FORM 485APOS

Post-effective amendments [Rule 485(a)]

Filing Date: **1996-08-26**
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FILER

EMERALD FUNDS CIK:**831101**| State of Incorp.:**MA** | Fiscal Year End: **1130** Type: **485APOS** | Act: **33** | File No.: **033-20658** | Film No.: **96620617**	Mailing Address *3435 STELZER RD* *COLUMBUS OH 43219-3035*	Business Address *3435 STELZER RD* *COLUMBUS OH 43219-3035* *8003675905*

As filed with the Securities and Exchange Commission
on August 26, 1996

Securities Act File No. 33-20658

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. 19 /X/

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 /X/

Amendment No. 20 /X/

(Check appropriate box or boxes)

EMERALD FUNDS

(Exact Name of Registrant as Specified in Charter)

3435 Stelzer Road
Columbus, Ohio 43219-3035

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: 614-470-8000

Jeffrey A. Dalke, Esquire
DRINKER BIDDLE & REATH
PNB Building
1345 Chestnut Street
Philadelphia, PA 19107

(Name and Address of Agent for Service)

It is proposed that this filing will become effective (check appropriate box)

[ ] immediately upon filing pursuant to paragraph (b)
[ ] on (date) pursuant to paragraph (b)
[X] 60 days after filing pursuant to paragraph (a)(1)
[ ] on (date) pursuant to paragraph (a)(1)
[ ] 75 days after filing pursuant to paragraph (a)(2)
[ ] on (date) pursuant to paragraph (a)(2) of Rule 485.

If appropriate, check the following box:

[ ] this post-effective amendment designates a new effective date for a previously filed post-effective amendment.

The Registrant has previously filed a declaration of indefinite registration of its shares of beneficial interest, $.001 par value per share, of all classes of the Registrant, now existing or hereafter created, under the Securities Act of 1933 pursuant to Rule 24f-2 under the Investment Company Act of 1940, as amended. Registrant's Rule 24f-2 Notice with respect to the Prime Fund, Treasury Fund, Tax-Exempt Fund, Treasury Trust Fund, Prime Trust Fund, Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund and Florida Tax-Exempt Fund for the fiscal year ended November 30, 1995 was filed on January 29, 1996.

THE CURRENTLY EFFECTIVE PROSPECTUSES FOR REGISTRANT'S EQUITY, EQUITY VALUE, INTERNATIONAL EQUITY, SMALL CAPITALIZATION, BALANCED, SHORT-TERM FIXED INCOME, U.S GOVERNMENT SECURITIES, MANAGED BOND, FLORIDA TAX-EXEMPT, PRIME, TREASURY, TAX EXEMPT, PRIME TRUST AND TREASURY TRUST FUNDS ARE CONTAINED IN POST-EFFECTIVE AMENDMENT NO. 18 AS FILED ON JUNE 28, 1996 AND SUCH PROSPECTUSES ARE HEREBY INCORPORATED BY REFERENCE.

EMERALD FUNDS
(Retail Shares of the Equity Fund, Equity Value Fund, International Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund and Florida Tax-Exempt Fund, and Investor Shares of the Prime Fund, Treasury Fund and Tax-Exempt Fund)

FORM N-1A

CROSS REFERENCE SHEET

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1. Cover Page	Cover Page
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3. Condensed Financial Information	Summary of Expenses and Financial Information - Financial Highlights; The Business of the Funds - Measuring Performance
4. General Description of Registrant	Cover Page; Risk Factors, Investment Principles and Policies; Your Emerald Fund Account - The Emerald Family of Funds;
5. Management of the Fund	Investing in Emerald Funds - Your Money Manager; Investing in Emerald Funds - Other Service Providers; The Business of the Funds - Fund Management
5A. Management's Discussion of Fund Performance	Summary of Expenses and Financial Information - Financial Highlights
6. Capital Stock and Other Securities	Your Emerald Fund Account -The Emerald Family of Funds; Investing in Emerald Funds -If You Have Questions; Investing in Emerald Funds -How to Buy Shares; Investing in Emerald Funds - How to Sell Shares; Investing in Emerald Funds - Transaction Rules; Investing in Emerald Funds -Getting Your Investment Started; Your Emerald Fund Account - Dividends and Distributions; The Business of the Funds - Tax Implications; Risk Factors, Investment Principles and Policies
7. Purchase of Securities Being Offered	Investing in Emerald Funds - Getting Your Investment Started; Investing in Emerald Funds - How to Buy Shares; Investing in Emerald Funds - Transaction Rules; Your Emerald Fund Account - Distribution and Service Arrangements; Your Emerald Fund Account - Shareholder Services;
8. Redemption or Repurchase	Investing in Emerald Funds -

How to Sell Shares; Investing in Emerald Funds - Transaction Rules

9. Pending Legal Proceedings . . . . Not applicable (All Portfolios)

EMERALD FUNDS

EMERALD EQUITY FUND
EMERALD EQUITY VALUE FUND
EMERALD INTERNATIONAL EQUITY FUND
EMERALD SMALL CAPITALIZATION FUND
EMERALD BALANCED FUND
EMERALD SHORT-TERM FIXED INCOME FUND
EMERALD U.S. GOVERNMENT SECURITIES FUND
EMERALD MANAGED BOND FUND
EMERALD FLORIDA TAX-EXEMPT FUND
EMERALD PRIME FUND
EMERALD TREASURY FUND
EMERALD TAX-EXEMPT FUND

RETAIL SHARES

SUPPLEMENT TO PROSPECTUS DATED APRIL 1, 1996
(AS SUPPLEMENTED AND REDATED AUGUST 30, 1996)

The following information has been added to the section entitled "Summary of Expenses-Financial Highlights":

The following unaudited information for Retail Shares of the Funds has been derived from the semi-annual financial statements incorporated into the Statement of Additional Information. This financial information should be read together with those financial statements.

FINANCIAL HIGHLIGHTS FOR A RETAIL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

	Equity Fund	Equity Value Fund	International Equity Fund	Small Capitalization Fund
	For the Six Months Months Ended 5/31/96(a) (unaudited)	For the Period Ended 5/31/96* (unaudited)	For the Period Ended 5/31/96* (unaudited)	For the Six Ended 5/31/96 (unaudited)
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$14.62	$10.00	$10.00	$12.77
Income (loss) from investment operations:				
Net investment income (loss)	0.01	0.13	0.08	(0.05)
Net realized and unrealized gains on securities	1.51	0.81	0.58	2.80
Total income from investment operations	1.52	0.94	0.66	2.75
Less dividends and distributions:				
Dividends from net investment income	(0.02)	(0.13)	(0.01)	--
Distributions from net realized gains on securities	(1.29)	--	--	(1.00)
Total dividends and distributions	(1.31)	(0.13)	(0.01)	(1.00)
Net change in net asset value	0.21	0.81	0.65	1.75
NET ASSET VALUE, END OF PERIOD	$14.83	$10.81	$10.65	$14.52
Total return	11.53%++	9.42%++	6.56%++	23.07%++

RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (000s)	$29,609	$1	$1	$9,343
Ratio of expenses to average net assets	1.20%+	0.00%+	0.00%+	1.40%+
Ratio of net investment income (loss) to average net assets	0.06%+	2.85%+	1.82%+	(0.93%)+
Ratio of expenses to average net assets**	1.21%+	317.36%+	328.68%+	1.47%+
Ratio of net investment income (loss) to average net assets**	0.05%+	(314.51%)+	(326.86%)+	(1.00%)+
Portfolio turnover	47%	8%	1%	147%
Average commission rate paid (b)	$0.0517	$0.0877	$0.0902	$0.0426

</TABLE>

* For the period December 27, 1995 (commencement of operations) through May 31, 1996.

** During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.

(a) On March 11, 1996, the Fund terminated its offering of Class B Shares under the then-current sales load schedule and such shares subsequently converted to Retail Shares without affecting the net asset value of the Retail Shares.

(b) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of shares purchased and sold by the Fund for which commissions were charged.

\+ Annualized.

++ Unannualized.

FINANCIAL HIGHLIGHTS FOR A RETAIL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

	Balanced Fund	Short-Term Fixed Income Fund	U.S. Government Securities Fund	Managed Bond Fund
	For the Six Months Ended 5/31/96(a) (unaudited)	For the Six Months Ended 5/31/96(a) (unaudited)	For the Six Months Ended 5/31/96(a) (unaudited)	For the Six Months Ended 5/31/96(a) (unaudited)
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$12.02	$10.14	$10.39	$10.59
Income (loss) from investment operations:				
Net investment income	0.15	0.28	0.32	0.31
Net realized and unrealized gains (losses) on securities	0.65	(0.20)	(0.38)	(0.45)
Total income (loss) from investment operations	0.80	0.08	(0.06)	(0.14)
Less dividends and distributions:				
Dividends from net investment income	(0.16)	(0.28)	(0.30)	(0.31)
Dividends in excess of net investment income	(0.00)	--	(0.00)	(0.10)
Distributions from net realized gains on securities	(0.22)	(0.03)	(0.00)	--
Distributions in excess of net realized gain	--	--	(0.00)	--
Total dividends and distributions	(0.38)	(0.31)	(0.30)	(0.41)
Net change in net asset value	0.42	(0.23)	(0.36)	(0.55)
NET ASSET VALUE, END OF PERIOD	$12.44	$ 9.91	$10.03	$10.04
Total return	6.85%++	0.82%++	(0.64%)++	(1.41%)++
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (000s)	$4,955	$983	$24,429	$1,810

Ratio of expenses to average net assets	0.74%+	0.74%+	1.10%+	0.71%+
Ratio of net investment income to average net assets	1.71%+	4.81%+	6.00%+	4.81%+
Ratio of expenses to average net assets*	1.09%+	2.43%+	1.12%+	1.30%+
Ratio of net investment income to average net assets*	1.36%+	3.12%+	5.98%+	4.22%+
Portfolio turnover	48%	19%	20%	50%
Average commission rate paid (b)	$0.0470	--	--	--

</TABLE>

*   During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.
(a) On March 11, 1996, the Fund terminated its offering of Class B Shares under the then-current sales load schedule and such shares subsequently converted to Retail Shares without affecting the net asset value of the Retail Shares
(b) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of shares purchased and sold by the Fund for which commissions were charged.
\+   Annualized.
++   Unannualized.

