



Oberweis

Asset Management, Inc.

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Retail Investment Advisory Business Brochure
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This brochure provides information about the qualifications and business practices of Oberweis Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at (630) 577-2300 or joyce@oberweis.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration as an investment advisor does not imply a certain level of skill or training.

Additional information about Oberweis Asset Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The following material changes have been made to the brochure subsequent to its last update on June 20, 2011: the “Methods of Analysis, Investment Strategies, and Risk of Loss” and “Brokerage Practices” sections each have been expanded to provide additional information pertaining to Oberweis’ investment research philosophy and soft dollar arrangements.



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Advisory Business

The Company

Oberweis Asset Management, Inc. ("Oberweis") was established in 1989 and is headquartered in suburban Chicago. Oberweis is an independent investment management firm that specializes in managing small and mid-capitalization growth strategies for institutional and retail clients, as well as The Oberweis Funds, a no-load mutual fund family, for which Oberweis serves as investment adviser.

Oberweis Culture

Oberweis is a bottom-up, active manager that searches for what we believe are superior fundamental, growth, and valuation characteristics in small and mid-capitalization equities globally. Oberweis professionals are focused on identifying undervalued smaller-capitalization companies around the world with earnings power that Oberweis believes are significantly higher than market expectations.

The investment team is led by Jim Oberweis. Team responsibilities are allocated primarily by geography. The firm employs a disciplined and repeatable investment process that focuses on situations in which our team's analysis is designed to positively and materially vary with the expectations of other investors.

The Oberweis culture seeks to embrace an entrepreneurial spirit. The team operates in a non-bureaucratic environment that permits timely communication, processing of new information, and decision-making. Oberweis portfolios are managed by small autonomous teams of professionals who are compensated for success and isolated from bureaucracy.

Our People

Oberweis' success starts with its people. Oberweis is 100% owned by its employees and the Oberweis family, with James W. Oberweis as the principal shareholder. Many senior team members of Oberweis are also equity owners. Oberweis has built an experienced investment team that has an average 15 years of experience in the industry.

Our Services

This Brochure describes Oberweis' retail business.

For Oberweis' retail business, it offers investment advisory services primarily to high net worth clients, which are referred to in this Brochure as "Retail Clients." Oberweis will provide advisory services to a Retail Client either through its proprietary wrap program, the Oberweis Premier Program, or in a separately-managed account. Oberweis is the sole sponsor and sole investment manager of the Premier Program and will invest a Retail Client participating in that program in a mix of equity and fixed income securities. An Oberweis Premier account offers clients an advisory program under which the client pays a single, asset-based fee for investment advisory, custody, performance reporting, execution and communication services. Additional information regarding a Premier



Program account is provided under a separate disclosure document. For other Retail Clients (i.e., those that are not Premier Program account clients), Oberweis will invest those clients in a mix of different equity asset classes.

Oberweis develops account objectives and policies at the beginning of the account relationship. Portfolio managers are responsible for managing Retail Client accounts to meet client objectives and for assisting clients in the revision of their objectives should their financial position, investment requirements or goals change. Because of the varying objectives and restrictions of Retail Client accounts, it is likely that Oberweis will not be able to invest each account in an identical fashion. Moreover, a Retail Client investing in a similar strategy that Oberweis offers to an institutional client is not likely to own the same securities held by that institutional client.

For certain international strategies, Oberweis may utilize the services of its wholly-owned affiliate, Oberweis Asset Management (Asia) Limited (“OAMA”), a U.S. registered investment adviser that is located in Hong Kong and which also is registered with the Hong Kong Securities and Futures Commission.

As of December 31, 2011, Oberweis’ total assets under management (both institutional and Retail Clients) were \$587,000,000, all of which Oberweis manages on a discretionary basis.

Fees and Compensation

Fees

Management fees generally are payable quarterly at annualized rates between 1.0% to 1.5% of the value of the assets comprising the account on the last business day of the preceding calendar quarter. Oberweis may invoice clients or deduct management fees directly from client accounts. Depending on the agreement between Oberweis and its clients, management fees may be payable in advance or in arrears and may or may not be adjusted for contributions of additional assets, withdrawal of a portion of the assets, or termination of the agreement. The investment management agreement between Oberweis and a client may be terminated by either party pursuant to the terms of the agreement, generally with notice of 30 days or less. If a client has prepaid the management fee for a quarter and the agreement is terminated during the quarter, a pro-rata portion of the prepaid management fee will be refunded for the period the account was managed. Depending on the size of the account and the investment style, clients may negotiate fees.

