

ANNUAL REPORT

**FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

SEPTEMBER 30, 2010



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees The Elite Group of Mutual Funds

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of The Elite Growth & Income Fund and The Elite Income Fund, each a series of shares of beneficial interest of The Elite Group of Mutual Funds, as of September 30, 2010, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2010 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Elite Growth & Income Fund and The Elite Income Fund as of September 30, 2010, the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended and their financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

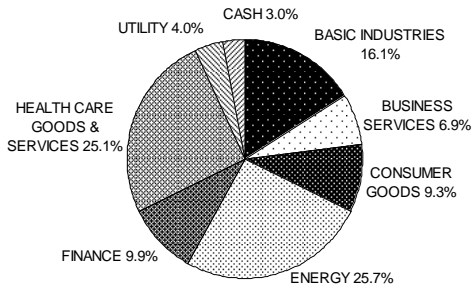
BBD, LLP

BBD, LLP

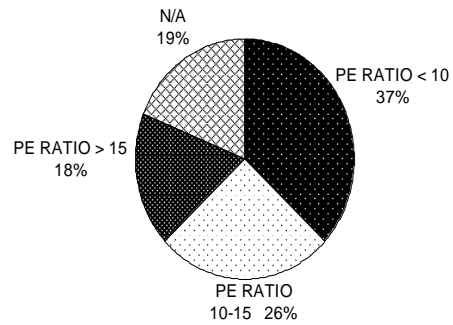
**Philadelphia, Pennsylvania
NOVEMBER 19, 2010**

The Elite Growth & Income Fund (Unaudited)

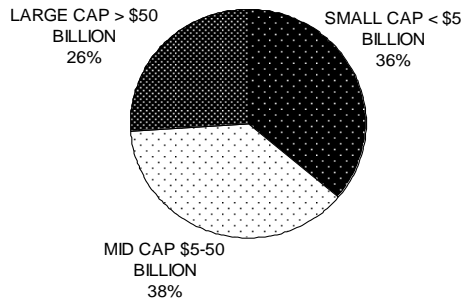
Holdings by Economic Sector*



Holdings by Forward Price Earnings Ratio

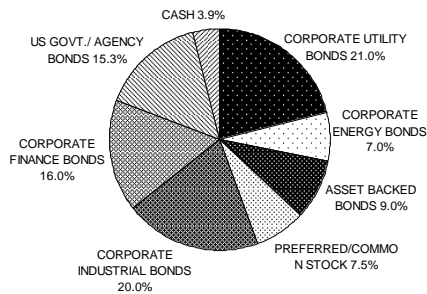


Holdings by Market Capitalization

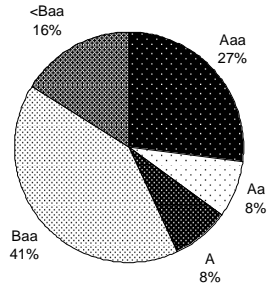


The Elite Income Fund (Unaudited)

