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FIRST UNION FUNDS

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FIRST UNION
SOUTH CAROLINA
MUNICIPAL BOND
PORTFOLIO

A Portfolio of First Union Funds

CLASS B INVESTMENT SHARES
CLASS C INVESTMENT SHARES

P R O S P E C T U S

January 1, 1994

The Class B Investment Shares ("Class B Shares") and Class C Investment Shares ("Class C Shares") offered by this prospectus represent interests in the First Union South Carolina Municipal Bond Portfolio (the "Fund"), which is a non-diversified investment portfolio in First Union Funds (the "Trust"), an open-end, management investment company (a mutual fund).

The Fund seeks current income which is exempt from federal regular income tax and South Carolina state income tax, consistent with preservation of capital.

This prospectus relates only to the Class B Shares and Class C Shares of the Fund and contains the information you should read and know before you invest in either class. Keep this prospectus for future reference.

The Fund has also filed a Statement of Additional Information for Class B Shares and Class C Shares with the Securities and Exchange Commission, dated January 1, 1994. The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request the Statement of Additional Information free of charge, obtain other information, or make inquiries about the Fund by writing or calling the Mutual Funds Group of First Union Brokerage Services, Inc. ("FUBS") at 1-800-326-3241.

The Fund is sponsored and distributed by third parties independent of First Union National Bank of North Carolina ("First Union").

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF FIRST UNION, ARE NOT ENDORSED OR GUARANTEED BY FIRST UNION, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY. INVESTMENT IN THESE SHARES INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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		SUMMARY		

DESCRIPTION OF THE TRUST

First Union Funds is an open-end, management investment company, established as a Massachusetts business trust under a Declaration of Trust dated August 30, 1984. The Trust currently consists of 15 portfolios, each representing a First Union Fund. The South Carolina Municipal Bond Portfolio is divided into three classes of shares: Trust Shares, Class B Shares and Class C Shares. Trust Shares are designed primarily for institutional investors (banks, corporations, and fiduciaries). Class B Shares and Class C Shares are sold to customers of First Union (the "Adviser") and others, and are sold at net asset value plus a sales charge which, at the election of the purchaser, may be imposed either (i) at the time of purchase (the Class B Shares), or (ii) on a contingent deferred basis (the Class C Shares). This prospectus relates to both classes of Investment Shares ("Shares") of the Fund.

DESCRIPTION OF THE FUND

The Fund seeks current income exempt from federal regular income tax and South Carolina state income tax, consistent with preservation of capital. The Fund is designed as a convenient means of participating in a professionally managed, non-diversified portfolio of South Carolina municipal bonds. The Fund is not recommended for retirement plans since most of the Fund's investments are already tax exempt.

INVESTMENT MANAGEMENT

The Fund is advised by First Union through its Capital Management Group. First Union has responsibility for investment research and supervision of the Fund in addition to the purchase or sale of portfolio instruments, for which it receives an annual fee.

PURCHASING AND REDEEMING SHARES

For information on purchasing Shares, please refer to the Shareholder Guide section entitled "How to Buy Shares." Redemption information may be found under "How to Redeem Shares."

- - - - - SUMMARY OF - - - - -
 - - - - - FUND EXPENSES - - - - -

FIRST UNION SOUTH CAROLINA MUNICIPAL BOND PORTFOLIO

<TABLE>
 <CAPTION>

	Class B Shares	Class C Shares
SHAREHOLDER TRANSACTION EXPENSES		
<S>	<C>	<C>
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....	4.00%	None

Maximum Sales Load Imposed on Reinvested Dividends (as a percentage of offering price).....	None	None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, as applicable) (1).....	None	4% during the first year, 3% during the second year, 2.5% during the third year, 2% during the fourth year, 1.5% during the fifth year, 0.5% during the sixth year, and 0% after the sixth year
Redemption Fees (as a percentage of amount redeemed, if applicable).....	None	None
Exchange Fee.....	None	None
ANNUAL CLASS B AND CLASS C SHARES OPERATING EXPENSES*		
(As a percentage of projected average net assets)		
Management Fee (after waiver) (2).....	0.00%	0.00%
12b-1 Fees (3).....	0.25%	0.75%
Other Expenses.....	2.71%	2.71%
Total Operating Expenses (4).....	2.96%	3.46%

</TABLE>

(1) No contingent deferred sales charge is imposed on (a) Shares purchased more than six years prior to redemption, (b) Shares acquired through the reinvestment of dividends and distributions, and (c) the portion of redemption proceeds attributable to increases in the value of an account above the net cost of the investment due to increases in the net asset value per Share.

(2) The estimated management fee has been reduced to reflect the anticipated voluntary waiver by the Adviser. The Adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.50%.