Other Fees and Expenses

All accounts, other than Premier Program accounts and Oberweis’ proprietary accounts, will incur brokerage and other transaction costs related to the purchase and sale of securities. See Brokerage Practices for a discussion of Oberweis’ brokerage and trade execution practices.

Retail Clients may elect to have OSI act as the primary broker dealer and to custody assets at OSI’s clearing firm. OSI is a registered broker-dealer under common control



with Oberweis, which charges its broker/dealer clients commissions. Oberweis' own accounts are also maintained at OSI, although OSI does not charge Oberweis' own accounts commissions to effect transactions. James W. Oberweis, David I. Covas and Patrick B. Joyce are shareholders, employees and registered representatives of OSI. OSI and its shareholders will receive, and individual registered representatives that are actively engaged in sales activities, may receive, transaction-related compensation for transactions executed by OSI for Retail Clients. This arrangement may be considered to provide an incentive to James W. Oberweis or David I. Covas to cause a larger number of transactions to be executed through OSI than would otherwise be the case for these clients and to cause transactions to be executed through OSI that might be more favorably executed through another broker. For certain Retail Clients, OSI will not charge any brokerage commissions, although local market charges will apply.

If an account is custodied at OSI's clearing broker, OSI may receive a credit from its clearing broker that is determined based upon the amount of interest that is generated from excess cash.

In addition, under certain circumstances, Oberweis may invest a Retail Client in a mutual fund other than a money market fund, including funds unaffiliated to Oberweis. If the mutual fund is one of The Oberweis Funds, the value of the assets upon which Oberweis charges its fees will be reduced by the amount of assets invested in such fund, and, for ERISA accounts, will be further reduced by the amount of any 12b-1 fees that OSI may receive from that fund. Any reduction in Oberweis' advisory fee may lag one quarter behind Oberweis' actual receipt of compensation from the Fund. If Oberweis invests a Retail Client in a mutual fund that is not managed by or affiliated to Oberweis, the account would have to pay the fees assessed by that Fund in addition to any fees that OSI may receive and the normal advisory fee the client will pay to Oberweis. Clients have the option of purchasing the same investment products (such as unaffiliated mutual funds) discussed above through other means or through different financial service providers that are unaffiliated with Oberweis.

The Oberweis Funds

Oberweis provides investment advisory services to The Oberweis Funds (which is comprised of six funds: Oberweis Emerging Growth Fund, Oberweis Micro-Cap Fund, Oberweis Small-Cap Opportunities Fund, Oberweis China Opportunities Fund, Oberweis International Opportunities Fund, and Oberweis Asia Opportunities Fund). The funds pay a monthly fee based on the average daily net assets at the annual rates shown below.

<u>Advisory and Management Fees</u>	
Oberweis Emerging Growth Fund	0.85%*
Oberweis Micro-Cap Fund	1.00%
Oberweis Small-Cap Opportunities Fund	0.80%
Oberweis China Opportunities Fund	1.25%
Oberweis International Opportunities Fund	1.25%
Oberweis Asia Opportunities Fund	1.25%



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- * In addition to a 40 basis point management fee, Oberweis provides investment advisory services to the Emerging Growth Fund for a monthly fee at the annual rate of 0.45% of the first \$50 million of average daily net assets and 0.40% of average daily net assets in excess of \$50 million.

Performance Fees and Side-By-Side Management

Although it does not do so at the current time for any Retail Clients, Oberweis may charge a performance-based fee, which would be assessed at a base rate on assets under management, plus a percentage of the excess performance compared to the index best fit for the investment strategy or based on the net profits of the account for the calendar year. This could provide an incentive to favor these types of accounts. However, Oberweis believes this conflict of interest would be mitigated by the fact that Oberweis has adopted brokerage and trade allocation policies and procedures as described below.

Types of Clients

Oberweis provides investment management services to Retail Clients, which includes individuals, small pension and profit-sharing plans, small corporations, trusts and estates.

Oberweis generally has a minimum of \$250,000 for its Retail Clients. However, in its sole discretion, Oberweis may waive the minimum requirement.