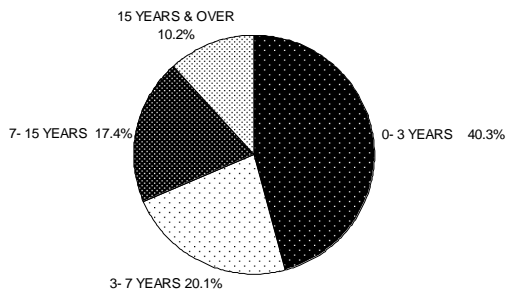
Holdings by Economic Sector & Type*



Holdings by Quality Rating



Holdings by Maturity



*As a percentage of net assets

THE ELITE INCOME FUND

PORTFOLIO OF INVESTMENTS

September 30, 2010

| Par Value | Bonds 87.0 % | Maturity | Coupon | Value |
|------------|---|----------|------------|------------|
| | <u>U.S. Government/Agencies Notes and Bonds 14.1%</u> | | | |
| \$ 150,000 | H.U.D. (Housing Urban Development) | 08/01/11 | 4.440% | \$ 155,048 |
| 350,000 | Fannie Mae | 04/20/12 | 1.875% | 357,642 |
| 181,000 | Tennessee Valley Authority | 05/23/12 | 6.790% | 199,388 |
| 250,000 | Tennessee Valley Authority | 08/01/13 | 4.750% | 276,848 |
| 250,000 | U.S. Treasury Note (c) | 03/31/14 | 1.750% | 258,125 |
| 102,000 | Fannie Mae | 02/25/18 | 5.000% | 111,670 |
| 118,624 | Fannie Mae | 03/01/22 | 5.000% | 125,871 |
| 400,000 | U.S. Treasury Note | 08/15/23 | 6.250% | 541,750 |
| 202,400 | U.S. Treasury Note Inflation Protected Security | 01/15/25 | 2.375% | 232,744 |
| 320,000 | U.S. Treasury Note | 02/15/26 | 6.000% | 432,100 |
| 300,000 | Fannie Mae | 10/25/32 | 5.500% | 318,005 |
| | Total U.S. Government/Agencies Notes and Bonds | | | 3,009,191 |
| | <u>Securitized /Asset Backed Bonds 8.6%</u> | | | |
| 250,000 | Manitoba Province | 02/15/12 | 5.000% | 265,049 |
| 281,002 | BMW Vehicle Lease Trust | 03/15/12 | 2.910% | 283,741 |
| 248,974 | AEP Texas Central Transition | 07/01/13 | 4.980% | 263,452 |
| 350,000 | Ontario Province | 02/05/15 | 2.950% | 370,500 |
| 21,682 | GNMA (552372) | 02/15/17 | 6.000% | 23,513 |
| 20,708 | GNMA (577742) | 09/15/17 | 5.500% | 22,413 |
| 131,000 | Freddie Mac (2962 YE) | 09/15/18 | 4.500% | 139,065 |
| 74,213 | GNMA (605079) | 03/15/19 | 4.000% | 78,754 |
| 66,815 | Freddie Mac (FHR 1963 Z) | 01/15/27 | 7.500% | 78,298 |
| 34,028 | Freddie Mac (2656 BD) | 04/15/28 | 5.000% | 34,249 |
| 78,308 | Fannie Mae (633012) | 02/01/32 | 7.000% | 88,949 |
| 96,461 | Fannie Mae (2002-93 A1) | 03/25/32 | 6.500% | 108,790 |
| 79,003 | GNMA (G2SF Pool 3556) | 05/20/34 | 5.500% | 85,272 |
| | Total Securitized /Asset Backed Bonds | | | 1,842,045 |
| | <u>Corporate Bonds Industrial - Basic 0.9%</u> | | | |
| 150,000 | Barrick Gold Corp. | 04/01/19 | 6.950% | 190,667 |
| | Total Corporate Bonds Industrial - Basic | | | 190,667 |
| | <u>Corporate Bonds Industrial - Communications 2.1%</u> | | | |
| 150,000 | Nextel Communications | 10/31/13 | 6.875% | 150,938 |
| 100,000 | Qwest Corp. | 05/01/16 | 8.375% | 118,250 |
| 150,000 | GTE Corp. | 04/15/18 | 6.840% | 177,807 |
| | Total Corporate Bonds Industrial - Communications | | | 446,995 |
| | <u>Corporate Bonds Industrial - Consumer Cyclical 2.1%</u> | | | |
| 150,000 | Hanesbrands Inc. | 12/15/16 | 8.000% | 158,438 |
| 250,000 | PepsiAmericas Inc. | 05/15/17 | 5.000% | 286,113 |
| | Total Corporate Bonds Industrial - Consumer Cyclical | | | 444,551 |
| | <u>Corporate Bonds Industrial - Consumer Non-Cyclical 10.4%</u> | | | |
| 400,000 | Reynolds American Inc. | 06/15/11 | 0.992% (a) | 400,447 |
| 300,000 | Reynolds American Inc. | 06/01/12 | 7.250% | 324,415 |
| 250,000 | Reynolds American Inc. | 06/01/13 | 7.250% | 280,836 |
| 150,000 | Altria Group Inc. | 11/10/13 | 8.500% | 179,617 |
| 150,000 | Domtar Corp. | 06/01/17 | 10.750% | 186,750 |
| 390,000 | Altria Group Inc. | 11/10/18 | 9.700% | 527,905 |
| 250,000 | Browning-Ferris | 05/01/21 | 9.250% | 319,341 |
| | Total Corporate Bonds Industrial - Consumer Non-Cyclical | | | 2,219,311 |
| | <u>Corporate Bonds Industrial - Energy 6.6%</u> | | | |
| 250,000 | Xcel Energy Inc. | 12/01/10 | 7.000% | 252,320 |
| 300,000 | Valero Logistics Co. | 07/15/12 | 6.875% | 323,701 |
| 200,000 | Chesapeake Energy Corp. | 02/15/15 | 9.500% | 231,500 |
| 100,000 | NRG Energy Inc. | 02/01/16 | 7.375% | 102,875 |
| 150,000 | Anadarko Petroleum Corp. | 09/15/16 | 5.950% | 163,789 |
| 300,000 | Petrobras International Fin. Co. | 03/01/18 | 5.875% | 333,358 |
| | Total Corporate Bonds Industrial - Energy | | | 1,407,543 |
| | <u>Corporate Bonds Industrial - Technology 3.1%</u> | | | |
| 250,000 | Xerox Corp. | 08/15/11 | 6.875% | 262,415 |
| 300,000 | Xerox Corp. | 06/15/13 | 7.625% | 303,813 |
| 100,000 | Xerox Capital Trust | 02/01/27 | 8.000% | 101,746 |
| | Total Corporate Bonds Industrial - Technology | | | 667,974 |
| | <u>Corporate Bonds Industrial - Transportation 2.4%</u> | | | |
| 69,000 | Kansas City Southern Railway | 06/01/15 | 8.000% | 74,261 |
| 29,000 | Kansas City Southern De Mexico SA | 04/01/16 | 12.500% | 34,728 |
| 400,000 | BNSF Funding Trust | 12/15/55 | 6.613% (b) | 402,000 |
| | Total Corporate Bonds Industrial - Transportation | | | 510,989 |
| | <u>Corporate Bonds Utilities - Natural Gas 6.5%</u> | | | |
| 200,000 | Kaneb Pipeline | 06/01/13 | 5.875% | 218,162 |
| 250,000 | Energy Transfer Partners Co | 07/01/13 | 6.000% | 274,194 |
| 250,000 | Enterprise Products | 01/31/14 | 9.750% | 306,164 |
| 300,000 | TGT Pipeline LLC | 06/01/18 | 5.200% | 317,881 |
| 260,000 | Enterprise Products | 08/01/66 | 8.375% (b) | 271,375 |
| | Total Corporate Bonds Utilities - Natural Gas | | | 1,387,776 |

THE ELITE INCOME FUND

PORTFOLIO OF INVESTMENTS – (Continued)

September 30, 2010

| Par Value | | Maturity | Coupon | Value |
|------------|--|----------|---------------|-------------------|
| \$ 100,000 | Corporate Bonds Utilities - Electric 14.1% | | | |
| | Entergy Louisiana LLC | 11/01/10 | 5.830% | \$ 100,223 |
| 450,000 | Sierra Pacific Power Co. | 04/15/12 | 6.250% | 481,001 |
| 450,000 | Oncor Electric Delivery Co. | 05/01/12 | 6.375% | 490,126 |
| 100,000 | Central Illinois Light Co. | 12/15/13 | 8.875% | 121,036 |
| 50,000 | AES Corp. | 03/01/14 | 7.750% | 53,500 |
| 559,000 | Ameren Corp. | 05/15/14 | 8.875% | 647,566 |
| 400,000 | Nisource Finance Corp. | 03/15/16 | 10.750% | 528,353 |
| 200,000 | Commonwealth Edison Co. | 03/15/18 | 5.800% | 233,954 |
| 100,000 | Pacific Gas & Electric | 10/01/20 | 3.500% | 99,026 |
| 100,000 | Centerpoint Energy Houston | 07/01/23 | 5.600% | 115,657 |
| 100,000 | Northern States Power - MN | 07/01/25 | 7.125% | 132,982 |
| | Total Corporate Bonds Utilities - Electric | | | 3,003,424 |
| | Corporate Bonds Finance - Banking 9.8% | | | |
| 175,000 | Wells Fargo & Co. | 10/29/10 | 3.980% | 175,431 |
| 162,000 | FNC Funding Corp. | 06/22/11 | 1.875% | 163,917 |
| 150,000 | Wells Fargo Co. | 12/09/11 | 3.000% | 154,502 |
| 115,000 | State Street Corp. | 04/30/12 | 2.150% | 117,978 |
| 500,000 | Household Finance Corp. | 11/27/12 | 6.375% | 546,856 |
| 250,000 | Wachovia Corp. | 08/01/13 | 5.700% | 276,911 |
| 200,000 | Zions Bancorp | 09/23/14 | 7.750% | 211,919 |
| 200,000 | Citigroup Inc. | 10/15/14 | 5.500% | 217,014 |
| 300,000 | Bank of America Corp. | 12/18/28 | 1.261% | 216,373 |
| | Total Corporate Bonds Finance - Banking | | | 2,080,901 |
| | Corporate Bonds Finance - Misc. Finance 3.5% | | | |
| 124,000 | General Electric Capital Corp. | 02/01/11 | 0.916% | 124,217 |
| 300,000 | John Deere Capital Corp. | 06/19/12 | 2.875% | 311,819 |
| 200,000 | InterAmerica Development Bank | 10/22/12 | 1.750% | 204,709 |
| 100,000 | SLM Corp. | 10/01/13 | 5.000% | 97,998 |
| | Total Corporate Bonds Finance - Misc. Finance | | | 738,743 |
| | Corporate Bonds Finance - Insurance 1.8% | | | |
| 365,000 | C.N.A. Financial Corp. | 08/15/12 | 8.375% | 394,158 |
| | Total Corporate Bonds Finance - Insurance | | | 394,158 |
| | Corporate Bonds Finance - REIT's 1.0% | | | |
| 200,000 | BRE Properties | 03/15/17 | 5.500% | 211,975 |
| | Total Corporate Bonds Finance - REIT's | | | 211,975 |
| | Total Bonds | | | 18,556,243 |
| | (Cost \$17,611,353) | | | |
| | Shares Common Stock 7.4% | | | |
| 4,200 | Abbott Laboratories Inc. | | | 219,408 |
| 7,500 | Merck & Co. Inc. | | | 276,075 |
| 5,000 | Maxim Integrated Products | | | 92,550 |
| 10,000 | Seabright Insurance Holdings Inc. | | | 80,600 |
| 20,000 | AT&T Inc. | | | 572,000 |
| 4,000 | Whirlpool Corp. (c) | | | 323,840 |
| | Total Common Stock | | | 1,564,473 |
| | (Cost \$1,443,547) | | | |
| | Short Term Investments 6.8% | | | |
| 220,000 | US Treasury Bill 0.272% Due 6/2/2011 | | | 219,702 |
| 748,196 | FNC Bank Money Market 0.050% | | | 748,196 |
| 491,375 | Institutional Money Market Trust 0.297% | | | 491,375 |
| | Total Short Term Investments (Cost \$1,459,169) | | | 1,459,273 |
| | Total Investments (Cost \$20,514,069) | | 101.2% | 21,579,989 |
| | Liabilities in excess of other assets | | -1.2% | (260,369) |
| | NET ASSETS | | 100.0% | 21,319,620 |

