

SECURITIES AND EXCHANGE COMMISSION

FORM 485APOS

Post-effective amendments [Rule 485(a)]

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FILER

**STAR FUNDS**

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Mailing Address  
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PITTSBURGH PA 15222-3779*

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PITTSBURGH PA 15222  
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 X

Pre-Effective Amendment No.

Post-Effective Amendment No. 22 X

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 X

Amendment No. 23 X

STAR FUNDS

(Exact Name of Registrant as Specified in Charter)

Federated Investors Tower, Pittsburgh, Pennsylvania 15222-3779  
(Address of Principal Executive Offices)

(412) 288-1900  
(Registrant's Telephone Number)

John W. McGonigle, Esquire,  
Federated Investors Tower,  
Pittsburgh, Pennsylvania 15222-3779  
(Name and Address of Agent for Service)

It is proposed that this filing will become effective:

- immediately upon filing pursuant to paragraph (b)  
on \_\_\_\_\_ pursuant to paragraph (b)  
X 60 days after filing pursuant to paragraph (a)  
on \_\_\_\_\_ pursuant to paragraph (a) of Rule 485.

Registrant has filed with the Securities and Exchange Commission a declaration pursuant to Rule 24f-2 under the Investment Company Act of 1940, and:

- X filed the Notice required by that Rule on January 18, 1994; or  
intends to file the Notice required by that Rule on or about  
\_\_\_\_\_; or  
during the most recent fiscal year did not sell any securities pursuant to Rule 24f-2 under the Investment Company Act of 1940, and, pursuant to Rule 24f-2(b)(2), need not file the Notice.

Copies to:

Thomas J. Donnelly, Esquire  
Houston, Houston & Donnelly  
2510 Centre City Tower  
650 Smithfield Street  
Pittsburgh, Pennsylvania 15222

Charles H. Morin, Esquire  
Dickstein, Shapiro & Morin  
2101 L Street, N.W.  
Washington, D.C. 20037

CROSS-REFERENCE SHEET

This Amendment to the Registration Statement of the Star Funds, which

is comprised of seven portfolios: (1) Star Prime Obligations Fund, (2) Star Tax-Free Money Market Fund, (3) Star Treasury Fund, (4) Star Relative Value Fund, (5) The Stellar Fund, (a) Investment Shares and (b) Trust Shares, (6) Star U.S. Government Income Fund, and (7) Star Growth Equity Fund, relates only to one of the portfolios, Star Growth Equity Fund, and is comprised of the following:

PART A. INFORMATION REQUIRED IN A PROSPECTUS.

	Prospectus Heading (Rule 404(c) Cross Reference)
Item 1. Cover Page	(1-7) Cover Page.
Item 2. Synopsis	(1-3) Synopsis; (1-7) Summary of Fund Expenses.
Item 3. Condensed Financial Information	(1-6) Financial Highlights; (1-7) Performance Information.
Item 4. General Description of Registrant	(4-7) General Information; (4-7) Investment Information; (1-3) Objective and Investment Policies of Each Fund; (1-3) Money Market Funds; (4-7) Investment Objective(s); (4-7) Investment Policies; (1-7) Investment Limitations.
Item 5. Management of the Trust	(1-7) Star Funds Information; (1-7) Management of the Trust; (1,2,3,4,6,7) Distribution of Fund Shares; (5a) Distribution of Investment Shares; (5b) Distribution of Trust Shares; (1-7) Administrative Arrangements; (1,2,3,4,5a,6,7) Distribution Plan; (1-7) Administration of the Fund(s); (7) Shareholder Services Plan; (5a) Expenses of the Fund and Investment Shares; (5b) Expenses of the Fund and Trust Shares; (7) Expenses of the Fund; (4-7) Brokerage Transactions.
Item 6. Capital Stock and Other Securities	(1-3) Dividends; (1-3) Capital Gains; (4-7) Dividends and Capital Gains; (1-7) Shareholder Information; (1-7) Voting Rights; (1-7) Massachusetts Partnership Law; (1-7) Effect of Banking Laws; (1-7) Tax Information; (1-7) Federal Income Tax; (2) Additional Tax Information; (5) Other Classes of Shares.
Item 7. Purchase of Securities Being Offered	(1-7) Net Asset Value; (1,2,3,4,6,7) Investing in the Fund; (5a) Investing in Investment Shares; (5b) Investing in Trust Shares; (1-7) Share Purchases; (1-7) Minimum Investment

		Required; (1-7) What Shares Cost; (4,5a,6,7) Systematic Investment Plan; (4,5a,6,7) Reducing the Sales Charge; (1-7) Exchanging Securities for Fund Shares; (7) Subaccounting Services; (1-7) Certificates and Confirmations; (1-7) Exchange Privilege.
Item 8.	Redemption or Repurchase	(1,2,3,4,6,7) Redeeming Shares; (5a) Redeeming Investment Shares; (5b) Redeeming Trust Shares; (1-3) Automatic Redemptions; (4-6) Redemption Before Purchase Instruments Clear; (4,5a,6,7) Systematic Withdrawal Plan; (1-7) By Telephone; (7) By Mail; (1-7) Accounts with Low Balances; (1,2,3,4,6) Redemption in Kind.
Item 9.	Pending Legal Proceedings	None.
PART B. INFORMATION REQUIRED IN A STATEMENT OF ADDITIONAL INFORMATION.		
Item 10.	Cover Page	(1-7) Cover Page.
Item 11.	Table of Contents	(1-7) Table of Contents.
Item 12.	General Information and History	(1-7) General Information About the Fund; (1-7) Investment Limitations.
Item 13.	Investment Objectives and Policies	(1-7) Investment Objective(s) and Policies.
Item 14.	Management of the Fund	(1-7) Trust Management.
Item 15.	Control Persons and Principal Holders of Securities	(1-7) Fund Ownership.
Item 16.	Investment Advisory and Other Services	(1-7) Investment Advisory Services; (1-7) Administrative Services; (1-7) Custodian.
Item 17.	Brokerage Allocation	(1-7) Brokerage Transactions.
Item 18.	Capital Stock and Other Securities	Not applicable.
Item 19.	Purchase, Redemption and Pricing of Securities Being Offered	(1-7) Purchasing Shares; (1-7) Exchange Privilege; (1-7) Determining Net Asset Value; (1-7) Redeeming Shares.
Item 20.	Tax Status	(1-7) Tax Status; (1-7) Yield; (1-3) Effective Yield; (2) Tax-Equivalent Yield; (4-7) Total Return.
Item 21.	Underwriters	(1-7) Administrative Arrangements; (1,2,3,4,5a,6,7) Distribution Plan.

- Item 22. Calculation of Performance Data (1-7) Performance Comparisons.
- Item 23. Financial Statements (1-6) Filed in Part A; (7) To be filed with 4-6 month update.

ETP--DRAFT NO. 3--03/17/94

STAR GROWTH EQUITY FUND  
(A Portfolio of the Star Funds)

Prospectus

The shares offered by this prospectus represent interests in Star Growth Equity Fund (the "Fund"), which is a diversified investment portfolio in the Star Funds (the "Trust"), an open-end management investment company (a mutual fund).

The investment objective of the Fund is to maximize capital appreciation. The Fund pursues this investment objective by investing primarily in equity securities of U.S. companies.

The shares offered by this prospectus are not deposits or obligations of Star Bank, N.A., or its affiliates, are not endorsed or guaranteed by Star Bank, N.A., or its affiliates, 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.

This prospectus contains the information you should read and know before you invest in the Fund. Keep this prospectus for future reference.

The Fund has also filed a Statement of Additional Information dated \_\_\_\_\_, 1994, with the Securities and Exchange Commission. The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information free of charge, obtain other information or make inquiries about the Fund by writing to the Fund or calling 1-800-677-FUND.

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.

Prospectus dated \_\_\_\_\_, 1994  
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SUMMARY OF FUND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES

<S>	<C>	
Maximum Sales Load Imposed on Purchases (as a percentage of offering price)	4.50%	
Maximum Sales Load Imposed on Reinvested Dividends (as a percentage of offering price)		None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, as applicable)		None
Redemption Fees (as a percentage of amount redeemed, if applicable).	None	
Exchange Fee	None	

ANNUAL FUND OPERATING EXPENSES\*  
(As a percentage of projected average net assets)

Management Fees	%
12b-1 Fees (1)	0.00%
Total Other Expenses	%
Shareholder Services Fees (2)	0.00 %
Total Fund Operating Expenses (3)	%

(1) Under the Fund's Rule 12b-1 distribution plan, the Fund can pay the distributor up to 0.25% as a 12b-1 fee. The 12b-1 fee was reduced to reflect the waiver of compensation by the distributor. The distributor can terminate this voluntary waiver at any time at its sole discretion. The distributor has no present intention of collecting a 12b-1 fee.

(2) The maximum shareholder services fee is 0.25%. There is no present intention to charge a shareholder services fee.

(3) The Total Fund Operating Expenses are estimated to be \_\_\_ % had the shareholder services fee been in effect.

\*Expenses in this table are estimated based on average expenses expected to be incurred during the fiscal year ending November 30, 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 SHARES OF THE FUND WILL BEAR, EITHER DIRECTLY OR INDIRECTLY. FOR MORE COMPLETE DESCRIPTIONS OF THE VARIOUS COSTS AND EXPENSES, SEE "STAR FUNDS INFORMATION" AND "INVESTING IN THE FUND."

</TABLE>

<TABLE>

<CAPTION>

<S> EXAMPLE	<C> 1 year	<C> 3 years
You would pay the following expenses on a \$1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period	\$	\$

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. THIS EXAMPLE IS BASED ON ESTIMATED DATA FOR THE FISCAL YEAR ENDING NOVEMBER 30, 1994.

</TABLE>

#### GENERAL INFORMATION

Star Funds was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares in any one portfolio may be offered in separate classes. This prospectus relates only to that portfolio of the Trust known as the Star Growth Equity Fund.

The Fund is designed primarily for customers of StarBanc Corporation and its subsidiaries as a convenient means of accumulating an interest in a professionally managed, diversified portfolio consisting primarily of equity securities of U.S. companies. A minimum initial investment of \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family) is required.

Except as otherwise noted in this prospectus, shares of the Fund are sold at net asset value plus an applicable sales charge and redeemed at net asset value.

#### INVESTMENT INFORMATION

##### INVESTMENT OBJECTIVE

The investment objective of the Fund is to maximize capital appreciation. The investment objective cannot be changed without approval of shareholders. 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.

##### INVESTMENT POLICIES

Under normal circumstances, the Fund pursues its investment objective by investing at least 65% of the value of its total assets in equity securities of U.S. companies. The Fund may also invest in domestic debt securities, international securities, U.S. government securities, and money market securities. The Fund's investment adviser attempts to maintain an acceptable level of risk through careful investment analysis including, but not limited to, the following: the employment of disciplined value measures (such as price/earnings ratios) when selecting equity securities; use of ratings assigned by nationally recognized statistical rating organizations (where applicable); credit research; review of issuer's historical performance; examination of issuer's dividend growth record; and consideration of market trends.

Unless indicated otherwise, the investment policies of the Fund may be changed by the Board of Trustees ("Trustees") without the approval of shareholders.



Shareholders will be notified before any material change in these policies becomes effective.

ACCEPTABLE INVESTMENTS. The securities in which the Fund invests include the following:

DOMESTIC EQUITY SECURITIES. The domestic equity securities of the Fund will usually consist of U.S. common and preferred stocks of companies with between \$200 million and \$2 billion in equity and which are listed on the New York or American Stock Exchange or traded in the over-the-counter market. The companies will be selected by the Fund's investment adviser based on traditional research techniques and technical factors, including assessment of earnings and dividend growth prospects and of the risk and volatility of the company's industry. Other factors, such as product position or market share, will also be considered by the Fund's investment adviser.

DOMESTIC DEBT SECURITIES. The Fund may also invest in notes, warrants, zero coupon bonds, and convertible securities of the U.S. companies described above, all of which are rated investment grade, i.e., Baa or better by Moody's Investors Service, Inc. ("Moody's"), or BBB or better by Standard & Poor's Corporation ("S&P") or Fitch Investors Service, Inc. ("Fitch") (or, if unrated, are deemed to be of comparable quality by the Fund's investment adviser). The Fund may also invest in securities issued and/or guaranteed as to the payment of principal and interest by the U.S. government or its agencies or instrumentalities. It should be noted that securities receiving the lowest investment grade rating are considered to have some 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. In the event that a bond which had an eligible rating when purchased is downgraded below Baa or BBB, the Fund's adviser will promptly reassess whether continued holding of the security is consistent with the Fund's objective.

INTERNATIONAL SECURITIES. The Fund may invest in equity securities of non-U.S. companies and corporate and government fixed income securities denominated in currencies other than U.S. dollars. The international equity securities in which the Fund may invest include international stocks traded domestically or abroad through various stock exchanges, American Depositary Receipts ("ADRs"), and International Depositary Receipts ("IDRs"). The international fixed income securities will include ADRs, IDRs, and government securities of other nations. No ratings for international securities are available from Moody's or S&P; however, the Fund will invest in international securities which are deemed by the investment adviser to be of a quality comparable to domestic bonds rated at least Baa by Moody's or BBB by S&P. In the event that an international security which had an eligible rating when purchased is downgraded below Baa or BBB, the Fund's adviser will promptly reassess whether continued holding of the security is consistent with the Fund's objective. The Fund may also invest in shares of open-end and closed-end management investment companies which invest primarily in international equity securities described above.

MONEY MARKET INSTRUMENTS. For temporary defensive purposes (up to 100% of total assets) and to maintain liquidity (up to 35% of total assets), the Fund may invest in U.S. and foreign short-term money market instruments, including:

- commercial paper rated A-1 or A-2 by S&P, Prime-1 or Prime-2 by Moody's, or F-1 or F-2 by Fitch, and Europaper (dollar-denominated

commercial paper issued outside the United States) rated A-1, A-2, Prime-1, or Prime-2. In the case where commercial paper or Europaper has received different ratings from different rating services, such commercial paper or Europaper is an acceptable temporary investment so long as at least one rating is in the two highest rating categories of the nationally recognized statistical rating organizations described above;

- instruments of domestic and foreign banks and savings and loans (such as certificates of deposit, demand and time deposits, savings shares, and bankers' acceptances) if they have capital, surplus, and undivided profits of over \$100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund, which is administered by the Federal Deposit Insurance Corporation ("FDIC"), or the Savings Association Insurance Fund, which is also administered by the FDIC. These instruments may include Eurodollar Certificates of Deposit ("ECDs"), Yankee Certificates of Deposit ("Yankee CDs"), and Eurodollar Time Deposits ("ETDs");
- obligations of the U.S. government or its agencies or instrumentalities;
- repurchase agreements;
- securities of other investment companies; and
- other short-term instruments which are not rated but are determined by the investment adviser to be of comparable quality to the other obligations in which the Fund may invest.

CONVERTIBLE SECURITIES. Convertible securities are fixed income securities which may be exchanged or converted into a predetermined number of the issuer's underlying common stock at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, units consisting of "usable" bonds and warrants or a combination of the features of several of these securities.

ZERO COUPON SECURITIES. The Fund may invest in zero coupon bonds and zero coupon convertible securities. The Fund may invest in zero coupon bonds in order to receive the rate of return through the appreciation of the bond. This application is extremely attractive in a falling rate environment as the price of the bond rises rapidly in value as opposed to regular coupon bonds. A zero coupon bond makes no periodic interest payments and the entire obligation becomes due only upon maturity.