Methods of Analysis, Investment Strategies, and Risk of Loss

Oberweis is an active investment manager that searches for what it believes are superior fundamentals, growth, and valuation characteristics in small- to mid-capitalization equities globally. Oberweis employs a bottom-up, fundamentals-oriented approach across all of the firm's strategies.

Most Retail Accounts are managed in a more concentrated version of the strategies described below or may consist of a combination of strategies for diversification purposes.

For Retail clients seeking less risk and volatility or income, Oberweis will invest in investment grade fixed income securities that offer competitive rates. These securities may include corporate bonds and notes, municipal bonds and notes, US government and agency securities, and certificates of deposit.

Micro-Cap Growth and Small-Cap Growth Strategies

The Micro-Cap and Small-Cap Growth strategies utilize the Oberweis Octagon process to identify and invest in companies with *absolute* high growth potential. The Micro-Cap and Small-Cap Growth strategies employ a similar investment process, but differ with respect to the target market capitalization of the companies in which each invests. The Small-Cap Growth strategy generally invests in companies with market capitalizations under \$1.25 billion at the time of purchase. The Micro-Cap Growth strategy generally



invests in companies with market capitalizations under \$300 million at the time of purchase.

Both the Micro-Cap and Small-Cap Growth strategies seek to invest in equity securities that the team believes to have above-average growth potential, based on the analysis of eight factors, which we call the “Oberweis Octagon.” No one factor will justify, and any one factor may preclude, an investment in a particular company.

The eight factors of the Oberweis Octagon are:

- **Rapid Revenue Growth** - We typically look for rapid and consistent growth in revenues of 30% or more. Ideally, growth should be internally generated, rather than as a result of acquisitions.
- **Rapid Earnings Growth** - Sales or revenue growth must also produce profit growth. We look for similar consistent rapid growth in pre-tax income and earnings per share - typically a minimum of 30% is required.
- **Low Relative Price/Earnings Ratios** - Generally, we look for companies that are selling at price/earnings ratios of less than 50% of their growth rate based on estimated earnings over the next 12 months.
- **Substantial Future Growth Potential** - We focus on companies with products or services that offer the opportunity for substantial future growth.
- **Early Stages of Earnings Acceleration** - We identify companies that are in the early stages of earnings acceleration - where the price may rise not only as a result of rapidly growing earnings, but also because of price/earnings multiple expansion.
- **Low Price to Sales Ratios** - We look at what we believe the whole company might sell for in relation to the company's sales and compare that to its price/sales ratio.
- **High Quality of Earnings** - We carefully review a company's financial statements, paying particular attention to footnotes, in an attempt to identify unusual items that may indicate future problems. We also pay particular attention to the quality (i.e. conservatism) of a company's reported earnings and future earnings guidance.
- **High Relative Strength** - We don't try to "fight City Hall." We typically buy stocks that are outperforming their peers over the trailing twelve months.

Small-Cap Opportunities Strategy

The Small-Cap Opportunities strategy focuses on *relative* growth potential – a company's growth potential relative to investor expectations and anticipated upward revisions to analyst earnings estimates. The Small-Cap Opportunities strategy generally invests in companies with market capitalizations under \$5 billion at the time of purchase. This



strategy seeks to invest in equity securities that the team believes to have above-average *relative* growth potential, based on the analysis of the following eight factors:

- Proprietary and favorable earnings estimates relative to market expectations
- Anticipated upward revisions of consensus earnings expectations
- Favorable valuation relative to proprietary view of EPS potential and competitors
- Sustainability of strong business fundamentals
- Strong competitive position
- High quality financials
- Purchase around earnings catalysts to avoid value traps
- Favorable diversification impact on overall portfolio

No one factor will justify, and any one factor may preclude, an investment in a particular company.

Concentrated Small-Cap Growth Strategy

The Concentrated Small-Cap Growth strategy is designed to capture and highlight our domestic investment team's stock selection process over a full-market cycle by investing in the 25 - 35 highest conviction ideas from our three domestic smaller-cap growth strategies. This strategy is designed to help investors capitalize on what we believe is the exceptional growth potential of fast-growing emerging companies in the rapid expansion phase of their lifecycle. The Concentrated Small-Cap Growth strategy generally invests in companies with market capitalizations between \$100 million and \$2.5 billion at the time of purchase.