At September 30, 2010, unrealized appreciation of securities for Federal Income Tax purposes based on tax cost of \$20,656,001 is:

| | |
|-------------------------------|-------------------|
| Gross unrealized appreciation | \$ 1,058,437 |
| Gross unrealized depreciation | (134,449) |
| Net unrealized appreciation | <u>\$ 923,988</u> |

(a) Variable rate security; Interest rate shown is the rate in effect as of September 30, 2010.

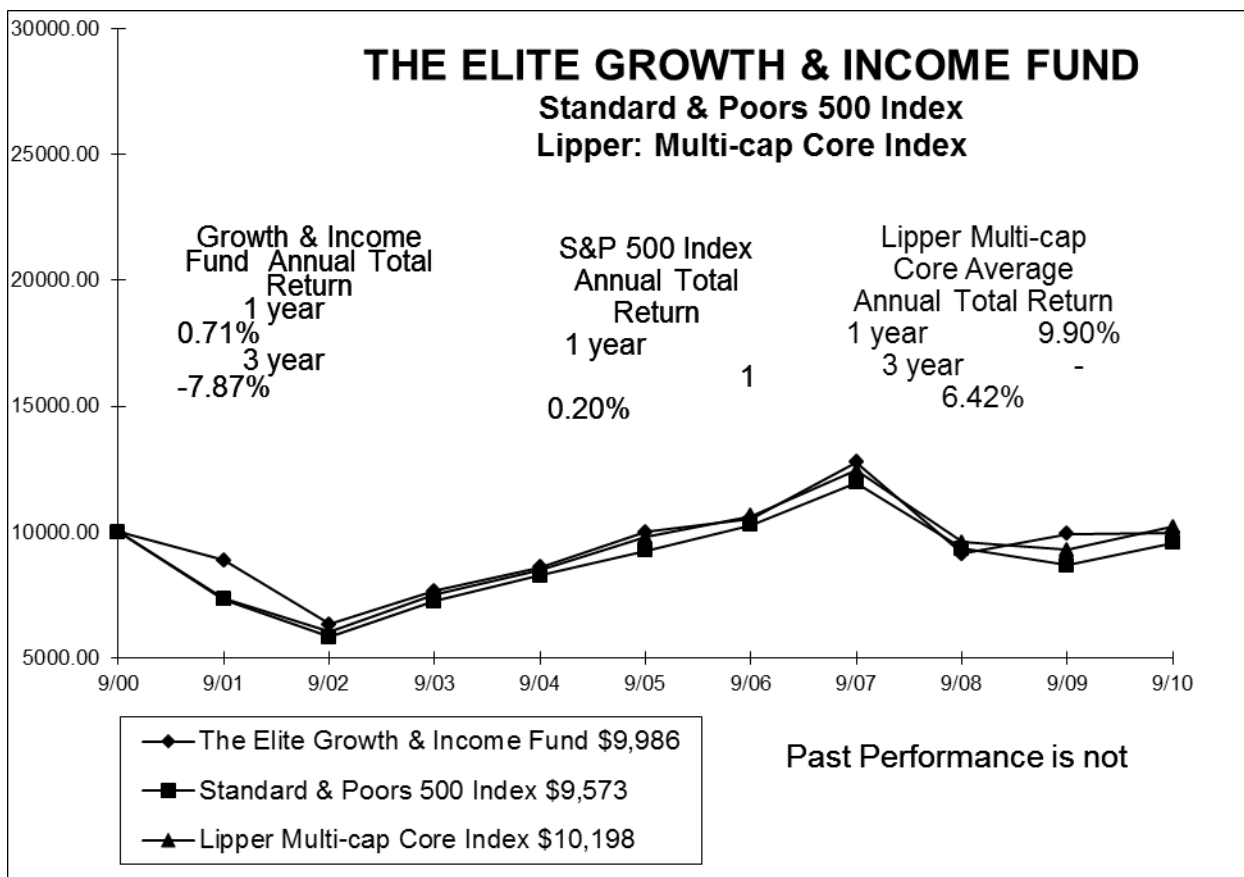
(b) Security is a fixed-to-floating coupon bond. The coupon shown is the fixed coupon in effect at September 30, 2010. The fixed coupon will convert to a floating coupon at a predetermined date. At that date the coupon increases to LIBOR plus a predetermined margin.

(c) All or a portion of this security was on loan at September 30, 2010. The value of securities on loan at September 30, 2010 was \$478,722.

(d) This security was purchased with cash collateral received for securities on loan at September 30, 2010.

(e) Represents 7 day effective yield as of September 30, 2010.