Zero coupon convertible securities are debt securities which are issued at a discount to their face amount and do not entitle the holder to any periodic payments of interest prior to maturity. Rather, interest earned on zero coupon convertible securities accretes at a stated yield until the security reaches its face amount at maturity. Zero coupon convertible securities are convertible into a specific number of shares of the issuer's common stock.

In addition, zero coupon convertible securities usually have put features that provide the holder with the opportunity to sell the bonds back to the issuer at a stated price before maturity.

Generally, the price of zero coupon securities are more sensitive to fluctuations in interest than are conventional bonds and convertible securities. Additionally, federal tax law requires the holder of a zero coupon security to recognize income from the security prior to the receipt of cash payments. To maintain its qualification as a regulated investment company and avoid liability of federal income taxes, the Fund will be required

to distribute income accrued from zero coupon securities which it owns, and may have to sell portfolio securities (perhaps at disadvantageous times) in order to generate cash to satisfy these distribution requirements.

#### U.S. GOVERNMENT SECURITIES

The types of U.S. government securities in which the Fund may invest generally include direct obligations of the U.S. Treasury (such as U.S. Treasury bills, notes, and bonds) and obligations issued or guaranteed by the U.S. government,

its agencies or instrumentalities. These securities are backed by:

- the full faith and credit of the U.S. Treasury;
- the issuer's right to borrow from the U.S. Treasury;
- the discretionary authority of the U.S. government to purchase certain obligations of agencies or instrumentalities; or
- the credit of the agency or instrumentality issuing the obligations.

Examples of agencies and instrumentalities which may not always receive financial support from the U.S. government are:

- Federal Farm Credit Banks;
- Federal Home Loan Banks;
- Federal National Mortgage Association;
- Student Loan Marketing Association; and
- Federal Home Loan Mortgage Corporation.

REPURCHASE AGREEMENTS. Repurchase agreements are arrangements in which banks, broker/dealers, and other recognized financial institutions sell securities to the Fund and agree at the time of sale to repurchase them at a mutually agreed upon time and price. To the extent that the original seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Fund may purchase securities on a when-issued or delayed delivery basis. In when-issued and delayed delivery transactions, the Fund relies on the seller to complete the transaction. The seller's failure to complete the transaction may cause the Fund to miss a price or yield considered to be advantageous.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES. The Fund may invest in securities of other investment companies, but it will not own more than 3% of the total outstanding voting stock of any investment company, invest more than 5% of its total assets in any one investment company, and invest no more than 10% of its total assets in investment companies in general. The Fund will invest in other investment companies primarily for the purpose of investing short-term cash which has not yet been invested in other portfolio instruments. It should be noted that investment companies incur certain expenses such as management fees and, therefore, any investment by a fund in shares of another investment company would be subject to such duplicate expenses. The investment adviser will waive its investment advisory fee on assets invested in securities of such investment companies.

LENDING OF PORTFOLIO SECURITIES. In order to generate additional income, the Fund may lend portfolio securities up to one-third of the value of its total assets, 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 broker/dealers, banks, or other institutions which the investment adviser has determined are creditworthy under guidelines established by the Trustees 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 at all times.

RESTRICTED AND ILLIQUID SECURITIES. The Fund may invest in restricted

securities. Restricted securities are any securities in which the Fund may otherwise invest pursuant to its investment objective and policies but which are subject to restrictions on resale under federal securities law. However, the Fund will limit investments in illiquid securities, including restricted securities not determined by the Trustees to be liquid, non-negotiable time deposits, over-the-counter options, and repurchase agreements providing for settlement in more than seven days after notice, to 15% of its net assets.

**FOREIGN SECURITIES RISKS.** Investing in foreign securities carries substantial risks in addition to those associated with domestic investments. Foreign securities may be denominated in foreign currencies. Therefore, the value in U.S. dollars of the Fund's assets and income may be affected by changes in exchange rates and regulations. Although the Fund values its assets daily in U.S. dollars, it will not convert its holding of foreign currencies to U.S. dollars daily. When the Fund converts its holdings to another currency, it may incur currency conversion costs. Foreign exchange dealers realize a profit on the difference between the prices at which they buy and sell currencies.

**FOREIGN COMPANIES.** Other differences between investing in foreign and U.S. companies include:

- less publicly available information about foreign companies;
- the lack of uniform financial accounting standards applicable to foreign companies;
- less readily available market quotations on foreign companies;
- differences in government regulation and supervision of foreign stock exchanges, brokers, listed companies, and banks;
- generally lower foreign stock market volume;
- the likelihood that foreign securities may be less liquid or more volatile;
- generally higher foreign brokerage commissions;
- unreliable mail service between countries; and
- political or financial changes which adversely affect investments in some countries.

**PUT AND CALL OPTIONS.** The Fund may purchase put options on its portfolio securities. These options will be used as a hedge to attempt to protect securities which the Fund holds against decreases in value. The Fund may also write call options on all or any portion of its portfolio to generate income for the Fund. The Fund will write call options on securities either held in its portfolio or for which it has the right to obtain without payment of further consideration or for which it has segregated cash or U.S. government securities in the amount of any additional consideration.

The Fund may generally purchase and write over-the-counter options on portfolio securities in negotiated transactions with the buyers or writers of the options since options on the portfolio securities held by the Fund are not traded on an exchange. The Fund purchases and writes options only with investment dealers and other financial institutions (such as commercial banks or savings and loan associations) deemed creditworthy by the Fund's investment adviser.

Over-the-counter options are two-party contracts with price and terms negotiated between buyer and seller. In contrast, exchange-traded options are third-party contracts with standardized strike prices and expiration dates and are purchased from a clearing corporation. Exchange-traded options have a continuous liquid market while over-the-counter options may not.

**FUTURES AND OPTIONS ON FUTURES.** The Fund may purchase and sell futures contracts to hedge against the effect of changes in the value of portfolio securities due to anticipated changes in interest rates and market conditions. Futures contracts call for the delivery of particular debt instruments at a

certain time in the future. The seller of the contract agrees to make delivery of the type of instrument called for in the contract, and the buyer agrees to take delivery of the instrument at the specified future time.

Stock index futures contracts are based on indices that reflect the market value of common stock of the firms included in the indices. An index futures contract is an agreement pursuant to which two parties agree to take or make delivery of an amount of cash equal to the differences between the value of the index at the close of the last trading day of the contract and the price at which the index contract was originally written.

The Fund may also write call options and purchase put options on futures contracts as a hedge to attempt to protect securities in its portfolio against decreases in value. When the Fund writes a call option on a futures contract, it is undertaking the obligation of selling a futures contract at a fixed price at any time during a specified period if the option is exercised. Conversely, as purchaser of a put option on a futures contract, the Fund is entitled (but not obligated) to sell a futures contract at the fixed price during the life of the option.

The Fund may also write put options and purchase call options on futures contracts as a hedge against rising purchase prices of portfolio securities. The Fund will use these transactions to attempt to protect its ability to purchase portfolio securities in the future at price levels existing at the time it enters into the transactions. When the Fund writes a put option on a futures contract, it is undertaking to buy a particular futures contract at a fixed price at any time during a specified period if the option is exercised. As a purchaser of a call option on a futures contract, the Fund is entitled (but not obligated) to purchase a futures contract at a fixed price at any time during the life of the option.

The Fund may not purchase or sell futures contracts or related options if immediately thereafter the sum of the amount of margin deposits on the Fund's existing futures positions and premiums paid for related options would exceed 5% of the market value of the Fund's total assets. When the Fund purchases futures contracts, an amount of cash and cash equivalents, equal to the underlying commodity value of the futures contracts (less any related margin deposits), will be deposited in a segregated account with the Fund's custodian (or the broker, if legally permitted) to collateralize the position and thereby insure that the use of such futures contract is unleveraged. When the Fund sells futures contracts, it will either own or have the right to receive the underlying future or security, or will make deposits to collateralize the position as discussed above.

**RISKS.** When the Fund uses futures and options on futures as hedging devices, there is a risk that the prices of the securities subject to the futures contracts may not correlate perfectly with the prices of the securities in the Fund's portfolio. This may cause the futures contract and any related options to react differently than the portfolio securities to market changes. In addition, the Fund's investment adviser could be incorrect in its expectations about the direction or extent of market factors such as stock price movements. In these events, the Fund may lose money on the futures contract or option.

It is not certain that a secondary market for positions in futures contracts or for options will exist at all times. Although the investment adviser will consider liquidity before entering into these transactions, there is no assurance that a liquid secondary market on an exchange or otherwise will exist for any particular futures contract or option at any particular time. The Fund's ability to establish and

close

out futures and options positions depends on this secondary market.

#### INVESTMENT LIMITATIONS

The Fund will not:

- borrow money directly or through reverse repurchase agreements (arrangements in which the Fund sells a portfolio instrument for a percentage of its cash value with an agreement to buy it back on a set date) or pledge securities except, under certain circumstances, the Fund may borrow up to one-third of the value of its total assets and pledge up to 10% of the value of its total assets to secure such borrowings.

The above investment limitation cannot be changed without shareholder approval.

#### STAR FUNDS INFORMATION

##### MANAGEMENT OF THE TRUST

BOARD OF TRUSTEES. The Trust is managed by a Board of Trustees. The Trustees

are responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The Executive Committee of the Board of Trustees handles the Board's responsibilities between meetings of the Board.

INVESTMENT ADVISER. Investment decisions for the Fund are made by Star Bank, N.A., the Fund's investment adviser (the "Adviser" or "Star Bank"), subject to direction by the Trustees. The Adviser continually conducts investment research and supervision for the Fund and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Fund.

ADVISORY FEES. The Adviser receives an annual investment advisory fee equal to 0.95 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 Adviser can terminate this voluntary waiver of its advisory fee at any time at its sole discretion.

This does not include reimbursement to the Fund of any expenses incurred by shareholders who use the transfer agent's subaccounting facilities. The Adviser has undertaken to reimburse the Fund, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states.

ADVISER'S BACKGROUND. Star Bank, a national bank, was founded in 1863 and is the largest bank and trust organization of StarBanc Corporation. As of December 31, 1993, Star Bank had an asset base of \$7.6 billion. Star Bank's expertise in trust administration, investments, and estate planning ranks it among the most predominant trust institutions in Ohio, with assets of \$12.5 billion as of December 31, 1993. Star Bank has managed commingled funds since 1957. As of December 31, 1993, it manages 12 common trust funds and collective investment funds having a market value in excess of \$394 million. Additionally, Star Bank has advised the portfolios of the Trust since 1989.

As part of their regular banking operations, Star Bank may make loans to public companies. Thus, it may be possible, from time to time, for the Fund to hold or acquire the securities of issuers which are also lending clients of Star Bank. The lending relationship will not be a factor in the selection of securities.

Donald L. Keller has served as a Vice President and the Director of Research of the Capital Management Division of Star Bank since October, 1993, and has managed the domestic equity securities component of the Fund since its inception. From February, 1989, through October, 1993, Mr. Keller served as Director of Portfolio Management of Star Bank.

Scott H. Dooley joined Star Bank in 1988 and is an Equity Fund Manager, Senior Investment Analyst, and Trust Investment Officer for the Capital Management Division of Star Bank's Trust Financial Services Division. Mr. Dooley has managed the international equity securities component of the Fund and co-managed the domestic equity securities component of the Fund since its inception. He also manages the options and futures securities component of the Fund.

Fred A. Brink has been a Fund Manager for the Capital Management Division of Star Bank since July, 1991, and has managed the cash equivalent securities component of the Fund since its inception. Prior to July, 1991, Mr. Brink was in college.

#### DISTRIBUTION OF FUND SHARES

Federated Securities Corp. is the distributor for shares of the Fund.

It is a

Pennsylvania corporation organized on November 14, 1969, and is the distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors.

DISTRIBUTION PLAN. Pursuant to the provisions of a distribution plan adopted in accordance with the Investment Company Act Rule 12b-1 (the "Plan"), the Fund may pay to Federated Securities Corp. an amount computed at an annual rate of up to 0.25 of 1% of the average daily net assets to finance any activity which is principally intended to result in the sale of shares subject to the Plan.

Federated Securities Corp. may from time to time, and for such periods as it deems appropriate, voluntarily reduce its compensation under the Plan to the extent the expenses attributable to the shares exceed such lower expense limitation as the distributor may, by notice to the Trust, voluntarily declare to be effective.

The distributor may select financial institutions such as banks, fiduciaries, custodians for public funds, investment advisers, and broker/dealers to provide sales and support services as agents for their clients or customers who beneficially own shares of the Fund. Financial institutions will receive fees from the distributor based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the distributor.

The Fund's Plan is a compensation type plan. As such, the Fund makes no payments to the distributor except as described above. Therefore, the Fund does not pay for unreimbursed expenses of the distributor, including amounts expended by the distributor in excess of amounts received by it from the Fund, interest, carrying or other financing charges in connection with excess amounts expended, or the distributor's overhead expenses. However, the distributor may be able to recover such amounts or may earn a profit from future payments made by the Fund under the Plan.

The Glass-Steagall Act limits the ability of a depository institution (such as a commercial bank or a savings and loan association) to become an underwriter or distributor of securities. In the event the Glass-Steagall Act is deemed to prohibit depository institutions from acting in the capacities described above or should Congress relax current restrictions on depository institutions, the Trustees will consider appropriate changes in the

services.

State securities laws governing the ability of depository institutions to act as underwriters or distributors of securities may differ from interpretations given to the Glass-Steagall Act and, therefore, banks and financial institutions may be required to register as dealers pursuant to state law.

ADMINISTRATIVE ARRANGEMENTS. The distributor may select brokers and dealers to provide distribution and administrative services. The distributor may also select administrators (including depository institutions such as commercial banks and savings and loan associations) to provide administrative services. These administrative services include distributing prospectuses and other information, providing accounting assistance, and communicating or facilitating purchases and redemptions of Fund's shares.

Brokers, dealers, and administrators will receive fees from the distributor based upon shares of the Fund owned by their clients or customers. The fees are calculated as a percentage of the average aggregate net asset value of shareholder accounts during the period for which the brokers, dealers, and administrators provide services. The current annual rate of such fees is up to 0.30 of 1% for the Fund. Any fees paid for these services by the distributor will be reimbursed by the Adviser. Payments made here are in addition to any payments made under the Fund's Rule 12b-1 Distribution Plan.

ADMINISTRATION OF THE FUND

ADMINISTRATIVE SERVICES. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides the Fund with certain administrative personnel and services necessary to operate the Fund, such as legal and accounting services. Federated Administrative Services provides these at an annual rate as specified below:

Maximum Administrative Fee	Average Aggregate Daily Net Assets of the Trust
.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

The administrative fee received during any fiscal year shall be at least \$50,000 per Fund. Federated Administrative Services may voluntarily waive a portion of its fee.

SHAREHOLDER SERVICES PLAN. The Fund has adopted a Shareholder Services Plan (the "Services Plan") with respect to shares of the Fund. Under the Services Plan, financial institutions will enter into shareholder service agreements with the Fund to provide administrative support and personal services to their customers who from time to time may be owners of record or beneficial owners of shares of the Fund. In return for providing these support services, a financial institution may receive payments from the Fund at a rate not exceeding 0.25 of 1% of the average daily net assets of shares of the Fund beneficially owned by the financial institution's customers for whom it is holder of record or with whom it has a servicing relationship.

CUSTODIAN. Star Bank, N.A., Cincinnati, Ohio, is custodian for the securities and cash of the Fund.