International Opportunities Strategy

The International Opportunities strategy invests in securities of companies based outside the United States. Currently, securities based outside the United States include (1) equity securities of companies that are organized under other than U.S. law or that are primarily traded on an exchange or over-the-counter outside of the United States; or (2) equity securities of companies that have at least 50% of their assets outside of the United States or that derive at least 50% of their revenues from business activities outside of the United States.

The team seeks to uncover ideas for this strategy from a wide range of sources including: screening and internal analysis, observing and understanding regional country trends, independent and street research, company meetings and interviews.

This strategy seeks to invest in equity securities that the team believes demonstrate the following eight characteristics:

- Proprietary and favorable earnings estimates relative to market expectations
- Anticipated upward revisions of consensus earnings expectations
- Favorable valuation relative to proprietary view of EPS potential and competitors
- Sustainability of strong business fundamentals
- Strong competitive position
- High quality financials
- Purchase around earnings catalysts to avoid value traps



- Favorable diversification impact on overall portfolio

No one factor will justify, and any one factor may preclude, an investment in a particular company.

China Opportunities Strategy

The China Opportunities strategy invests in 1) equity securities of companies that are organized under the laws of The People's Republic of China, Hong Kong or Taiwan or that are primarily traded on an exchange or over-the-counter in The People's Republic of China, Hong Kong or Taiwan; or 2) equity securities of companies that have at least 50% of their assets in The People's Republic of China, Hong Kong or Taiwan or that derive at least 50% of their revenues from business activities in The People's Republic of China, Hong Kong or Taiwan but which are listed and traded elsewhere.

The team seeks to uncover ideas for this strategy from a wide range of sources including: screening and internal analysis, observing and understanding regional country trends, independent and street research, screening and internal analysis.

Oberweis evaluates each individual security's future growth prospects based on, among other things, the Company's financial statement analysis, stock valuation in relation to Oberweis' estimate of future earnings, evaluation of competitive product or service offerings, future research and development pipeline and management interviews. Many of these companies may also meet certain of the Oberweis Octagon investment criteria described above.

Asia Opportunities Strategy

The Asia Opportunities strategy seeks to invest primarily in (1) equity securities of companies that are organized under the laws of a country located in Asia or that are primarily traded on an exchange or over-the-counter in Asia; or (2) equity securities of companies that have at least 50% of their assets in Asia or that derive at least 50% of their revenues from business activities in Asia but which are listed and traded elsewhere.

The team seeks to uncover ideas for this strategy from a wide range of sources including: screening and internal analysis, observing and understanding regional country trends, independent and street research, screening and internal analysis.

Oberweis evaluates each individual security's future growth prospects based on, among other things, the Company's financial statement analysis, stock valuation in relation to Oberweis' estimate of future earnings, evaluation of competitive product or service offerings, future research and development pipeline and management interviews. Many of these companies may also meet certain of the Oberweis Octagon investment criteria described above.

Focused Global Small-Cap Strategy

The Focused Global Small-Cap strategy captures and highlights our domestic and international investment team's stock selection skill over a full market cycle by investing in the highest conviction ideas from our domestic and international strategies. This



strategy helps investors capitalize on the exceptional growth potential of fast-growing emerging companies in the rapid expansion phase of their lifecycle.

Investing in securities involves risk of loss that clients should be prepared to bear.

Common stock risk—Because all of Oberweis’ strategies invest substantially in common stocks, the value of the stocks held might increase or decrease in response to the activities of an individual company or in response to general market and/or economic conditions. Investment in common stocks, particularly in common stocks of small- and medium-size companies with high growth potential, can be volatile. Because of this volatility, any investment should be long-term only. Dividends are expected to be minimal and there can be no assurance that a client’s objective will be met.

Short sale risk—For certain select institutional client accounts, Oberweis may sell short a security. A short sale involves the sale of a security that the client does not own in the hope of purchasing the same security at a later date at a lower price. To initiate a short position, a security must be borrowed. Short sales may incur losses if the price of the security sold short increases in value between the date of the short sale and the date when Oberweis purchases the security to replace the borrowed security. Because there is no limit as to how high the price of the security can climb, the risk from short selling potentially is limitless. There are additional risks associated with shorting securities, including the cost of the premium or interest the client account must pay to the lender of the security.