* Non-income producing security



| | 9/00 | 9/01 | 9/02 | 9/03 | 9/04 | 9/05 | 9/06 | 9/07 | 9/08 | 9/09 | 9/10 |
|--|--------|-------|-------|-------|-------|--------|--------|--------|-------|-------|--------|
| The Elite Growth & Income Fund \$9,986 | 10,000 | 8,893 | 6,326 | 7,660 | 8,603 | 10,009 | 10,550 | 12,768 | 9,127 | 9,915 | 9,986 |
| Standard & Poors 500 Index \$9,573 | 10,000 | 7,337 | 5,834 | 7,257 | 8,264 | 9,276 | 10,274 | 11,963 | 9,331 | 8,687 | 9,573 |
| Lipper Multi-cap Core Index \$10,198 | 10,000 | 7,348 | 6,057 | 7,503 | 8,463 | 9,811 | 10,635 | 12,443 | 9,606 | 9,280 | 10,198 |

THE ELITE GROUP OF MUTUAL FUNDS

STATEMENTS OF ASSETS AND LIABILITIES

September 30, 2010

| | <u>The Elite Growth & Income Fund</u> | <u>The Elite Income Fund</u> |
|---|--|---|
| ASSETS | | |
| Investments in securities, at value (Cost \$47,742,977 and \$20,514,069, respectively) (Notes 2A and 3) | \$51,379,070 | \$21,579,989 |
| Receivables | | |
| Interest | 30 | 249,945 |
| Dividends | 35,928 | 3,350 |
| Interest from Securities Lending | <u>3,749</u> | <u>41</u> |
| Total Assets | <u>51,418,777</u> | <u>21,833,325</u> |
| LIABILITIES | | |
| Payable upon return of securities on loan | 8,313,972 | 491,375 |
| Payables: | | |
| Investment management fees | 34,069 | 12,003 |
| Fund shares redeemed | - | 1,501 |
| Distributions | - | 2,952 |
| Accrued expenses | <u>9,012</u> | <u>5,874</u> |
| Total Liabilities | <u>8,357,053</u> | <u>513,705</u> |
| NET ASSETS | | |
| The Elite Growth & Income Fund – Applicable to 3,018,394 shares outstanding no par value, unlimited number of shares of beneficial interest | <u>\$43,061,724</u> | |
| The Elite Income Fund – Applicable to 1,976,343 shares outstanding no par value, unlimited number of shares of beneficial interest | | <u>\$21,319,620</u> |
| NET ASSET VALUE, OFFERING AND REDEMPTION | | |
| PRICE PER SHARE (net assets / shares outstanding) | <u>\$14.27</u> | <u>\$10.79</u> |
| At September 30, 2010, the components of net assets were as follows: | | |
| Paid-in capital | \$49,943,622 | \$20,090,460 |
| Undistributed (distributions in excess of) net investment income | (14,070) | 163,240 |
| Accumulated net realized gain/(loss) on investments | (10,503,921) | - |
| Net unrealized appreciation of investments | <u>3,636,093</u> | <u>1,065,920</u> |
| Net Assets | <u>\$43,061,724</u> | <u>\$21,319,620</u> |

THE ELITE GROUP OF MUTUAL FUNDS

STATEMENTS OF OPERATIONS

For the Year Ended September 30, 2010

| | <u>The Elite Growth & Income Fund</u> | <u>The Elite Income Fund</u> |
|---|---|----------------------------------|
| Investment Income | | |
| Income: | | |
| Interest | \$ 8,946 | \$ 827,611 |
| Dividends (Net of foreign tax withheld of \$627 and \$0, respectively) | 439,275 | 67,681 |
| Securities lending | <u>248,103</u> | <u>1,585</u> |
| Total Income | <u>696,324</u> | <u>896,877</u> |
| Expenses: | | |
| Investment management fee | 420,625 | 138,516 |
| Transfer agent fees | 44,136 | 31,640 |
| Custodian fees | 12,277 | 10,307 |
| Audit fees | 18,636 | 8,191 |
| Trustee fees and expenses | 15,050 | 6,629 |
| Recordkeeping services | 72,528 | 35,445 |
| Shareholder reports | 4,660 | 2,013 |
| Registration fees and other | 3,390 | 2,232 |
| CCO expense | 35,562 | 14,438 |
| Legal fees | 17,513 | 7,930 |
| Insurance | <u>10,529</u> | <u>5,222</u> |
| Total Expenses | 654,906 | 262,563 |
| Net Investment Income | <u>41,418</u> | <u>634,314</u> |
| Realized and Unrealized Gain/(Loss) on Investment Securities and Options Contracts | | |
| Net realized gain/(loss): | | |
| Investment securities | 3,929,159 | 427,611 |
| Expired and closed covered call options written (Note 3) | <u>(147,986)</u> | <u>-</u> |
| Net realized gain on investment securities and option contracts | <u>3,781,173</u> | <u>427,611</u> |
| Net increase/decrease in unrealized appreciation/depreciation: | | |
| Investment securities | (3,761,185) | 594,061 |
| Option contracts written | <u>143,359</u> | <u>-</u> |
| Net change in unrealized appreciation/depreciation of investments | <u>(3,617,826)</u> | <u>594,061</u> |
| Net realized and unrealized gain on investment securities and option contracts | <u>163,347</u> | <u>1,021,672</u> |
| Net increase in net assets resulting from operations | <u>\$ 204,765</u> | <u>\$1,655,986</u> |

THE ELITE GROWTH & INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended September 30

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| Operations | | |
| Net investment income | \$ 41,418 | \$ 541,616 |
| Net realized gain\ (loss) on investment securities and options contracts | 3,781,173 | (12,634,803) |
| Net change in unrealized appreciation/depreciation of investment securities and option contracts | <u>(3,617,826)</u> | <u>14,961,006</u> |
| Net increase in net assets resulting from operations | 204,765 | 2,867,819 |
| Distributions to Shareholders | | |
| Distributions from net investment income (\$0.17 and \$0.10 per share, respectively) | (517,586) | (349,765) |
| Return of Capital Distributions (\$0.02 and \$ - per share, respectively) | (78,132) | - |
| Capital Share Transactions | | |
| Decrease in net assets resulting from capital share transactions (a) | <u>(2,621,996)</u> | <u>(3,634,593)</u> |
| Total decrease in net assets | (3,012,949) | (1,116,539) |
| Net Assets | | |
| Beginning of year | <u>46,074,673</u> | <u>47,191,212</u> |
| End of year (Including undistributed (distributions in excess of) net investment income of \$(14,070) and \$462,098 respectively) | <u>\$ 43,061,724</u> | <u>\$ 46,074,673</u> |