FINANCIAL HIGHLIGHTS FOR A RETAIL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

	Florida Tax-Exempt Fund	Prime Fund	Treasury Fund	Tax-Exempt Fund
	For the Six Months Ended 5/31/96(a) (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 11.09	$1.0002	$0.9996	$0.9996
Income (loss) from investment operations:				
Net investment income	0.27	0.0236	0.0224	0.0138
Net realized and unrealized gains (losses) on securities	(0.53)	0.0000	(0.0002)	0.0001
Total income (loss) from investment operations	(0.26)	0.0236	0.0222	0.0139
Less dividends and distributions:				
Dividends from net investment income	(0.27)	(0.0236)	(0.0224)	(0.0138)
Distributions from net realized gains on securities	(0.00)	(0.0002)	--	--
Total dividends and distributions	(0.27)	(0.0238)	(0.0224)	(0.0138)
Net change in net asset value	(0.53)	(0.0002)	(0.0002)	0.0001
NET ASSET VALUE, END OF PERIOD	$ 10.56	$1.0000	$0.9994	$0.9997
Total return	(2.43%)++	2.41%++	2.26%++	1.38%++
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (000s)	$88,929	$540,812	$45,620	$43,457
Ratio of expenses to average net assets	0.96%+	0.90%+	0.90%+	0.90%+
Ratio of net investment income to average net assets	4.64%+	4.71%+	4.49%+	2.72%+

Ratio of expenses to average net assets*	1.06%+	0.92%+	0.96%+	1.00%+
Ratio of net investment income to average net assets*	4.54%+	4.70%+	4.43%+	2.62%+
Portfolio turnover	92%	--	--	--

</TABLE>

* During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.

(a) On March 11, 1996, the Fund terminated its offering of Class B Shares under the then-current sales load schedule and such shares subsequently converted to Retail Shares without affecting the net asset value of the Retail Shares

\+ Annualized.

++ Unannualized.

INVESTMENT ADVISER - ADDITIONAL INFORMATION. For the period ended May 31, 1996, all investment advisory fees payable by the Equity Value Fund and International Equity Fund were waived.

Effective June 29, 1996 Barnett Capital Advisors, Inc., a newly-organized, wholly-owned subsidiary of Barnett Bank, N.A. which, in turn, is a wholly-owned subsidiary of Barnett Banks, Inc., assumed the investment advisory responsibilities of Barnett Banks Trust Company, N.A. for each of the Funds on the terms and conditions stated in the Prospectus. This change did not involve a change in control or management of the investment adviser. Barnett Capital Advisors, Inc. maintains offices at 9000 Southside Boulevard, Building 100, Jacksonville, Florida 32256.

*　　*　　*

Effective August 19, 1996, Brandes Investment Partners, L.P. ("Brandes") became a sub-adviser to the International Equity Fund. Brandes' principal office is located at 12750 High Bluff Drive, San Diego, California 92130. As of June 30, 1996, Brandes had approximately $7.2 billion under management. Brandes Investment Partners, Inc. owns a controlling interest in Brandes and serves as its general partner. Charles Brandes is the controlling shareholder of Brandes Investment Partners, Inc.

Subject to the oversight and supervision of the Adviser and the Trust's Board of Trustees, Brandes provides a continuous investment program for the International Equity Fund, including investment research and management with respect to all securities and investments, except for cash balances of the Fund which are managed by the Adviser. In exchange for its services, Brandes receives a fee from the Adviser, computed daily and payable monthly, at the annual rate of 0.50% of the average daily net assets of the Fund. This fee is payable by the Adviser and does not represent an additional charge to the Fund.

In connection with Brandes' appointment as sub-adviser, Jeffrey A. Busby, CFA, became responsible for the day-to-day management of the International Equity Fund, except, as noted, with respect to the Fund's cash balances. Mr. Busby has been a Managing Partner and Senior Portfolio Manager at Brandes since August 1988. Also in connection with Brandes' appointment as sub-adviser, Don W. Bryant, CFA, became the Adviser's "Sub-Advisory Liaison." In such capacity, Mr. Bryant will oversee the provision of sub-investment advisory services by Brandes. Mr. Bryant has served as an Institutional Portfolio Manager for the Adviser for the past seven years.

*　　*　　*

Effective August 31, 1996, Jeffrey A. Greenert will assume responsibility for the day-to-day management of the Short-Term Fixed Income Fund. Mr. Greenert joined Barnett in 1985 and he currently serves as a fixed income portfolio manager and analyst and is a member of the Adviser's Fixed Income Strategy Committee.

Effective August 31, 1996, Margaret L. Moore will assume responsibility for the day-to-day management of the Florida Tax-Exempt Fund. Ms. Moore joined Barnett in 1991 from First Florida Bank, N.A. where she was a Fixed Income Trader for individual trust accounts for five years. Ms. Moore currently serves as a tax-exempt investment manager for the Adviser and is a member of the Adviser's Fixed Income Strategy Committee.

This supplement is dated August 30, 1996.

EMERALD FUNDS
(Prime Trust Fund and Treasury Trust Fund)

FORM N-1A

CROSS REFERENCE SHEET

Repurchase	How to Sell Shares; Investing in Emerald Funds - Transaction Rules
9. Pending Legal Proceedings . .	Not applicable (All Portfolios)

EMERALD FUNDS

EMERALD PRIME TRUST FUND
EMERALD TREASURY TRUST FUND

SUPPLEMENT TO PROSPECTUS DATED APRIL 1, 1996
(AS SUPPLEMENTED AND REDATED AUGUST 30, 1996)

The following information has been added to the section entitled "Summary of Expenses-Financial Highlights":

The following unaudited information for shares of the Funds has been derived from the semi-annual financial statements incorporated into the Statement of Additional Information. This financial information should be read together with those financial statements.

FINANCIAL HIGHLIGHTS FOR A SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

<S>	Prime Trust Fund For the Six Months Ended 5/31/96 (unaudited) <C> (unaudited)	Treasury Trust Fund For the Six Months Ended 5/31/96 (unaudited) <C> (unaudited)
NET ASSET VALUE, BEGINNING OF PERIOD	$ 0.9999	$ 1.0000
Income (loss) from investment operations:		
Net investment income	0.0258	0.0251
Net realized gains (losses) on securities	0.0000	(0.0003)
Total income from investment operations	0.0258	0.0248
Less dividends and distributions:		
Dividends from net investment income	(0.0258)	(0.0251)
Distributions from net realized gains on securities	(0.0000)	(0.0001)
Total dividends and distributions	(0.0258)	(0.0252)
Net change in net asset value	0.0000	(0.0004)
NET ASSET VALUE, END OF PERIOD	$ 0.9999	$ 0.9996
Total return	2.61%++	2.55%++
RATIOS/SUPPLEMENTAL DATA:		
Net assets, end of period (000s)	$145,746	$138,134
Ratio of expenses to average net assets	0.38%+	0.38%+
Ratio of net investment income to average net assets	5.21%+	5.05%+
Ratio of expenses to average net assets*	0.38%+	0.38%+
Ratio of net investment income to		

average net assets* .... 5.21%+ 5.05%+
</TABLE>

* During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.
\+ Annualized.
++ Unannualized.

INVESTMENT ADVISER - ADDITIONAL INFORMATION. Effective June 29, 1996 Barnett Capital Advisors, Inc., a newly-organized, wholly-owned subsidiary of Barnett Bank, N.A. which, in turn, is a wholly-owned subsidiary of Barnett Banks, Inc., assumed the investment advisory responsibilities of Barnett Banks Trust Company, N.A. for each of the Funds on the terms and conditions stated in the Prospectus. This change did not involve a change in control or management of the investment adviser. Barnett Capital Advisors, Inc. maintains offices at 9000 Southside Boulevard, Building 100, Jacksonville, Florida 32256.

This supplement is dated August 30, 1996.

EMERALD FUNDS

(Treasury Fund -- Institutional/Service)
(Prime Fund -- Institutional/Service)
(Tax-Exempt Fund -- Institutional/Service)

FORM N-1A

CROSS REFERENCE SHEET

	Prospectus Heading
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5. Management of the Fund	Investing in Emerald Funds - Your Money Manager; Investing in Emerald Funds - Other Service Providers; The Business of the Funds - Fund Management
5A. Management's Discussion of Fund Performance	Summary of Expenses and Financial Information - Financial Highlights
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		Investing in Emerald Funds - Transaction Rules; Investing in Emerald Funds -Getting Your Investment Started; Your Emerald Fund Account - Dividends and Distributions; The Business of the Funds - Tax Implications; Risk Factors, Investment Principles and Policies
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8.	Redemption or Repurchase	Investing in Emerald Funds - How to Sell Shares; Investing in Emerald Funds - Transaction Rules
9.	Pending Legal Proceedings	Not applicable (All Portfolios)

EMERALD FUNDS

EMERALD PRIME FUND
EMERALD TREASURY FUND
EMERALD TAX-EXEMPT FUND

INSTITUTIONAL SHARES/SERVICE SHARES

SUPPLEMENT TO PROSPECTUS DATED APRIL 1, 1996
(AS SUPPLEMENTED AND REDATED AUGUST 30, 1996)

The following information has been added to the section entitled "Summary of Expenses-Financial Highlights":

The following unaudited information for Institutional and Services Shares of the Funds has been derived from the semi-annual financial statements incorporated into the Statement of Additional Information. This financial information should be read together with those financial statements.

FINANCIAL HIGHLIGHTS FOR AN INSTITUTIONAL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

	Prime Fund	Treasury Fund	Tax-Exempt Fund
	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)
<S>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 1.0002	$ 0.9996	$ 0.9996

Income (loss) from investment operations:			
Net investment income	0.0262	0.0249	0.0163
Net realized and unrealized gains (losses) on securities	0.0000	(0.0002)	0.0001
Total income from investment operations	0.0262	0.0247	0.0164
Less dividends and distributions:			
Dividends from net investment income	(0.0262)	(0.0249)	(0.0163)
Distributions from net realized gains on securities	(0.0002)	--	--
Total dividends and distributions	(0.0264)	(0.0249)	(0.0163)
Net change in net asset value	(0.0002)	(0.0002)	0.0001
NET ASSET VALUE, END OF PERIOD	$ 1.0000	$ 0.9994	$ 0.9997
Total return	2.67%++	2.52%++	1.64%++
RATIOS/SUPPLEMENTAL DATA:			
Net assets, end of period (000s)	$645,795	$236,090	$133,586
Ratio of expenses to average net assets	0.38%+	0.40%+	0.38%+
Ratio of net investment income to average net assets	5.23%+	4.99%+	3.25%+
Ratio of expenses to average net assets*	0.38%+	0.41%+	0.48%+
Ratio of net investment income to average net assets*	5.23%+	4.98%+	3.15%+

</TABLE>

* During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.