Small-sized company risk—Accounts invested in certain strategies are subject to small company risk, which is intensified for the Micro-Cap strategy. Although certain strategies seek to reduce risk by investing in a diversified portfolio, investing in smaller, and often newer, companies involves greater risk than investing in larger, more established companies. Smaller and newer companies often have limited product lines, markets, management personnel, research and/or financial resources. The securities of small companies, which may be thinly capitalized, may not be as marketable as those of larger companies. Therefore the securities of these smaller, newer companies may be subject to more abrupt or erratic market movements than the securities of larger companies or the market averages in general.

Risks associated with non-U.S. companies—Investments in securities of non-U.S. issuers involve certain additional investment risks different from those of U.S. issuers. These risks include: possibility of political or economic instability within a particular country, possibility of disruption to international trade patterns, possibility of currency risk, possibility of currency exchange controls, imposition of foreign withholding taxes, seizure or nationalization of foreign deposits or assets, and adoption of adverse foreign government trade restrictions. In addition, there is a possibility of expropriation, nationalization, confiscatory taxation or diplomatic developments that could affect investments within a country. There may be less publicly available information about a non-U.S. company than about a U.S. company. Sometimes non-U.S. companies are subject to different accounting, auditing, and financial reporting standards, practices, and



requirements than U.S. companies. There is generally less government regulation of non-U.S. stock exchanges, brokers and listed companies abroad, which may result in less transparency with respect to a company's operations. The absence of negotiated brokerage in certain countries may result in higher brokerage fees.

Emerging market risks—Political and economic structures in emerging markets countries may be new and developing rapidly, which may cause instability. Emerging markets countries are also more likely to experience high levels of inflation, deflation or currency devaluations, which could hurt their economies and securities markets.

Government relationships risk (international strategies)—While companies in Asia may be subject to limitations on their business relationships under applicable law, these laws may not be consistent with certain political and security concerns of the U.S. As a result, Asian companies may have material direct or indirect business relationships with governments that are considered state sponsors of terrorism by the U.S. government, or governments that otherwise have policies in conflict with the U.S. government (an "Adverse Government"). If an International Strategy invests in companies that have or develop a material business relationship with an Adverse Government, then that International Strategy will be subject to the risk that these companies' reputation and price in the market will be adversely affected.

Geographic concentration in China (China Opportunities Strategy and investments by International Opportunities, Asia Opportunities, and Focused Global Small-Cap Strategies in China)—The Chinese economy is generally considered an emerging and volatile market. A small number of companies represent a large portion of the China market as a whole, and prices for securities of these companies may be very sensitive to adverse political, economic, or regulatory developments in China and other Asian countries, and may experience significant losses in such conditions. Actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China. Activities, such as central planning, partial state ownership of or government actions designed to substantially influence certain Chinese industries, market sectors or particular Chinese companies, may adversely affect the public and private sector companies. Government actions may also affect the market prices and liquidity of Chinese securities and the payments of dividends and interest by Chinese companies. In addition, currency fluctuations, monetary policies, competition, social instability or political unrest may adversely affect economic growth in China. The Chinese economy and Chinese companies may also be adversely affected by regional security threats, as well as adverse developments in Chinese trade policies, or in trade policies toward China by other countries.

Conditions may warrant frequent trading within a specific investment strategy. Frequent trading of securities can affect investment performance through increased brokerage and other transaction costs including taxes.



Risks Attributable to Investing in Fixed Income Securities

Investing in fixed income securities including certificates of deposit — Rising interest rates will generally cause the prices of fixed income securities to fall. Longer maturity fixed income securities may be subject to greater price fluctuations than shorter maturity fixed income securities. Fixed income securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. For certificates of deposit, FDIC insurance only covers the principal amount of the CD and any accrued interest. FDIC insurance limits apply to aggregate amounts on deposit at each financial institution. Investors should consider the extent to which other accounts, deposits or accrued interest may exceed applicable FDIC limits.

Conditions may warrant frequent trading within a specific investment strategy. Frequent trading of securities can affect investment performance through increased brokerage and other transaction costs including taxes.

Disciplinary Information

Oberweis has not been the subject of any criminal action or disciplinary action by the SEC or any other regulatory organization.