(a) Transactions in capital stock were as follows:

| | <u>Year Ended</u> <u>September 30, 2010</u> | | <u>Year Ended</u> <u>September 30, 2009</u> | |
|--|--|-----------------------|--|-----------------------|
| | <u>Shares</u> | <u>Value</u> | <u>Shares</u> | <u>Value</u> |
| Shares sold | 212,897 | \$ 2,882,544 | 398,060 | \$ 3,599,322 |
| Shares issued in reinvestment of distributions | <u>43,343</u> | <u>579,930</u> | <u>38,545</u> | <u>339,966</u> |
| Shares redeemed | 256,240 | 3,462,474 | 436,605 | 3,939,288 |
| | <u>(443,724)</u> | <u>(6,084,470)</u> | <u>(758,837)</u> | <u>(7,573,881)</u> |
| Net decrease | <u>(187,484)</u> | <u>\$ (2,621,996)</u> | <u>(322,232)</u> | <u>\$ (3,634,593)</u> |

THE ELITE INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended September 30

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|----------------------|
| Operations | | |
| Net investment income | \$ 634,314 | \$ 639,134 |
| Net realized gain on investment securities | 427,611 | 579,054 |
| Net change in unrealized appreciation of investment securities | <u>594,061</u> | <u>1,168,286</u> |
| Net increase in net assets resulting from operations | 1,655,986 | 2,386,474 |
| Distributions to Shareholders | | |
| Distributions from net investment income (\$0.38 and \$0.35 per share, respectively) | (713,772) | (576,975) |
| Distributions from net realized gains on investment transactions (\$0.04 and \$0.00 per share respectively) | (84,120) | - |
| Capital Share Transactions | | |
| Increase in net assets resulting from capital share transactions (a) | <u>3,262,359</u> | <u>178,315</u> |
| Total increase in net assets | 4,120,453 | 1,987,814 |
| Net Assets | | |
| Beginning of year | <u>17,199,167</u> | <u>15,211,353</u> |
| End of year (Including undistributed net investment income of \$163,240 and \$189,561, respectively) | <u>\$21,319,620</u> | <u>\$ 17,199,167</u> |

(a) Transactions in capital stock were as follows:

| | <u>Year Ended</u> <u>September 30, 2010</u> | | <u>Year Ended</u> <u>September 30, 2009</u> | |
|--|--|---------------------------------|--|---------------------------------|
| | <u>Shares</u> | <u>Value</u> | <u>Shares</u> | <u>Value</u> |
| Shares sold | 479,407 | \$ 5,032,539 | 432,970 | \$ 4,046,498 |
| Shares issued in reinvestment of distributions | <u>74,808</u> | <u>782,582</u> | <u>60,000</u> | <u>562,027</u> |
| Shares redeemed | 554,215 <u>(242,438)</u> | 5,815,121 <u>(2,552,762)</u> | 492,970 <u>(481,494)</u> | 4,608,525 <u>(4,430,210)</u> |
| Net increase | <u>311,777</u> | <u>\$ 3,262,359</u> | <u>11,476</u> | <u>\$ 178,315</u> |

THE ELITE GROWTH & INCOME FUND

FINANCIAL HIGHLIGHTS

For a Share Outstanding Throughout Each Year

| | Year Ended September 30, | | | | |
|--|--------------------------|----------------|----------------|----------------|----------------|
| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| Net asset value, beginning of year | \$14.37 | \$13.38 | \$18.78 | \$19.13 | \$20.77 |
| Income (loss) from investment operations | | | | | |
| Net investment income (loss) | 0.03 | 0.16 | 0.14 | (0.03) | 0.12 |
| Net gain/loss on securities (both realized and unrealized) | <u>0.06</u> | <u>0.93</u> | <u>(5.48)</u> | <u>4.01</u> | <u>1.00</u> |
| Total from investment operations | <u>0.09</u> | <u>1.09</u> | <u>(5.34)</u> | <u>3.98</u> | <u>1.12</u> |
| Less Distributions | | | | | |
| Dividends from net investment income | (0.17) | (0.10) | (0.06) | (0.03) | (0.14) |
| Distribution from net realized gains | - | - | - | (4.20) | (2.62) |
| Distribution from return of capital | <u>(0.02)</u> | <u>-</u> | <u>-</u> | <u>(0.10)</u> | <u>-</u> |
| Total distributions | <u>(0.19)</u> | <u>(0.10)</u> | <u>(0.06)</u> | <u>(4.33)</u> | <u>(2.76)</u> |
| Net asset value, end of year | <u>\$14.27</u> | <u>\$14.37</u> | <u>\$13.38</u> | <u>\$18.78</u> | <u>\$19.13</u> |
| Total Return | 0.71% | 8.64% | (28.52)% | 21.03% | 5.40% |
| Ratios / Supplemental Data | | | | | |
| Net asset value, end of year (in 000's) | \$43,062 | \$46,075 | \$47,191 | \$67,834 | \$61,800 |
| Ratio of expenses to average net assets | 1.56% | 1.79% | 1.42% | 1.35% | 1.39% |
| Ratio of net investment income (loss) to average net assets | 0.10% | 1.54% | 0.79% | (0.16)% | 0.57% |
| Portfolio Turnover | 239.54% | 233.44% | 277.14% | 213.35% | 188.52% |

THE ELITE INCOME FUND

FINANCIAL HIGHLIGHTS

For a Share Outstanding Throughout Each Year

| | Year Ended September 30, | | | | |
|---|--------------------------|-----------------|----------------|-----------------|----------------|
| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| Net asset value, beginning of year | <u>\$ 10.33</u> | <u>\$ 9.20</u> | <u>\$ 9.73</u> | <u>\$ 9.77</u> | <u>\$ 9.82</u> |
| Income (loss) from investment operations | | | | | |
| Net investment income | 0.33 | 0.39 | 0.42 | 0.43 | 0.39 |
| Net gain/loss on securities (both realized and unrealized) | <u>0.55</u> | <u>1.09</u> | <u>(0.50)</u> | <u>(0.00)**</u> | <u>(0.02)</u> |
| Total from investment operations | <u>0.88</u> | <u>1.48</u> | <u>(0.08)</u> | <u>0.43</u> | <u>0.37</u> |
| Less Distributions | | | | | |
| Dividends from net investment income | (0.38) | (0.35) | (0.45) | (0.47) | (0.42) |
| Distributions from net realized gains | <u>(0.04)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total distributions | <u>(0.42)</u> | <u>(0.35)</u> | <u>(0.45)</u> | <u>(0.47)</u> | <u>(0.42)</u> |
| Net asset value, end of year | <u>\$ 10.79</u> | <u>\$ 10.33</u> | <u>\$ 9.20</u> | <u>\$ 9.73</u> | <u>\$ 9.77</u> |
| Total Return | 8.74% | 16.53% | (0.90)% | 4.48% | 3.87% |
| Ratios / Supplemental Data | | | | | |
| Net asset value, end of year (in 000's) | \$21,320 | \$17,199 | \$15,211 | \$18,000 | \$18,227 |
| Ratio of expenses to average net assets | 1.33% | 1.56%* | 1.24%* | 1.31%* | 1.22%* |
| Ratio of net investment income to average net assets | 3.20% | 4.11% | 4.30% | 4.44% | 4.00% |
| Portfolio Turnover | 75.49% | 100.35% | 105.66% | 117.52% | 120.00% |

* Ratio reflects expenses prior to reimbursement from the manager. Expense ratios after reimbursement were 1.48%, 1.05%, 1.20%, and 1.04% for 2009, 2008, 2007, and 2006 respectively.

