

**Bread & Butter Fund, Inc.**  
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**www.BreadandButterFund.com**

Part B  
STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information ("SAI") is not a prospectus, but should be read in conjunction with the Fund's current Prospectus dated April 30, 2009. This SAI incorporates by reference the Fund's Annual Report to shareholders for the fiscal year ended December 31, 2008, which was filed with the Securities and Exchange Commission on February 26, 2009. To obtain a free copy of the Prospectus, SAI or Annual Report, please write, call or visit the Fund's website as shown above.

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## FUND HISTORY

The Bread & Butter Fund, Inc. (also referred to as the "Fund") was incorporated in New Jersey on March 2, 2004. The Fund's registered office is in Parsippany, NJ and the address is 3633 Hill Rd. 3<sup>rd</sup> Flr. Parsippany, NJ 07054.

### DESCRIPTION OF THE FUND AND ITS INVESTMENTS AND RISKS Classification

The Fund is an open-end, no load, non-diversified management investment company.

### Principal Investment Strategies and Risks

All principal investment strategies and risks are discussed in the prospectus.

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The Contrarian/Value Investment Strategy is a discipline that utilizes investor overreactions to capture inefficiencies in the market by investing in securities that are out of favor and undervalued. A contrarian mindset is necessary to look at out of favor areas of the market. Usually out of favor areas of the market are in the least popular areas of the market, controversy surrounds the sector and investor sentiment is negative. Typically with fewer investors analyzing a security, there is a greater chance that share price inefficiencies and under valuation exist in the short-term.

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The Fund will follow a Contrarian/Value Investment Strategy that focuses on investing in out of favor-undervalued securities that qualify through the four step investment process; 1) Complete Financial Statement Analysis/Financial Integrity.2) Industry Dynamics 3) Overall Management Strategy 4)Analyst Sentiment. However, there may be times when the Advisor is unable to find undervalued securities and will allow cash balances to increase to higher than normal levels or will search for special situation investments. Special situation investments can include distressed debt (Junk Bonds), Bankrupt securities, foreign currencies, higher percentage of corporate or government bonds in the Fund, High cash levels and concentrating security positions in the Fund.

The Adviser does not intend to invest in cash equivalents or Government Corporate Bonds on a regular basis or for long periods of time. It does wish to have the authority to do so as a defensive strategy. There may be times when the returns on such cash equivalents and bonds may be more attractive than other asset classes.

Distressed Debt (Junk Bonds) are securities rated below investment grade by the primary rating agencies such as Standard & Poor's and Moody's. The value of lower quality securities generally is more dependent on credit risks or the ability of the issuer to meet interest and principal payments, than investment grade debt securities. Issuers of high yield debt securities may not be as financially strong as those issuing bonds with higher credit ratings. Distressed debt securities are usually in bankruptcy or in the process of bankruptcy. These defaults occur when a company misses an interest payment or principal payment. These are highly risky investments and there may be times that the Adviser does not detect all risks associated with the investment that can lead to losses for the Fund. Other risks to consider are the illiquid nature of these investments, wider transactions spreads and possible longer drawn out bankruptcy process. In determining whether a distressed security is worthy of investment, the Adviser will look carefully at the capital structure of the firm. Various debt instruments have more favorable asset backing in bankruptcy or restructurings. For example secured debt will have an asset backing it up and preferred stock will come after all debt securities in a bankruptcy.

Foreign Securities and Currency: Investing in foreign securities and foreign currencies may be affected by changes in currency rates, political and economic regulatory, markets and transaction cost. If the Fund invests in foreign securities, its value may be affected by the value of the local currency relative to the dollar. When the Fund sells a foreign denominated currency, the security's value may be worth less in dollars even if the security increases in value in its home country. Foreign investments may be subject to heightened political and economic risks, particularly in emerging markets which may have unstable governments, different legal systems, immature economic structures, national policies restricting investment by foreigners, and economics based only on a few industries. There may be less regulatory supervision by the government of foreign markets. As a result, foreign issuers may not be subject to uniform accounting, auditing and financial reporting standards and practices applicable to domestic companies. There may be less available public information about the foreign issuers. Transaction cost of buying, selling and holding foreign securities, including brokerage, tax and custody costs, may be higher than those involved in domestic transactions.