TRANSFER AGENT, DIVIDEND DISBURSING AGENT, AND PORTFOLIO ACCOUNTING SERVICES.

Federated Services Company, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, is transfer agent and dividend disbursing agent for the Fund. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio investments.



LEGAL COUNSEL. Legal counsel for the Fund is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania, and Dickstein, Shapiro & Morin, Washington, D.C.

INDEPENDENT PUBLIC ACCOUNTANTS. The independent public accountants for the Fund are Arthur Andersen & Co., Pittsburgh, Pennsylvania.

#### BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Adviser looks for prompt execution of the order at a favorable price. In working with dealers, the Adviser will generally utilize those who are recognized dealers in specific portfolio instruments, except when a better price and execution of the order can be obtained elsewhere. In selecting among firms believed to meet these criteria, the Adviser may give consideration to those firms which have sold or are selling shares of the Fund and other funds distributed by Federated Securities Corp. The Adviser makes decisions on portfolio transactions and selects brokers and dealers subject to review by the Trustees.

#### EXPENSES OF THE FUND

The Fund pays all of its own expenses and its allocable share of Trust expenses. These expenses include, but are not limited to, the cost of: Trustees' fees; investment advisory and administrative services; printing prospectuses and other Fund documents for shareholders; registering the Trust, the Fund, and shares of the Fund with federal and state securities commissions; taxes and commissions; issuing, purchasing, repurchasing, and redeeming shares; fees for custodians, transfer agents, dividend disbursing agents, shareholder servicing agents, and registrars; printing, mailing, auditing, accounting, and legal expenses; reports to shareholders and governmental agencies; meetings of Trustees and shareholders and proxy solicitations therefor; distribution fees; insurance premiums; association membership dues; and such nonrecurring and extraordinary items as may arise. However, the Adviser may voluntarily reimburse some expenses and has, in addition, undertaken to reimburse the Fund, up to the amount of the advisory fee, the amount by which operating expenses exceed limitations imposed by certain states.

#### NET ASSET VALUE

The Fund's net asset value per share fluctuates. It is determined by dividing the sum of the market value of all securities and other assets, less liabilities, by the number of shares outstanding.

#### INVESTING IN THE FUND

##### MINIMUM INVESTMENT REQUIRED

The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Connections Group Banking customers and Star Bank employees and members of their immediate family). Subsequent investments may be in any amounts. For customers of Star Bank, an institutional investor's minimum investment will be calculated by combining all mutual fund accounts it maintains with Star Bank and invests with the Fund.

##### WHAT SHARES COST

Shares are sold at their net asset value next determined after an order is received, plus a sales charge, as follows:

Amount of Transaction	Sales Charge as a Percentage of Public Offering Price	Sales Charge as a Percentage of Net Amount Invested
Less than \$100,000	4.50%	4.71%
\$100,000 but less than \$250,000	3.75%	3.90%
\$250,000 but less than \$500,000	2.50%	2.56%

\$500,000 but less than \$750,000	2.00%	2.04%
\$750,000 but less than \$1 million	1.00%	1.01%
\$1 million or more	0.25%	0.25%

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, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

**PURCHASES AT NET ASSET VALUE.** Shareholders who are trust or private banking customers of StarBanc Corporation and its subsidiaries are exempt from sales charges. In addition, the following persons may purchase shares of the Fund at net asset value, without a sales charge: employees and retired employees of Star Bank, Federated Securities Corp., or their affiliates, or any bank or investment dealer who has a sales agreement with Federated Securities Corp. with regard to the Fund, and members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees.

**SALES CHARGE REALLOWANCE.** For sales of shares of the Fund, Star Bank or any authorized dealer will normally receive up to 89% of the applicable sales charge. Any portion of the sales charge which is not paid to Star Bank or a dealer will be retained by the distributor. However, the distributor, in its sole discretion, may uniformly offer to pay all dealers selling shares of the Fund additional amounts, all or a portion of which may be paid from the sales charge it normally retains or any other source available to it. Such additional payments, if accepted by the dealer, may be in the form of cash or promotional incentives and will be predicated upon the amount of shares of the Fund sold by the dealer.

The sales charge for shares sold other than through Star Bank or registered broker/dealers will be retained by the distributor. The distributor 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 Fund shares.

#### REDUCING THE SALES CHARGE

The sales charge can be reduced on the purchase of Shares through:

- quantity discounts and accumulated purchases;
- signing a 13-month letter of intent;
- using the reinvestment privilege; or
- concurrent purchases.

**QUANTITY DISCOUNTS AND ACCUMULATED PURCHASES.** As shown in the previous table, larger purchases reduce the sales charge paid. The Fund will combine purchases made on the same day by the investor, his spouse, and his children under age 21 when it calculates the sales charge.

If an additional purchase of Fund shares is made, the Fund will consider the previous purchases still invested in the Fund. For example, if a shareholder already owns shares having a current value at the net asset value of \$90,000 and he purchases \$10,000 more at the current net asset value, the sales charge on the additional purchase according to the schedule now in effect would be 3.75%, not 4.50%.

To receive the sales charge reduction, Star Bank or the distributor must be notified by the shareholder in writing at the time the purchase is made that Fund shares are already owned or that purchases are being combined. The Fund will reduce the sales charge after it confirms the purchases.

LETTER OF INTENT. If a shareholder intends to purchase at least \$100,000 of Fund shares over the next 13 months, the sales charge may be reduced by signing a letter of intent to that effect. This letter of intent includes a provision for a sales charge adjustment depending on the amount actually purchased within the 13-month period and a provision for the Fund's custodian to hold 4.50% of the total amount intended to be purchased in escrow (in shares of the Fund) until such purchase is completed.

The 4.50% held in escrow will be applied to the shareholder's account at the end of the 13-month period unless the amount specified in the letter of intent is not purchased. In this event, an appropriate number of escrowed shares may be redeemed in order to realize the difference in the sales charge.

This letter of intent will not obligate the shareholder to purchase shares, but if the shareholder does, each purchase during the period will be at the sales charge applicable to the total amount intended to be purchased. This letter may be dated as of a prior date to include any purchases made within the past 90 days.

REINVESTMENT PRIVILEGE. If shares in the Fund have been redeemed, the shareholder has a one-time right, within 30 days, to reinvest the redemption proceeds at the next-determined net asset value without any sales charge. Star Bank or the distributor must be notified by the shareholder in writing or by his financial institution of the reinvestment in order to eliminate a sales charge. If the shareholder redeems his shares in the Fund, there may be tax consequences. Shareholders contemplating such transactions should consult their own tax advisers.

CONCURRENT PURCHASES. For purposes of qualifying for a sales charge reduction, a shareholder has the privilege of combining concurrent purchases of two or more funds in the Trust, the purchase price of which includes a sales charge. For example, if a shareholder concurrently invested \$30,000 in one of the other funds in the Trust with a sales charge and \$70,000 in this Fund, the sales charge would be reduced.

To receive this sales charge reduction, Star Bank or the distributor must be notified by the shareholder in writing at the time the concurrent purchases are made. The Fund will reduce the sales charge after it confirms the purchases.

#### SYSTEMATIC INVESTMENT PLAN

Once a Fund account has been opened, shareholders may add to their investment on a regular basis in a minimum amount of \$100. Under this plan, funds may be withdrawn periodically from the shareholder's checking account and invested in Fund shares at the net asset value next determined after an order is received by Star Bank, plus the applicable sales charge. A shareholder may apply for participation in this plan through Star Bank.

#### SHARE PURCHASES

Shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business.

A customer of Star Bank may purchase Shares through Star Bank. Texas residents must purchase shares through Federated Securities Corp. at 1-800-356-2805. In connection with the sale of Fund shares, the distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Fund reserves the right to reject any purchase request.

THROUGH STAR BANK. To place an order to purchase shares of the Fund, a customer of Star Bank may telephone Star Bank at 1-800-677-FUND or place the order in person. Purchase orders given by telephone may be electronically

recorded.

Payment may be made to Star Bank either by check or federal funds. When payment is made with federal funds, the order is considered received when federal funds are received by Star Bank. Purchase orders must be telephoned to Star Bank by 4:00 p.m. (Eastern time) and payment by federal funds must be received by Star Bank before 3:00 p.m. (Eastern time) on the following day.

For purchases by employees, individual investors, or through registered broker/dealers, requests must be received by Star Bank by 4:00 p.m. (Eastern time) and payment is normally required in five business days.

Shares cannot be purchased on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers.

BY MAIL. To purchase shares of the Fund by mail, individual investors may send a check made payable to Star Growth Equity Fund to Star Shareholder Services, Star Bank, N.A., 425 Walnut Street, ML 7135, Cincinnati, Ohio 45202.

Orders by mail are considered received after payment by check is converted by Star Bank into federal funds. This is normally five business days after Star Bank receives the check.

#### EXCHANGING SECURITIES FOR FUND SHARES

The Fund may accept securities in exchange for Fund shares. The Fund will allow such exchanges only upon the prior approval of the Fund and a determination by the Fund and the Adviser that the securities to be exchanged are acceptable.

Any securities exchanged must meet the investment objective and policies of the Fund, must have a readily ascertainable market value, must be liquid, and must not be subject to restrictions on resale. The Fund acquires the exchanged securities for investment and not for resale. The market value of any securities exchanged in an initial investment, plus any cash, must be at least \$25,000.

Securities accepted by the Fund will be valued in the same manner as the Fund values its assets. The basis of the exchange will depend upon the net asset value of Fund shares on the day the securities are valued. One share of the Fund will be issued for each equivalent amount of securities accepted.

Any interest earned on the securities prior to the exchange will be considered in valuing the securities. All interest, dividends, subscription, or other rights attached to the securities become the property of the Fund, along with the securities.

#### SUBACCOUNTING SERVICES

Institutions are encouraged to open single master accounts. However, certain institutions may wish to use the transfer agent's subaccounting system to minimize their internal recordkeeping requirements. The transfer agent charges a fee based on the level of subaccounting services rendered. Institutions holding shares of the Fund in a fiduciary, agency, custodial, or similar capacity may charge or pass through subaccounting fees as part of or in addition to normal trust or agency account fees. They may also charge fees for other services provided which may be related to the ownership of Fund shares. This prospectus should, therefore, be read together with any agreement between the customer and the institution with regard to the services provided, the fees charged for those services, and any restrictions and limitations imposed.

#### CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Fund, Federated Services Company maintains a share account for each shareholder of record. Share certificates are not issued.

Detailed confirmations of each purchase or redemption are sent to each shareholder and dividend confirmations are sent to each shareholder to report dividends paid.

#### DIVIDENDS AND CAPITAL GAINS

Dividends are declared and paid quarterly. Capital gains realized by the Fund, if any, will be distributed at least once every 12 months. Dividends and capital gains will be automatically reinvested in additional shares on payment dates at the ex-dividend date net asset value, unless cash payments are requested by writing to the Fund or Star Bank.

#### EXCHANGE PRIVILEGE

##### STAR FUNDS

All shareholders of the Fund are shareholders of the Star Funds. Star Funds currently consists of the Fund, Star Prime Obligations Fund, Star Treasury Fund, Star Relative Value Fund, Star Tax-Free Money Market Fund, Star U.S. Government Income Fund, and The Stellar Fund. Until further notice, through a telephone exchange program, shareholders invested in the money market funds can exchange only among the other money market funds of the Trust, and shareholders invested in the non-money market funds can exchange only among the other non-money market funds of the Trust. Each portfolio in the Star Funds is advised by Star Bank and distributed by Federated Securities Corp.

##### EXCHANGING SHARES

Shareholders of the Fund may exchange shares of the Fund for shares of the other funds in the Star Funds. In addition, shares of the Fund may also be exchanged for certain other funds distributed by Federated Securities Corp. that are not advised by Star Bank, N.A. ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, call Star Bank at 1-800-677-FUND. Shareholders who exercise this exchange privilege must exchange Shares having a total net asset value of at least \$1,000.

Prior to any exchange, the shareholder must receive a copy of the current prospectus of the fund into which an exchange is to be effected.

Shares may be exchanged at net asset value, plus the difference between the Fund's sales charge (if any) already paid and any sales charge of the fund into which shares are to be exchanged, if higher.

When an exchange is made from a fund with a sales charge to a fund with no sales charge, the shares exchanged and additional shares which have been purchased by reinvesting dividends on such shares retain the character of the exchanged shares for purposes of exercising further exchange privileges; thus, an exchange of such shares for shares of a fund with a sales charge would be at net asset value.

The exchange privilege is available to shareholders residing in any state in which the fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value.

Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized. The exchange privilege may be terminated at any time. Shareholders will be notified of the termination of the exchange privilege. A shareholder may obtain further information on the exchange privilege by calling Star Bank at 1-800-677-FUND.

##### EXCHANGE-BY-TELEPHONE

Instructions for exchanges between funds which are part of the Star Funds may be given by telephone to Star Bank at 1-800-677-FUND or to the distributor.

Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations. Exchange instructions given by telephone may be electronically recorded.

Telephone exchange instructions must be received before 3:00 p.m. (Eastern time) in order for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders of the Fund may have difficulty in making exchanges by telephone through brokers, banks, or other financial institutions during times of drastic economic or market changes. If a shareholder cannot contact his broker, bank, or financial institution by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail.

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

#### REDEEMING SHARES

The Fund redeems shares at their net asset value next determined after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Requests for redemption can be made in person, by telephone through Star Bank, or by mail.

BY TELEPHONE. A shareholder who is a customer of Star Bank may redeem shares of the Fund by telephoning Star Bank at 1-800-677-FUND. Redemption requests given by telephone may be electronically recorded. For calls received by Star Bank before 4:00 p.m. (Eastern time), proceeds will normally be wired the following day to the shareholder's account at Star Bank or a check will be sent to the address of record. In no event will proceeds be wired or a check mailed more than seven days after a proper request for redemption has been received. If, at any time, the Fund shall determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

An authorization form permitting the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from Star Bank.

In the event of drastic economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, another method of redemption should be considered.

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

BY MAIL. Shareholders may also redeem Fund shares by sending a written request to Star Shareholder Services, Star Bank, N.A., 425 Walnut Street, ML 7135, Cincinnati, Ohio 45202. The written request must include the shareholder's name, the Fund name, the account number, and the share or dollar amount requested. Shareholders may call the Fund for assistance in redeeming by mail.

SIGNATURES. Shareholders requesting a redemption of \$50,000 or more, a redemption of any amount to be sent to an address other than that on record with the Fund, or a redemption payable other than to the shareholder of record must have signatures on written redemption requests guaranteed by:

- a trust company or commercial bank whose deposits are insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal

- Deposit Insurance Corporation ("FDIC");
- a member of the New York, American, Boston, Midwest, or Pacific Stock Exchange;
  - a savings bank or savings and loan association whose deposits are insured by the Savings Association Insurance Fund ("SAIF"), which is administered by the FDIC; or
  - any other "eligible guarantor institution" as defined in the Securities Exchange Act of 1934.

The Fund does not accept signatures guaranteed by a notary public.

The Fund and its transfer agent have adopted standards for accepting signature guarantees from the above institutions. The Fund may elect in the future to limit eligible signature guarantors to institutions that are members of a signature guarantee program. The Fund and its transfer agent reserve the right to amend these standards at any time without notice.

Normally, a check for the proceeds is mailed within one business day, but in no event more than seven days, after receipt of a proper written redemption request.