(3) Class B Shares can pay up to 0.75% of Class B Shares' average daily net assets as a 12b-1 fee. For the foreseeable future, the Fund plans to limit the Class B Shares' 12b-1 payments to 0.25% of Class B Shares' average daily net assets.

(4) Total Class B Shares and Class C Shares operating expenses are estimated to be 3.46% and 3.96%, respectively, absent the anticipated voluntary waiver described above in note 2.

* Expenses in this table are estimated based on average expenses expected to be incurred during the fiscal year ending December 31, 1994. During the course of this period, expenses may be more or less than the average amount shown.

THE PURPOSE OF THIS TABLE IS TO ASSIST AN INVESTOR IN UNDERSTANDING THE VARIOUS COSTS AND EXPENSES THAT A SHAREHOLDER OF CLASS B AND CLASS C SHARES OF

THE FUND WILL BEAR, EITHER DIRECTLY OR INDIRECTLY. FOR MORE COMPLETE DESCRIPTIONS OF THE VARIOUS COSTS AND EXPENSES, SEE "HOW TO BUY SHARES." WIRE-TRANSFERRED REDEMPTIONS OF LESS THAN \$5,000 MAY BE SUBJECT TO ADDITIONAL FEES.

Because of the asset-based sales charge, long-term shareholders may pay more than the economic equivalent of the maximum front-end sales charges permitted under the rules of the National Association of Securities Dealers, Inc.

<TABLE>

<CAPTION>

EXAMPLE

- - - - -

<S>

	1 year	3 years
	-----	-----
<C>		<C>

You would pay the following expenses on a \$1,000 investment, assuming: (1) a 5% annual return and (2) redemption at the end of each time period. The Fund charges no redemption fees for Class B Shares.

Class B Shares.....	\$69	\$128
Class C Shares.....	\$75	\$132

You would pay the following expenses on the same investment, assuming no redemptions:

Class C Shares.....	\$35	\$106
---------------------	------	-------

</TABLE>

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. THIS EXAMPLE IS BASED ON ESTIMATED DATA FOR THE FUND'S FISCAL YEAR ENDING DECEMBER 31, 1994.

The information set forth in the foregoing table and example relates only to Class B and Class C Shares of the Fund. The Fund also has the ability to offer another class of shares called Trust Shares. Trust Shares are subject to certain of the same expenses, except they bear no sales load or 12b-1 fees. See "Other Classes of Shares."

INVESTMENT

- - - - -
- - - - -

OBJECTIVE
AND POLICIES

The Fund's investment objective cannot be changed without shareholder approval. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus. Unless otherwise indicated, the investment policies may be changed by the Trust's Board of Trustees ("Trustees") without the approval of shareholders. Shareholders will be notified before any material change in these policies becomes effective.

Objective: Current income exempt from federal regular income tax and South

Carolina state income tax, consistent with preservation of capital.

Invests in: South Carolina municipal bonds.

Suitable for: Investors seeking monthly income sheltered from both federal and South Carolina income taxes.

Key Benefit: Greater diversification and liquidity than purchasing municipal bonds directly. Pays monthly dividends for those who need current income.

DESCRIPTION OF THE FUND

The Fund seeks current income which is exempt from federal regular income tax and South Carolina state income tax, consistent with preservation of capital.

As a matter of fundamental investment policy, the Fund will normally invest its assets so that at least 80% of its annual interest income is, or at least 80% of its net assets are invested in, obligations which provide interest income which is exempt from federal regular income tax. The interest retains its tax-free status when distributed to the Fund's shareholders. In addition, at least 65% of the value of its total assets will be invested in South Carolina municipal bonds.

TYPES OF INVESTMENTS

South Carolina municipal obligations, including industrial development bonds, constitute the primary investment of the Fund. In addition, the Fund may invest in obligations issued by or on behalf of any state, territory, or possession of the United States, including the District of Columbia, or their political subdivisions or agencies and instrumentalities, the interest from which is exempt from federal regular income tax. It is likely that shareholders who are subject to the alternative minimum tax will be required to include interest from a portion of the municipal securities owned by the Fund in calculating the federal individual alternative minimum tax or the federal alternative minimum tax for corporations.