REIT: A REIT is a Real Estate Investment Trust. A REIT is a pooled investment vehicle which purchases primarily income-producing real estate or real estate related loans or other real estate related interests. The trust then issues shares whose value and performance are dependent upon the investment experience of the underlying real estate related investments. The Fund's investment in REITs is subject to certain real estate related risks. These risks include, among others; changes in general and local economic conditions, possible declines in the value of real estate, the possible lack of available money for loans to purchase real estate, overbuilding in particular areas, prolonged vacancies in rental properties, changes in tax laws, the costs associated with damage to real estate resulting from storms and changes in property taxes, rents and interest rates.

#### Non-Principal Investment Strategies and Risk

Investment Company Securities: The Fund may invest from time to time in other investment company securities subject to applicable law which restricts such investments. Under section 12(d)(1) of the Investment Company Act of 1940, as amended, (the "1940 Act"), the Fund may only invest up to 5% of its total assets in the securities of any one investment company, but may not own more than 3% of the outstanding voting stock of any one investment company or invest more than 10% of its total assets in the securities of other investment companies. However, Section 12(d)(1)(F) of the 1940 Act provides that the provisions of paragraph 12(d)(1) shall not apply to securities purchased otherwise acquired by the Fund if (i) immediately after such purchase or acquisition not more than 3% of the total outstanding stock of such registered investment company is owned by the Fund and all affiliated persons of the Fund; and (ii) the Fund has not offered or sold after January 1, 1971, and is not proposing to offer or sell any security issued by it through a principal underwriter or otherwise at a public or offering price which includes a sales load of more than 1 1/2 %. An investment company that issues shares to the Fund pursuant to paragraph 12(d)(1)(F) shall not be required to redeem its shares in an amount exceeding 1% of such investment company's total outstanding shares in any period of less than thirty days. The Fund (or the Adviser acting on behalf of the Fund) must comply with the following voting restrictions: when the Fund exercises voting rights, by proxy or otherwise, with respect to investment companies owned by the Fund, the Fund will either seek instruction from the Fund's shareholders with regard to the voting of all proxies and vote in accordance with such instructions, or vote the shares held by the Fund in the same proportion as the vote of all other holders of such security. Because other investment companies employ an investment adviser, such investments by the Fund may cause shareholders to bear duplicate fees.

### Investment Restrictions

Investment restrictions were selected to aid in maintaining the conservative nature of the Fund. These investment restrictions are the Fund's fundamental investment policies and therefore may not be changed except by the approval of a majority of the outstanding shares; i.e. A) 67% or more of the voting securities present at a duly called meeting, if the holders of more than 50% of the outstanding voting securities are present or represented by proxy, or B) of more than 50% of the outstanding voting securities, whichever is less.

Under the Fund's fundamental investment policies the Fund may not:

- a) Change the Fund's Investment Objectives.
- b) Borrow money or purchase securities on margin, but may obtain such short term credit as may be necessary for clearance of purchases and sales of securities for temporary or emergency purposes in an amount not exceeding 5% of the value of its total assets.
- c) Make investments in commodities, commodity contracts or real estate although the Fund may purchase and sell securities of companies which deal in real estate or interests therein.
- d) Make loans. The purchase of a portion of a readily marketable issue of publicly distributed bonds, debentures or other debt securities will not be considered the making of a loan.
- e) Acquire more than 10% of the securities of any class of another issuer, treating all preferred securities of an issuer as a single class and all debt securities as a single class, or acquire more than 10% of the voting securities of another issuer.
- f) Invest in companies for the purpose of acquiring control.
- g) Purchase or retain securities of any issuer if those officers and directors of the Fund or its Investment Adviser owning individually more than 1/2 of 1% of any class of security or collectively own more than 5% of such class of securities of such issuer.
- h) Pledge, mortgage or hypothecate any of its assets.
- i) Invest in securities which may be subject to registration under the Securities Act of 1933 prior to sale to the public or which are not at the time of purchase readily saleable.
- j) Invest more than 5% of the total Fund assets, taken at market value at the time of purchase, in securities of companies with less than 3 years continuous operation, including the operations of any predecessor.
- k) Issue senior securities.
- l) Underwrite securities of other issuers.
- m) The Fund may not invest 25% or more of its total assets at the time of purchase in any one industry or group of industries.