Other Financial Industry Activities and Affiliations

OSI is a registered broker/dealer and member of the Financial Industry Regulatory Authority (FINRA) and is under common control with Oberweis. OSI is an introducing broker that charges its broker/dealer clients commissions and that has an arrangement with an unaffiliated broker-dealer to clear all of OSI's trading.

OSI generally executes most trades for Retail Clients. See Fees and Compensation for a discussion of the ownership structure of OSI.

Oberweis Publishing, LLC, an affiliate of Oberweis, publishes and distributes The Oberweis Report, a monthly investment advisory letter that comments on the market, the economy and individual stocks. Certain of Oberweis' employees may assist Oberweis Publishing in publishing this newsletter. In addition, Oberweis may provide current and prospective advisory clients with a copy of The Oberweis Report.

Oberweis Asset Management (Asia) Limited ("OAMA ") is a company based in Hong Kong, of which Oberweis is the sole shareholder. James W. Oberweis, Patrick B. Joyce, and John Wong are Directors of OAMA. OAMA is an investment adviser registered with the SEC and licensed by the Securities and Futures Commission to conduct asset management activities and currently has a services agreement with Oberweis to provide research and investment sub-advisory services to clients of Oberweis, including the China Opportunities Fund, which is part of The Oberweis Funds, a U.S. registered open-end management investment company.



Oberweis provides investment advisory services to The Oberweis Funds. James W. Oberweis, David I. Covas, Kenneth S. Farsalas and Patrick B. Joyce are all officers of The Oberweis Funds.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Oberweis, its directors, officers, employees, portfolio managers or other affiliates may purchase for itself or themselves certain securities that are recommended to clients. Oberweis has a written Code of Ethics (the “Code”) that governs the personal securities transactions of its officers, employees and directors. The Code provides, among other things, that such persons may not take personal advantage of any information that they may have concerning Oberweis’ current investment program. The Code also requires pre-approval of a personal transaction in a security by a person subject to the code and prohibits all persons subject to the Code from purchasing any equity security of an issuer with a market capitalization of less than \$5 billion. In addition, the Code prevents personal securities transactions in a security on the same day which a buy or sell order is pending for a client or within seven calendar days before or after a trade is executed for a client in the same security. Oberweis’ proprietary accounts are not subject to the Code’s general pre-approval requirements or to the prohibitions in the Code. In addition, reports of personal securities transactions are required to be filed with Oberweis’ compliance department and are reviewed for compliance with Oberweis’ policies. Further, the Code prohibits the acceptance of gifts or favors of more than a de minimis amount from companies that do business with Oberweis. A copy of the Code will be furnished to a client upon request.

Brokerage Practices

See Fees and Compensation for a full discussion of Oberweis’ arrangements with OSI, its affiliated broker-dealer.

Research Products and Services Furnished by Brokers and Dealers

Oberweis has entered into arrangements with brokers where Oberweis may execute transactions through those broker-dealers for certain of its clients and request they allocate a portion of the commissions (or commission credits) to another firm that provides Oberweis with research. Oberweis will enter into such an agreement, or have such an understanding, with a broker only if, in the good faith judgment of Oberweis, the benefits to the client (or clients) whose brokerage paid for the research products or services provided by the broker outweigh the potential disadvantage to such clients of possibly higher commissions. In reaching that conclusion, Oberweis also considers that certain of its other clients, including Retail Clients, could benefit from Oberweis receiving the research, although these clients do not pay for those benefits.



Cross Trades

Oberweis may effect cross trades between Retail Client accounts (but does not permit proprietary accounts to participate in such trades). Prior to each such transaction, Oberweis will determine that the transaction is in the best interests of each account based on their investment objectives and portfolio characteristics. All such trades will be effected at the market price of the security. Oberweis does not receive any commission or compensation in connection with effecting cross trades and believes that these trades provide benefits to clients.