#### SYSTEMATIC WITHDRAWAL PLAN

Under a Systematic Withdrawal Plan, accounts may arrange for regular monthly or quarterly fixed withdrawal payments. Each payment must be at least \$100 and may be as much as 1.50% per month or 4.50% per quarter of the total net asset value of the shares in the account when the Systematic Withdrawal Plan is opened. Depending upon the amount of the withdrawal payments and the amount of dividends paid with respect to Fund shares, redemptions may reduce, and eventually deplete, the shareholder's investment in the Fund. For this reason, payments under this plan should not be considered as yield or income on the shareholder's investment in the Fund. Due to the fact that shares are sold with a sales charge, it is not advisable for shareholders to be purchasing shares of the Fund while participating in this plan.

#### ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Fund may redeem shares in any account and pay the proceeds to the shareholder if the account balance falls below the required minimum value of \$1,000 due to shareholder redemptions. Before shares are redeemed to close an account, the shareholder is notified in writing and allowed 30 days to purchase additional shares to meet the minimum requirement.

#### SHAREHOLDER INFORMATION

##### VOTING RIGHTS

Each share of the Fund gives the shareholder one vote in Trustee elections and other matters submitted to shareholders for vote. All shares of each portfolio in the Trust have equal voting rights, except that only shares of the Fund are entitled to vote on matters affecting only the Fund. 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's 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 of the Trust 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.

#### MASSACHUSETTS PARTNERSHIP LAW

Under certain circumstances, shareholders may be held personally liable under Massachusetts law for acts or obligations of the Trust. To protect

shareholders, the Trust has filed legal documents with Massachusetts that expressly disclaim the liability of shareholders for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument the Trust or its Trustees enter into or sign.

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required, by the Declaration of Trust, to use its property to protect or compensate the shareholder. On request, the Trust will defend any claim made and pay any judgment against a shareholder for any act or obligation of the Trust. Therefore, financial loss resulting from liability as a shareholder will occur only if the Trust cannot meet its obligations to indemnify shareholders and pay judgments against them from its assets.

#### EFFECT OF BANKING LAWS

The Glass-Steagall Act and other banking laws and regulations presently prohibit a bank holding company registered under the Bank Holding Company Act of 1956 or any affiliate thereof from sponsoring, organizing, or controlling a registered, open-end management investment company continuously engaged in the issuance of its shares, and from issuing, underwriting, selling, or distributing securities in general. Such laws and regulations do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent, or custodian to such an investment company or from purchasing shares of such a company as agent for and upon the order of their customer. The Fund's investment adviser, Star Bank, is subject to such banking laws and regulations.

Star Bank believes that it may perform the investment advisory services for the Fund contemplated by its advisory agreements with the Trust without violating the Glass-Steagall Act or other applicable banking laws or regulations. Changes in either federal or state statutes and regulations relating to the permissible activities of banks and their subsidiaries or affiliates, as well as further judicial or administrative decisions or interpretations of present or future statutes and regulations, could prevent Star Bank from continuing to perform all or a part of the above services for its customers and/or the Fund. In such event, changes in the operation of the Fund may occur, including the possible alteration or termination of any automatic or other Fund share investment and redemption services then being provided by Star Bank, and the Trustees would consider alternative investment advisers and other means of continuing available investment services. It is not expected that Fund shareholders would suffer any adverse financial consequences (if another adviser with equivalent abilities to Star Bank is found) as a result of any of these occurrences.

#### TAX INFORMATION

##### FEDERAL INCOME TAX

The Fund will pay no federal income tax because it expects to meet requirements of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies.

The Fund will be treated as a single, separate entity for federal income tax purposes so that income (including capital gains) and losses realized by the Trust's other portfolios will not be combined for tax purposes with those realized by the Fund.

Unless otherwise exempt, shareholders are required to pay federal income tax on any dividends and other distributions, including capital gains distributions, received. This applies whether dividends and distributions are



received in cash or as additional shares. The Fund will provide detailed tax information for reporting purposes.

Shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local tax laws.

#### PERFORMANCE INFORMATION

From time to time the Fund advertises its total return and yield.

Total return represents the change, over a specified period of time, in the value of an investment in the Fund after reinvesting all income and capital gain distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

The yield of the Fund is calculated by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by the Fund over a thirty-day period by the maximum offering price per share of the Fund on the last day of the period. This number is then annualized using semi-annual compounding. The yield does not necessarily reflect income actually earned by the Fund and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

The performance information normally reflects the effect of the maximum sales load which, if excluded, would increase the total return and yield. Occasionally, performance information which does not reflect the effect of the sales load may be quoted in advertising.

From time to time the Fund may advertise its performance using certain financial publications and/or compare its performance to certain indices.

#### ADDRESSES

Star Growth Equity Fund	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Distributor Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Investment Adviser Star Bank, N.A.	425 Walnut Street Cincinnati, Ohio 45202
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Custodian Star Bank, N.A.	425 Walnut Street Cincinnati, Ohio 45202
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Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services Federated Services Company	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Legal Counsel Houston, Houston & Donnelly	2510 Centre City Tower Pittsburgh, Pennsylvania 15222
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STAR GROWTH EQUITY FUND

Prospectus

\_\_\_\_\_, 1994

FEDERATED SECURITIES CORP.  
Distributor

ETP--DRAFT NO. 3--03/17/94

STAR GROWTH EQUITY FUND  
(A Portfolio of the Star Funds)

Statement of Additional Information

This Statement of Additional Information should be read with the prospectus of the Star Growth Equity Fund (the "Fund") dated \_\_\_\_\_, 1994. This Statement is not a prospectus itself. To receive a copy of the prospectus, write to the Fund or call 1-800-677-FUND.

Federated Investors Tower  
Pittsburgh, Pennsylvania 15222-3779

Statement dated \_\_\_\_\_, 1994

STAR BANK, N.A.  
Investment Adviser

FEDERATED SECURITIES CORP.  
Distributor

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#### GENERAL INFORMATION ABOUT THE FUND

The Fund is a portfolio of the Star Funds (the "Trust"). The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. On May 1, 1993, the Board of Trustees (the "Trustees") approved changing the name of the Trust, effective May 1, 1993, from Losantiville Funds to Star Funds.

#### INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to maximize capital appreciation. The investment objective cannot be changed without the approval of shareholders. The policies described below may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

#### CONVERTIBLE SECURITIES

Convertible bonds and convertible preferred stocks are fixed income securities

that generally retain the investment characteristics of fixed income securities until they have been converted but also react to movements in the underlying equity securities. The holder is entitled to receive the fixed income of a bond or the dividend preference of a preferred stock until the holder elects to exercise the conversion privilege. Usable bonds are corporate bonds that can be used, in whole or in part, customarily at full face value, in lieu of cash to purchase the issuer's common stock. When owned

as part of a unit along with warrants, which are options to buy the common stock, they function as convertible bonds, except that the warrants generally will expire before the bond's maturity. Convertible securities are senior to equity securities and, therefore, have a claim to assets of the corporation prior to the holders of common stock in the case of liquidation. However, convertible securities are generally subordinated to similar nonconvertible securities of the same company. The interest income and dividends from convertible bonds and preferred stocks provide a stable stream of income with generally higher yields than common stocks, but lower than non-convertible securities of similar quality.

The Fund will exchange or convert the convertible securities held in its portfolio into shares of the underlying common stock in instances in which, in

the adviser's opinion, the investment characteristics of the underlying common

shares will assist the Fund in achieving its investment objective.

Otherwise,

the Fund will hold or trade the convertible securities. In selecting convertible securities for the Fund, the adviser evaluates the investment characteristics of the convertible security as a fixed income instrument and

the investment potential of the underlying equity security for capital appreciation. In evaluating these matters with respect to a particular convertible security, the adviser considers numerous factors, including the economic and political outlook, the value of the security relative to other investment alternatives, trends in the determinants of the issuer's profits, and the issuer's management capability and practices.

#### WARRANTS

The Fund may invest in warrants. Warrants are basically options to purchase common stock at a specific price (usually at a premium above the market value of the optioned common stock at issuance) valid for a specific period of time.

Warrants may have a life ranging from less than a year to twenty years or may be perpetual. However, most warrants have expiration dates after which they are worthless. In addition, if the market price of the common stock does not exceed the warrant's exercise price during the life of the warrant, the warrant will expire as worthless. Warrants have no voting rights, pay no dividends, and have no rights with respect to the assets of the corporation issuing them. The percentage increase or decrease in the market price of the warrant may tend to be greater than the percentage increase or decrease in the market price of the optioned common stock. The Fund will not invest more than

5% of the value of its total assets in warrants. No more than 2% of this 5% may be in warrants which are not listed on the New York or American Stock Exchanges. Warrants required in units or attached to securities may be deemed to be without value for purposes of this policy.

#### WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. These transactions are made to secure what is considered to be an advantageous price and yield for the Fund. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices.

No fees or other expenses, other than normal transaction costs, are incurred.

However, liquid assets of the Fund sufficient to make payment for the securities to be purchased are segregated at the trade date. These securities are marked to market daily and are maintained until the transaction is settled. The Fund may engage in these transactions to an extent that would cause the segregation of an amount up to 20% of the total value of its assets.

#### REPURCHASE AGREEMENTS

The Fund or its custodian will take possession of the securities subject to repurchase agreements, and these securities will be marked to market daily. To the extent that the original seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities. In the event that such a defaulting seller filed for bankruptcy or became insolvent, disposition of such securities by the Fund might be delayed pending court action. The Fund believes that under the regular procedures normally in effect for custody of the Fund's portfolio securities subject to repurchase agreements, a court of competent jurisdiction would rule in favor of the Fund and allow retention or disposition of such securities. The Fund will only enter into repurchase agreements with banks and other recognized financial institutions, such as broker/dealers, which are deemed by the Fund's adviser to be creditworthy pursuant to guidelines established by the Trustees.

#### RESTRICTED AND ILLIQUID SECURITIES

The Fund may invest in commercial paper issued in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933. Section 4(2) commercial paper is restricted as to disposition under federal securities law and is generally sold to institutional investors, such as the Fund, who agree that they are purchasing the paper for investment purposes and not with a view to public distribution. Any resale by the purchaser must be in an exempt transaction. Section 4(2) commercial paper is normally resold to other institutional investors like the Fund through or with the assistance of the issuer or investment dealers who make a market in Section 4(2) commercial paper, thus providing liquidity.

The ability of the Trustees to determine the liquidity of certain restricted securities is permitted under a Securities and Exchange Commission ("SEC") staff position set forth in the adopting release for Rule 144A under the Securities Act of 1933 (the "Rule"). The Rule is a non-exclusive safe-harbor for certain secondary market transactions involving registration for resales of otherwise restricted securities to qualified institutional buyers. The Rule was expected to further enhance the liquidity of the secondary market for securities eligible for resale under the Rule. The Fund believes that the staff of the SEC has left the question of determining the liquidity of all restricted securities to the Trustees. The Trustees may consider the following criteria in determining the liquidity of certain restricted securities:

- the frequency of trades and quotes for the security;
- the number of dealers willing to purchase or sell the security and the number of other potential buyers;
- dealer undertakings to make a market in the security; and
- the nature of the security and the nature of the marketplace trades.

#### FUTURES AND OPTIONS TRANSACTIONS

As a means of reducing fluctuations in the net asset value of shares of the Fund, the Fund may attempt to hedge all or a portion of its portfolio by buying and selling financial futures contracts, buying put options on portfolio securities and put options on financial futures contracts, and writing call options on futures contracts. The Fund may also write covered call options on portfolio securities to attempt to increase its current income. The Fund will maintain its positions in securities, option rights, and segregated cash subject to puts and calls until the options are exercised, closed, or have expired. An option position on financial futures contracts may be closed out over-the-counter or on a nationally recognized exchange which provides a secondary market for options of the same series.

#### FUTURES CONTRACTS

The Fund may purchase and sell financial futures contracts to hedge against the effects of changes in the value of portfolio securities due to anticipated changes in interest rates and market conditions without necessarily buying or selling the securities. The Fund also may purchase and sell stock index futures to hedge against changes in prices. The Fund will not engage in futures transactions for speculative purposes.

A futures contract is a firm commitment by two parties: the seller who agrees to make delivery of the specific type of security called for in the contract ("going short") and the buyer who agrees to take delivery of the security ("going long") at a certain time in the future. For example, in the fixed income securities market, prices move inversely to interest rates. A rise in rates means a drop in price. Conversely, a drop in rates means a rise in price. In order to hedge its holdings of fixed income securities against a rise in market interest rates, the Fund could enter into contracts to deliver securities at a predetermined price (i.e., "go short") to protect itself against the possibility that the prices of its fixed income securities may decline during the Fund's anticipated holding period. The Fund would "go

long" (agree to purchase securities in the future at a predetermined price) to hedge against a decline in market interest rates.

Stock index futures contracts are based on indices that reflect the market value of common stock of the firms included in the indices. An index futures contract is an agreement pursuant to which two parties agree to take or make delivery of an amount of cash equal to the differences between the value of the index at the close of the last trading day of the contract and the price at which the index contract was originally written.

#### "MARGIN" IN FUTURES TRANSACTIONS

Unlike the purchase or sale of a security, the Fund does not pay or receive money upon the purchase or sale of a futures contract. Rather, the Fund is required to deposit an amount of "initial margin" in cash or U.S. Treasury bills with its custodian (or the broker, if legally permitted). The nature of

initial margin in futures transactions is different from that of margin in securities transactions in that initial margin in futures transactions does not involve the borrowing of funds by the Fund to finance the transactions. Initial margin is in the nature of a performance bond or good faith deposit on

the contract which is returned to the Fund upon termination of the futures contract, assuming all contractual obligations have been satisfied.

A futures contract held by the Fund is valued daily at the official settlement

price of the exchange on which it is traded. Each day the Fund pays or receives cash, called "variation margin," equal to the daily change in value of the futures contract. This process is known as "marking to market." Variation margin does not represent a borrowing or loan by the Fund but is instead settlement between the Fund and the broker of the amount one would owe

the other if the futures contract expired. In computing its daily net asset value, the Fund will mark to market its open futures positions.

The Fund is also required to deposit and maintain margin when it writes call options on futures contracts.

#### PUT OPTIONS ON FINANCIAL FUTURES CONTRACTS

The Fund may purchase listed put options on financial futures contracts to protect portfolio securities against decreases in value resulting from market factors, such as an anticipated increase in interest rates. Unlike entering directly into a futures contract, which requires the purchaser to buy a financial instrument on a set date at a specified price, the purchase of a put

option on a futures contract entitles (but does not obligate) its purchaser to

decide on or before a future date whether to assume a short position at the specified price.

Generally, if the hedged portfolio securities decrease in value during the term of an option, the related futures contracts will also decrease in value and the option will increase in value. In such an event, the Fund will normally close out its option by selling an identical option. If the hedge is

successful, the proceeds received by the Fund upon the sale of the second option will be large enough to offset both the premium paid by the Fund for the original option plus the decrease in value of the hedged securities.

Alternatively, the Fund may exercise its put option to close out the position.

To do so, it would simultaneously enter into a futures contract of the type underlying the option (for a price less than the strike price of the option) and exercise the option. The Fund would then deliver the futures contract in return for payment of the strike price. If the Fund neither closes out nor exercises an option, the option will expire on the date provided in the option

contract, and only the premium paid for the contract will be lost.