\+ Annualized.

++ Unannualized.

FINANCIAL HIGHLIGHTS FOR A SERVICE SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

<S>	Prime Fund For the Six Months Ended 5/31/96 (unaudited) <C>	Treasury Fund For the Six Months Ended 5/31/96 (unaudited) <C>	Tax-Exempt Fund For the Six Months Ended 5/31/96 (unaudited) <C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 1.0002	$ 0.9996	$ 0.9996
Income (loss) from investment operations:			
Net investment income	0.0245	0.0232	0.0145
Net realized and unrealized gains (losses) on securities	0.0000	(0.0002)	0.0001
Total income from investment operations	0.0245	0.0230	0.0146
Less dividends and distributions:			
Dividends from net investment income	(0.0245)	(0.0232)	(0.0145)
Distributions from net realized gains on securities	(0.0002)	--	--

Total dividends and distributions	(0.0247)	(0.0232)	(0.0145)
Net change in net asset value	(0.0002)	(0.0002)	0.0001
NET ASSET VALUE, END OF PERIOD	$ 1.0000	$ 0.9994	$ 0.9997
Total return	2.50%++	2.34%++	1.46%++
RATIOS/SUPPLEMENTAL DATA:			
Net assets, end of period (000s)	$886,991	$579,856	$ 2,877
Ratio of expenses to average net assets	0.72%+	0.75%+	0.75%+
Ratio of net investment income to average net assets	4.90%+	4.63%+	2.90%+
Ratio of expenses to average net assets*	0.72%+	0.76%+	0.85%+
Ratio of net investment income to average net assets*	4.90%+	4.62%+	2.80%+

</TABLE>

* During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.

\+ Annualized.

++ Unannualized.

INVESTMENT ADVISER - ADDITIONAL INFORMATION. Effective June 29, 1996 Barnett Capital Advisors, Inc., a newly-organized, wholly-owned subsidiary of Barnett Bank, N.A. which, in turn, is a wholly-owned subsidiary of Barnett Banks, Inc., assumed the investment advisory responsibilities of Barnett Banks Trust Company, N.A. for each of the Funds on the terms and conditions stated in the Prospectus. This change did not involve a change in control or management of the investment adviser. Barnett Capital Advisors, Inc. maintains offices at 9000 Southside Boulevard, Building 100, Jacksonville, Florida 32256.

This supplement is dated August 30, 1996.

EMERALD FUNDS

(Institutional Class Shares of the Equity Fund, Small Capitalization Fund, Balanced Fund, Managed Bond Fund and Emerald Shares of the Prime Fund)

(Institutional Class Shares of the Equity Fund, Equity Value Fund, International Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund, and Emerald Shares of the Prime and Treasury Funds)

(Institutional Class Shares of the Equity Fund, Equity Value Fund, International Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund, and Florida Tax-Exempt Fund)

FORM N-1A

CROSS REFERENCE SHEET

Prospectus Heading

1. Cover Page	Cover Page
2. Synopsis	Summary of Expenses and Financial Information - Expenses
3. Condensed Financial Information	Summary of Expenses and Financial Information - Financial Highlights; The Business of the Funds - Measuring Performance
4. General Description of Registrant	Cover Page; Risk Factors, Investment Principles and Policies; The Emerald Family of Funds
5. Management of the Fund	Investing in Emerald Funds - Your Money Manager; Investing in Emerald Funds - Other Service Providers; The Business of the Funds - Fund Management
5A. Management's Discussion of Fund Performance	Summary of Expenses and Financial Information - Financial Highlights
	Prospectus Heading
6. Capital Stock and Other Securities	The Emerald Family of Funds; Investing in Emerald Funds - Purchase of Shares; Investing in Emerald Funds - Redemption of Shares; Investing in Emerald Funds - Dividends and Distributions; The Business of the Funds - Tax Implications
7. Purchase of Securities Being Offered	Investing in Emerald Funds - Explanation of Sales Price; Investing in Emerald Funds - Purchase of Shares; Investing in Emerald Funds - Exchange Privilege
8. Redemption or Repurchase	Investing in Emerald Funds - Redemption of Shares; Investing in Emerald Funds - Transaction Rules
9. Pending Legal Proceedings	Not applicable (All Portfolios)

EMERALD FUNDS

EMERALD EQUITY FUND
EMERALD SMALL CAPITALIZATION FUND
EMERALD BALANCED FUND
EMERALD MANAGED BOND FUND
EMERALD PRIME FUND

INSTITUTIONAL SHARES

SUPPLEMENT TO PROSPECTUS DATED APRIL 1, 1996
(AS SUPPLEMENTED AND REDATED AUGUST 30, 1996)

The following information has been added to the section entitled "Summary of Expenses-Financial Highlights":

The following unaudited information for Institutional Shares of the Funds has been derived from the semi-annual financial statements incorporated into the Statement of Additional Information. This financial information should be read together with those financial statements.

FINANCIAL HIGHLIGHTS FOR AN INSTITUTIONAL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

	Equity Fund	Small Capitalization Fund	Balanced Fund	Managed Bond Fund	Prime Fund
	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)
NET ASSET VALUE, BEGINNING OF PERIOD	$ 14.63	$ 12.78	$ 11.91	$ 10.55	$ 1.0002
Income (loss) from investment operations:					
Net investment income (loss)	0.04	(0.04)	0.19	0.33	0.0262
Net realized and unrealized gains (losses) on securities	1.52	2.83	0.64	(0.46)	0.0000
Total income (loss) from investment operations	1.56	2.79	0.83	(0.13)	0.0262
Less dividends and distributions:					
Dividends from net investment income	(0.04)	--	(0.19)	(0.33)	(0.0262)
Dividends in excess of net investment income	--	--	(0.00)	(0.10)	--
Distributions from net realized gains on securities	(1.29)	(1.00)	(0.22)	--	(0.0002)
Total dividends and distributions	(1.33)	(1.00)	(0.41)	(0.43)	(0.0264)
Net change in net asset value	0.23	1.79	0.42	(0.56)	(0.0002)
NET ASSET VALUE, END OF PERIOD	$ 14.86	$ 14.57	$ 12.33	$ 9.99	$ 1.0000
Total return	11.82%++	23.38%++	7.15%++	(1.33%)++	2.67%++
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000s)	$200,172	$124,559	$ 79,231	$ 69,097	$645,795
Ratio of expenses to average net assets	0.82%+	1.36%+	0.53%+	0.45%+	0.38%+
Ratio of net investment income (loss) to average net assets	0.52%+	(0.77%)+	3.19%+	6.41%+	5.23%+
Ratio of expenses to average net assets*	(a)	(a)	0.93%+	0.72%+	0.38%+
Ratio of net investment income to average net assets*	(a)	(a)	2.79%+	6.14%+	5.23%+
Portfolio turnover	47%	147%	48%	50%	
Average commission rate paid (b)	$ 0.0517	$ 0.0426	$ 0.0470	--	--

* During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.
(a) There were no waivers or reimbursements during the period.
(b) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of shares purchased and sold by the Fund for which commissions were charged.
\+ Annualized.
++ Unannualized.

INVESTMENT ADVISER - ADDITIONAL INFORMATION. Effective June 29, 1996 Barnett Capital Advisors, Inc., a newly-organized, wholly-owned subsidiary of Barnett Bank, N.A. which, in turn, is a wholly-owned subsidiary of Barnett Banks, Inc., assumed the investment advisory responsibilities of Barnett Banks Trust Company, N.A. for each of the Funds on the terms and conditions stated in the Prospectus. This change did not involve a change in control or management of the investment adviser. Barnett Capital Advisors, Inc. maintains offices at 9000 Southside Boulevard, Building 100, Jacksonville, Florida 32256.

This supplement is dated August 30, 1996.

EMERALD FUNDS

EMERALD EQUITY FUND
EMERALD EQUITY VALUE FUND
EMERALD INTERNATIONAL EQUITY FUND
EMERALD SMALL CAPITALIZATION FUND
EMERALD BALANCED FUND
EMERALD SHORT-TERM FIXED INCOME FUND
EMERALD U.S. GOVERNMENT SECURITIES FUND
EMERALD MANAGED BOND FUND
EMERALD PRIME FUND
EMERALD TREASURY FUND

INSTITUTIONAL SHARES

SUPPLEMENT TO PROSPECTUS DATED APRIL 1, 1996
(AS SUPPLEMENTED AND REDATED AUGUST 30, 1996)

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FINANCIAL HIGHLIGHTS FOR AN INSTITUTIONAL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

	Equity Fund	Equity Value Fund	International Equity Fund	Small Capitalization Fund	Balanced Fund
	For the Six Months Ended 5/31/96 (unaudited)	For the Period Ended 5/31/96* (unaudited)	For the Period Ended 5/31/96* (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 14.63	$ 10.00	$ 10.00	$ 12.78	$ 11.91
Income (loss) from investment operations:					
Net investment income	0.04	0.13	0.09	(0.04)	0.19
Net realized and unrealized gains (losses) on securities	1.52	0.81	0.57	2.83	0.64
Total income from investment operations	1.56	0.94	0.66	2.79	0.83
Less dividends and distributions:					
Dividends from net investment income	(0.04)	(0.13)	(0.01)	--	(0.19)
Dividends in excess of net investment					

income	--	--	--	--	(0.00)
Distributions from net realized gains on securities	(1.29)	--	--	(1.00)	(0.22)
Total dividends and distributions	(1.33)	(0.13)	(0.01)	(1.00)	(0.41)
Net change in net asset value	0.23	0.81	0.65	1.79	0.42
NET ASSET VALUE, END OF PERIOD	$ 14.86	$ 10.81	$ 10.65	$ 14.57	$ 12.33
Total return	11.82%++	9.42%++	6.56%++	23.38%++	7.15%++
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000s)	$200,172	$ 2,162	$ 2,147	$124,559	$ 79,231
Ratio of expenses to average net assets	0.82%+	0.00%+	0.00%+	1.36%+	0.53%+
Ratio of net investment income (loss) to average net assets	0.52%+	2.87%+	1.86%+	(0.77%)+	3.19%+
Ratio of expenses to average net assets**	(a)	6.46%+	7.22%+	(a)	0.93%+
Ratio of net investment income (loss) to average net assets**	(a)	(3.59%)+	(5.36%)+	(a)	2.79%+
Portfolio turnover	47%	8%	1%	147%	48%
Average commission rate paid (b)	$ 0.0517	$ 0.0877	$ 0.0902	$ 0.0426	$ 0.0470

</TABLE>

* For the period December 27, 1995 (commencement of operations) through May 31, 1996.