Client Directed Brokerage

Clients may direct Oberweis (subject to certain conditions that may from time to time be imposed by Oberweis) to effect portfolio transactions through particular brokers or dealers, and also may elect to have all transactions executed through OSI, as described above in the Fees and Compensation section of this brochure. A direction to utilize a particular broker or dealer may be conditioned by the client on the broker or dealer being competitive, or at specified levels of commissions or commission discounts which are less favorable than might otherwise be attained by Oberweis. In the case of such a "restricted" designation, Oberweis generally will execute transactions through the designated broker. Sometimes, clients wish to restrict brokerage to a particular broker or dealer in recognition of custodial or other services (including, in some cases, referral of the client to Oberweis for investment advisory services) provided to the client by the broker or dealer. Not all investment advisers require clients to utilize a specific broker, including an affiliated broker.

A client who chooses to designate use of a particular broker or dealer on a "restricted" basis, including a client who designates use of a broker or dealer as custodian of the client's assets, should consider whether such use may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions than might otherwise be attainable by Oberweis, or may receive less favorable execution of some transactions or both. A client who "restricts" brokerage may also be subject to the disadvantages discussed below because their account might not be included in an aggregated order of a new issue such as forgoing favorable commission and execution, lack of competition among orders, and no average pricing. In determining whether to instruct Oberweis to utilize a particular broker or dealer in recognition of such services, the client may wish to compare the possible costs or disadvantages of such an arrangement with the value of the custodial or other services provided. Oberweis is not responsible for any trade related errors caused by the restricted broker.

Trade Allocation

Because of the varying objectives and restrictions of Retail Clients, it is likely that Oberweis will not be able to invest those accounts in the same fashion and generally does not aggregate these client accounts together into block trades. However, under limited circumstances, Oberweis might determine that it can effectively block one or more Retail Client orders. Under those circumstances, Oberweis will allocate the trade among the participating accounts pro rata, except for partial fills, which Oberweis will allocate randomly. Oberweis employs that methodology for its smaller accounts to help minimize



overall transaction costs to its clients, including ticket charges accrued per transaction and believes that, over time, all clients are treated equally. Oberweis may override the random allocation if such allocation would result in excess commission charges to the client due to a per transaction ticket charge.

Oberweis may purchase on behalf of its clients securities issued in underwritten offerings. Securities issued in an underwritten offering are purchased for those clients that have sufficient cash available and for whom the offering is suitable, and are allocated pro rata, rounded down to the nearest 100th share lot, except that an account will not receive an allocation if it would receive less than 2,000 shares (under those circumstances, those shares would be reallocated among the remaining eligible accounts). If accounts are custodied at a particular broker/dealer (and thus are ineligible to participate in the type of underwritten offering described above), any shares allocated by that broker/dealer to Oberweis on behalf of those accounts will be allocated pro rata to those accounts, so long as each such account has sufficient cash. Since client accounts held at OSI are generally prohibited from participating in principal transactions unless written approval is received prior to the transaction, these accounts are generally unlikely to participate in such offerings.

Oberweis will only effect transactions of ERISA clients through OSI on an agency basis with prior written approval from the independent fiduciary of that ERISA client in accordance with the terms of Prohibited Transaction Exemption 86-128. An ERISA client may revoke this authority at any time.

Review of Accounts

The portfolios of clients are reviewed internally by the portfolio manager responsible for the day-to-day management of the account on a daily basis, and are reviewed with our clients on a quarterly basis. These account reviews focus on the asset mix and the appropriateness of holdings with respect to (i) account objectives and (ii) their consistency with the applicant's investment and control policies. Beyond the formal review, portfolio managers undertake continuous reviews of each account to ensure that holdings, investment return and risk levels meet client objectives. James W. Oberweis, President, has general oversight and strategic responsibility for portfolio management decisions, and therefore, is responsible for the review of all client accounts.

Oberweis recommends quarterly account reviews to clients. Investment objectives, portfolio holdings, portfolio transactions and rates of return are among topics covered at these reviews. Beyond meetings, Oberweis sends reports to clients that include quarterly statements of portfolio holdings, narrative discussions and statistical analysis of investment performance. In addition, clients are provided daily confirmations and a monthly statement of holdings and account activity from their broker or custodian.



Client Referrals and Other Compensation

Under certain circumstances, Oberweis may pay its employees, independent professionals or registered representatives of OSI for client referrals of advisory accounts. In addition, from time to time, Oberweis may sponsor a charitable or business dinner at the request of a client or prospective client. Any such fees or costs are paid by Oberweis and do not result in a fee increase to Oberweis' advisory clients and are fully disclosed.