The municipal bonds in which the Fund will invest are subject to one or more of the following quality standards: rated Baa or better by Moody's Investors Service, Inc. ("Moody's") or BBB or better by Standard & Poor's Corporation ("S&P") or, if unrated, are determined by the Adviser to be of comparable quality to such ratings; insured by a municipal bond insurance company which is rated Aaa by Moody's or AAA by S&P; guaranteed at the time of purchase by the U.S. government as to the payment of principal and interest; or fully collateralized by an escrow of U.S. government securities. Bonds rated BBB by S&P or Baa by Moody's have speculative characteristics. Changes in economic conditions or other circumstances are more likely to lead to weakened capacity to make principal and interest payments than higher rated bonds. If any security owned by the Fund loses its rating or has its rating reduced after the Fund has purchased it, the Fund is not required to sell or otherwise dispose of the security, but may consider doing so. If ratings made by Moody's or S&P change because of changes in those organizations or their ratings systems, the

Fund will try to use comparable ratings as standards in accordance with the Fund's investment objective. A description of the rating categories is contained in the Appendix of the Statement of Additional Information.

Other types of investments include:

participation interests in any of the above obligations. (Participation interests may be purchased from financial institutions such as commercial banks, savings and loan associations and insurance companies, and give the Fund an undivided interest in particular municipal securities);

variable rate municipal securities. (Variable rate securities offer interest rates which are tied to a money market rate, usually a published interest rate or interest rate index or the 91-day U.S. Treasury bill rate. Many of these securities are subject to prepayment of principal on demand by the Fund, usually in seven days or less); and

municipal leases issued by state and local governments or authorities to finance the acquisition of equipment and facilities.

TEMPORARY INVESTMENTS

During periods when, in the Adviser's opinion, a temporary defensive position in the market is appropriate, the Fund may temporarily invest in short-term tax-exempt or taxable investments. These temporary investments include: notes issued by or on behalf of municipal or corporate issuers; obligations issued or guaranteed by the U.S. government, its agencies, or instrumentalities; other debt securities; commercial paper; bank certificates of deposit; shares of other investment companies; and repurchase agreements. There are no rating requirements applicable to temporary investments. However, the Adviser will limit temporary investments to those it considers to be of comparable quality to the Fund's primary investments.

Although the Fund is permitted to make taxable, temporary investments, there is no current intention of generating income subject to federal regular income tax. However, certain temporary investments will generate income which is subject to South Carolina taxes.

SOUTH CAROLINA MUNICIPAL BONDS

South Carolina municipal bonds are debt obligations issued by the State of South Carolina or its local entities to support a government's general financial needs or special projects, such as housing projects or sewer works. South Carolina municipal bonds include industrial development bonds issued by or on behalf of public authorities to provide financing aid to acquire sites or

construct or equip facilities for privately or publicly owned corporations.

The two principal classifications of municipal bonds are "general obligation" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. Revenue bonds are paid off only with the revenue generated by the project financed by the bond or other specified sources of revenue. For example, in the case of a bridge project, proceeds from the tolls would go directly to retiring the bond issue. Thus, unlike general obligation bonds, revenue bonds do not represent a pledge of credit or create any debt of or charge against the general revenues of a municipality or public authority.

RISK FACTORS

Bond yields are dependent on several factors including market conditions, the size of an offering, the maturity of the bond, ratings of the bond and the ability of issuers to meet their obligations. The Fund's concentration in securities issued by the State of South Carolina and its political subdivisions provides a greater level of risk than a fund which is diversified across numerous states and municipal entities. An expanded discussion of the risks associated with the purchase of South Carolina municipal bonds is contained in the Statement of Additional Information.

	OTHER	
- -----	INVESTMENT	-----
- -----	POLICIES	-----

The Fund has adopted the following practices for specific types of investments.

REPURCHASE AGREEMENTS

The Fund may invest in repurchase agreements. Repurchase agreements are agreements by which the Fund purchases a security (usually U.S. government securities) for cash and obtains a simultaneous commitment from the seller (usually a bank or broker/dealer) to repurchase the security at an agreed-upon price and specified future date. The repurchase price reflects an agreed-upon interest rate for the time period of the agreement. The Fund's risk is the inability of the seller to pay the agreed-upon price on delivery date. However, this risk is tempered by the ability of the Fund to sell the security in the open market in the case of a default. In such a case, the Fund may incur costs in disposing of the security which would increase Fund expenses. The Adviser will monitor creditworthiness of the firms with which the Fund enters into repurchase agreements.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

The Fund may purchase portfolio securities on a when-issued or delayed delivery basis. In such cases, the Fund commits to purchase a security which will be delivered and paid for at a future date. The Fund relies on the seller to

deliver the securities and risks missing an advantageous price or yield if the seller does not deliver the security as promised.