#### CALL OPTIONS ON FINANCIAL FUTURES CONTRACTS

In addition to purchasing put options on futures, the Fund may write listed and over-the-counter call options on financial futures contracts to hedge its portfolio against an increase in market interest rates. When the Fund writes a call option on a futures contract, it is undertaking the obligation of assuming a short futures position (selling a futures contract) at the fixed strike price at any time during the life of the option if the option is exercised. As stock prices fall or market interest rates rise, causing the prices of futures to go down, the Fund's obligation under a call option on a future (to sell a futures contract) costs less to fulfill, causing the value of the Fund's call option position to increase.

In other words, as the underlying futures price goes down below the strike price, the buyer of the option has no reason to exercise the call, so that the Fund keeps the premium received for the option. This premium can substantially offset the drop in value of the Fund's portfolio securities.

Prior to the expiration of a call written by the Fund, or exercise of it by the buyer, the Fund may close out the option by buying an identical option. If the hedge is successful, the cost of the second option will be less than the premium received by the Fund for the initial option. The net premium income of the Fund will then substantially offset the decrease in value of the hedged securities.

The Fund will not maintain open positions in futures contracts it has sold or call options it has written on futures contracts if, in the aggregate, the value of the open positions (marked to market) exceeds the current market value of its securities portfolio plus or minus the unrealized gain or loss on those open positions, adjusted for the correlation of volatility between the hedged securities and the futures contracts. If this limitation is exceeded at any time, the Fund will take prompt action to close out a sufficient number of open contracts to bring its open futures and options positions within this limitation.

#### PURCHASING PUT OPTIONS ON PORTFOLIO SECURITIES

The Fund may purchase put options on portfolio securities to protect against price movements in particular securities in its portfolio. A put option gives the Fund, in return for a premium, the right to sell the underlying security to the writer (seller) at a specified price during the term of the option.

#### WRITING COVERED CALL OPTIONS ON PORTFOLIO SECURITIES

The Fund may also write covered call options to generate income and thereby protect against price movements in particular securities in the Fund's portfolios. As writer of a call option, the Fund has the obligation upon exercise of the option during the option period to deliver the underlying security upon payment of the exercise price. The Fund may only sell call options either on securities held in its portfolio or on securities which it has the right to obtain without payment of further consideration (or has segregated cash in the amount of any additional consideration).

#### STOCK INDEX OPTIONS

The Fund may purchase put options on stock indices listed on national securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index.

The effectiveness of purchasing stock index options will depend upon the extent to which price movements in the Fund's portfolio correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize a gain or loss from the



purchase of options on an index depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of a particular stock. Accordingly, successful use by the Fund of options on stock indices will be subject to the ability of the Fund's adviser to predict correctly movements in the directions of the stock market generally or of a particular industry. This requires different skills and techniques than predicting changes in the price of individual stocks.

#### OVER-THE-COUNTER OPTIONS

The Fund may purchase and write over-the-counter options on portfolio securities in negotiated transactions with the buyers or writers of the options when options on the portfolio securities held by the Fund are not traded on an exchange.

#### REVERSE REPURCHASE AGREEMENTS

The Fund may also enter into reverse repurchase agreements. These transactions are similar to borrowing cash. In a reverse repurchase agreement, the Fund transfers possession of a portfolio instrument to another person, such as a financial institution, broker, or dealer, in return for a percentage of the instrument's market value in cash, and agrees that on a stipulated date in the future the Fund will repurchase the portfolio instrument by remitting the original consideration plus interest at an agreed upon rate. The use of reverse repurchase agreements may enable the Fund to avoid selling portfolio instruments at a time when a sale may be deemed to be disadvantageous, but the ability to enter into reverse repurchase agreements does not ensure that the Fund will be able to avoid selling portfolio instruments at a disadvantageous time.

When effecting reverse repurchase agreements, liquid assets of the Fund in a dollar amount sufficient to make payment for the obligations to be purchased are segregated at the trade date. These securities are marked to market daily and are maintained until the transaction is settled.

#### PORTFOLIO TURNOVER

Although the Fund does not intend to invest for the purpose of seeking short-term profits, securities in its portfolio will be sold whenever the Fund's adviser believes it is appropriate to do so in light of the Fund's investment objective, without regard to the length of time a particular security may have been held. It is not anticipated that the portfolio trading engaged in by the Fund will result in its annual rate of portfolio turnover exceeding 75%.

#### INVESTMENT LIMITATIONS

##### SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin, but may obtain such short-term credits as may be necessary for clearance of purchases and sales of portfolio securities. The deposit or payment by the Fund of initial or variation margin in connection with futures contracts or related options transactions is not considered the purchase of a security on margin.

##### ISSUING SENIOR SECURITIES AND BORROWING MONEY

The Fund will not issue senior securities, except that the Fund may borrow money directly or through reverse repurchase agreements in amounts up to one-third of the value of its total assets, including the amount borrowed; and except to the extent that the Fund may enter into futures contracts. The Fund will not borrow money or engage in reverse repurchase agreements for investment leverage, but rather as a

temporary, extraordinary, or emergency measure or to facilitate management of the Fund by enabling the Fund to meet redemption requests when the liquidation of portfolio securities is deemed to be inconvenient or disadvantageous. The Fund will not purchase any securities while any borrowings in excess of 5% of its total assets are outstanding.

#### PLEDGING ASSETS

The Fund will not mortgage, pledge, or hypothecate any assets except to secure permitted borrowings. In those cases, it may mortgage, pledge, or hypothecate assets having a market value not exceeding 10% of the value of total assets at the time of the pledge. For purposes of this limitation, the following will not be deemed to be pledges of the Fund's assets: (a) the deposit of assets in escrow in connection with the writing of covered put or call options and the purchase of securities on a when-issued basis; and (b) collateral arrangements with respect to (i) the purchase and sale of stock options (and options on stock indices) and (ii) initial or variation margin for futures contracts. Margin deposits for the purchase and sale of futures contracts and related options are not deemed to be a pledge.

#### DIVERSIFICATION OF INVESTMENTS

With respect to securities comprising 75% of the value of its total assets, the Fund will not purchase securities issued by any one issuer (other than cash, cash items, or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, and repurchase agreements collateralized by such securities) if, as a result, more than 5% of the value of its total assets would be invested in the securities of that issuer. The Fund will not will not acquire more than 10% of the outstanding voting securities of any one issuer.

#### UNDERWRITING

The Fund will not underwrite any issue of securities, except as it may be deemed to be an underwriter under the Securities Act of 1933 in connection with the sale of securities in accordance with its investment objective, policies, and limitations.

#### INVESTING IN REAL ESTATE

The Fund will not purchase or sell real estate, including limited partnership interests, although it may invest in the securities of companies whose business involves the purchase or sale of real estate or in securities which are secured by real estate or interests in real estate.

#### INVESTING IN COMMODITIES

The Fund will not purchase or sell commodities, commodity contracts, or commodity futures contracts except to the extent that the Fund may engage in transactions involving financial futures contracts or options on financial futures contracts.

#### LENDING CASH OR SECURITIES

The Fund will not lend any of its assets, except portfolio securities up to one-third of the value of its total assets. This shall not prevent the Fund from purchasing or holding U.S. government obligations, money market instruments, variable rate demand notes, bonds, debentures, notes, certificates of indebtedness, or other debt securities, entering into repurchase agreements, or engaging in other transactions where permitted by the Fund's investment objective, policies, and limitations or the Trust's Declaration of Trust.

#### CONCENTRATION OF INVESTMENTS

The Fund will not invest 25% or more of the value of its total assets in any one industry (other than securities issued by the U.S. government,

its agencies or instrumentalities).

The above investment limitations cannot be changed without shareholder approval. The following investment limitations may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these limitations becomes effective.

#### INVESTING IN NEW ISSUERS

The Fund will not invest more than 5% of the value of its total assets in securities of issuers with records of less than three years of continuous operations, including the operation of any predecessor.

#### INVESTING IN ISSUERS WHOSE SECURITIES ARE OWNED BY OFFICERS AND TRUSTEES OF THE TRUST

The Fund will not purchase or retain the securities of any issuer if the officers and Trustees of the Trust or the Fund's investment adviser owning individually more than 1/2 of 1% of the issuer's securities together own more than 5% of the issuer's securities.

#### INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund will limit its investment in other investment companies to no more than 3% of the total outstanding voting stock of any investment company, invest no more than 5% of its total assets in any one investment company, and invest no more than 10% of its total assets in investment companies in general. The Fund will purchase securities of investment companies only in open-market transactions involving only customary broker's commissions. However, these limitations are not applicable if the securities are acquired in a merger, consolidation, or acquisition of assets.

#### INVESTING IN RESTRICTED SECURITIES

The Fund will not invest more than 5% of the value of its total assets in securities subject to restrictions on resale under the Securities Act of 1933, except for commercial paper issued under Section 4(2) of the Securities Act of 1933 and certain other restricted securities which meet the criteria for liquidity as established by the Trustees.

#### INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 15% of the value of its net assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice, non-negotiable fixed time deposits with maturities over seven days, over-the-counter options, and certain restricted securities not determined by the Trustees to be liquid.

#### PURCHASING SECURITIES TO EXERCISE CONTROL

The Fund will not purchase securities of a company for the purpose of exercising control or management.

#### INVESTING IN WARRANTS

The Fund will not invest more than 5% of the value of its net assets in warrants. No more than 2% of this 5% may be warrants which are not listed on the New York Stock Exchange or the American Stock Exchange.

#### INVESTING IN PUT OPTIONS

The Fund will not purchase put options on securities, unless the securities are held in the Fund's portfolio and not more than 5% of the value of the Fund's total assets would be invested in premiums on option put option positions.

#### WRITING COVERED CALL OPTIONS

The Fund will not write call options on securities unless the securities are held in the Fund's portfolio or unless the Fund is entitled to them in deliverable form without further payment or after segregating cash in the amount of any further payment.

Except with respect to borrowing money, if a percentage limitation is adhered to at the time of investment, a later increase or decrease in percentage resulting from any change in value or net assets will not result in a violation of such restriction.

The Fund does not expect to borrow money or pledge securities in excess of 5% of the value of its total assets in the coming fiscal year.

For purposes of its policies and limitations, the Fund considers certificates of deposit and demand and time deposits issued by a U.S. branch of a domestic bank or savings and loan association having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment to be "cash items."

To comply with registration requirements in certain states, the Fund (1) will limit the aggregate value of the assets underlying covered call options or put options written by the Fund to not more than 25% of its net assets, (2) will limit the premiums paid for options purchased by the Fund to 5% of its net assets, (3) will limit the margin deposits on futures contracts entered into by the Fund to 5% of its net assets, and (4) will limit investment in warrants to 5% of its net assets. No more than 2% will be in warrants which are not listed on the New York or American Stock Exchanges. Also, to comply with certain state restrictions, the Fund will limit its investment in restricted securities to 5% of total assets. (If state requirements change, these restrictions may be revised without shareholder notification.)

#### TRUST MANAGEMENT

##### OFFICERS AND TRUSTEES

Officers and Trustees are listed with their addresses, principal occupations, and present positions. Except as listed below, none of the Trustees or officers are affiliated with Star Bank, N.A., Federated Investors, Federated Securities Corp., Federated Services Company, Federated Administrative Services, or the Funds (as defined below).

Name and Address	Positions with the Trust	Principal Occupations During Past Five Years
John F. Donahue@* Federated Investors Tower Pittsburgh, PA	Chairman and Trustee	Chairman and Trustee, Federated Investors; Chairman and Trustee, Federated Advisers, Federated Management, and Federated Research; Director, AETna Life and Casualty Company; Chief Executive Officer and Director, Trustee, or Managing General Partner of the Funds; formerly, Director, The Standard Fire Insurance Company.
John T. Conroy, Jr. Wood/IPC Commercial Department John R. Wood and Associates, Inc., 3255 Tamiami Trail North Naples, FL	Trustee	President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; President, Northgate Realtors Village Development Corporation; General Partner or Trustee in private real estate ventures in Southwest Florida; Director, Trustee, or Managing

General Partner of the Funds;  
formerly,  
President, Naples Property  
Management, Inc.

William J. Copeland Trustee  
One PNC Plaza - 23rd Floor  
Pittsburgh, PA

Director and Member of the  
Executive Committee, Michael  
Baker, Inc.; Director, Trustee,  
or Managing General Partner of  
the Funds; formerly, Vice  
Chairman and Director, PNC  
Bank, N.A., and PNC Bank Corp.  
and Director, Ryan Homes, Inc.

James E. Dowd Trustee  
571 Hayward Mill Road  
Concord, MA

Attorney-at-law; Director, The  
Emerging Germany Fund, Inc.;  
Director, Trustee, or Managing  
General Partner of the Funds;  
formerly, Director, Blue Cross  
of Massachusetts, Inc.

Lawrence D. Ellis, M.D. Trustee  
3471 Fifth Avenue  
Suite 1111  
Pittsburgh, PA

Hematologist, Oncologist, and  
Internist, Presbyterian and  
Montefiore Hospitals; Clinical  
Professor of Medicine and  
Trustee, University of  
Pittsburgh; Director, Trustee,  
or Managing General Partner of  
the Funds.

Edward L. Flaherty, Jr. Trustee  
5916 Penn Mall  
Pittsburgh, PA

Attorney-at-law; Partner, Meyer  
and Flaherty; Director, Eat'N  
Park Restaurants, Inc., and  
Statewide Settlement Agency,  
Inc.; Director, Trustee, or  
Managing General Partner of  
the Funds; formerly, Counsel,  
Horizon Financial, F.A.,  
Western Region.

Edward C. Gonzales\* President,  
Federated Investors Treasurer,  
Tower and Trustee  
Pittsburgh, PA

Vice President, Treasurer, and  
Trustee, Federated Investors;  
Vice President and Treasurer,  
Federated Advisers, Federated  
Management,  
and Federated Research; Executive  
Vice President, Treasurer, and  
Director, Federated Securities  
Corp.;  
Trustee, Federated Services  
Company; Chairman, Treasurer,  
and Director, Federated  
Administrative Services;  
Trustee or Director of some of  
the Funds; Vice President and  
Treasurer of the Funds.

Peter E. Madden Trustee  
225 Franklin Street  
Boston, MA

Consultant; State Representative,  
Commonwealth of Massachusetts;  
Director, Trustee, or Managing  
General Partner of the Funds;  
formerly, President, State Street  
Bank and Trust Company and  
State Street Boston Corporation  
and Trustee, Lahey Clinic  
Foundation, Inc.

Gregor F. Meyer Trustee

Attorney-at-law; Partner, Meyer

5916 Penn Mall  
Pittsburgh, PA

and Flaherty; Chairman, Meritcare, Inc.; Director, Eat'N Park Restaurants, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman, Horizon Financial, F.A.

Wesley W. Posvar  
1202 Cathedral of Learning  
University of Pittsburgh  
Pittsburgh, PA

Trustee

Professor, Foreign Policy and Management Consultant; Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., and U.S. Space Foundation; Chairman, Czecho Slovak Management Center; Director, Trustee, or Managing General Partner of the Funds; President Emeritus, University of Pittsburgh; formerly, Chairman, National Advisory Council for Environmental Policy and Technology.

Marjorie P. Smuts  
4905 Bayard Street  
Pittsburgh, PA

Trustee

Public relations/marketing consultant; Director, Trustee, or Managing General Partner of the Funds.

Richard B. Fisher  
Federated Investors Tower  
Pittsburgh, PA

Vice President

Executive Vice President and Trustee, Federated Investors; Chairman and Director, Federated Securities Corp.; President or Vice President of the Funds; Director or Trustee of some of the Funds.