Oberweis and OSI have entered into an agreement with an unaffiliated third-party to perform certain marketing and wholesaling activities for Oberweis and OSI with respect to The Oberweis Funds. Oberweis pays that firm a fee based on the success of its wholesaling efforts on behalf of The Oberweis Funds.

OSI, a broker-dealer under common control with Oberweis, has an arrangement with Oberweis to receive brokerage commissions for executing trades for Retail Clients. In addition, if OSI's clearing broker acts as custodian for an account, OSI may receive a credit from the custodian that is determined based upon the amount of interest that is generated by excess cash in the account.

Custody

Oberweis may deduct its quarterly fees directly from Retail Clients' accounts. Such client will receive separate account statements directly from Oberweis and OSI's clearing firm. Clients should compare the account statements they receive from their custodian with those they receive from Oberweis.

Investment Discretion

Oberweis accepts advisory accounts only on a discretionary basis. Oberweis will normally have authority to supervise and direct the investments of and for the client's account without prior consultation with the client. Pursuant to this discretionary authority, Oberweis normally determines which securities are bought and sold for the account, the total amount of such purchases and sales, and the brokers or dealers through which transactions will be executed. Oberweis' authority may be subject to conditions imposed by the client (e.g., where the client restricts or prohibits transactions in certain types of securities or directs that transactions be effected through specific brokers or dealers).

Voting Client Securities

Oberweis' proxy voting authority is established in the client contract between Oberweis and a client. As a general matter, Oberweis does not exercise proxy voting authority for Retail Clients. Where Oberweis is granted proxy voting authority the following is a description of its policies and procedures.



Oberweis has established Proxy Voting Policies and Procedures setting forth the general principles Oberweis uses to determine how it should vote proxies on securities in client accounts for which Oberweis has proxy voting authority, including The Oberweis Funds. Oberweis' general policy is to vote proxies in the best economic interests of clients. This includes voting in a particular solicitation based on instructions received from a client. The principles which guide the voting policy of Oberweis are maximizing the value of client assets and promoting the rights of clients as beneficial owners of the companies in whose securities they invest. Oberweis' investment strategies are predicated on the belief that the quality of management often is the key to ultimate success or failure of a business. Because Oberweis generally makes investments in companies in which Oberweis has confidence in the management, proxies generally are voted in accord with management's recommendation. Oberweis may vote a proxy in a manner contrary to management's recommendation if, in the judgment of Oberweis, the proposal would not enhance shareholder value.

Oberweis has retained RiskMetrics Group ("RMG"), a proxy voting and consulting firm, to receive proxy voting statements, provide information and research, make proxy vote recommendations, and handle various administrative functions associated with the voting of client proxies. While RMG makes the proxy voting recommendations, Oberweis retains the ultimate authority on how to vote.

Oberweis Proxy Voting Policies and Procedures describe how Oberweis addresses conflicts of interest between Oberweis and its clients, including Fund shareholders, with respect to proxy voting decisions. If Oberweis determines that, through reasonable inquiry or otherwise, an issue raises a potential material conflict of interest, Oberweis will follow the recommendations of RMG except as follows. If Oberweis and/or the Proxy Committee believes that it would be in the interest of Oberweis clients to vote a proxy other than according to the recommendation of RMG, the Proxy Committee will prepare a report that (1) describes the conflict of interest; (2) discusses procedures used to address such conflict of interest; and (3) confirms that the recommendation was made solely on the investment merits and without regard to any other consideration.

Oberweis will use its best efforts to vote "foreign security proxies" consistent with its proxy voting policy, but will not vote a foreign security proxy under the following circumstances:

- If the cost of voting a foreign security proxy outweighs the benefit.
- When Oberweis is not given enough time to process the vote.
- When a sell order for the foreign security is outstanding and the proxy would impede the sale of the foreign security.

Unless otherwise required, if an Oberweis client has determined to participate in a securities lending program, Oberweis will not seek recalls for the purpose of voting proxies for the securities on loan.



A copy of Oberweis' Proxy Voting Policy and Procedures, or information on how Oberweis voted your shares, is available upon request.

Financial Information

Oberweis has not disclosed any financial information for the most recent fiscal year because it does not require prepayment of fees per client six or more months in advance. In addition, there are no financial conditions that would likely impair Oberweis' ability to meet contractual commitments to its clients.