LENDING OF PORTFOLIO SECURITIES

In order to generate additional income, the Fund may lend its portfolio securities on a short-term or long-term basis to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with creditworthy borrowers and will receive collateral in the form of cash or U.S. government securities equal to at least 100% of the value of the securities loaned. As a matter of fundamental investment policy which cannot be changed without shareholder approval, the Fund will not lend any of its assets except portfolio securities up to one-third of the value of its total assets.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund may invest in the securities of other investment companies. This is a short-term measure to invest cash which has not yet been invested in other portfolio instruments and is subject to the following limitations: (1) the Fund will not own more than 3% of the total outstanding voting stock of any one investment company, (2) the Fund may not invest more than 5% of its total assets in any one investment company and (3) the Fund may not invest more than 10% of its total assets in investment companies in general. While the Fund's investment in shares of another investment company would be subject to duplicate expenses, the Adviser will waive its investment advisory fee on assets invested in securities of other open-end investment companies.

OPTIONS AND FUTURES

The Fund may engage in options and futures transactions. Options and futures transactions are intended to enable the Fund to manage market, interest rate or exchange rate risk. The Fund does not use these transactions for speculation or leverage.

Options and futures may be volatile investments and involve certain risks which might result in lowering the Fund's returns. The three principal areas of risk include: (1) lack of a liquid secondary market for a futures or option contract when the Fund wants to close out its position; (2) imperfect correlation of changes in the prices of futures or options contracts with the prices of the securities in the Fund's portfolio; and (3) incorrect forecasts by the Adviser of interest rates, market values or other economic factors. In these events, the Fund may lose money on the futures contract or option.

BORROWING MONEY

As a matter of fundamental investment policy which cannot be changed without shareholder approval, the Fund will not borrow money or pledge securities,

except under certain circumstances the Fund may borrow up to one-third of the value of its total assets and pledge assets to secure such borrowings.

RESTRICTED AND ILLIQUID SECURITIES

The Fund may not invest more than 10% of its total assets in securities which are subject to restrictions on resale under federal securities law. Certain restricted securities which the Trustees deem to be liquid will be excluded from this limitation.

The Fund will limit investments in illiquid securities, including certain restricted securities or municipal leases not determined by the Trustees to be liquid, non-negotiable time deposits, and repurchase agreements providing for settlement in more than seven days after notice, to 15% of its net assets.

NON-DIVERSIFICATION

The Fund is a non-diversified portfolio of an investment company and as such, there is no limit on the percentage of assets which can be invested in any single issuer. An investment in the Fund, therefore, will entail greater risk than would exist in a diversified investment company because the higher percentage of investments among fewer issuers may result in greater fluctuation in the total market value of the Fund's portfolio.

The Fund intends to comply with Subchapter M of the Internal Revenue Code which requires that at the end of each quarter of each taxable year, with regard to at least 50% of the Fund's total assets, no more than 5% of the total assets may be invested in the securities of a single issuer and that with respect to the remainder of the Fund's total assets, no more than 25% of its total assets are invested in the securities of a single issuer.

NEW ISSUERS

The Fund will not invest more than 5% of the value of its total assets in securities of issuers (or guarantors, where applicable) which have records of less than three years of continuous operations, including the operation of any predecessor.

- - - - - SHAREHOLDE - - - - -
- - - - - GUIDE - - - - -

You may select a method of purchasing Shares which is most beneficial to you by choosing either Class B Shares or Class C Shares. Your decision will be based on the amount of your intended purchase and how long you expect to hold the Shares.

CLASSES OF INVESTMENT SHARES

The Fund offers two types of Investment Shares: Class B Shares and Class C Shares. Each Share of the Fund represents an identical interest in the investment portfolio of the Fund and has the same rights. The difference between Class B Shares and Class C Shares is based on purchasing arrangements and distribution expenses. Class B Shares have a sales charge included at the time of purchase and are subject to a lower Rule 12b-1 distribution fee. This means that investors can purchase fewer Class B Shares for the same initial investment than Class C Shares due to the initial sales charge, but will receive higher dividends per Share due to the lower distribution expenses. Class C Shares impose a contingent deferred sales charge ("CDSC") on most redemptions made within six years of purchase and have higher distribution costs resulting from greater Rule 12b-1 distribution fees. This means that investors may purchase more Class C Shares than Class B Shares for the same initial investment, but will receive lower dividends per Share.

Investors must consider whether, during the anticipated life of their investment in the Fund, the accumulated Rule 12b-1 fee and the CDSC on Class C Shares would be less than the initial sales charge and accumulated Rule 12b-1 fee on Class B Shares purchased at the same time. Investors must also consider how that differential would be offset by the higher yield of Class B Shares.

SHARE PRICE CALCULATION

The net asset value of the Fund equals the market value of one Share of the Fund. It is also the bid price. The offering price is quoted after adding a sales charge to the net asset value.