** During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.

(a) There were no waivers or reimbursements during the period.

(b) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of shares purchased and sold by the Fund for which commissions were charged.

\+ Annualized.

++ Unannualized.

FINANCIAL HIGHLIGHTS FOR AN INSTITUTIONAL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

	Short-Term Fixed Income Fund	U.S. Government Securities Fund	Managed Bond Fund	Prime Fund	Treasury Fund
	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 10.15	$ 10.36	$ 10.55	$ 1.0002	$ 0.9996
Income (loss) from investment operations:					
Net investment income	0.30	0.35	0.33	0.0262	0.0249
Net realized and unrealized gains (losses) on securities	(0.21)	(0.38)	(0.46)	0.0000	(0.0002)
Total income (loss) from investment operations	0.09	(0.03)	(0.13)	0.0262	0.0247
Less dividends and distributions:					
Dividends from net investment income	(0.30)	(0.32)	(0.33)	(0.0262)	(0.0249)

Dividends in excess of net investment income	--	(0.00)	(0.10)	--	--
Distributions from net realized gains on securities	(0.03)	--	--	(0.0002)	--
Total dividends and distributions	(0.33)	(0.32)	(0.43)	(0.0264)	(0.0249)
Net change in net asset value	(0.24)	(0.35)	(0.56)	(0.0002)	(0.0002)
NET ASSET VALUE, END OF PERIOD	$ 9.91	$ 10.01	$ 9.99	$ 1.0000	$ 0.9994
Total return	0.91%++	(0.34%)++	(1.33%)++	2.67%++	2.52%++
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000s)	$17,272	$32,588	$69,097	$645,795	$236,090
Ratio of expenses to average net assets	0.43%+	0.71%+	0.45%+	0.38%+	0.40%+
Ratio of net investment income to average net assets	6.00%	6.62%+	6.41%+	5.23%+	4.99%+
Ratio of expenses to average net assets*	1.21%+	0.72%+	0.72%+	0.38%+	0.41%+
Ratio of net investment income to average net assets*	5.22%+	6.61%+	6.14%+	5.23%+	4.98%+
Portfolio turnover	19%	20%	50%	--	--

</TABLE>

* During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.

\+ Annualized.

++ Unannualized.

INVESTMENT ADVISER - ADDITIONAL INFORMATION. For the period ended May 31, 1996, all investment advisory fees payable by the Equity Value Fund and International Equity Fund were waived.

Effective June 29, 1996 Barnett Capital Advisors, Inc., a newly-organized, wholly-owned subsidiary of Barnett Bank, N.A. which, in turn, is a wholly-owned subsidiary of Barnett Banks, Inc., assumed the investment advisory responsibilities of Barnett Banks Trust Company, N.A. for each of the Funds on the terms and conditions stated in the Prospectus. This change did not involve a change in control or management of the investment adviser. Barnett Capital Advisors, Inc. maintains offices at 9000 Southside Boulevard, Building 100, Jacksonville, Florida 32256.

* * *

Effective August 19, 1996, Brandes Investment Partners, L.P. ("Brandes") became a sub-adviser to the International Equity Fund. Brandes' principal office is located at 12750 High Bluff Drive, San Diego, California 92130. As of June 30, 1996, Brandes had approximately $7.2 billion under management. Brandes Investment Partners, Inc. owns a controlling interest in Brandes and serves as its general partner. Charles Brandes is the controlling shareholder of Brandes Investment Partners, Inc.

Subject to the oversight and supervision of the Adviser and the Trust's Board of Trustees, Brandes provides a continuous investment program for the International Equity Fund, including investment research and management with respect to all securities and investments, except for cash balances of the Fund which are managed by the Adviser. In exchange for its services, Brandes receives a fee from the Adviser, computed daily and payable monthly, at the annual rate of 0.50% of the average daily net assets of the Fund. This fee is payable by the Adviser and does not represent an additional charge to the Fund.

In connection with Brandes' appointment as sub-adviser, Jeffrey A. Busby, CFA, became responsible for the day-to-day management of the International Equity Fund, except, as noted, with respect to the Fund's cash balances. Mr. Busby has been a Managing Partner and Senior Portfolio Manager at Brandes since August 1988. Also in connection with Brandes' appointment as sub-adviser, Don W. Bryant, CFA, became the Adviser's "Sub-Advisory Liaison." In such capacity, Mr. Bryant will oversee the provision of sub-investment advisory services by Brandes. Mr. Bryant has served as an Institutional Portfolio Manager for the Adviser for the past seven years.

* * *

Effective August 31, 1996, Jeffrey A. Greenert will assume responsibility for the day-to-day management of the Short-Term Fixed Income Fund. Mr. Greenert joined Barnett in 1985 and he currently serves as a fixed income portfolio manager and analyst and is a member of the Adviser's Fixed Income Strategy Committee.

Effective August 31, 1996, Margaret L. Moore will assume responsibility for the day-to-day management of the Florida Tax-Exempt Fund. Ms. Moore joined Barnett in 1991 from First Florida Bank, N.A. where she was a Fixed Income Trader for individual trust accounts for five years. Ms. Moore currently serves as a tax-exempt investment manager for the Adviser and is a member of the Adviser's Fixed Income Strategy Committee.

This supplement is dated August 30, 1996.

EMERALD FUNDS

EMERALD EQUITY FUND
EMERALD EQUITY VALUE FUND
EMERALD INTERNATIONAL EQUITY FUND
EMERALD SMALL CAPITALIZATION FUND
EMERALD BALANCED FUND
EMERALD SHORT-TERM FIXED INCOME FUND
EMERALD U.S. GOVERNMENT SECURITIES FUND
EMERALD MANAGED BOND FUND
EMERALD FLORIDA TAX-EXEMPT FUND

INSTITUTIONAL SHARES

SUPPLEMENT TO PROSPECTUS DATED APRIL 1, 1996
(AS SUPPLEMENTED AND REDATED AUGUST 30, 1996)

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The following unaudited information for Institutional Shares of the Funds has been derived from the semi-annual financial statements incorporated into the Statement of Additional Information. This financial information should be read together with those financial statements.

FINANCIAL HIGHLIGHTS FOR AN INSTITUTIONAL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

	Equity Fund	Equity Value Fund	International Equity Fund	Small Capitalization Fund	Balanced Fund
	For the Six Months Ended 5/31/96 (unaudited)	For the Period Ended 5/31/96* (unaudited)	For the Period Ended 5/31/96* (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 14.63	$ 10.00	$ 10.00	$ 12.78	$ 11.91
Income (loss) from investment operations:					
Net investment income (loss)	0.04	0.13	0.09	(0.04)	0.19

Net realized and unrealized gains on securities	1.52	0.81	0.57	2.83	0.64
Total income from investment operations	1.56	0.94	0.66	2.79	0.83
Less dividends and distributions:					
Dividends from net investment income..........	(0.04)	(0.13)	(0.01)	--	(0.19)
Dividends in excess of net investment income	--	--	--	--	(0.00)
Distributions from net realized gains on securities	(1.29)	--	--	(1.00)	(0.22)
Total dividends and distributions	(1.33)	(0.13)	(0.01)	(1.00)	(0.41)
Net change in net asset value..	0.23	0.81	0.65	1.79	0.42
NET ASSET VALUE, END OF PERIOD	$ 14.86	$ 10.81	$ 10.65	$ 14.57	$ 12.33
Total return	11.82%++	9.42%++	6.56%++	23.38%++	7.15%++
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000s)...........	$ 200,172	$ 2,162	$ 2,147	$ 124,559	$ 79,231
Ratio of expenses to average net assets.................	0.82%+	0.00%+	0.00%+	1.36%+	0.53%+
Ratio of net investment income (loss) to average net assets......................	0.52%+	2.87%+	1.86%+	(0.77%)+	3.19%+
Ratio of expenses to average net assets**	(a)	6.46%+	7.22%+	(a)	0.93%+
Ratio of net investment income (loss) to average net assets**	(a)	(3.59%)+	(5.36%)+	(a)	2.79%+
Portfolio turnover...........	47%	8%	1%	147%	48%
Average commission rate paid (b)	$ 0.0517	$ 0.0877	$ 0.0902	$ 0.0426	$ 0.0470

</TABLE>

* For the period December 27, 1995 (commencement of operations) through May 31, 1996.

** During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.

(a) There were no waivers or reimbursements during the period.

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\+ Annualized.

++ Unannualized.

FINANCIAL HIGHLIGHTS FOR AN INSTITUTIONAL SHARE OF EACH FUND OUTSTANDING THROUGHOUT THE PERIOD INDICATED:

<TABLE>
<CAPTION>

	Short-Term Fixed Income Fund	U.S. Government Securities Fund	Managed Bond Fund	Florida Tax-Exempt Fund
	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)	For the Six Months Ended 5/31/96 (unaudited)
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 10.15	$ 10.36	$ 10.55	$ 11.09
Income (loss) from investment operations:				
Net investment income	0.30	0.35	0.33	0.29
Net realized and unrealized gains (losses) on securities	(0.21)	(0.38)	(0.46)	(0.52)

Total income (loss) from investment operations ..	0.09	(0.03)	(0.13)	(0.23)
Less dividends and distributions:				
Dividends from net investment income............	(0.30)	(0.32)	(0.33)	(0.29)
Dividends in excess of net investment income.....	--	(0.00)	(0.10)	--
Distributions from net realized gains on securities	(0.03)	--	--	(0.00)
Total dividends and distributions................	(0.33)	(0.32)	(0.43)	(0.29)
Net change in net asset value.....................	(0.24)	(0.35)	(0.56)	(0.52)
NET ASSET VALUE, END OF PERIOD....................	$ 9.91	$ 10.01	$ 9.99	$ 10.57
Total return	0.91%++	(0.34%)++	(1.33%)++	(2.17%)++
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (000s)..................	$ 17,272	$ 32,588	$ 69,097	$ 32,733
Ratio of expenses to average net assets	0.43%+	0.71%+	0.45%+	0.68%+
Ratio of net investment income to average net assets	6.00%+	6.62%+	6.41%+	5.34%+
Ratio of expenses to average net assets*..........	1.21%+	0.72%+	0.72%+	0.69%+
Ratio of net investment income to average net assets*.....................................	5.22%+	6.61%+	6.14%+	5.33%+
Portfolio turnover...............................	19%	20%	50%	92%

</TABLE>

* During the period certain fees were voluntarily reduced and/or reimbursed. If such voluntary fee reductions and/or reimbursement had not occurred, the ratios would have been as indicated.