### Temporary Defensive Position & Portfolio Turnover

The Fund intends to be fully invested in undervalued securities. However, when there are a lack of undervalued investment opportunities based on the Adviser's Contrarian/Value Strategy, the Fund may hold higher than normal levels of cash. The cash will only be invested when undervalued securities that meet the criteria are found. The Fund does not intend to purchase securities for short-term trading opportunities in the course of ordinary operations. Accordingly, it is expected that annual turnover in the Fund will not exceed 35%, wherein turnover is computed by dividing the lesser of the Fund's total purchases or sales of securities within the period of the average monthly portfolio value of the Fund during such period. There may be times when the Adviser deems it prudent to substantially alter the composition of the portfolio, in which event, the portfolio turnover rate may substantially exceed 35%; this would only result from special circumstances and not from the Fund's normal operations.

## Disclosure of Portfolio Holdings

The Fund discloses its full portfolio holdings to the public on a quarterly basis by filing with the SEC and reporting to Fund shareholders. These reports are available on the SEC internet site <http://www.sec.gov> , by calling the Fund's toll-free number (1-888-476-8585) or visiting the Fund's website [www.breadandbutterfund.com](http://www.breadandbutterfund.com)

Disclosure of non-public information about the Fund portfolio holdings may occur when there is a legitimate business purpose such as making disclosures to the Fund's printer and brokers, who have a duty to keep information confidential or have been instructed by the Fund to keep information confidential. The Fund prints most of its reports internally, but there may be times when the Fund engages the services of an outside printer. The outside printer and the Fund will enter a non-disclosure agreement as per the terms mentioned in the next paragraph. The Fund and its Adviser have each adopted a Code of Ethics that forbids Fund or Advisory personnel from disclosing the Fund's non-public information. Any exceptions to the Fund's policy must be approved by an officer of the Fund and reported to the Chief Compliance Officer, who reports to the Board of Directors in a timely manner. Only the Fund's Board can change the disclosure policy.

On an ongoing basis, when necessary, certain parties, the Fund's auditor, printer and the Fund's Investment Adviser, will each enter into non-disclosure agreements with the Fund. In these agreements, the service providers must agree to: 1) treat the Fund's information confidentially until the date the information is made public and; 2) have an obligation not to use this information for trading purposes.

## MANAGEMENT OF THE FUND

### Board of Directors

Shareholders meet annually to elect all members of the Board of Directors, select an independent auditor, and vote on any other items deemed pertinent by the incumbent Board. The Directors are in turn responsible for determining that the Fund operates in accordance with its stated objectives, policies, and investment restrictions. The Board appoints officers to run the Fund & selects an Investment Adviser to provide investment advice (See Investment Adviser, pg 6 of the Prospectus). It plans to meet at least four times a year to review Fund progress & status.

Since the Fund is small, there are currently no committees. The independent Chairman of the Board, Mr. Donald McDermott, will work closely with the Independent Registered Public Accounting Firm, Sanville & Company in the financial controls and audits of the Fund.