** Less than \$0.01 per share

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

NOTE 1 – ORGANIZATION

The Elite Growth & Income Fund and The Elite Income Fund (the “Funds”) are two series of shares of beneficial interests of The Elite Group of Mutual Funds (the “Trust”), which is registered under the Investment Company Act of 1940, as amended, as a diversified open-end management company. The Trust was organized in Massachusetts as a business trust on August 8, 1986. The Trust is authorized to issue an unlimited number of no par shares of beneficial interest of any number of series. Currently, the Trust has authorized only the two series above. The Elite Growth & Income Fund's investment objective is to maximize total returns through an aggressive approach to the equity and debt securities markets. The Elite Income Fund's investment objective is to achieve the highest income return obtainable over the long term commensurate with investments in a diversified portfolio consisting primarily of investment grade debt securities.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds. The policies are in conformity with accounting principles generally accepted in the United States of America (“GAAP.”)

- A. Security Valuation - Investments in securities traded on a national securities exchange are valued at the last reported sales price. Securities which are traded over-the-counter are valued at the bid price. Securities for which reliable quotations are not readily available are valued at their respective fair value as determined in good faith by, or under procedures established by the Board of Trustees.

The Funds have established methods of fair value measurements in accordance with GAAP. Fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tier hierarchy maximizes the use of observable market data and minimizes the use of unobservable inputs and establishes classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 - quoted prices in active markets for identical investments
- Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

An Investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to fair value measurement.

The valuation techniques used by the Funds to measure fair value during the fiscal year ending September 30, 2010 maximize the use of observable inputs and minimized the use of unobservable inputs. When fair-valuing securities, the Funds utilized multi-dimensional relational pricing model techniques.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010

The following is a summary of the inputs used as of September 30, 2010 in valuing the Funds' investment assets and liabilities, carried at fair value:

The Elite Growth & Income Fund

| | <u>Common Stock</u> | <u>Short-Term Investments</u> | <u>Total Investment Assets at Value</u> |
|---|----------------------|-----------------------------------|---|
| Level 1 –Quoted Prices | \$ 41,758,940 | \$ - | \$ 41,758,940 |
| Level 2 –Other Significant Observable Inputs | - | 9,620,130 | 9,620,130 |
| Level 3 –Significant Unobservable Inputs | - | - | - |
| | <u>\$ 41,758,940</u> | <u>\$ 9,620,130</u> | <u>\$ 51,379,070</u> |

The Elite Income Fund

| | <u>Bonds</u> | <u>Common Stock</u> | <u>Short-Term Investments</u> | <u>Total Investment Assets at Value</u> |
|--|----------------------|---------------------|-----------------------------------|---|
| Level 1 –Quoted Prices | \$ - | \$ 1,564,473 | \$ - | \$ 1,564,473 |
| Level 2 –Other Significant Observable Inputs | 18,556,243 | - | 1,459,273 | 20,015,516 |
| Level 3 –Significant Unobservable Inputs | - | - | - | - |
| | <u>\$ 18,556,243</u> | <u>\$ 1,564,473</u> | <u>\$ 1,459,273</u> | <u>\$ 21,579,989</u> |

Refer to the Portfolios of Investments for details of securities by industry.

The Funds may invest in derivative financial instruments (derivatives) in order to manage risk or gain exposure to various other investments or markets. Derivatives may contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and the potential for market movements which may expose the Funds to gains or losses in excess of the amounts shown on the Statement of Assets and Liabilities.

Derivatives are marked to market daily based upon quotations from market makers or the Fund's independent pricing services and the Fund's net benefit or obligation under the contract, as measured by the fair market value of the contract, is included in net assets. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

The following table sets forth the effect of the option contracts on the Statement of Operations for the year ending September 30, 2010:

Statement of Operations location:

| <u>Derivative type</u> | <u>Gains/(Losses)</u> |
|--|-----------------------|
| Equity contracts – purchased options | |
| Net realized gain (loss): investment securities | \$ (1,803,513) |
| Net increase/decrease in unrealized appreciation/depreciation – investments | <u>\$ 462,641</u> |
| Equity contracts – written options | |
| Net realized gain (loss): Expired and closed covered call options written | \$ (147,986) |
| Net increase/decrease in unrealized appreciation/depreciation – option contracts written | <u>\$ 143,359</u> |

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010

- B. Federal Income Taxes** - The Funds intend to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and distribute all their taxable income to their shareholders. Therefore no federal income tax provision is required.

GAAP provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. This guidance requires the evaluation of tax positions taken in the course of preparing the Funds' tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the taxing authority. Tax positions not deemed to meet the more-likely-than-not threshold would be booked as a tax expense in the current year and recognized in the financial statements. As of September 30, 2010 the Funds have reviewed their tax positions and have determined that no accruals for tax liabilities are required.

The Funds have reviewed all taxable years that are open for examination (i.e., not barred by the applicable statute of limitations) by taxing authorities of all major jurisdictions, including the Internal Revenue Service. As of September 30, 2010, open taxable years consisted of the taxable years ended September 30, 2006 through September 30, 2010. No examination of either Fund's tax filings is currently in progress.

- C. Option Accounting Principles (The Elite Growth & Income Fund)** - When the Fund sells an option, an amount equal to the premium received by the Fund is included as an asset and an equivalent liability. The amount of the liability is marked-to-market to reflect the current market value of the options written. The current market value of a traded option is the last sale price. When an option expires on its stipulated expiration date or the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished.

If an option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds of the sale are increased by the premium received. The Elite Growth & Income Fund as a writer of an option may have no control over whether the underlying security may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the security underlying the written option.