Purchases, redemptions, and exchanges are all based on net asset value. (The purchase price of Class B Shares adds an applicable sales charge, and the redemption proceeds of Class C Shares deduct an applicable CDSC.) The net asset value is determined at 4:00 p.m. (Eastern time), Monday through Friday, except on: (i) days on which there are not sufficient changes in the value of the Fund's portfolio securities that its net asset value might be materially affected; (ii) days during which no Shares are tendered for redemption and no orders to purchase Shares are received; and (iii) the following holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day. The net asset value is computed by adding cash and other assets to the closing market value of all securities owned, subtracting liabilities and dividing the result by the number of outstanding Shares. The net asset value will vary each day depending on purchases and redemptions. Expenses and fees, including the management fee, are accrued daily and taken into account for the purpose of determining net asset value.

The net asset value of Trust Shares of the Fund may differ from that of Class B Shares and Class C Shares due to the variability in daily net income resulting from different distribution charges for each class of shares. The net asset value for the Fund will fluctuate for all three classes.

PERFORMANCE INFORMATION

The Fund's performance may be quoted in terms of total return, yield, or tax equivalent yield. Performance information is historical and is not intended to indicate future results.

From time to time, the Fund may make available certain information about the performance of the Class B Shares and Class C Shares. It is generally reported using total return, yield and tax equivalent yield.

Total return takes into account both income (dividends) and changes in the Fund's Share price (appreciation or depreciation). It is based on the overall dollar or percentage change in value of an investment assuming reinvestment of all dividends and capital gains during a specified period. Total return is measured by comparing the value of an investment at the beginning of a specified period to the redemption value at the end of the same period, assuming reinvestment of dividends or capital gains distributions.

Yield shows how much income an investment generates. It refers to the Fund's income over a 30-day period expressed as a percentage of the Fund's Share price. The yields of Class B Shares and Class C Shares are calculated by dividing the sum of all interest and dividend income (less Fund expenses) over a 30-day period, by the offering price per Share on the last day of the period. The number is then annualized using semi-annual compounding.

Tax equivalent yield is calculated like the yield described above, except that for any given tax bracket, net investment income will be calculated as the sum of any taxable income and the tax exempt income divided by the difference between 1 and the federal tax rates for taxpayers in that tax bracket.

The yield and tax equivalent yield do not necessarily reflect income actually earned by Class B Shares and Class C Shares of the Fund and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

Performance information for the Class B Shares and Class C Shares reflects the effect of a sales charge which, if excluded, would increase the total return,

yield, and tax equivalent yield.

Total return, yield, and tax equivalent yield will be calculated separately for Class B Shares, Class C Shares and Trust Shares of the Fund. Because Class B Shares and Class C Shares are subject to 12b-1 fees, the yield will be lower than that of Trust Shares. See "Expenses of the Fund and Investment Shares." The sales load applicable to Class B Shares also contributes to a lower total return for Class B Shares. In addition, Class C Shares are subject to similar non-recurring charges, such as the CDSC, which, if excluded, would increase the total return for Class C Shares.

From time to time, the Fund may advertise its performance using certain reporting services and/or compare its performance to certain indices.

HOW TO
BUY SHARES

Shares may be purchased at a price equal to their net asset value per Share next determined after receipt of an order plus a sales charge which, at the election of the purchaser, may be imposed either (i) at the time of purchase (in the case of Class B Shares), or (ii) on a contingent deferred basis (in the case of Class C Shares).

MINIMUM INVESTMENT

You may invest as often as you want in the Fund. There is a \$1,000 minimum initial investment requirement which may be waived in certain situations. For further information, please contact the Mutual Funds Group of FUBS at 1-800-326-3241. Subsequent investments may be in any amounts.

WHAT SHARES COST

Class B Shares are sold at their net asset value plus a sales charge as follows:

<TABLE>
<CAPTION>

AMOUNT OF TRANSACTION ----- <S>	SALES CHARGE AS A PERCENTAGE OF PUBLIC OFFERING PRICE ----- <C>	SALES CHARGE AS A PERCENTAGE OF NET AMOUNT INVESTED ----- <C>
\$ 0-\$ 99,999	4.00%	4.17%
\$ 100,000-\$ 249,999	3.50%	3.63%
\$ 250,000-\$ 499,999	2.50%	2.56%
\$ 500,000-\$ 749,999	1.50%	1.52%
\$ 750,000-\$ 999,999	1.00%	1.01%
\$1,000,000-\$2,499,999	0.50%	0.50%
\$2,500,000+	0.25%	0.25%

</TABLE>

Shareholders of record in any First Union Fund at October 12, 1990, and the members of their immediate family, will be exempt from sales charges on any future purchases in any of the First Union Funds. Employees of First Union, Federated Investors and their affiliates, and certain trust accounts for which First Union or its affiliates act in an administrative, fiduciary, or custodial capacity, board members of First Union and the above-mentioned entities and the members of the immediate families of any of these persons, will also be exempt from sales charges.