### Management Information

Officers and Directors of the Fund: Their addresses and principal occupations during the past five years are:

Name, Address and Age	Position in the Fund	Term of Office and Length of Time Served	Principal Occupation Past Five Years	# of Funds Overseen by Director	Other Funds Where He Acts as Director
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Officers

James B. Potkul 3633 Hill Rd 3rd Parsippany, NJ 45	President and Chief Investment & Compliance Officer of Fund	1 year  4 year	President and Chief Investment Officer Potkul Capital Mgt LLC		
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Interested Director

Jeffrey Potkul* 34-27 41 <sup>st</sup> Street Suite 3R Long Island City, NY 42	Director Interested Secretary	1 year  4 year	Manager - Health Economics & Reimbursement Ethicon/Johnson & Johnson	One	None
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Independent Directors

Donald McDermott 218 Halsey Rd Parsippany, NJ 79	Director Non-Interested Chairman of the Board	1 year 4 year	Retired Professor Essex County College	One	None
Frank J. Figurski 3 Cypress Court Clinton, NJ 08809 46	Director Non-Interested	1 year  4 year	Network Administrator Celgene Corp.	One	None
Theodore Moskala 21 Tilbury Drive Bristol, RI 02809 44	Director Non-Interested	1 year  4 year	President Nittany Management, Inc.	One	None

Footnote:

\*Directors of the Fund are considered "Interested Persons", as defined in the Investment Company Act of 1940 because these individuals are affiliated with the Investment Advisor. Other "immediate family members" that own the fund are June Ann and Christine Potkul, daughters of James Potkul. Jeffrey Potkul is the brother of James Potkul.

Fund Holdings of Directors

Name Of Director Or Fund Management	*Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Director in Family of Investment Companies
----- James Potkul** President	----- over \$100,000	-----
Frank Figurski	None	None
Donald McDermott	\$50,001 - \$100,000	None
Theodore Moskala	\$10,001 - \$ 50,000	None
Jeffrey Potkul	\$50,001 - \$100,000	None

\* Valuation date 04/21/09

\*\*James Potkul (the Fund's President) is not a Fund Director. June Ann Potkul and Christine Potkul are daughters and both own \$10,001-\$50,000 in the Fund. Elaine Potkul wife of James Potkul has a Roth IRA of \$50,001 - \$100,000 in the Fund.

Compensation and Sales Load

Compensation and Sales Load: No compensation, pension or retirement benefits will be paid to directors and/or officers of the Fund at present time and none are presently contemplated. The Fund will compensate for travel expenses associated with their Fund duties. But this may be changed in the future by the Board of Directors at their discretion. The Fund does not compensate officers and directors that are affiliated with the Investment Adviser except as they benefit through payment of the Advisory fee. There are no sales loads whatsoever.

CODE OF ETHICS

Pursuant to the requirements of rule 17j-1 code of ethics under the Investment Company of Act of 1940 and in order to protect against certain unlawful acts, practices and courses of business by certain individuals or entities related to the Bread & Butter Fund, Inc. (the "Fund"), the Fund and Potkul Capital Management LLC have adopted a Code of Ethics and procedures for implementing the provisions of the code. The personnel of the Fund and Investment Adviser are subject to the code of ethics when investing in securities that may be purchased, sold or held by the Fund.

DISCLOSURE CONCERNING PROXY VOTING RELATED TO PORTFOLIO SECURITIES

The Board of Directors of the Fund has delegated responsibilities for decisions regarding proxy voting for securities held by the Fund to the Fund's Adviser. The Adviser will vote such proxies in accordance with its proxy policies and procedures. In some instances, the Adviser may be asked to cast a proxy vote that presents a conflict between the interests of the Fund's shareholders and those of the Adviser or an affiliated person of the Adviser. In such a case, the Fund's policy requires that the Adviser abstain from making a voting decision and to forward all necessary proxy voting materials to the Board to enable the Board of Directors to make a voting decision. The Adviser shall make a written recommendation of the voting decision to the Board of Directors, which shall include : i) an explanation of why it has a conflict of interest; (ii) the reasons for its recommendation; and (iii) an explanation of why the recommendation is consistent with the Adviser's (or sub-adviser's) proxy voting policies.

