number of Directors – Oppose efforts to reduce the size of boards, except under extraordinary circumstances.

Board of Directors: Term Limits – Vote against term limits for independent BOD members, as such limits can inhibit maintaining board independence and provide management with undue power.

Board of Directors: Independent Board of Directors – Vote in favor of resolutions for increased independence of BOD.

Board of Directors: Independent Chair – Vote in favor of resolutions that separate Board Chair and CEO positions.

Compensation: Indexed Options – Support resolutions to tie stock compensation to performance of the company relative to peer group performance.

Compensation: Reasonable Compensation of Board of Directors and Management – Oppose executive compensation plans that compensate outside directors in excess of \$100,000 per year. Oppose executive compensation plans that compensate chief executive officers in excess of \$5,000,000 per year.

Compensation: Stock Options / Stock Incentive Plans – With the goal of encouraging employee ownership of the business upon which their livelihood depends, vote in support of stock options and stock incentive plans where excessive compensation is not a concern. Support resolutions calling for companies to expense options. Support stock ownership at all levels, not just for top executives.

Compensation: Executive Severance Pay (Golden Parachutes) – Vote to restrict or eliminate “golden parachute” severance packages. Vote to support resolutions to require shareholder approval of executive severance packages.

Poison Pills – Vote in favor of resolutions to require shareholder approval of poison pills before they can be implemented.

Voting – Vote in support of voting confidentiality. Vote against supermajority voting, and vote in support of decreasing voting percentages where supermajority voting is in existence.

Restructuring Plans – Vote in favor of requiring shareholder approval for company restructuring plans.