Sales charges may be reduced in some cases. You may be entitled to a reduction if: (1) you make a single large purchase, (2) you, your spouse and/or children (under 21 years) make Fund purchases on the same day, (3) you make an additional purchase to add to an existing account, (4) you sign a letter of intent indicating your intention to purchase at least \$100,000 of Shares over the next 13 months, (5) you reinvest in the Fund within 30 days of redemption, or (6) you combine purchases of two or more First Union Funds which include sales charges. In all of these cases, you must notify Federated Securities Corp. (the "distributor" or "FSC") of your intentions in writing in order to qualify for a sales charge reduction. For more information, consult the Statement of Additional Information or the distributor.

 Class C Shares are sold at net asset value per Share without the imposition of a sales charge at the time of purchase. Shares redeemed within six years of their purchase will be subject to a CDSC according to the following schedule:

<TABLE>

<CAPTION>

YEAR OF REDEMPTION AFTER PURCHASE -----	CONTINGENT DEFERRED SALES CHARGE -----
<S>	<C>
First	4.0%
Second	3.0%
Third	2.5%
Fourth	2.0%
Fifth	1.5%
Sixth	0.5%
Seventh	None

</TABLE>

No CDSC will be imposed on: (1) the portion of redemption proceeds attributable to increases in the value of the account due to increases in the net asset value per Share, (2) Shares acquired through reinvestment of dividends and capital gains, (3) Shares held for more than six years after the end of the calendar month of acquisition, (4) accounts following the death or disability of a shareholder, or (5) minimum required distributions to a shareholder over the age of 70 1/2 from an IRA or other retirement plan.

BY TELEPHONE OR IN PERSON

You may purchase Class B Shares and Class C Shares by telephone from the Mutual Funds Group of FUBS, a subsidiary of First Union, at 1-800-326-3241 or you may place the order in person at any First Union branch location. Shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business.

METHOD OF PAYMENT

Payment may be made by check or federal funds or by debiting your account at First Union. All purchase orders received prior to 4:00 p.m. (Eastern time) on a regular business day are processed at that day's offering price. Payment is required within five business days.

SHAREHOLDER ACCOUNTS

As transfer agent for the Fund, State Street Bank and Trust Company of Boston, Massachusetts ("State Street Bank"), maintains a Share account for each shareholder of record. Share certificates are not issued.

MINIMUM BALANCE

Due to the high cost of maintaining smaller holdings, the Fund reserves the right to redeem a shareholder's Shares if, as a result of redemptions, their aggregate value drops below \$1,000. Reductions in value that result solely from market activity will not trigger an involuntary redemption. The Fund will notify shareholders in writing 30 days before taking such action to allow them to increase their holdings to at least the minimum level.

DEALER CONCESSION

For sales of Shares of the Fund, a dealer will normally receive up to 85% of the applicable sales charge. Any portion of the sales charge which is not paid to a dealer will be retained by the distributor. However, the distributor, in its sole discretion, may uniformly offer to pay to all dealers selling Shares of the Fund, all or a portion of the sales charge it normally retains. If accepted by the dealer, such additional payments will be predicated upon the amount of Fund Shares sold. The sales charge for Shares sold other than through registered broker/dealers will be retained by FSC. FSC may pay fees to banks out of the sales charge in exchange for sales and/or administrative services performed on behalf of the bank's customers in connection with the initiation of customer accounts and purchases of Shares.

HOW TO CONVERT

YOUR INVESTMENT

FROM ONE FIRST UNION FUND

TO ANOTHER FIRST UNION FUND

As a shareholder, you have the privilege of exchanging your Shares for shares of another First Union Fund.

As long as the First Union Fund in which you are invested will not be adversely affected, you may switch among the First Union Funds within the Trust. Before the exchange, you must call FUBS at 1-800-326-3241 to receive a prospectus for the First Union Fund into which you want to exchange. Read the prospectus carefully. Each exchange represents the sale of shares of one First Union Fund and the purchase of shares in another, which may produce a gain or loss for tax purposes.

You may exchange Class B Shares of one First Union Fund for Class B Shares of any other First Union Fund, or Class C Shares of one First Union Fund for Class C Shares of any other First Union Fund, by calling toll free 1-800-326-3241 or by writing to FUBS. Telephone exchange instructions may be recorded. Shares purchased by check are eligible for exchange after the check clears, which could take up to 10 days after receipt of the check. Exchanges are subject to the \$1,000 minimum initial purchase requirement for each First Union Fund.