The Board of Directors shall make the proxy voting decision that in its judgement, after reviewing the recommendation of the Adviser, is most consistent with the Adviser's proxy voting policies and in the best interest of Fund shareholders.

A summary of Fund proxy voting policies:

1. Electing a Board of Directors- a board should be composed primarily of independent directors and key board committees should be entirely independent. The Adviser generally supports efforts for declassified boards or other measures that permit shareholders to remove a majority of directors at any time;
2. Approving Independent Auditors-the relationship between a company and its auditors should be limited primarily to the audit engagement.
3. Providing equity-based compensation plans-appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of shareholders and the interests of directors, management and employees by providing incentives to increase shareholder value. Conversely, the Adviser is opposed to plans that substantially dilute ownership interests in the company, provide participants with excessive awards, or have inherently objectionable structural features;
4. Corporate Voting Structure-shareholders should have voting power equal to their equity interest in the company and should be able to approve or reject changes to a company's by-laws by a simple majority vote. The Adviser opposes super-majority requirements and generally supports the ability of shareholders to cumulate their votes for the election of directors;
5. Shareholders rights plans-shareholders rights plans, also known as poison pills, may tend to entrench current management, which the Adviser generally considers to have a negative impact on shareholder value;
6. Other Investment Companies-When the Fund exercises voting rights, by proxy or otherwise, with respect to investment companies owned by the Fund, the Fund will either seek instruction from the Fund's shareholders with regards to the voting of all proxies and vote in accordance with such instructions, or vote the shares held by the Fund in the same proportion as the vote's of all other holders of such security. The Adviser may at times take on an activist role in order to affect change at a security holding in order to unlock shareholder value. The Fund or the Investment Adviser has no voting agreements or arrangements with any current public companies held by the Fund. Fund shareholders may obtain the Fund's proxy voting record by calling up the Fund directly at 1-888-476-8585, visiting our web site at [www.BreadandButterFund.com](http://www.BreadandButterFund.com) or checking the SEC web site [www.sec.gov](http://www.sec.gov)

#### CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

##### Principal Holders

James B. Potkul (President of the Fund) owns 14.85%; William Merring Jr. 9.91%; Charlotte Merring 9.91%; Joseph Grogan Sr. 9.10%; Salvatore Nicosia 8.28%; Donald J McDermott, (Chairman of the Board) owns 7.18%; Jeffrey Potkul, a Board of Director (brother of James B. Potkul) owns 6.75%; Timothy Monahan owns 6.52%; and Elaine Potkul, (spouse of James B. Potkul) owns 5.85%.

##### Management Ownership

All officers and directors own 30.87% of the outstanding shares of the Fund. As of 04/21/09 for all of the above holders.

#### INVESTMENT ADVISORY AND OTHER SERVICES

##### Investment Adviser

Potkul Capital Management, LLC acts as the Investment Adviser to the Fund. The Adviser, Potkul Capital Management LLC, does not perform services for any other registered investment company. It was formed on January, 1995 and it is currently owned and controlled by James B. Potkul President and Chief Investment Officer of the firm.

The Fund's Board of Directors considered several factors before approving the Advisory Agreement with Potkul Capital Management, LLC. In particular the Board considered the investment experience of the Adviser to follow a disciplined investment strategy and seek undervalued securities, the willingness of the Adviser to pay initial organizational costs, the willingness of the Adviser to cap total expenses at 2%. The Board of Director's evaluation of these material factors concluded that the management fee was fair and competitive balanced with the Adviser's years of investment experience in a disciplined value strategy.

#### Services Provided by, and Fees Paid to the Investment Adviser

The Investment Adviser is responsible for furnishing investment direction advice to the Directors of the Fund on the basis of a continuous review of the portfolio and to provide implementation as to when and to what extent securities should be purchased or sold. See section "Investment Adviser" in prospectus. Potkul Capital Management LLC (the Adviser) has an agreement with the Fund to pay the Fund's initial organizational expenses and to absorb sufficient expenses to hold the total expenses of the Fund to equal or less than 2% per year of the averaged total net assets of the Fund. The annual advisory fee paid by the Fund is 1%. This fee is computed and accrued on the daily closing net asset value of the Fund and is payable monthly.