Joseph S. Machi  
Federated Investors Tower  
Pittsburgh, PA

Vice President and Assistant Treasurer

Vice President, Federated Administrative Services; Vice President and Assistant Treasurer of some of the Funds.

John W. McGonigle  
Federated Investors Tower  
Pittsburgh, PA

Vice President and Secretary

Vice President, Secretary, General Counsel, and Trustee, Federated Investors, Vice President, Secretary, and Trustee, Federated Advisers, Federated Management, and Federated Research; Trustee, Federated Services Company; Executive Vice President, Secretary, and Director, Federated Administrative Services; Director and Executive Vice President, Federated Securities Corp.; Vice President and Secretary of the Funds.

John A. Staley, IV  
Federated Investors Tower  
Pittsburgh, PA

Vice President

Vice President and Trustee, Federated Investors; Executive Vice President, Federated Securities Corp.; President and Trustee, Federated Advisers, Federated

Management, and Federated Research; Vice President of the Funds; Director, Trustee, or Managing General Partner of some of the Funds; formerly, Vice President, The Standard Fire Insurance Company and President of its Federated Research Division.

\* This Trustee is deemed to be an "interested person" of the Trust as defined in the Investment Company Act of 1940.

@ Member of the Trust's Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board of Trustees/Directors between meetings of the Board.

#### THE FUNDS

"The Funds" and "Funds" mean the following investment companies: A. T. Ohio Municipal Money Fund; American Leaders Fund, Inc.; Annuity Management Series; Automated Cash Management Trust; Automated Government Money Trust; The Boulevard Funds; California Municipal Cash Trust; Cash Trust Series II; Cash Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; FT Series, Inc.; Federated ARMs Fund; Federated Exchange Fund, Ltd.; Federated GNMA Trust; Federated Government Trust; Federated Growth Trust; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Intermediate Government Trust; Federated Master Trust; Federated Municipal Trust; Federated Short-Intermediate Government Trust; Federated Short-Term U.S. Government Trust; Federated Stock Trust; Federated Tax-Free Trust; Federated U.S. Government Bond Fund; First Priority Funds; Fixed Income Securities, Inc.; Fortress Adjustable Rate U.S. Government Fund, Inc.; Fortress Municipal Income Fund, Inc.; Fortress Utility Fund, Inc.; Fund for U.S. Government Securities, Inc.; Government Income Securities, Inc.; High Yield Cash Trust; Insight Institutional Series, Inc.; Insurance Management Series; Intermediate Municipal Trust; Investment Series Funds, Inc.; Investment Series Trust; Liberty Equity Income Fund, Inc.; Liberty High Income Bond Fund, Inc.; Liberty Municipal Securities Fund, Inc.; Liberty U.S. Government Money Market Trust; Liberty Term Trust, Inc. - 1999; Liberty Utility Fund, Inc.; Liquid Cash Trust; Managed Series Trust; Mark Twain Funds; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; New York Municipal Cash Trust; 111 Corcoran Funds; Peachtree Funds; The Planters Funds; Portage Funds; RIMCO Monument Funds; The Shawmut Funds; Short-Term Municipal Trust; Signet Select Funds; Star Funds; The Starburst Funds; The Starburst Funds II; Stock and Bond Fund, Inc.; Sunburst Funds; Targeted Duration Trust; Tax-Free Instruments Trust; Trademark Funds; Trust for Financial Institutions; Trust For Government Cash Reserves; Trust for Short-Term U.S. Government Securities; Trust for U.S. Treasury Obligations.

#### FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares.

#### TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees are not liable for errors of judgment or mistakes of fact or law. However, they are not protected against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

#### INVESTMENT ADVISORY SERVICES

#### ADVISER TO THE FUND

The Fund's investment adviser is Star Bank, N.A. ("Star Bank" or "Adviser"). Star Bank is a wholly-owned subsidiary of StarBanc Corporation. Because of internal controls maintained by Star Bank to restrict the flow of non-public information, Fund investments are typically made without any knowledge of Star Bank's or its affiliates' lending relationships with an issuer.

Star Bank shall not be liable to the Trust, the Fund, or any shareholder of the Fund for any losses that may be sustained in the purchase, holding, or sale of any security, or for anything done or omitted by it, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon it by its contract with the Trust.

#### ADVISORY FEES

For its advisory services, Star Bank receives an annual investment advisory fee as described in the prospectus.

#### STATE EXPENSE LIMITATIONS

The Fund has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Fund's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes, and extraordinary expenses) exceed 2-1/2% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1-1/2% per year of the remaining average net assets, the Adviser has agreed to reimburse the Fund for its expenses over the limitation.

If the Fund's monthly projected operating expenses exceed this limitation, the investment advisory fee paid will be reduced by the amount of the excess, subject to an annual adjustment. If the expense limitation is exceeded, the amount to be reimbursed by the Adviser will be limited, in any single fiscal year, by the amount of the investment advisory fee.

This arrangement is not part of the advisory contract and may be amended or rescinded in the future.

#### ADMINISTRATIVE SERVICES

Federated Administrative Services, a subsidiary of Federated Investors, provides administrative personnel and services to the Fund for a fee as described in the prospectus.

In addition, John A. Staley, IV, an officer of the Trust, holds approximately 15% of the outstanding common stock and serves as a director of Commercial Data Services, Inc., a company which provides computer processing services to Federated Administrative Services. For the fiscal years ended November 30, 1993, 1992, and 1991, Federated Administrative Services paid approximately \$164,324, \$186,144, and \$193,178, respectively, for services provided by Commercial Data Services, Inc.

#### CUSTODIAN

Star Bank is custodian for the securities and cash of the Fund. Under the Custodian Agreement, Star Bank holds the Fund's portfolio securities in safekeeping and keeps all necessary records and documents relating to its duties. The custodian receives an annual fee equal to 0.025 of 1% of the Fund's average daily net assets.

#### BROKERAGE TRANSACTIONS

The Adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the Adviser and may include:

- advice as to the advisability of investing in securities;



- security analysis and reports;
- economic studies;
- industry studies;
- receipt of quotations for portfolio evaluations; and
- similar services.

The Adviser exercises reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. It determines in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

Research services provided by brokers and dealers may be used by the Adviser in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the Adviser might otherwise have paid, it would tend to reduce its expenses.

#### PURCHASING SHARES

Except under certain circumstances described in the prospectus, shares of the Fund are sold at their net asset value plus a sales charge, if any, on days the New York Stock Exchange and the Federal Reserve Wire System are open for business. Except under the circumstances described in the prospectus, the minimum initial investment in the Fund by an investor is \$1,000. The minimum initial investment may be waived from time to time for employees and retired employees of Star Bank, N.A., and for members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees. The procedure for purchasing shares of the Fund is explained in the prospectus under "Investing in the Fund."

#### DISTRIBUTION PLAN

With respect to the Fund, the Trust has adopted a Plan pursuant to Rule 12b-1 which was promulgated by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (the "Plan"). The Plan provides for payment of fees to Federated Securities Corp. to finance any activity which is principally intended to result in the sale of the Fund's shares subject to the Plan. Such activities may include the advertising and marketing of shares of the Fund; preparing, printing, and distributing prospectuses and sales literature to prospective shareholders, brokers, or administrators; and implementing and operating the Plan. Pursuant to the Plan, Federated Securities Corp. may pay fees to brokers and others for such services.

The Trustees expect that the adoption of the Plan will result in the sale of a sufficient number of shares so as to allow the Fund to achieve economic viability. It is also anticipated that an increase in the size of the Fund will facilitate more efficient portfolio management and assist the Fund in seeking to achieve its investment objective.

#### ADMINISTRATIVE ARRANGEMENTS

The administrative services include, but are not limited to, providing office space, equipment, telephone facilities, and various personnel, including clerical, supervisory, and computer, as is necessary or beneficial to establish and maintain shareholders' accounts and records, process purchase and redemption transactions, process automatic investments of client account cash balances, answer routine client inquiries regarding the Fund, assist clients in changing dividend options, account designations, and addresses, and providing such other services as the Fund may reasonably request.

#### CONVERSION TO FEDERAL FUNDS

It is the Fund's policy to be as fully invested as possible so that maximum interest may be earned. To this end, all payments from shareholders must be

in federal funds or be converted into federal funds. Star Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

#### DETERMINING NET ASSET VALUE

The net asset value generally changes each day. The days on which the net asset value is calculated by the Fund are described in the prospectus.

#### DETERMINING MARKET VALUE OF SECURITIES

Market or fair values of the Fund's portfolio securities are determined as follows:

- for equity securities, according to the last sale price on a national securities exchange, if applicable;
- in the absence of recorded sales for listed equity securities, according to the mean between the last closing bid and asked prices;
- for unlisted equity securities, latest bid prices;
- for bonds and other fixed income securities, as determined by an independent pricing service;
- for short-term obligations, according to the mean between bid and asked prices as furnished by an independent pricing service, or for short-term obligations with maturities of less than 60 days, at amortized cost; or
- for all other securities, at fair value as determined in good faith by the Trustees.

Prices provided by independent pricing services may be determined without relying exclusively on quoted prices and may reflect: institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data.

The Fund will value futures contracts, options and put options on financial futures at their market values established by the exchanges at the close of options trading on such exchanges unless the Trustees determine in good faith that another method of valuing option positions is necessary to appraise their fair value.

Over-the-counter put options will be valued at the mean between the bid and the asked prices. Covered call options will be valued at the last sale price on the national exchange on which such option is traded. Unlisted call options will be valued at the latest bid price as provided by brokers.

#### TRADING IN FOREIGN SECURITIES

Trading in foreign securities may be completed at times which vary from the closing of the New York Stock Exchange. In computing the net asset value, the Fund values foreign securities at the latest closing price on the exchange on which they are traded immediately prior to the closing of the New York Stock Exchange. Certain foreign currency exchange rates may also be determined at the latest rate prior to the closing of the New York Stock Exchange. Foreign securities quoted in foreign currencies are translated into U.S. dollars at current rates. Occasionally, events that affect these values and exchange rates may occur between the times at which they are determined and the closing of the New York Stock Exchange. If such events materially affect the value of portfolio securities, these securities may be valued at their fair value as determined in good faith by the Trustees, although the actual calculation may be done by others.

#### EXCHANGE PRIVILEGE

#### REQUIREMENTS FOR EXCHANGE

Shareholders using the exchange privilege must exchange shares having a net asset value of at least \$1,000. Before the exchange, the shareholder must receive a prospectus of the fund for which the exchange is being made.

This privilege is available to shareholders resident in any state in which the fund shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund. Further information on the exchange privilege and prospectuses may be obtained by calling Star Bank at the number on the cover of this Statement.

#### MAKING AN EXCHANGE

Instructions for exchanges may be given in writing. Written instructions may require a signature guarantee.

#### REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Redemption procedures are explained in the prospectus under "Redeeming Shares."

#### REDEMPTION IN KIND

Although the Trust intends to redeem shares in cash, it reserves the right under certain circumstances to pay the redemption price in whole or in part by a distribution of securities from the respective fund's portfolio. To satisfy registration requirements in a particular state, redemption in kind will be made in readily marketable securities to the extent that such securities are available. If this state's policy changes, the Fund reserves the right to redeem in kind by delivering those securities it deems appropriate.

Redemption in kind will be made in conformity with applicable Securities and Exchange Commission rules, taking such securities at the same value employed in determining net asset value and selecting the securities in a manner the Trustees determine to be fair and equitable.

The Trust has elected to be governed by Rule 18f-1 under the Investment Company Act of 1940 under which the Trust is obligated to redeem shares for any one shareholder in cash only up to the lesser of \$250,000 or 1% of the respective class' net asset value during any 90-day period.

Redemption in kind is not as liquid as a cash redemption. If redemption is made in kind, shareholders receiving their securities and selling them before their maturity could receive less than the redemption value of their securities and could incur certain transaction costs.

#### TAX STATUS

##### THE FUND'S TAX STATUS

The Fund will pay no federal income tax because it expects to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies. To qualify for this treatment, the Fund must, among other requirements:

- derive at least 90% of its gross income from dividends, interest, and gains from the sale of securities;

- derive less than 30% of its gross income from the sale of securities held less than three months;
- invest in securities within certain statutory limits; and
- distribute to its shareholders at least 90% of its net income earned during the year.

#### FOREIGN TAXES

Investment income on certain foreign securities in which the Fund may invest may be subject to foreign withholding or other taxes that could reduce the return on these securities. Tax treaties between the United States and foreign countries, however, may reduce or eliminate the amount of foreign taxes to which the Fund would be subject.

#### SHAREHOLDERS' TAX STATUS

Shareholders are subject to federal income tax on dividends and capital gains received as cash or additional shares. The dividends received deduction for corporations will apply to ordinary income distributions to the extent the distribution represents amounts that would qualify for the dividends received deduction to the Fund if the Fund were a regular corporation and to the extent designated by the Fund as so qualifying. These dividends and any short-term capital gains are taxable as ordinary income.

#### CAPITAL GAINS

Shareholders will pay federal tax at capital gains rates on long-term capital gains distributed to them regardless of how long they have held Fund shares.

#### TOTAL RETURN

The average annual total return for the Fund is the average compounded rate of return for a given period that would equate a \$1,000 initial investment to the ending redeemable value of that investment. The ending redeemable value is computed by multiplying the number of shares owned at the end of the period by the maximum offering price per share at the end of the period. The number of shares owned at the end of the period is based on the number of shares purchased at the beginning of the period with \$1,000, less any applicable sales load, adjusted over the period by any additional shares, assuming the quarterly reinvestment of all dividends and distributions.

#### YIELD

The yield for the Fund is determined by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by the Fund over a thirty-day period by the maximum offering price per share of the Fund on the last day of the period. This value is then annualized using semi-annual compounding. This means that the amount of income generated during the thirty-day period is assumed to be generated each month over a twelve-month period and is reinvested every six months. The yield does not necessarily reflect income actually earned by the Fund because of certain adjustments required by the Securities and Exchange Commission and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

To the extent that financial institutions and broker/dealers charge fees in connection with services provided in conjunction with an investment in the Fund, the performance will be reduced for those shareholders paying those fees.

#### PERFORMANCE COMPARISONS

The performance of the Fund depends upon such variables as:

- portfolio quality;
- average portfolio maturity;
- type of instruments in which the portfolio is invested;
- changes in interest rates and market value of portfolio securities;
- changes in the Fund's expenses; and
- various other factors.

The Fund's performance fluctuates on a daily basis largely because net earnings and the maximum offering price per share fluctuate daily. Both net earnings and offering price per share are factors in the computation of yield and total return.

Investors may use financial publications and/or indices to obtain a more complete view of the Fund's performance. When comparing performance, investors should consider all relevant factors such as the composition of any index used, prevailing market conditions, portfolio compositions of other funds, and methods used to value portfolio securities and compute offering price. The financial publications and/or indices which the Fund uses in advertising may include:

- Lipper Analytical Services, Inc., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all income dividends and capital gains distributions, if any. From time to time, the Fund will quote its Lipper ranking in the "growth" category in advertising and sale literature.
- Standard & Poor's Daily Stock Price Index of 500 Common Stocks, a composite index of common stocks in industry, transportation, and financial and public utility companies, can be used to compare to the total returns of funds whose portfolios are invested primarily in common stocks. In addition, the Standard & Poor's index assumes reinvestments of all dividends paid by stocks listed on its index. Taxes due on any of these distributions are not included, nor are brokerage or other fees calculated in Standard & Poor's figures.