An exchange order must comply with the requirements for a redemption and purchase order and must specify the dollar value or number of shares to be exchanged. Once the order is received, the shares already owned will be redeemed at current net asset value and, upon receipt of the proceeds by the First Union Fund, shares of the other First Union Fund will be purchased at their offering price determined after the proceeds from such redemption become available, which may be up to seven days after such redemption. Orders for exchanges received by a First Union Fund prior to 4:00 p.m. (Eastern time) on any day the First Union Funds are open for business will be executed as of the close of business that day. Orders for exchanges received after 4:00 p.m. (Eastern time) on any business day will be executed at the close of the next business day.

When exchanging into and out of load and no-load shares of First Union Funds, shareholders who have already paid a sales charge once at the time of purchase, including shares obtained through the reinvestment of dividends, will not have to pay an additional sales charge on an exchange.

The exchange of Class C Shares will not be subject to a CDSC. However, if the shareholder redeems Class C Shares within six years of the original purchase, a CDSC will be imposed. For purposes of computing the CDSC, the length of time the shareholder has owned Class C Shares will be measured from the date of original purchase and will not be affected by the exchange.

If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

EXCHANGE RESTRICTIONS

Although the Trust has no intention of terminating or modifying the exchange privilege, it reserves the right to do so at any time. Excessive trading can impact the interests of shareholders. Therefore, the Trust reserves the right to terminate the exchange privilege of any shareholder who makes more than five

TAX SHELTERED PLANS

You may open a pension and profit sharing account in any First Union Fund (except those First Union Funds having an objective of providing tax free income) including Individual Retirement Accounts (IRAs), Rollover IRAs, Keogh Plans, Corporate Profit-Sharing, Pension and Salary-Reduction Plans. For details, including fees and application forms, call First Union toll free at 1-800-669-2136 or write to First Union National Bank of North Carolina, Retirement Services, 301 South College Street, Charlotte, NC 28288-1169.

SYSTEMATIC WITHDRAWAL PLAN

If you are a shareholder with an account valued at \$10,000 or more, you may have amounts of \$100 or more sent from your account to you on a regular monthly or quarterly basis.

MANAGEMENT
OF FIRST

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UNION FUNDS

Responsibility for the overall management of First Union Funds rests with its Trustees and officers. Other service providers include the Fund's Distributor, Investment Adviser, Custodian, Transfer Agent, Legal Counsel, and Independent Auditors.

INVESTMENT ADVISER

Professional investment supervision for the Fund is provided by the investment adviser, the Capital Management Group of First Union.

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First Union is a subsidiary of First Union Corporation, a bank holding company headquartered in Charlotte, North Carolina, with \$51 billion in total consolidated assets as of December 31, 1992. Through offices in 36 states and one foreign country, First Union Corporation and its subsidiaries provide a broad range of financial services to individuals and businesses.

First Union's Capital Management Group employs an experienced staff of professional investment analysts, portfolio managers, and traders and uses several proprietary computer-based systems in conjunction with fundamental analysis to identify investment opportunities. The Capital Management Group has been managing trust assets for over 50 years and currently oversees assets of more than \$37 billion. In addition, the Capital Management Group has advised the Trust since its inception in 1984.

The Fund's portfolio's manager is Robert S. Drye. Mr. Drye is a Vice President of First Union National Bank of North Carolina, N.A., and has been with First Union since 1968. Since 1989, Mr. Drye has served as a portfolio manager for

both several of the First Union Funds and for certain common trust funds. Prior to 1989, Mr. Drye worked as a marketing specialist with First Union Brokerage Services, Inc. Mr. Drye has managed the Fund since its inception.

From time to time, to the extent consistent with the objectives, policies and restrictions of the Fund, the Fund may invest in securities of issuers with which the Adviser has a lending relationship.

DISTRIBUTION OF INVESTMENT SHARES

FSC, a subsidiary of Federated Investors, is the principal distributor for the Trust. It is a Pennsylvania corporation organized on November 14, 1969, and is the principal distributor for a number of investment companies.

The Fund has adopted a plan for distribution of Shares permitted by Rule 12b-1 under the Investment Company Act of 1940 (the "Plan"), whereby the Fund has authorized a daily expense ("Rule 12b-1 fee") at an annual rate of 0.75% of the average daily net asset value of the Fund to finance the sale of Shares. It is currently intended that annual Rule 12b-1 fees will be limited for the foreseeable future to payments to the distributor equal to 0.25% for Class B Shares and 0.75% for Class C Shares of the Fund's average daily net asset value.

The distributor may pay all or a portion of the Rule 12b-1 fee to compensate selected brokers and financial institutions for selling Shares or for administrative services rendered in connection with the Shares.