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INVESTMENT ADVISER - ADDITIONAL INFORMATION. For the period ended May 31, 1996, all investment advisory fees payable by the Equity Value Fund and International Equity Fund were waived.

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Subject to the oversight and supervision of the Adviser and the Trust's Board of Trustees, Brandes provides a continuous investment program for the International Equity Fund, including investment research and management with respect to all securities and investments, except for cash balances of the Fund which are managed by the Adviser. In exchange for its services, Brandes receives a fee from the Adviser, computed daily and payable monthly, at the annual rate of 0.50% of the average daily net assets of the Fund. This fee is payable by the Adviser and does not represent an additional charge to the Fund.

In connection with Brandes' appointment as sub-adviser, Jeffrey A. Busby, CFA, became responsible for the day-to-day management of the International Equity Fund, except, as noted, with respect to the Fund's cash balances. Mr. Busby has been a Managing Partner and Senior Portfolio Manager at Brandes since August 1988. Also in connection with Brandes' appointment as sub-adviser, Don W. Bryant, CFA, became the Adviser's "Sub-Advisory Liaison." In such capacity, Mr. Bryant will oversee the provision of sub-investment advisory services by Brandes. Mr. Bryant has served as an Institutional Portfolio Manager for the Adviser for the past seven years.

*   *   *

Effective August 31, 1996, Jeffrey A. Greenert will assume responsibility for the day-to-day management of the Short-Term Fixed Income Fund. Mr. Greenert joined Barnett in 1985 and he currently serves as a fixed income portfolio manager and analyst and is a member of the Adviser's Fixed Income Strategy Committee.

Effective August 31, 1996, Margaret L. Moore will assume responsibility for the day-to-day management of the Florida Tax-Exempt Fund. Ms. Moore joined Barnett in 1991 from First Florida Bank, N.A. where she was a Fixed Income Trader for individual trust accounts for five years. Ms. Moore currently serves as a tax-exempt investment manager for the Adviser and is a member of the Adviser's Fixed Income Strategy Committee.

This supplement is dated August 30, 1996.

EMERALD FUNDS

Statement of Additional Information
Equity Fund
Equity Value Fund
International Equity Fund
Small Capitalization Fund
Balanced Fund
Short-Term Fixed Income Fund
U.S. Government Securities Fund
Managed Bond Fund
Florida Tax-Exempt Fund
Prime Fund
Treasury Fund
Tax-Exempt Fund

April 1, 1996
(as revised August 30, 1996)

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This Statement of Additional Information, which applies to Retail and Institutional Shares of the Equity, Equity Value, International Equity, Small Capitalization, Balanced, Short-Term Fixed Income, U.S. Government Securities, Managed Bond and Florida Tax-Exempt Funds (the "Equity and Fixed

Income Funds") and to Retail Shares of the Prime, Treasury and Tax-Exempt Funds (the "Money Market Funds"), is meant to be read in conjunction with the Prospectuses dated April 1, 1996, as supplemented August 30, 1996, with respect to Institutional and Retail Shares of the Equity and Fixed Income Funds and Retail Shares of the Money Market Funds, and is incorporated by reference in its entirety into those Prospectuses. Because this Statement of Additional Information is not itself a prospectus, no investment in Institutional Shares or Retail Shares of the Equity and Fixed Income Funds or in Retail Shares of the Money Market Funds should be made solely upon the information contained herein. Copies of the Prospectuses may be obtained by calling 800-637-3759. Capitalized terms used but not defined herein have the same meanings as in the Prospectuses.

SHARES OF THE FUNDS ARE NOT BANK DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BARNETT BANK OR ANY OTHER BANK AND ARE NOT ISSUED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FDIC, THE FEDERAL RESERVE BOARD OR ANY OTHER GOVERNMENTAL AGENCY. EACH MONEY MARKET FUND SEEKS TO MAINTAIN A NET ASSET VALUE OF $1.00 PER SHARE, ALTHOUGH THERE CAN BE NO ASSURANCE THAT IT WILL BE ABLE TO DO SO ON A CONTINUOUS BASIS. INVESTMENT IN THE FUNDS INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL. IN ADDITION, THE DIVIDENDS PAID BY A FUND WILL FLUCTUATE.

EMERALD FUNDS

Emerald Funds (the "Trust") is a Massachusetts business trust which was organized on March 15, 1988 as an open-end investment company. This Statement of Additional Information pertains to Retail and Institutional Shares of the Equity and Fixed Income Funds (of which the Equity, Equity Value, International Equity, Small Capitalization, Balanced, Short-Term Fixed Income, U.S. Government Securities and Managed Bond Funds are classified as diversified portfolios and the Florida Tax-Exempt Fund is classified as a non-diversified portfolio) and to Retail Shares of the Money Market Funds (all of which are classified as diversified). The Equity and Fixed Income Funds and the Money Market Funds are sometimes referred to as the "Funds." Emerald Funds also currently offers other classes of shares in each of the Money Market Funds (Institutional Shares and Service Shares), as well as shares in other investment portfolios. These other share classes and portfolios are described in separate Prospectuses and Statements of Additional Information. For further information, contact the Distributor at the telephone number stated on the cover page of this Statement of Additional Information.

INVESTMENT OBJECTIVES AND POLICIES

The Prospectuses for the Funds describe the Funds' investment objectives. The following policies supplement the Funds' respective investment objectives and policies as set forth in their Prospectuses.

PORTFOLIO TRANSACTIONS

Subject to the general supervision of the Board of Trustees, Barnett Capital Advisors, Inc. (the "Adviser") makes decisions with respect to and places orders for all purchases and sales of portfolio securities for the Equity and Fixed Income Funds (except the International Equity Fund) and for the Prime and Treasury Funds. Brandes Investment Partners, L.P. ("Brandes") performs such services (except for the management of cash balances) for the International Equity Fund and Rodney Square Management Corporation (the "Rodney Square" and, together with Brandes, the "Sub-Advisors"), a wholly-owned subsidiary of Wilmington Trust Company, has similar responsibilities for the Tax-Exempt Fund. The Sub-Advisors are subject to the general supervision of both the Board of Trustees and the Adviser. (The Sub-Advisers do not provide sub-advisory services for any of the other Funds.)

The portfolio turnover rate for the Funds is calculated by dividing the lesser of purchases or sales of portfolio securities for the reporting period by the monthly average value of the portfolio securities owned during the reporting period. The calculation excludes all securities (such as those held by the Money Market Funds), including options, whose maturities or

expiration dates at the time of acquisition are thirteen months or less. Portfolio turnover may vary greatly from year to year, as well as within a particular year, and may be affected by cash requirements for redemption of shares and by requirements which enable the Funds to receive favorable tax treatment. The portfolio turnover rates for the fiscal years ended November 30, 1994 and 1995 were 113% and 104%, respectively for the Equity Fund; 133% and 89% respectively for the U.S. Government Securities; and 89% and 89%, respectively for the Florida Tax-Exempt Fund. The portfolio turnover rates for the Small Capitalization Fund for the period from January 4, 1994 (commencement of operations) through November 30, 1994 and the fiscal year ended November 30, 1995 were 118% and 229%. The portfolio turnover rates for the Balanced, Short-Term Fixed Income and Managed Bond Funds for the period from April 11, 1994 (commencement of operations) through November 30, 1994 and the fiscal year ended November 30, 1995 were 33% and 87% for the Balanced Fund; 0% and 33% for the Short-Term Fixed Income Fund; and 83% and 92% for the Managed Bond Fund. The annual portfolio turnover rates for the Equity Value and International Equity Funds are not expected to exceed 100%.

Because the Money Market Funds invest only in short-term instruments, their portfolio turnover rate is expected to be zero for regulatory reporting purposes. The Money Market Funds do not intend to seek profits from short-term trading. Because these Funds invest only in short-term debt instruments, their annual portfolio turnover rates will on an actual basis be relatively high, but brokerage commissions are normally not paid on money market instruments, and portfolio turnover is not expected to have a material effect on the net investment income of the Money Market Funds. Portfolio turnover will not be a limiting factor in making portfolio decisions for any Fund.

Transactions on U.S. stock exchanges involve the payment of negotiated brokerage commissions. On exchanges on which commissions are negotiated, the cost of transactions may vary among different brokers. For the fiscal years ended November 30, 1995, 1994 and 1993, the Equity Fund paid $579,942, $499,826 and $496,461 in brokerage commissions, respectively. For the fiscal year ended November 30, 1995 and the period from commencement of operations (January 4, 1994 for the Small Capitalization Fund and April 11, 1994 for the Balanced Fund) through November 30, 1994 the Small Capitalization Fund paid $706,112 and $241,074 and the Balanced Fund paid $138,534 and $54,784 in brokerage commissions.

Transactions in the over-the-counter market are generally principal transactions with dealers and the costs of such transactions involve dealer spreads rather than brokerage commissions. With respect to over-the-counter transactions, the Adviser (or Sub-Adviser for the International Equity and Tax-Exempt Funds) will normally deal directly with the dealers who

make a market in the instruments involved except in those circumstances where more favorable prices and execution are available elsewhere.

Securities purchased and sold by the Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund, Florida Tax-Exempt Fund and Money Market Funds are generally traded in the over-the-counter market on a net basis (I.E., without commission) through dealers, or otherwise involve transactions directly with the issuer of an instrument. The fixed income securities that the Balanced Fund purchases and sells are also generally traded in this manner. The cost of securities purchased from underwriters includes an underwriting commission or concession, and the prices at which securities are purchased from and sold to dealers include a dealer's mark-up or mark-down. For the fiscal years ended November 30, 1995, 1994 and 1993, no Funds other than the Equity Fund, Small Capitalization Fund (for the period from the commencement of operations January 4, 1994) and Balanced Fund (for the period from the commencement of operations April 4, 1994) paid any brokerage commissions.