The Adviser retains the right to use the name "Bread & Butter" in connection with another investment company or business enterprises with which the Adviser is or may become associated. The Fund's right to use the name "Bread & Butter" automatically ceases ninety days after termination of the Agreement and may be withdrawn by the Adviser on ninety days written notice.

#### Principal Underwriter

The Fund has no underwriter since the Fund sells its shares directly to the public.

#### Custodian

Huntington National Bank, Mutual Fund Custody 7 Easton Oval - EA4E72 Columbus, OH 34219 is custodian of the Fund's investments. The custodian acts as the Fund's depository, provides safekeeping of its portfolio securities, collects all income and other payments with respect thereto, disburses funds at the Fund's request and maintains records in connection with its duties

#### Fund Services

Mutual Shareholder Services, LLC. ("MSS"), 8000 Town Centre Drive, Suite 400, Broadview Heights, Ohio 44147, acts as the Fund's transfer agent. MSS maintains the records of the shareholder's account, answers shareholders' inquiries concerning their accounts, processes purchases and redemptions of the Fund's shares, acts as dividend and distribution disbursing agent and performs other transfer agent and shareholder service functions. MSS receives an annual fee from the Adviser of \$11.50 per shareholder (subject to a minimum monthly fee of \$500 per Fund) for these transfer agency services.

In addition, MSS provides the Fund with fund accounting services, which includes certain monthly reports, record-keeping and other management-related services. For its services as fund accountant, MSS receives an annual fee from the Adviser based on the average value of the Fund. These fees are: from \$0 to \$25 million in assets the annual fee is \$21,000, from \$25 million to \$50 million in assets the annual fee is \$30,500, from \$50 million to \$75 million in assets the annual fee is \$36,250, from \$75 million to \$100 million in assets the annual fee is \$42,000, from \$100 million to \$125 million in assets the annual fee is \$47,750, from \$125 million to \$150 million in assets the annual fee is \$53,500, and for asset above \$150 million the annual fee is \$59,250. The Fund will receive a discount ranging from 10-60% depending on the net assets of the Fund until the

Fund reaches \$11 million in assets. The Fund and MSS have an agreement as of start of the fiscal year 2009.

#### Independent Registered Public Accounting Firm

Sanville & Company, 1514 Old York Rd. Abington, Pennsylvania 19001, has been selected as Independent Registered Public Accounting Firm for the Fund. Sanville & Company performs an annual audit of the Fund's financial statements and provides financial, tax and accounting services as requested.

#### Other Investment Advice

There are no individuals or organizations receiving remuneration from the Investment Adviser or the Fund for providing investment advice except brokers that receive competitive commissions on the purchase and sale of the Fund's securities.

#### PORTFOLIO MANAGER

James Potkul is responsible for the day-to-day management of the Fund and other separate account management of the "Adviser", Potkul Capital Management LLC. Mr. Potkul manages separate accounts at the Adviser using a similar strategy as the Fund. Using the Contrarian/Value Strategy he manages 32 accounts with total assets of approximately \$7.4 mil. The separate accounts are charged a flat 1% annual management fee billed quarterly. With potential conflicts in trading and portfolio allocation by buying/selling ahead of client portfolios and not allocating securities fairly across the client base, the Adviser and the Fund have adopted compliance policies, procedures and programs such as a Code of Ethics, Trade reporting to a Chief Compliance Officer and Trading Policies and procedures to allocate securities fairly in order to address these conflicts. James B. Potkul, the portfolio manager and principal of the Adviser, Potkul Capital Management LLC. is paid a 1% annualized fee which is computed and accrued on the average daily closing net asset value of the Fund and is payable monthly.