The Fund makes no payments in connection with the sale of Shares other than the Rule 12b-1 fees paid to its distributor. The distributor, however, may pay a sales commission to brokers (including FUBS) in connection with the sale of Class C Shares. Except as set forth in the next paragraph, the Fund does not pay for unreimbursed expenses of its distributor. Since the Fund's Plan is a "compensation" type plan, however, future Rule 12b-1 fees may permit recovery of such amounts or may result in a profit to the distributor.

The distributor may sell, assign or pledge its right to receive Rule 12b-1 fees and CDSCs to finance payments made to brokers (including FUBS) in connection with the sale of Class C Shares. First Union Corporation currently serves as principal lender in this financing program. Actual distribution expenses for Class C Shares at any given time may exceed the Rule 12b-1 fees and payments received pursuant to CDSCs. These unrecovered amounts, plus interest thereon, will be carried forward and paid from future Rule 12b-1 fees and payments received through CDSCs. If the Plan were terminated or not continued, the Fund would not be contractually obligated to pay for any expenses not previously reimbursed by the Fund or recovered through CDSCs.

FSC, from time to time, may pay brokers additional sums of cash or promotional incentives based upon the amount of Shares sold. Such payments, if made, will be in addition to amounts paid under the Plan and will not be an expense of the Fund.

FUND ADMINISTRATION

Federated Administrative Services ("FAS"), a subsidiary of Federated Investors, provides the Fund with administrative personnel and services necessary to operate the Fund, such as legal and accounting services, for a specified fee which is detailed below.

State Street Bank serves as custodian and transfer agent, providing dividend disbursement and other shareholder services for the Trust.

Legal counsel to those Trustees who are not "interested persons" of the Trust as defined in the Investment Company Act of 1940, is provided by Sullivan & Worcester, Washington, D.C., and legal counsel to the Trust is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania.

The independent auditors for the Trust are KPMG Peat Marwick, Pittsburgh, Pennsylvania.

FEEES AND EXPENSES

The Fund pays annual advisory and administrative fees and certain expenses.

ADVISORY AND ADMINISTRATIVE FEES

For managing its investment and business affairs, the Fund pays an annual fee to First Union. The Adviser receives an annual investment advisory fee equal to .50 of 1% of the Fund's average daily net assets. The Adviser may voluntarily choose to waive a portion of its fee or reimburse the Fund for certain operating expenses.

The Trust also pays a fee for administrative services. FAS provides these at an annual rate as specified below:

<TABLE>

<CAPTION>

MAXIMUM ADMINISTRATIVE FEE -----	AVERAGE AGGREGATE DAILY NET ASSETS OF THE TRUST -----
<S>	<C>
.150 of 1%	on the first \$250 million
.125 of 1%	on the next \$250 million
.100 of 1%	on the next \$250 million
.075 of 1%	on assets in excess of \$750 million

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Unless waived, the administrative fee received during any fiscal year shall aggregate at least \$50,000 per First Union Fund.

EXPENSES OF THE FUND AND INVESTMENT SHARES

Holders of Shares pay their allocable portion of Trust and Fund expenses. The Trust expenses for which holders of Shares pay their allocable portion include, but are not limited to: the cost of organizing the Trust and continuing its existence; the cost of registering the Trust; Trustees' fees; auditors' fees; the cost of meetings of Trustees; legal fees of the Trust; association membership dues and such non-recurring and extraordinary items as may arise.

The Fund expenses for which holders of Shares pay their allocable portion based on average daily net assets include, but are not limited to: registering the Fund and Shares of the Fund; investment advisory services; taxes and commissions; custodian fees; insurance premiums; auditors' fees; and such non-recurring and extraordinary items as may arise.

At present, the only expenses allocated to Class B Shares and Class C Shares are those under the Fund's Rule 12b-1 Plan. However, the Trustees reserve the right to allocate certain expenses to holders of Shares as they deem appropriate ("Class Expenses"). In any case, Class Expenses would be limited to: Rule 12b-1 fees; transfer agent fees; printing and postage expenses; registration fees; and administrative, legal and Trustees' fees. Presently, all Fund expenses other than Rule 12b-1 fees are allocated based upon the average daily net assets of each class.

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	SHAREHOLDER		
	RIGHTS AND		
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	PRIVILEGES		
	VOTING RIGHTS		

Each Share of the Fund is entitled to one vote in Trustee elections and other voting matters submitted to shareholders. All shares of all classes of each First Union Fund in the Trust have equal voting rights, except that in matters affecting only a particular First Union Fund or class, only shares of that First Union Fund or class are entitled to vote.

As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust or the Fund's operation and for the election of Trustees under certain circumstances.

Trustees may be removed by a two-thirds vote of the number of Trustees prior to such removal or by a two-thirds vote of the shareholders at a special meeting. A special meeting of shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the Trust's outstanding

shares of all series entitled to vote.