The Funds may participate, if and when practicable, in bidding for the purchase of portfolio securities directly from an issuer in order to take advantage of the lower purchase price available to members of a bidding group. A Fund will engage in this practice, however, as applicable only when the Adviser (or the Sub-Adviser as applicable) believes such practice to be in the Fund's interests.

In its Advisory Agreements the Adviser agrees with respect to the Equity and Fixed Income Funds and with respect to the Prime and Treasury Funds, and in its Sub-Advisory Agreement the Sub-Advisers agree with respect to the Tax-Exempt Fund, to seek to obtain the best overall terms available in executing portfolio transactions and selecting brokers or dealers. In assessing the best overall terms available for any transaction, the Adviser and Sub-Advisers will consider factors they deem relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, both for the specific transaction and on a continuing basis. In addition, the respective Agreements authorize the Adviser and Sub-Advisers to cause the Funds to pay a broker-dealer which furnishes brokerage and research services a higher commission than that which might be charged by another broker-dealer for effecting the same transaction, provided that the Adviser (or Sub-Advisers with respect to the International Equity Fund and Tax-Exempt Fund) determines in good faith that such commission is reasonable in relation to the value of the brokerage and research services provided by such broker-dealer, viewed in terms of either the particular transaction or the overall responsibilities of the

Adviser (or Sub-Adviser) to the Funds. Such brokerage and research services might consist of reports and statistics of specific companies or industries, general summaries of groups of stocks or bonds and their comparative earnings and yields, or broad overviews of the stock, bond and government securities markets and the economy. For the fiscal years ended November 30, 1995, 1994 and 1993 approximately $397,588,560, $357,702,702 and $201,771,449, respectively, in brokerage transactions for the Equity Fund (involving the payment of $597,942, $227,951 and $365,618, respectively, in brokerage commissions) were allocated to brokers because of research services provided. For the fiscal year ended November 30, 1995 and period from the commencement of operations of the Small Capitalization Fund on January 4, 1994, approximately $323,757,624 and $148,069,898 in brokerage transactions (involving payment of $3,974 and $16,307 in brokerage commissions) were allocated to brokers because of research services provided. For the fiscal year ended November 30, 1995 and the period from the commencement of operations of the Balanced Fund on April 11, 1994, approximately $108,669,292 and $36,145,647 in brokerage transactions (involving payment of $54,779 and $22,137, in brokerage commissions) were allocated to brokers because of research services provided.

Supplemental research information so received is in addition to, and not in lieu of, services required to be performed by the Adviser (and Sub-Advisers) and does not reduce the advisory fees payable to the Adviser by the Funds. The Trustees will periodically review the commissions paid by the Funds to consider whether the commissions paid over representative periods of time appear to be reasonable in relation to the benefits inuring to the Funds. It is possible that certain of the supplementary research or other services received will primarily benefit one or more other investment companies or other accounts for which investment discretion is exercised. Conversely, a Fund may be the primary beneficiary of the research or services received as a result of portfolio transactions effected for such other account or investment company.

Portfolio securities will not be purchased from or sold to (and savings deposits will not be made in and repurchase and reverse repurchase agreements will not be entered into with) the Adviser, the Sub-Advisers, the Distributor or an affiliated person of any of them (as such term is defined in the Investment Company Act of 1940) acting as principal, except as permitted by the Securities and Exchange Commission. Further, while such allocation is not expected to occur frequently, the Adviser (or Sub-Adviser as applicable Tax-Exempt Fund) is authorized to allocate purchase and sale orders for portfolio securities to broker/dealers and financial institutions, including, in the case of agency transactions, broker/dealers and financial institutions which are affiliated with the Adviser or Sub-Advisers, to take

into account the sale of Fund shares if the Adviser (or Sub-Adviser) believes that the quality of the execution of the transaction and the amount of the commission are comparable to what they would be with other qualified brokerage firms. In addition, the Funds will not purchase securities during the existence of any underwriting or selling group relating thereto of which the Distributor, the Adviser or a Sub-Adviser, or an affiliated person of any of them, is a member, except as permitted by the Securities and Exchange Commission. In certain instances, current regulations of the Commission would impose volume, dollar and price restrictions on purchases by the Funds during the existence of such a group or prohibit such purchases altogether.

Investment decisions for the Funds are made independently from those for other investment companies and accounts advised or managed by the Adviser and Sub-Advisers. Such other investment companies and accounts may also invest in the same securities as the Funds. When a purchase or sale of the same security is made at substantially the same time on behalf of a Fund and another investment company or account, the transaction will be averaged as to price and available investments allocated as to amount, in a manner which the Adviser (or Sub-Adviser as applicable) believes to be equitable to the Fund and such other investment company or account. In some instances, this investment procedure may adversely affect the price paid or received by a Fund or the size of the position obtained by the Fund. To the extent permitted by law, the Adviser and Sub-Advisers may aggregate the securities to be sold or purchased for a Fund with those to be sold or purchased for other investment companies or accounts in executing transactions.

Subsequent to its purchase by a Fund, a rated security may cease to be rated or its rating may be reduced below the minimum rating required for purchase by the Fund. With respect to a Money Market Fund in such an event, the Board of Trustees or the Adviser (Sub-Adviser with respect to the Tax-Exempt Fund), pursuant to guidelines established by the Board, will consider such an event in determining whether the Fund involved should continue to hold the security in accordance with the interests of the Fund and applicable regulations of the Securities and Exchange Commission. With respect to an Equity and Fixed Income Fund, the Adviser (Sub-Adviser with respect to the International Equity Fund) anticipates selling such a security in an orderly manner as soon as possible. In addition, it is possible that unregistered securities purchased by a Fund in reliance upon Rule 144A under the Securities Act of 1933 could have the effect of increasing the level of the Fund's illiquidity to the extent that qualified institutional buyers become, for a period, uninterested in purchasing these securities.

FUNDAMENTAL POLICIES

Each Fund is subject to the fundamental policies enumerated in this sub-section, which policies may be changed with respect to a particular Fund only by a vote of the holders of a majority of such Fund's outstanding shares (as defined under "Miscellaneous" below).

No Fund may:

1. Purchase or sell real estate, except that each Fund may purchase securities of issuers which deal in real estate and may purchase securities which are secured by interests in real estate.

2. Acquire any other investment company or investment company security except in connection with a merger, consolidation, reorganization or acquisition of assets or where otherwise permitted by the Investment Company Act of 1940.

3. Act as an underwriter of securities within the meaning of the Securities Act of 1933 except to the extent that the purchase of obligations directly from the issuer thereof in accordance with the Fund's investment objective(s), policies and limitations may be deemed to be underwriting.

4. Except for the International Equity and Equity Value Funds (which are subject to the limitation stated below), write or sell put options, call options, straddles, spreads, or any combination thereof, except for transactions in options on securities, securities indices, futures contracts and options on futures contracts.

5. Borrow money or issue senior securities, except that each Fund may borrow from banks and enter into reverse repurchase agreements for temporary purposes in amounts up to one-third of the value of the total assets at the time of such borrowing; or mortgage, pledge or hypothecate any assets, except in connection with any such borrowing and then in amounts not in excess of one-third of the value of a particular Fund's total assets at the time of such borrowing. No Fund will purchase securities while its borrowings (including reverse repurchase agreements) in excess of 5% of its total assets are outstanding. Securities held in escrow or separate accounts in connection with a Fund's investment practices described in this Statement of Additional Information or in the Prospectuses are not deemed to be pledged for purposes of this limitation.

6. Except for the International Equity and Equity Value Funds (which are subject to the limitation stated below), purchase securities on margin, make short sales of securities or maintain a short position, except that (a) this investment

limitation shall not apply to a Fund's transactions in futures contracts and related options, and (b) a Fund may obtain short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities.

7. Except for the International Equity and Equity Value Funds (which are subject to the limitation stated below), purchase or sell commodity contracts, or invest in oil, gas or mineral exploration or development programs, except that each Fund may, to the extent appropriate to its investment objective(s), purchase publicly traded securities of companies engaging in whole or in part in such activities and may enter into futures contracts and related options.

8. Make loans, except that each Fund may purchase and hold debt instruments and enter into repurchase agreements in accordance with its investment objective(s) and policies and may lend portfolio securities.

9. Purchase securities of companies for the purpose of exercising control.

In addition, the Funds, (except the Florida Tax-Exempt Fund) may not:

10. Purchase securities of any one issuer (other than securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or certificates of deposit for any such securities) if, immediately after such purchase, (a) with respect to each of these Funds, except the Prime Fund, more than 5% of the value of the Fund's total assets would be invested in the securities of such issuer, or (b) with respect to the Prime Fund, more than 15% of its total assets would be invested in certificates of deposit or bankers' acceptances of any one bank, or more than 5% of the value of the Fund's total assets would be invested in other securities of any one bank or in the securities of any other issuer, or (c) in the case of any of these Funds, more than 10% of the issuer's outstanding voting securities would be owned by the Fund or Emerald Funds; except that up to 25% of the value of a Fund's total assets may be invested without regard to the foregoing limitations. For purposes of this limitation, with respect to each Fund (except the U.S. Government Securities Fund) a security is considered to be issued by the entity (or entities) whose assets and revenues back the security. A guarantee of a security shall not be deemed to be a security issued by the guarantor when the value of all securities issued and guaranteed by the guarantor, and owned by the Fund, does not exceed 10% of the value of the Fund's total assets.

[Note: In accordance with the current regulations of the Securities and Exchange Commission, the Prime Fund intends to limit its investments in bankers' acceptances, certificates of

deposit and other securities of any one bank to not more than 5% of the Fund's total assets at the time of purchase (rather than the 15% limitation set forth above), provided that the Fund may invest up to 25% of its total assets in the securities of any one issuer for a period that does not exceed three business days. This practice, which is not a fundamental policy of the Fund, would be changed only in the event that such regulations of the Securities and Exchange Commission are amended in the future.]

The Florida Tax-Exempt Fund may not:

11. Purchase securities of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's total assets would be invested in securities of such issuer, or more than 10% of the issuer's outstanding voting securities would be owned by the Fund or Emerald Funds, except that (a) up to 50% of the value of the Fund's total assets may be invested without regard to these limitations so long as no more than 25% of the value of the Fund's total assets are invested in the securities of any one issuer and (b) these limitations do not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or certificates of deposit for such securities. For purposes of this limitation, a security is considered to be issued by the entity (or entities) whose assets and revenues back the security. A guarantee of a security shall not be deemed to be a security issued by the guarantor when the value of all securities issued and guaranteed by the guarantor, and owned by the Fund, does not exceed 10% of the value of the Fund's total assets.