- D. Cash Equivalent** - Consists of investment in PNC Money Market Accounts which, exclusive of securities lending collateral, represent 3.03% and 3.51% of net assets for The Elite Growth & Income Fund and The Elite Income Fund, respectively. These amounts are reported as short term investments in the Portfolios of Investments.
- E. Other** - As is common in the industry, security transactions are accounted for on the trade date. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments for post - October losses, wash losses and amortization of bond premium and discounts. Interest income and estimated expenses are accrued daily.
- F. Reclassification of Capital Accounts.** GAAP requires that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. On September 30, 2010, The Elite Income Fund increased undistributed net investment income and decreased accumulated net realized gains on investments by \$53,137, due primarily to differing book/tax treatment of bond amortization.
- G. Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010

H. Securities Lending – The Funds may lend portfolio securities to banks and member firms of the New York Stock Exchange that meet capital and other credit requirements or other criteria established by the Board. These loans may not exceed 33 1/3% of the total asset value of the Funds (including the loan collateral). The Funds will not lend portfolio securities to its investment advisor or its affiliates unless it has applied for and received specific authority to do so from the SEC. Loans of portfolio securities will be fully collateralized by cash, Government securities or letters of credit. Loans of portfolio securities must be secured by collateral at least equal to the market value of the securities loaned. If the market value of the loaned securities increases over the value of the collateral, the borrower must promptly put up additional collateral; if the market value declines the borrower is entitled to a return of the excess collateral. Income from lending activity is determined by the amount of interest earned on collateral, less any amounts payable to the borrowers of the securities and the lending agent. Lending securities involves certain risks, including the risk that the Fund may be delayed or prevented from recovering the collateral if the borrower fails to return the securities. Cash collateral received in connection with securities lending is invested in an Institutional Money Market Trust sponsored by PFPC Trust Company, the Funds securities lending agent. It is each Fund's policy to obtain additional collateral from or return excess to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than that required under the lending contract.

NOTE 3 – PURCHASES AND SALES OF SECURITIES

For the year ended September 30, 2010, purchases and sales of securities, other than options, government securities and short-term notes were as follows:

| | <u>Purchases</u> | <u>Sales</u> |
|--------------------------------|------------------|---------------|
| The Elite Growth & Income Fund | \$ 89,268,862 | \$ 84,783,408 |
| The Elite Income Fund | \$ 14,766,524 | \$ 11,161,747 |

For The Elite Growth & Income Fund, transactions in covered call options written for the year ended September 30, 2010 were as follows:

| | <u>Number of Contracts*</u> | <u>Premiums</u> |
|---|---------------------------------|------------------|
| Options outstanding on September 30, 2009 | 4,000 | \$ 759,141 |
| Options written | 12,120 | 2,963,702 |
| Options terminated in closing purchase transactions | (14,720) | (3,441,410) |
| Options exercised | - | - |
| Options expired | <u>(1,400)</u> | <u>(281,433)</u> |
| Options outstanding on September 30, 2010 | <u>-</u> | <u>\$ -</u> |

* Each contract represents 100 shares of common stock

NOTE 4 – INVESTMENT MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Funds retain McCormick Capital Management Inc. as their Investment Manager ("Manager"). Under an Investment Management Agreement, the Manager furnishes each Fund with investment advice, office space and salaries of non-executive personnel needed by the Funds to provide general office services. As compensation for its services, the Manager is paid a monthly fee based upon the average daily net assets of each Fund.

For The Elite Growth & Income Fund and The Elite Income Fund the rates are 1% and 7/10 of 1%, respectively, up to \$250 million; 3/4 of 1% and 5/8 of 1% over \$250 million up to \$500 million; and 1/2 of 1% and 1/2 of 1% respectively, over \$500 million for each Fund.

The Manager may voluntarily reimburse a portion of the operating expenses of a Fund for any fiscal year (including management fees, but excluding taxes, interest and brokerage commissions). Voluntary reimbursements may cease at any time without prior notice and are not subject to recoupment. For the year ended September 30, 2010 there were no investment management fees voluntarily waived or expenses reimbursed for either of the Elite Funds.

The Trust paid the Chief Compliance Officer \$50,000 for the year ended September 30, 2010.

Certain officers of the Trust are officers of the Advisor.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010

NOTE 5 – CONCENTRATION

Although the Funds have a diversified investment portfolio, there are certain credit risks due to the manner in which the portfolio is invested, which may subject the Funds more significantly to economic changes occurring in certain industries or sectors. The Elite Growth & Income Fund has investments in excess of 10% in basic industries, energy, and health care goods & services. The Elite Income Fund has investments in excess of 10% in U.S. Government/Agency Notes & Bonds, corporate bonds – consumer non-cyclical and utilities, electric.

NOTE 6 – DISTRIBUTION TO SHAREHOLDERS AND TAX COMPONENTS OF CAPITAL

The tax character of distributions paid during the years ended September 30, 2010 and 2009 were as follows:

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|-------------|-------------|
| The Elite Growth & Income Fund | | |
| Distributions from ordinary income | \$ 517,586 | \$ 349,765 |
| Return of Capital distribution | 78,132 | - |
| The Elite Income Fund | | |
| Distributions from ordinary income | \$ 797,892 | \$ 576,975 |

As of September 30, 2010, the components of distributable earnings and accumulated losses on a tax basis were as follows:

| | |
|---|-----------------------|
| The Elite Growth & Income Fund | |
| Capital loss carryforwards | \$(10,313,055) |
| Unrealized appreciation of securities and options | 3,431,157 |
| | <u>\$ (6,881,898)</u> |

The differences between the tax basis and book basis distributable earnings and accumulated losses are due to the temporary book/tax differences related to wash sales and mark to market income on passive foreign investment companies.

The Elite Growth & Income Fund had a capital loss carryforward of \$10,313,055 as of September 30, 2010, that are available to offset any future gains, to the extent provided by regulations. The carryforwards expire as follows:

| | |
|-------------|------|
| \$ 917,595 | 2016 |
| \$2,192,814 | 2017 |
| \$7,202,646 | 2018 |

As of September 30, 2010, the components of distributable earnings and accumulated losses on a tax basis were as follows:

| | |
|---------------------------------------|---------------------|
| The Elite Income Fund | |
| Undistributed ordinary income | \$ 305,172 |
| Unrealized appreciation of securities | 923,988 |
| | <u>\$ 1,229,160</u> |

The differences between the tax basis and book basis distributable earnings and accumulated losses are due to the book/tax differences related to amortization of bond premiums and discounts.

NOTE 7 – SUBSEQUENT EVENTS

GAAP requires recognition in the financial statements of the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Assets and Liabilities. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Funds' are required to disclose the nature of the event as well as an estimate of their financial effect, or a statement that such an estimate cannot be made. Management has evaluated subsequent events in the preparation of the Funds' financial statements and has determined that there are no events that require recognition or disclosure in the financial statements.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010

NOTE 8 – CONTINGENCIES AND COMMITMENTS

The Funds indemnify the Trust's officers and trustees for certain liabilities that might arise from their performance of their duties to the Funds. Additionally, in the normal course of business the Funds enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements." ASU No. 2010-06 clarifies existing disclosures and requires additional disclosures regarding fair value measurements. Effective for interim and annual reporting periods beginning after December 15, 2009, entities will be required to disclose significant transfers into and out of Level 1 and 2 measurements in the fair value hierarchy and the reasons for those transfers. Effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years, entities will need to disclose information about purchases, sales, issuances and settlements of Level 3 securities on a gross basis, rather than as a net number as currently required. Management is currently evaluating the impact (if any) ASU No. 2010-06 will have on the Funds' financial statement disclosures.