James B. Potkul owns \$100,001-\$500,000 of equity securities in the Fund as of 04/21/09.

#### Dealer Reallowances and Other Services

There are no dealer reallowances, Rule 12b-1 plans, paid advertising, compensation to underwriters or broker dealers, sales personnel or interest, carrying or other finance charges. The Fund sends Prospectuses when it receives unsolicited requests.

#### BROKERAGE ALLOCATION AND OTHER PRACTICES

##### Brokerage Transactions

The Fund requires all brokers to effect transactions in portfolio securities in such a manner as to get prompt execution of orders at the best price.

##### Commissions

The Fund has no fixed policy, formula, method, or criteria it uses in allocating brokerage business based on commission charges. The Board of Directors will evaluate and review the reasonableness of brokerage commissions paid semiannually.

##### Brokerage Selection

The Board of Directors has approved permission for the President of the Fund to place buy and sell orders for the Fund securities based on recommendations from the Portfolio Manager. The President will select brokers who, in addition to meeting primary requirements of execution and price, may furnish statistical or other factual information and services, which in the opinion of management, are helpful or necessary to the Fund's normal operations. Information or services may include economic studies, industry studies, statistical analyses, corporate reports, or other forms of assistance to the Fund or its Adviser. No effort is

made to determine the value of these services or the amount they might have reduced expenses of the Adviser. The Fund will not pay higher brokerage commissions for soft dollar credits.

#### Directed Brokerage and Regular Broker-Dealers

The Fund and Investment Adviser receives unsolicited solicitations and literature from many brokers. The Fund selects brokers based on competitive commission rates and transaction services rendered. At this time the Fund will not be making principal transactions with broker-dealers.

#### CAPITAL STOCK AND OTHER SECURITIES

Description of Common Stock: The authorized capitalization of the Fund consists of 100,000,000 shares of Bread & Butter Fund common stock of .001 par value per share. Each share has equal dividend, distribution and liquidation rights. There are no conversion or preemptive rights applicable to any shares of the Fund. All shares are issued in book format (no certificates) and are fully paid and non-assessable.

Voting Rights: Each holder of the Fund's shares has voting rights equal to the number of shares held. Voting rights are non-cumulative. Therefore the holders of a majority of shares of common stock can elect all directors of the Fund if they so choose, although holders of remaining shares are still able to cast their votes.

#### PURCHASE, REDEMPTION, AND PRICING OF SHARES

##### Purchase of Shares

Offers or sales of Fund shares may not occur until a prospectus is delivered to prospective offerees or purchasers. Investors may only purchase Fund shares after receipt of a current prospectus and by filling out and submitting an application supplied by the Fund. Purchase of Fund shares is discussed at length in the section entitled "Purchase of Fund Shares" in the prospectus for more information.

##### Offering Price and Redemption in Kind

The Fund always trades at the net asset value. This means the offering and redemption prices are always the same. Details about the offering price are given in the section "Pricing of Fund Shares" in our prospectus. Redemption in kind is discussed in the section "Redemption of Fund Shares" in our Prospectus.

##### Taxation of the Fund

Taxation of the Fund is discussed in the section "Tax Consequences" in the Fund's Prospectus. The Fund intends to qualify under Subchapter M of the Internal Revenue Code. If the Fund does not qualify under Subchapter M, it would be liable for federal income tax on its capital gains and net investment income currently distributed to its shareholders, resulting in a second level of taxation that would substantially reduce net after-tax returns from the Fund.

##### Underwriters of the Fund

The Fund has no underwriters because the Fund sells its shares directly to the public.

#### FINANCIAL STATEMENTS

The Financial Statements and Report of Independent Registered Public Accounting Firm required to be included in the Statement of Additional Information are incorporated herein by reference to the Fund's Annual Report to shareholders for the fiscal year ended December 31, 2008. The Fund will provide the Annual Report without charge at written or telephone request.