In addition, the Prime Fund and the Tax-Exempt Fund may not:

12. Purchase any securities which would cause 25% or more of the

value of the Fund's total assets at the time of purchase to be invested in the securities of one or more issuers conducting their principal business activities in the same industry, provided that (a) there is no limitation with respect to (i) instruments issued or guaranteed by the United States, any state, territory or possession of the United States, the District of Columbia or any of their authorities, agencies, instrumentalities or political subdivisions, (ii) instruments issued by domestic branches of U.S. banks and (iii) repurchase agreements secured by the instruments described in clauses (i) and (ii); (b) wholly-owned finance companies will be considered to be in the industries of their parents if their activities are primarily related to financing the activities of the parents; and (c) utilities will be divided according to their services, for example, gas, gas transmission, electric and gas, electric and telephone will each be considered a separate industry.

[Note: In construing Investment Limitation 12 in accordance with SEC policy, to the extent permitted, U.S. branches of foreign banks will be considered to be U.S. banks where they are subject to the same regulation as U.S. banks.]

The Equity and Fixed Income Funds may not:

13. Purchase any securities which would cause 25% or more of the value of the Fund's total assets at the time of purchase to be invested in the securities of one or more issuers conducting their principal business activities in the same industry, provided that (a) there is no limitation with respect to (i) instruments issued (as defined in fundamental policy No. 10 above) or guaranteed by the United States, any state, territory or possession of the United States, the District of Columbia or any of their authorities, agencies, instrumentalities or political subdivisions and (ii) repurchase agreements secured by the instruments described in clause (i); (b) wholly-owned finance companies will be considered to be in the industries of their parents if their activities are primarily related to financing the activities of the parents; and (c) utilities will be divided according to their services, for example, gas, gas transmission, electric and gas, electric and telephone will each be considered a separate industry.

In addition, the Florida Tax-Exempt Fund and the Tax-Exempt Fund may not:

14. Invest less than 80% of their net assets in securities the interest on which is exempt from federal income tax, except during defensive periods or during periods of unusual market conditions. For purposes of this fundamental policy, municipal obligations that are subject to federal alternative minimum tax are considered taxable.

In addition, the International Equity and Equity Value Funds may not:

15. Write or sell put options, call options, straddles, spreads or any combination thereof, except for transactions in options on securities, securities indices, futures contracts, options on futures contracts, financial instruments, currencies, forward currency exchange contracts and swaps, floors and caps;

16. Purchase securities on margin, make short sales of securities or maintain a short position, except that (a) this investment limitation shall not apply to a Fund's transactions in futures contracts, currencies and related options, and (b) a Fund may obtain short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities.

17. Purchase or sell commodity contracts, or invest in oil, gas or mineral exploration or development programs, except that each Fund may, to the extent appropriate to its investment objective, purchase publicly traded securities of companies engaging in whole or in part in such activities and may enter into futures contracts and related options; and each Fund may enter into foreign currency contracts and related options to the extent permitted by its investment objective and policies.

Although the foregoing fundamental policies would permit the Funds to invest in options, futures contracts and options on futures contracts, the Money Market Funds do not currently intend to trade in such instruments during the next 12 months. Prior to making any such investments, the Money Market Funds would notify their shareholders and add appropriate descriptions concerning the instruments to their Prospectuses and this Statement of Additional Information.

In order to permit the sale of shares of the Funds in the State of Texas, the Trust has agreed to the following additional non-fundamental restrictions with respect to the Funds:

1. The Funds will not invest in oil, gas or other mineral leases, nor will they invest in real estate limited partnerships.

2. The Equity Fund will limit its investment in warrants to 5% of the Fund's net assets, provided that up to and including 2% of the value of the Fund's net assets may be invested in warrants that are not listed on the New York or American Stock Exchange.

Should the Trust determine that the above commitments to the State of Texas or any other commitments made to permit the sale of a particular class of a Fund's shares in any state are no longer in the best interests of such class or Fund, the Trust may revoke the commitment by terminating sales of that class in the state involved.

TYPES OF OBLIGATIONS, INVESTMENT RISKS AND OTHER INVESTMENT INFORMATION

REVERSE REPURCHASE AGREEMENTS

At the time a Fund enters into a reverse repurchase agreement (an agreement under which a Fund sells portfolio securities and agrees to repurchase them at an agreed-upon date and price), it will place in a segregated custodial account liquid assets such as U.S. Government securities or other liquid high-grade debt securities having a value equal to or greater than the repurchase price (including accrued interest) and will

subsequently monitor the account to ensure that such value is maintained. Reverse repurchase agreements involve the risk that the market value of the securities sold by a Fund may decline below the price of the securities it is obligated to repurchase. Reverse repurchase agreements are considered to be borrowings under the Investment Company Act of 1940. Each Fund intends to limit its borrowings (including reverse repurchase agreements) during the next 12 months to not more than 5% of its net assets.

VARIABLE AND FLOATING RATE INSTRUMENTS

With respect to the variable and floating rate instruments that may be acquired by the Funds as described in the Prospectuses, the Adviser (or Sub-Adviser with respect to the Tax-Exempt Fund) will consider the earning power, cash flows and other liquidity ratios of the issuers and guarantors of such instruments and, if the instrument is subject to a demand feature, will monitor their financial status to meet payment on demand.

In determining average weighted portfolio maturity, an instrument will usually be deemed to have a maturity equal to the longer of the period remaining until the next regularly scheduled interest rate adjustment or the time the Fund involved can recover payment of principal as specified in the instrument. Instruments which are U.S. Government obligations and certain variable rate instruments having a nominal maturity of 397 days or less when purchased by the Fund involved, however, will be deemed to have maturities equal to the period remaining until the next interest rate adjustment.

Variable and floating rate instruments purchased by the Money Market Funds may carry nominal maturities in excess of those Funds' maturity limitations if such instruments carry demand features that comply with conditions established by the Securities and Exchange Commission. In order to be purchased by a Money Market Fund, these instruments must permit a Fund to demand payment of the principal of the instrument at least once every 397 days upon not more than 30 days' notice.

REPURCHASE AGREEMENTS

The repurchase price under the repurchase agreements described in the Prospectuses generally equals the price paid by a Fund plus interest negotiated on the basis of current short-term rates (which may be more or less than the rate on the securities underlying the repurchase agreement). Securities subject to repurchase agreements are held by either the Funds' custodian or another independent third party acting as sub-custodian for the Funds, or in the Federal Reserve/Treasury Book-Entry System. Repurchase agreements are considered to be loans by a Fund under the Investment Company Act of 1940.

LENDING SECURITIES

When a Fund lends its securities, it continues to receive interest (and dividends with respect to the Equity, Equity Value, International Equity, Small Capitalization and Balanced Funds) on the securities loaned and may simultaneously earn interest on the investment of the cash loan collateral which will be invested in readily marketable, high-quality, short-term obligations. Although voting rights, or rights to consent, attendant to securities on loan pass to the borrower, such loans will be called so that the securities may be voted by a Fund if a material event affecting the investment is to occur. Portfolio loans will be continuously secured by collateral equal at all times in value to at least the market value of the securities loaned plus accrued interest. Collateral for such loans may include cash, U.S. Government securities, securities of U.S. Government agencies and instrumentalities or an irrevocable letter of credit issued by a bank that meets the credit standards of a Fund for short-term instruments, except that collateral for the U.S. Government Securities Fund is limited to cash and securities of the U.S. Government and its agencies and instrumentalities and collateral for the Treasury Fund is limited to cash and U.S. Government securities. There may be risks of delay in receiving additional collateral or in recovering the securities loaned or even a loss of rights in the collateral should the borrower of the securities fail financially.

OTHER INVESTMENT COMPANIES

In seeking to attain their investment objectives, the Funds may invest in securities issued by other investment companies within the limits prescribed by the Investment Company Act of 1940. Each Fund currently intends to limit its investments so that, as determined immediately after a securities purchase is made: (a) not more than 5% of the value of its total assets will be invested in the securities of any one investment company; (b) not more than 10% of the value of its total assets will be invested in the aggregate in securities of investment companies as a group; and (c) not more than 3% of the outstanding stock of any one investment company will be owned by the Fund or Emerald Funds as a whole. As a shareholder of another investment company, a Fund would bear, along with other shareholders, its pro rata portion of the other investment company's expenses, including advisory fees. These expenses would be in addition to the advisory and other expenses that a Fund bears in connection with its own operations.

U.S. GOVERNMENT OBLIGATIONS

Examples of the types of U.S. Government obligations that may be held by the Equity and Fixed Income Funds and the Prime Fund include, in addition to U.S. Treasury bonds, notes and

bills, the obligations of Federal Home Loan Banks, Federal Farm Credit Banks, Federal Land Banks, the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, Government National Mortgage Association, Federal National Mortgage Association, General Services Administration, Student Loan Marketing Association, Central Bank for Cooperatives, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Tennessee Valley Authority, Resolution Funding Corporation and Maritime Administration. U.S. Government obligations also include U.S. Government-backed trusts that hold obligations of foreign governments and are guaranteed or backed by the full faith and credit of the United States. Obligations of certain agencies and instrumentalities of the U.S. Government, such as those of the Government National Mortgage Association, are supported by the full faith and credit of the U.S. Treasury; others, such as the Export-Import Bank of the United States, are supported by the right of the issuer to borrow from the Treasury; others, such as those of the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations; still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. No assurance can be given that the U.S. Government would provide financial support to U.S. Government-sponsored instrumentalities if it is not obligated to do so by law.

STRIPPED SECURITIES

Although "stripped" securities may not pay interest to holders prior to maturity, federal income tax regulations require a Fund to recognize as interest income a portion of the bond's discount each year. This income must then be distributed to shareholders along with other income earned by the Fund. To the extent that any shareholders in a Fund elect to receive their dividends in cash rather than reinvest such dividends in additional Fund shares, cash to make these distributions will have to be provided from the assets of the Fund or other sources such as proceeds of sales of Fund shares and/or sales of portfolio securities. In such cases, the Fund will not be able to purchase additional income producing securities with cash used to make such distributions and its current income may ultimately be reduced as a result.