Advertisements and other sales literature for the Fund may quote total returns which are calculated on non-standardized base periods. These total returns also represent the historic change in the value of an investment in the Fund based on quarterly reinvestment of dividends over a specified period of time.

Advertisements may quote performance information which does not reflect the effect of the sales load.

#### APPENDIX

##### STANDARD AND POOR'S CORPORATION CORPORATE BOND RATINGS

AAA--Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA--Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A--Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB--Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

NR--Indicates that no public rating has been requested, that there is

insufficient information on which to base a rating, or that Standard & Poor's does not rate a particular type of obligation as a matter of policy.

PLUS (+) OR MINUS (-):--The ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

#### MOODY'S INVESTORS SERVICE, INC., CORPORATE BOND RATINGS

Aaa--Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa--Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group, they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities.

A--Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa--Bonds which are rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and, in fact, have speculative characteristics as well.

NR--Not rated by Moody's.

#### FITCH INVESTORS SERVICE, INC., LONG-TERM DEBT RATINGS

AAA--Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA--Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Because bonds rated in the AAA and AA categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated F-1+.

A--Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

BBB--Bonds considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds, and therefore, impair timely payment.

NR--NR indicates that Fitch does not rate the specific issue.

#### STANDARD AND POOR'S CORPORATION COMMERCIAL PAPER RATINGS

A-1--This designation indicates that the degree of safety regarding timely

payment is either overwhelming or very strong. The issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

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

A-1.

MOODY'S INVESTORS SERVICES, INC., COMMERCIAL PAPER RATINGS

P-1--Issuers rated PRIME-1 (for related supporting institutions) have a superior capacity for repayment of short-term promissory obligations.

PRIME-1

repayment capacity will normally be evidenced by the following characteristics: conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earning coverage of fixed financial charges and high internal cash generation; and well-established access to a range of financial markets and assured sources of alternate liquidity.

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

FITCH INVESTORS SERVICE, INC., SHORT-TERM RATINGS

F-1+--(Exceptionally Strong Credit Quality). Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

F-1--(Very Strong Credit Quality). Issues assigned to this rating reflect an assurance of timely payment only slightly less in degree than issues rated F-1+.

F-2--(Good Credit Quality). Issues carrying this rating have a satisfactory degree of assurance for timely payment but the margin of safety is not as great as the F-1+ and F-1 categories.

PART C. OTHER INFORMATION.

Item 24. Financial Statements and Exhibits:

- (a) Financial Statements (Filed in Part A)
- (b) Exhibits:
  - (1) Conformed copy of Declaration of Trust of the Registrant (15);
    - (i) Conformed copy of Amendment No. 1 to Declaration of Trust (2);
    - (ii) Conformed copy of Amendment No. 2 to Declaration of Trust (2);
    - (iii) Conformed copy of Amendment No. 3 to Declaration of Trust (2);
    - (iv) Conformed copy of Amendment No. 4 to Declaration of Trust (4);
    - (v) Conformed copy of Amendment No. 5 to Declaration of Trust (12);
    - (vi) Conformed copy of Amendment No. 6 to Declaration of Trust (12);
    - (vii) Conformed copy of Amendment No. 7 to Declaration of Trust (12);
    - (viii) Conformed copy of Amendment No. 8 to

- Declaration of Trust (15);
- (ix) Conformed copy of Amendment No. 9 to Declaration of Trust (15);
- (x) Conformed copy of Amendment No. 10 to Declaration of Trust (15);
- (xi) Conformed copy of Amendment No. 11 to Declaration of Trust (15);
- (xii) Conformed copy of Amendment No. 12 to Declaration of Trust;+
- (2) Copy of By-Laws of the Registrant (1);
- (3) Not applicable;
- (4) Not applicable;

+ All exhibits have been filed electronically.

1. Response is incorporated by reference to Registrant's Initial Registration Statement on Form N-1A filed February 3, 1989. (File Nos. 33-26915 and 811-5762)
  2. Response is incorporated by reference to Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-1A filed April 10, 1989. (File Nos. 33-26915 and 811-5762)
  4. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-1A filed December 6, 1989. (File Nos. 33-26915 and 811-5762)
  12. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-1A filed January 29, 1992. (File Nos. 33-26915 and 811-5762)
  15. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-1A filed July 2, 1993. (File Nos. 33-26915 and 811-5762)
- (5) Conformed copy of Investment Advisory Contract between Losantiville Funds and Star Bank, N.A. (13);
    - (i) Form of Exhibit H to Investment Advisory Contract of the Registrant to add Star Growth Equity Fund to the present Investment Advisory Contract;+
  - (6)
    - (i) Conformed copy of Distributor's Contract of the Registrant (13);
    - (ii) Conformed copy of Exhibit F to Distributor's Contract of the Registrant (17);
    - (iii) Form of Exhibit G to Distributor's Contract of the Registrant (17);
    - (iv) Form of Exhibit H to Distributor's Contract of the Registrant to add Star Growth Equity Fund to the present Distributor's Contract;+
  - (7) Not applicable;
  - (8) Conformed copy of Custodian Contract of the Registrant (15);
  - (9)
    - (i) Conformed copy of Fund Accounting and Shareholder Recordkeeping Agreement (16);
    - (ii) Copy of Amendment No. 1 to Fund Accounting and Shareholder Recordkeeping Agreement (15);
    - (iii) Conformed copy of Administrative Services Agreement (17);
    - (iv) Form of Shareholder Services Plan of the Registrant;+
  - (10) Paper copy of Opinion and Consent of Counsel as to Legality of Shares being Issued (2);



- (11) (i) Conformed copy of Consent of Independent Public Accountants (17);
- (ii) Opinion and Consent of Special Counsel (9);
- (12) Not applicable;
- (13) Conformed copy of Initial Capital Understanding (2);
- (14) Not applicable;

+ All exhibits have been filed electronically.

- 2. Response is incorporated by reference to Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-1A filed April 10, 1989. (File Nos. 33-26915 and 811-5762)
- 9. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-1A filed March 12, 1991. (File Nos. 33-26915 and 811-5762)
- 13. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-1A filed November 20, 1992. (File Nos. 33-26915 and 811-5762)
- 15. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 19 to the Registration Statement on form N-1A filed July 2, 1993. (File Nos. 33-26915 and 811-5762)
- 16. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-1A filed January 21, 1993. (File Nos. 33-26915 and 811-5762)
- 17. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-1A filed February 4, 1994. (File Nos. 33-26915 and 811-5762)

- (15) (i) Conformed copy of Distribution Plan (13);
- (ii) Copy of Rule 12b-1 Agreement (7);
- (iii) Copy of Amendment No. 2 to Exhibit A to 12b-1 Agreement (11);
- (iv) Copy of Amendment No. 3 to Exhibit A to 12b-1 Agreement (11);
- (v) Copy of Amendment No. 4 to Exhibit A to 12b-1 Agreement (13);
- (vi) Conformed copy of Exhibit E to the Distribution Plan (17);
- (vii) Copy of Amendment No. 5 to Exhibit A to 12b-1 Agreement;+
- (viii) Form of Exhibit F to Distribution Plan of the Registrant to add Star Growth Equity Fund to the present Distribution Plan;+
- (16) (i) Schedule for Computation of Fund Performance Data (11);
- (ii) Copy of Schedule for Computation of Fund Performance Data, The Stellar Fund (12);
- (iii) Copy of Schedule for Computation of Fund Performance Data, Star U.S. Government Income Fund (15);
- (17) Conformed copy of Power of Attorney (15);
- (18) Not applicable.

Item 25. Persons Controlled by or Under Common Control with Registrant:

None.

7. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-1A filed December 4, 1990. (File Nos. 33-26915 and 811-5762)
11. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-1A filed August 29, 1991. (File Nos. 33-26915 and 811-5762)
12. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-1A filed January 29, 1992. (File Nos. 33-26915 and 811-5762)
13. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-1A filed November 20, 1992. (File Nos. 33-26915 and 811-5762)
15. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-1A filed July 2, 1993. (File Nos. 33-26915 and 811-5762)
17. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-1A filed February 4, 1994. (File Nos. 33-26915 and 811-5762)

Item 26. Number of Holders of Securities:

Title of Class	Number of Record Holders as of December 31, 1993
Shares of beneficial interest (no par value)	
Star Treasury Fund	12
Star Prime Obligations Fund	12
Star Relative Value Fund	144
Star Tax-Free Money Market Fund	8
The Stellar Fund	4077
Star U.S. Government Income Fund	188
Star Growth Equity Fund	0

Item 27. Indemnification: (3)

Item 28. Business and Other Connections of Investment Adviser:

- (a) Star Bank, N.A. ("Star Bank"), a national bank, was founded in 1863 and is the largest bank and trust organization of StarBanc Corporation. Star Bank had an asset base of \$7.6 billion as of December 31, 1993, and trust assets of \$12.5 billion as of December 31, 1993.

Star Bank has managed commingled funds since 1957. It currently manages eleven common trust funds and collective investment funds having a market value in excess of \$303 million.

The officers and directors of the Star Bank any other business, profession, vocation, or employment of a substantial nature in which each such officer and director is or has been engaged during the past two years, is set forth below. Unless otherwise noted, the position listed under "Other Business, Profession, Vocation or Employment" is with Star Bank.

3. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-1A filed July 26, 1989. (File Nos. 33-26915 and 811-5762)

(b)

Name	Position with the Adviser	Other Substantial Business, Profession, Vocation or Employment
Samuel M. Cassidy	President and Chief Executive Officer	N/A
Jerry A. Grundhofer	Chairman of the Board	N/A
Oliver W. Waddell	Vice Chairman of the Board	N/A
David M. Moffett	Executive Vice President	N/A
Richard K. Davis	Executive Vice President	N/A
Joseph A. Campanella	Executive Vice President	N/A
Thomas J. Lakin	Executive Vice President	N/A
Timothy J. Fogarty	Senior Vice President	N/A
Stephen E. Smith	Senior Vice President	N/A
F. Kristen Koepcke	Vice President and Secretary	N/A
J. R. Bridgeland, Jr.	Director	Partner, Taft, Stetinius & Hollister
L. L. Browning, Jr.	Director	Emerson Electric Co.
V. B. Buyniski	Director	United Medical Resources, Inc.
Samuel M. Cassidy	Director	President & CEO, Star Bank, N.A.
Raymond R. Clark	Director	Cincinnati Bell Telephone Company
V. Anderson Coombe	Director	Wm. Powell Company
John C. Dannemiller	Director	Bearings, Inc.
Jerry A. Grundhofer	Director	President and CEO, Star Banc Corp.
J. P. Hayden, Jr.	Director	The Midland Company
Roger L. Howe	Director	U.S. Precision Lens, Inc.
T. J. Klinedinst, Jr.	Director	Thomas E. Wood, Inc.
Chares S. Mechem, Jr.	Director	Ladies Professional Golf Association

Name	Position with the Adviser	Other Substantial Business, Profession, Vocation or Employment
Daniel J. Meyer	Director	Cincinnati Milacron, Inc.
O. M. Owens, M.D., M.	Director	Christ Hospital
Thomas E. Petry	Director	Eagle-Picher Industries, Inc.
William C. Portman	Director	Portman Equipment Company
Oliver W. Waddell	Director	Star Banc Corporation
Bradley L. Warnemunde	Director	Ohio National Life Insurance Company

Item 29. Principal Underwriters:

- (a) Federated Securities Corp., the Distributor for shares of the Registrant, also acts as principal underwriter for the following open-end investment companies: A.T. Ohio Municipal Money Fund; American Leaders Fund, Inc.; Annuity Management Series; Automated Cash Management Trust; Automated Government Money Trust; BankSouth Select Funds; BayFunds; The Biltmore Funds; The Biltmore Municipal Funds; The Biltmore Municipal Funds; The Boulevard Funds; California Municipal Cash Trust; Cambridge Series Trust; Cash Trust Series, Inc.; Cash Trust Series II; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; FT Series, Inc.; Federated ARMs Fund; Federated Exchange Fund, Ltd.; Federated GNMA Trust; Federated Government Trust; Federated Growth Trust; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Intermediate Government Trust; Federated Master Trust; Federated Municipal Trust; Federated Short-Intermediate Government Trust; Federated Short-Term U.S. Government Trust; Federated Stock Trust; Federated Tax-Free Trust; Federated U.S. Government Bond Fund; Financial Reserves Fund; First Priority Funds; First Union Funds; Fixed Income Securities, Inc.; Fortress Adjustable Rate U.S. Government Fund, Inc.; Fortress Municipal Income Fund, Inc.; Fortress Utility Fund, Inc.; Fountain Square Funds; Fund for U.S. Government Securities, Inc.; Government Income Securities, Inc.; High Yield Cash Trust; Independence One Mutual Funds; Insurance Management Series; Intermediate Municipal Trust; Investment Series Funds, Inc.; Investment Series Trust; Liberty Equity Income Fund, Inc.; Liberty High Income Bond Fund, Inc.; Liberty Municipal Securities Fund, Inc.; Liberty U.S. Government Money Market Trust; Liberty Utility Fund, Inc.; Liquid Cash Trust; Managed Series Trust; Mark Twain Funds; Marshall Funds, Inc.; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; The Monitor Funds; Municipal Securities Income Trust; New York Municipal Cash Trust; 111 Corcoran Funds; Peachtree Funds; The Planters Funds; Portage Funds; RIMCO Monument Funds; The Shawmut Funds; Short-Term Municipal Trust; Signet Select Funds; SouthTrust Vulcan Funds; The Starburst Funds; The Starburst Funds II; Stock and Bond Fund, Inc.; Sunburst Funds; Targeted Duration Trust; Tax-Free Instruments Trust; Tower Mutual Funds; Trademark Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; Trust for U.S.

Treasury Obligations; Vision Fiduciary Funds, Inc.; and  
Vision Group of Funds, Inc.

Federated Securities Corp. also acts as principal  
underwriter for the following closed-end investment company:  
Liberty Term Trust, Inc.- 1999.

(b) (1)	(2)	(3)
Name and Principal Business Address	Positions and Offices With Underwriter	Positions and Offices With Registrant
Richard B. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Chairman, Chief, Executive Officer, Chief Operating Officer, and Asst. Treasurer, Federated Securities Corp.	Vice President
Edward C. Gonzales Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Executive Vice President, and Treasurer, Federated Securities Corp.	President, Treasurer, and Trustee
John W. McGonigle Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Executive Vice President, and Assistant Secretary, Federated Securities Corp.	Vice President and Secretary
John A. Staley, IV Federated Investors Tower Pittsburgh, PA 15222-3779	Executive Vice President and Assistant Secretary, Federated Securities Corp.	Vice President
John B. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	President-Institutional Sales, Federated Securities Corp.	--
James F. Getz Federated Investors Tower Pittsburgh, PA 15222-3779	President-Broker/Dealer, Federated Securities Corp.	--
Mark R. Gensheimer Federated Investors Tower Pittsburgh, PA 15222-3779	Executive Vice President of Bank/Trust, Federated Securities Corp.	--
Mark W. Bloss Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Theodore Fadool, Jr. Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--

(1)	(2)	(3)
Name and Principal Business Address	Positions and Offices With Underwriter	Positions and Offices With Registrant
Bryant R. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Christopher T. Fives Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
James S. Hamilton Federated Investors Tower	Senior Vice President, Federated Securities Corp.	--

Pittsburgh, PA 15222-3779

James M. Heaton Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Keith Nixon Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Timothy C. Pillion Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
James R. Ball Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Richard W. Boyd Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Jane E. Broeren-Lambesis Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Mary J. Combs Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
R. Edmond Connell, Jr. Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Laura M. Deger Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Jill Ehrenfeld Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Mark D. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--

(1)

(2)

(3)

Name and Principal Business Address	Positions and Offices With Underwriter	Positions and Offices With Registrant
Joseph D. Gibbons Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
David C. Glabicki Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Richard C. Gonzales Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Scott A. Hutton Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
William J. Kerns	Vice President,	--

Federated Investors Tower Pittsburgh, PA 15222-3779	Federated Securities Corp.	
William E. Kugler Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Dennis M. Laffey Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Francis J. Matten, Jr. Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
J. Michael Miller Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
R. Jeffery Niss Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Michael P. O'Brien Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Solon A. Person, IV Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Robert F. Phillips Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--

(1)

(2)

(3)

Name and Principal Business Address	Positions and Offices With Underwriter	Positions and Offices With Registrant
Eugene B. Reed Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Paul V. Riordan Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Charles A. Robison Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
David W. Spears Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Brian L. Sullivan Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Thomas E. Territ Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Richard B. Watts Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--

R. Edmond Connell, Jr.	Assistant Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Philip C. Hetzel	Assistant Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
H. Joseph Kennedy	Assistant Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Sharon M. Morgan	Assistant Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
S. Elliott Cohan	Secretary, Federated	Assistant
Federated Investors Tower	Securities Corp.	Secretary
Pittsburgh, PA 15222-3779		

(c) Not applicable.