PROXY POLICIES / AVAILABILITY OF QUARTERLY PORTFOLIO HOLDINGS (Unaudited)

The Elite Group proxy voting policies and the voting record for those proxies are detailed on our web site www.elitefunds.com and are also available on the Securities & Exchange Commission web site www.sec.gov.

Portfolio Holdings: In addition to our Annual and Semi-Annual report which are dated September 30th and March 31st respectively, we will report to shareholders our security holdings as of June 30th and December 31st. The June and December reports will also be available on the SEC web site (N-Q) www.sec.gov. Our security holdings are available on our web site and updated monthly www.elitefunds.com.

TAX INFORMATION (UNAUDITED)

The Trust is required to advise you within 60 days of the Funds' fiscal year-end regarding the federal tax status of certain distributions paid to shareholders during such fiscal year. The information below is provided for the fiscal year ending September 30, 2010.

Individual shareholders are eligible for reduced tax rates on qualified dividend income. For the fiscal year, the Funds hereby designate the following amounts of dividends paid to shareholders by each Fund as qualified dividend income:

| Fund | Amount | Percentage |
|----------------------------|---------------|-------------------|
| Elite Growth & Income Fund | \$ 453,408 | 87.60 % |
| Elite Income Fund | \$ 39,720 | 4.98 % |

Since the information above is reported for the Funds' fiscal year and not the calendar year, shareholders should refer to their Form 1099-DIV or other tax information which will be mailed in January 2011 to determine the calendar year amounts to be included on their 2010 tax returns. Shareholders should consult their tax advisors.

BOARD OF TRUSTEES AND EXECUTIVE OFFICERS (Unaudited)

Over all responsibility for management of the Funds rests with the Board of Trustees. The Trustees serve during the lifetime of the Trust and until its termination, or until death, resignation, retirement or removal. The Trustees, in turn, elect the officers of the Fund to actively supervise its day-to-day operations. The officers have been elected for an annual term.

There were four quarterly Trustee meetings in the fiscal year. All the Trustees had 100% attendance with the exception of Mr. Meisenbach who was unable to attend two meetings. Because Mr. McCormick and Mr. Meisenbach are the sole owners of the investment advisor, McCormick Capital Management, they do not receive compensation for their duties as Trustee, Chairman of the Board and President (Mr. McCormick) and Trustee, Treasurer and Secretary (Mr. Meisenbach). The three independent Trustees compensation is \$2,000 per meeting or \$8,000 per Trustee per year. They received a total of \$24,000 for the fiscal year ending 9/30/10. The following are the Trustees and Executive of the Funds:

| Trustee | Address | Age | Position Held with the Trust | Length of Time Served (Years) |
|----------------------|--|-----|---|-------------------------------|
| Richard S. McCormick | 1325 4 th Avenue Suite 1744 Seattle, WA 98101 | 64 | Chairman, Board of Trustees and President | 23 |
| John W. Meisenbach | 1325 4 th Avenue Suite 2100 Seattle, WA 98101 | 74 | Trustee, Treasurer and Secretary | 20 |
| Lee A. Miller | P.O. Box 1882 Vashon Island, WA 98070 | 79 | Trustee | 15 |
| John M. Parker | 2400 Financial Center Bldg. Seattle, WA 98161 | 64 | Trustee | 23 |
| Jack R. Policar | 500 Union St. #410 Seattle, WA 98101 | 63 | Trustee | 23 |

Each Trustee oversees two portfolios of the Trust, including the Funds. The principal occupations of the Trustees and Executive Officers of the Fund during the past five years and public directorships held by the Trustees are set forth below. ***

| | |
|------------------------|---|
| * Richard S. McCormick | President and Chief Executive Officer of the Investment Manager |
| * John W. Meisenbach | Partner in MCM Financial (Insurance) Director of Costco Wholesale and Expeditors International |
| Lee A. Miller | Private Investor Vice President of Merrill Lynch & Co. (Retired) |
| John M. Parker | President of Kennedy Associates, Inc. (Real Estate Advisor) |
| Jack R. Policar | President and Chief Executive of J. R. Policar, Inc. Certified Public Accounting Firm |

* **Trustees deemed to be an "interested person" of the Trust, as defined in the Investment Company Act of 1940.**

*** **Additional information about the Trustees is available in the Statement of Additional Information which is available upon request, or ready for viewing on our web site: www.elitefunds.com**

**MUTUAL FUND EXPENSE
(UNAUDITED)**

There are several kinds of expenses involved in buying, selling and operating a mutual fund. These expenses represent costs to shareholders which will reduce the rate of return. The Elite Funds are “no load” mutual funds which mean there are no commissions, fees or expenses associated with paying sales representatives. Mutual funds that have sales fees are typically associated with stock brokerage firms, insurance companies, and some types of financial planners.

Although the Elite Funds have no sales charges, like all the other funds it does have operating expenses. In addition to the fees paid to the manager of the Funds there are expenses for attorneys, accountants, printing/mailings, transfer agent, custodians, and government registration fees. The table below is intended to help you understand your ongoing costs (in dollars) of investing in the Funds and compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 at the beginning of the period and held for the entire period (April 1, 2010 through September 30, 2010).

The first line (“Actual Expense”) of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

The second line (“Hypothetical”) of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

In the Elite Funds there are no transactional costs so please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees associated with other mutual funds. Therefore, the second line of the table is useful in comparing ongoing costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

The Elite Growth & Income Fund

| | Beginning Account Value 4-01-10 | Ending Account Value 09-30-10 | Expenses Paid During Period* 04-01-10 to 09-30-10 |
|---|------------------------------------|----------------------------------|--|
| Actual | \$1,000 | \$1,037.80 | \$8.03 |
| Hypothetical (5% return before expenses) | \$1,000 | \$1,017.19 | \$7.95 |

The Elite Income Fund

| | Beginning Account Value 4-01-10 | Ending Account Value 09-30-10 | Expenses Paid During Period* 04-01-10 to 09-30-10 |
|---|------------------------------------|----------------------------------|--|
| Actual | \$1,000 | \$1,051.30 | \$6.41 |
| Hypothetical (5% return before expenses) | \$1,000 | \$1,018.82 | \$6.31 |

* Expenses are equal to the Fund’s annualized expense ratio of 1.56% for The Growth & Income Fund and 1.25% for The Elite Income Fund, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period).