Item 30. Location of Accounts and Records:

All accounts and records required to be maintained by Section 31(a) of the Investment Company Act of 1940 and Rules 31a-1 through 31a-3 promulgated thereunder are maintained at one of the following locations:

Registrant	Federated Investors Tower Pittsburgh, PA 15222-3779
Federated Services Company ("Transfer Agent, Dividend Disbursing Agent and Portfolio Recordkeeper")	Federated Investors Tower Pittsburgh, PA 15222-3779
Federated Administrative Services ("Administrator")	Federated Investors Tower Pittsburgh, PA 15222-3779
Star Bank, N.A. ("Adviser")	425 Walnut Street Cincinnati, OH 45202
Star Bank, N.A. ("Custodian")	425 Walnut Street Cincinnati, OH 45202

Item 31. Management Services: Not applicable.

Item 32. Undertakings:

Registrant hereby undertakes to comply with the provisions of Section 16(c) of the 1940 Act with respect to the removal of Trustees and the calling of special shareholder meetings by shareholders.

Registrant hereby undertakes to furnish each person to whom a prospectus is delivered with a copy of the Registrant's latest annual report to shareholders, upon request and without charge.

Registrant hereby undertakes to file a post-effective amendment on behalf of Star Growth Equity Fund using financial statements for Star Growth Equity Fund, which need not be certified, within four to six months from the effective date of this Post-Effective Amendment No. 22.



SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant, STAR FUNDS, has duly caused this Amendment to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Pittsburgh and Commonwealth of Pennsylvania, on the 17th day of March, 1994.

STAR FUNDS

BY: /s/ C. Grant Anderson  
C. Grant Anderson, Assistant Secretary  
Attorney in Fact for John F. Donahue  
March 17, 1994

Pursuant to the requirements of the Securities Act of 1933, this Amendment to its Registration Statement has been signed below by the following person in the capacity and on the date indicated:

NAME	TITLE	DATE
By: /s/ C. Grant Anderson C. Grant Anderson 1994 ASSISTANT SECRETARY	Attorney In Fact For the Persons Listed Below	March 17,

NAME	TITLE
John F. Donahue*	Chairman and Trustee (Chief Executive Officer)
Edward C. Gonzales*	President, Treasurer, and Trustee (Principal Financial and Accounting Officer)
John T. Conroy, Jr.*	Trustee
William J. Copeland*	Trustee
James E. Dowd*	Trustee
Lawrence D. Ellis, M.D.*	Trustee
Edward L. Flaherty, Jr.*	Trustee
Peter E. Madden*	Trustee
Gregor F. Meyer*	Trustee
Wesley W. Posvar*	Trustee
Marjorie P. Smuts*	Trustee

\* By Power of Attorney

Exhibit 1(xii) under Form N-1A  
Exhibit 3(a) under Item 601/Reg. S-K

STAR FUNDS  
(formerly: Losantiville Funds)

Amendment No. 12  
DECLARATION OF TRUST  
dated January 23, 1989

THIS Declaration of Trust is amended as follows:

Strike the first paragraph of Section 5 of Article III from the Declaration of Trust and substitute in its place the following:

"Section 5. Establishment and Designation of Series or Class. Without limiting the authority of the Trustees set forth in Article XII, Section 8, inter alia, to establish and designate any additional Series or Class or to modify the rights and preferences of any existing Series or Class, the Series and Classes of the Trust are established and designated as:

Star Growth Equity Fund  
Star Prime Obligations Fund  
Star Relative Value Fund  
Star Tax-Free Money Market Fund  
Star Treasury Fund  
Star U.S. Government Income Fund  
The Stellar Fund  
Investment Shares  
Trust Shares"

The undersigned Assistant Secretary of Star Funds hereby certifies that the above stated Amendment is a true and correct Amendment to the Declaration of Trust, as adopted by the Board of Trustees on the 24th day of February, 1994.

WITNESS the due execution hereof this 25th day of February, 1994.

/s/ C. Grant Anderson  
C. Grant Anderson,



S-K

EXHIBIT H  
to the  
Investment Advisory Contract

STAR GROWTH EQUITY FUND

For all services rendered by Adviser hereunder, the above-named Fund of the Trust shall pay to Adviser and Adviser agrees to accept as full compensation for all services rendered hereunder, an annual investment advisory fee equal to 0.95 of 1% of the average daily net assets of the Fund.

The portion of the fee based upon the average daily net assets of the Fund shall be accrued daily at the rate of 1/365th of 0.95 of 1% applied to the daily net assets of the Fund(s).

The advisory fee so accrued shall be paid to Adviser daily.

Witness the due execution hereof this 1st day of March, 1994.

Attest:

STAR BANK, N.A.

By:

Secretary

Vice President

Attest:

STAR FUNDS

By:

Assistant Secretary

President

S-K

Exhibit H  
to the  
Distributor's Contract

Star Funds

Star Growth Equity Fund

The following provisions are hereby incorporated and made part of the Distributor's Contract dated the 15th day of November, 1990, between Star Funds and Federated Securities Corp. with respect to Classes of the Funds set forth above.

1. The Trust hereby appoints FSC to engage in activities principally intended to result in the sale of shares of the above-listed Classes ("Shares"). Pursuant to this appointment, FSC is authorized to select a group of brokers ("Brokers") to sell Shares at the current offering price thereof as described and set forth in the respective prospectuses of the Trust, and to render administrative support services to the Trust and its shareholders. In addition, FSC is authorized to select a group of administrators ("Administrators") to render administrative support services to the Trust and its shareholders.

2. Administrative support services may include, but are not limited to, the following functions: 1) account openings: the Broker or Administrator communicates account openings via computer terminals located on the Broker's or Administrator's premises; 2) account closings: the Broker or Administrator communicates account closings via computer terminals; 3) enter purchase transactions: purchase transactions are entered through the Broker's or Administrator's own personal computer or through the use of a toll-free telephone number; 4) enter redemption transactions: Broker or Administrator enters redemption transactions in the same manner as purchases; 5) account maintenance: Broker or Administrator provides or arranges to provide accounting support for all transactions. Broker or Administrator also wires funds and receives funds for Trust share purchases and redemptions, confirms and reconciles all transactions, reviews the activity in the Trust's accounts, and provides training and supervision of its personnel; 6) interest posting: Broker or Administrator posts and reinvests dividends to the Trust's accounts; 7) prospectus and shareholder reports: Broker or Administrator maintains and distributes current copies of prospectuses and shareholder reports; 8) advertisements: the Broker or Administrator continuously advertises the availability of its services and products; 9) customer lists: the Broker or Administrator continuously provides names of potential customers; 10) design

services: the Broker or Administrator continuously designs material to send to customers and develops methods of making such materials accessible to customers; and 11) consultation services: the Broker or Administrator continuously provides information about the product needs of customers.

3.

During the term of this Agreement, the Trust will pay FSC for services pursuant to this Agreement, a monthly fee computed at the annual rate of 0.25 of the average aggregate net asset value of the shares of the Star Growth Equity Fund held during the month. For the month in which this Agreement becomes effective or terminates, there shall be an appropriate proration of any fee payable on the basis of the number of days that the Agreement is in effect during the month.

4. FSC may from time-to-time and for such periods as it deems appropriate reduce its compensation to the extent any Classes' expenses exceed such lower expense limitation as FSC may, by notice to the Trust, voluntarily declare to be effective.

5. FSC will enter into separate written agreements with various firms to provide certain of the services set forth in Paragraph 1 herein. FSC, in its sole discretion, may pay Brokers and Administrators a periodic fee in respect of Shares owned from time to time by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid shall be determined from time to time by FSC in its sole discretion.

6. FSC will prepare reports to the Board of Trustees of the Trust on a quarterly basis showing amounts expended hereunder including amounts paid to Brokers and Administrators and the purpose for such payments.

In consideration of the mutual covenants set forth in the Distributor's Contract dated November 15, 1990 between Star Funds and Federated Securities Corp., Star Funds executes and delivers this Exhibit on behalf of the Funds, and with respect to the separate Classes of Shares thereof, first set forth in this Exhibit.

Witness the due execution hereof this 1st day of March, 1994.

ATTEST:

STAR FUNDS

By:

Secretary

President

(SEAL)

ATTEST:

FEDERATED SECURITIES CORP.

By:

Secretary

Executive Vice President

(SEAL)

Star Funds  
SHAREHOLDER SERVICES PLAN

This Shareholder Services Plan ("Plan") is adopted as of this 1st day of March, 1994, by the Board of Trustees of Star Funds (the "Fund"), a Massachusetts business trust with respect to certain classes of shares ("Classes") of the portfolios of the Trust ("the Portfolios") set forth in exhibits hereto.

1. This Plan is adopted to allow the Fund to make payments as contemplated herein to obtain certain personal services for shareholders and/or the maintenance of shareholder accounts ("Services").

2. This Plan is designed to compensate broker/dealers and other participating financial institutions and other persons ("Providers") for providing services to the Fund and its shareholders. The Plan will be administered by Federated Administrative Services, ("FAS"). In compensation for the services provided pursuant to this Plan, Providers will be paid a monthly fee computed at the annual rate not to exceed .25 of 1% of the average aggregate net asset value of the shares of the Fund held during the month.

3. Any payments made by the Portfolios to any Provider pursuant to this Plan will be made pursuant to the "Shareholder Services Agreement" entered into by FAS on behalf of the Fund and the Provider. Providers which have previously entered into "Administrative Agreements" or "Rule 12b-1 Agreements" with Federated Securities Corp. may be compensated under this Plan for Services performed pursuant to those Agreements until the Providers have executed a "Shareholder Services Agreement" hereunder.

4. The Fund has the right (i) to select, in its sole discretion, the Providers to participate in the Plan and (ii) to terminate without cause and in its sole discretion any Shareholder Services Agreement.

5. Quarterly in each year that this Plan remains in effect, FAS shall prepare and furnish to the Board of Trustees of the Fund, and the Board of Trustees shall review, a written report of the amounts expended under the Plan.

6. This Plan shall become effective (i) after approval by majority votes of: (a) the Fund's Board of Trustees; and (b) the members of the Board of the Trust who are not interested persons of the Trust and have no direct or indirect financial interest in the operation



of the Trust's Plan or in any related documents to the Plan ("Disinterested Trustees"), cast in person at a meeting called for the purpose of voting on the Plan; and (ii) upon execution of an exhibit adopting this Plan.

7. This Plan shall remain in effect with respect to each Class presently set forth on an exhibit and any subsequent Classes added pursuant to an exhibit during the initial year of this Plan for the period of one year from the date set forth above and may be continued thereafter if this Plan is approved with respect to each Class at least annually by a majority of the Trust's Board of Trustees and a majority of the Disinterested Trustees, cast in person at a meeting called for the purpose of voting on such Plan. If this Plan is adopted with respect to a class after the first annual approval by the Trustees as described above, this Plan will be effective as to that Class upon execution of the applicable exhibit pursuant to the provisions of paragraph 6(ii) above and will continue in effect until the next annual approval of this Plan by the Trustees and thereafter for successive periods of one year subject to approval as described above.

8. All material amendments to this Plan must be approved by a vote of the Board of Trustees of the Fund and of the Disinterested Trustees, cast in person at a meeting called for the purpose of voting on it.

9. This Plan may be terminated at any time by: (a) a majority vote of the Disinterested Trustees; or (b) a vote of a majority of the outstanding voting securities of the Fund as defined in Section 2(a)(42) of the Act.

10. While this Plan shall be in effect, the selection and nomination of Disinterested Trustees of the Fund shall be committed to the discretion of the Disinterested Trustees then in office.

11. All agreements with any person relating to the implementation of this Plan shall be in writing and any agreement related to this Plan shall be subject to termination, without penalty, pursuant to the provisions of Paragraph 9 herein.

12. This Plan shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania.

Witness the due execution hereof this 1st day of March, 1994

STAR FUNDS

By:

President

EXHIBIT A  
to the

Plan

Star Funds

Star Growth Equity Fund

This Plan is adopted by Star Funds with respect to the Class of Shares of the portfolio of the Trust set forth above.

In compensation for the services provided pursuant to this Plan, Providers will be paid a monthly fee computed at the annual rate of 0.25 of 1% of the average aggregate net asset value of the Star Growth Equity Fund held during the month.

Witness the due execution hereof this 1st day of March, 1994.

Star Funds

By:

President

FEE SCHEDULE FOR RULE 12b-1 AGREEMENT WITH  
FEDERATED SECURITIES CORP.

STAR FUNDS

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Amendment No. 5 to EXHIBIT A  
to 12b-1 Agreement with  
Federated Securities Corp. ("FSC")

Portfolios

FSC will pay Administrator fees for the following portfolios (the "Funds") effective as of the dates set forth below:

Name	Date
STAR RELATIVE VALUE FUND	December 5, 1990
STAR TAX-FREE MONEY MARKET FUND	March 14, 1991
STAR PRIME OBLIGATIONS FUND	July 25, 1991
STAR TREASURY FUND	July 25, 1991
THE STELLAR FUND - INVESTMENT SHARES	April 5, 1994
STAR U.S. GOVERNMENT INCOME FUND	November 23, 1992
STAR GROWTH EQUITY FUND	, 1994

Administrative Fees

1. During the term of this Agreement, FSC will pay Administrator a quarterly fee in respect of each Fund. This fee will be computed at the annual rate of .25% of the average net asset value of Shares held during the quarter in accounts for which the Administrator provides services under this Agreement, so long as the average net asset value of Shares in each Fund during the quarter equals or exceeds such minimum amount as FSC shall from time to time determine and communicate in writing to the Administrator.

2. For the quarterly period in which the Administrative Agreement becomes effective or terminates, there shall be an appropriate proration of any fee payable on the basis of the number of days that the Agreement is in effect during the quarter.

EXHIBIT F  
to the  
Plan

STAR FUNDS

Star Growth Equity Fund

The Plan is adopted by Star Funds with respect to the Class of Shares of the portfolio of the Trust set forth above.

In compensation for the services provided pursuant to this Plan, FSC will be paid a monthly fee computed at the annual rate of 0.25 of 1% of the average aggregate net asset value of Star Growth Equity Fund held during the month.

Witness the due execution hereof this 1st day of March, 1994.

STAR FUNDS

By:

President