ASSET-BACKED SECURITIES

The Balanced, Short-Term Fixed Income, Managed Bond, and Prime Funds may invest in securities backed by installment contracts, credit card receivables and other assets. Asset-backed securities represent interests in pools of assets in which payment of both interest and principal on the securities are made monthly, thus in effect passing through (net of fees paid to the

issuer or guarantor of the securities) the monthly payments made by the individual borrowers on the assets that underlie the asset-backed securities. These Funds, as well as the U.S. Government Securities Fund, may also invest in U.S. Government securities that are backed by adjustable or fixed rate mortgage loans.

Non-mortgage asset-backed securities involve certain risks that are not presented by mortgage-backed securities. Primarily, these securities do not have the benefit of the same security interest in the underlying collateral. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which have given debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have an effective security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be able to support payments on these securities.

As stated in the Prospectuses, certain mortgage-backed securities that are acquired may be collateralized mortgage obligations ("CMOs"), which are issued in multiple classes. These classes may include accrual certificates (also known as "Z-Bonds"), which only accrue interest at a specified rate until other specified classes have been retired and are converted thereafter to interest-paying securities. They may also include planned amortization classes ("PAC") which generally require, within certain limits, that specified amounts of principal be applied on each payment date, and generally exhibit less yield and market volatility than other classes. The Funds will not purchase "residual" CMO interests, which normally exhibit the greatest price volatility.

RATINGS AND ISSUER'S OBLIGATIONS

The ratings of Nationally Recognized Statistical Rating Organizations ("NRSROs") represent their opinions as to the quality of debt securities. It should be emphasized, however, that ratings are general and are not absolute standards of quality, and debt securities with the same maturity, interest rate and rating may have different yields while debt securities

of the same maturity and interest rate with different ratings may have the same yield.

The payment of principal and interest on most securities purchased by the Funds will depend upon the ability of the issuers to meet their obligations. An issuer's obligations under its debt securities are subject to the provisions of bankruptcy, insolvency, and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Code, and laws, if any, which may be enacted by federal or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations or, in the case of governmental entities, upon the ability of such entities to levy taxes. The power or ability of an issuer to meet its obligations for the payment of interest on, and principal of, its debt securities may be materially adversely affected by litigation or other conditions.

WHEN-ISSUED PURCHASES AND FORWARD COMMITMENTS

The Funds may purchase securities on a when-issued basis and purchase or sell securities on a forward commitment basis. The transactions, which involve a commitment by a Fund to purchase or sell particular securities with payment and delivery taking place beyond the normal settlement date, permit a Fund to lock-in a price or yield on a security it intends to purchase or sell, regardless of future changes in interest rates. When-issued and forward commitment transactions involve the risk, however, that the yield obtained in a transaction may be less favorable than the yield available in the market when the securities delivery takes place.

When a Fund agrees to purchase securities on a when-issued or forward commitment basis, the custodian will set aside cash or liquid portfolio securities equal to the amount of the commitment in a separate account. Normally, the custodian will set aside portfolio securities to satisfy a purchase commitment, and in such a case the Fund may be required subsequently to place additional assets in the separate account in order that the value of the account remains equal to the amount of the Fund's commitments. It may be expected that the market value of the Fund's net assets will fluctuate to a greater degree when it sets aside portfolio securities to cover such purchase commitments than when it sets aside cash. Because a Fund will set aside cash or liquid assets to satisfy its purchase commitments in the manner described, that Fund's liquidity and ability to manage its portfolio might be affected in the event its forward commitments to purchase securities ever exceeded 25% of the value of its total assets. Forward purchase commitments are not expected to exceed 25% of the value of a Fund's total assets, absent unusual market conditions or periods of unusual purchase or redemption activity in shares of a Fund, such as at calendar year-end or

other times; furthermore, a forward commitment or commitment to purchase when-issued securities for any Fund is not expected to exceed 45 days.

The Funds do not intend to engage in when-issued purchases or forward commitments for speculative purposes but only in furtherance of their investment objectives, and a Fund will purchase securities on a when-issued or forward commitment basis only with the intention of completing the transaction and actually purchasing the securities. If deemed advisable as a matter of investment strategy, however, a Fund may dispose of or renegotiate a commitment after it is entered into, and may sell securities it has committed to purchase before those securities are delivered to the Fund on the settlement date. In these cases the Fund may realize a taxable capital gain or loss.

When a Fund engages in when-issued and forward commitment transactions, it relies on the other party to consummate the trade. Failure of such party to do so may result in the Fund's incurring a loss or missing an opportunity to obtain a price considered to be advantageous.

The market value of the securities underlying a when-issued purchase or a forward commitment to purchase securities and any subsequent fluctuations in their market value is taken into account when determining the market value of a Fund involved in such transactions starting on the day the Fund agrees to purchase the securities. A Fund does not earn interest on the securities it has committed to purchase until they are paid for and delivered on the settlement date.

CERTAIN SHORT-TERM INVESTMENTS

The Funds (other than the U.S. Government Securities Fund, Treasury Fund and Tax-Exempt Fund) may make the following short-term investments. The Adviser expects that during the next twelve months the Florida Tax-Exempt Fund will not invest more than 5% of its net assets at the time of purchase in instruments within any single category of the instruments described.

BANK OBLIGATIONS. Bank obligations include U.S. dollar-denominated certificates of deposit, bankers' acceptances and time deposits, issued or supported by the credit of U.S. or foreign banks or savings institutions having total assets at the time of purchase in excess of $1 billion. A Fund may also invest in certificates of deposit and time deposits of domestic branches of U.S. banks having total assets less than $1 billion if such certificates of deposit and time deposits are fully insured by the Federal Deposit Insurance Corporation. Investments by the Funds in the obligations of foreign banks and foreign branches of domestic banks may not exceed 25% of the value of the Fund's total assets at the time of investment. Certain bank obligations

of domestic branches of foreign banks will be considered to be investments in domestic banks as described above in the section entitled "Fundamental Policies." Investments by the Florida Tax-Exempt Fund in the obligations of foreign banks and foreign branches of domestic banks (excluding bank letters of credit, guarantees and similar forms of credit or liquidity support) normally may not exceed 20% of the value of the Fund's total assets at the time of investment. These Funds may also make interest-bearing savings deposits in commercial and savings banks in amounts not in excess of 5% of the total assets of the Fund.

COMMERCIAL PAPER. Investments by such Funds in commercial paper will consist of issues with remaining maturities of 13 months or less. Commercial paper purchased by a Fund may include obligations issued by Canadian corporations and Canadian counterparts of U.S. corporations, Europaper, which is U.S. dollar-denominated commercial paper of a foreign issuer and Yankee paper, which is U.S. dollar-denominated commercial paper issued by foreign issuers in the United States.

FOREIGN MONEY MARKET INSTRUMENTS. A Fund will invest in obligations of foreign banks and commercial paper issued by foreign issuers as described above only when the Adviser deems the instrument to present minimal credit risk. Such investments may nevertheless entail risks that are different from those of investments in domestic obligations of U.S. banks. Such risks include future political and economic developments, the possible imposition of foreign withholding taxes on interest income payable on such instruments, the possible establishment of exchange controls, the possible seizure or nationalization of foreign deposits or the adoption of other foreign government restrictions which might affect adversely the payment of principal and interest of such instruments. In addition, foreign issuers, including foreign banks and foreign branches of U.S. banks, may be subject to less stringent reserve requirements and to different accounting, auditing, reporting and recordkeeping standards than those applicable to domestic issuers, and securities of foreign issuers may be less liquid and their prices more volatile than those of comparable domestic issuers.

MUNICIPAL OBLIGATIONS

Assets of the two Tax-Exempt Funds may be invested in debt instruments ("municipal obligations") issued by or on behalf of states, territories and possessions of the United States, the District of Columbia and their respective authorities, agencies, instrumentalities and political sub-divisions. The Balanced, Short-Term Fixed Income, Managed Bond, and Prime Funds may also acquire municipal obligations, which may be advantageous when, as a result of prevailing economic, regulatory or other circumstances, the yield of such securities on a pre-tax basis is comparable to that of other securities the particular Fund may

purchase. Municipal obligations include debt obligations issued by governmental entities to obtain funds for various public purposes, including the construction of a wide range of public facilities, the refunding of outstanding obligations, the payment of general operating expenses and the extension of loans to public institutions and facilities.

The two principal classifications of municipal obligations are "general obligation" securities and "revenue" securities. General obligation securities are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue securities are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source such as the issuer of the facility being financed.

Private activity bonds (e.g., bonds issued by industrial development authorities) that are issued by or on behalf of public authorities to finance various privately-operated facilities are included within the term "municipal obligations." Private activity bonds are in most cases revenue securities and are not payable from the unrestricted revenues of the issuer. Additionally, the principal and interest on these obligations may or may not be payable from the general revenues of the users of the facilities involved. The credit quality of such bonds is usually directly related to the credit standing of such corporate users. Private activity bonds have been or may be issued to obtain funds to provide privately operated housing facilities, pollution control facilities, convention or trade show facilities, mass transit, airport, port or parking facilities and certain local facilities for water supply, gas, electricity or sewage or solid waste disposal. Such bonds may also be issued on behalf of privately held or publicly owned corporations in the financing of commercial or industrial facilities. State and local governments are authorized in most states to issue private activity bonds for such purposes in order to encourage corporations to locate within their communities.

As described in the Prospectuses, these Funds may also invest in municipal leases, which may be considered liquid under guidelines established by Emerald Funds' Board of Trustees. The guidelines will provide for determination of the liquidity and proper valuation of a municipal lease obligation based on factors including the following: (1) the frequency of trades and quotes for the obligation; (2) the number of dealers willing to purchase or sell the security and the number of other potential buyers; (3) the willingness of dealers to undertake to make a market in the security; and (4) the nature of marketplace trades, including the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer. Emerald, under the supervision of Emerald Funds' Board of Trustees, will also

consider the continued marketability of a municipal lease obligation based upon an analysis of the general credit quality of the municipality issuing the obligation and the importance to the municipality of the property covered by the lease.

Municipal obligations may also include "moral obligation" securities, which are normally issued by special purpose public authorities. If the issuer of moral obligation securities is unable to meet its debt service obligations from current revenues, it may draw on a reserve fund, the restoration of which is a moral commitment but not a legal obligation of the state or municipality which created the issuer.

Municipal obligations may include short-term General Obligation Notes, Tax Anticipation Notes, Bond Anticipation Notes, Revenue Anticipation Notes, Tax-Exempt Commercial Paper, Construction Loan Notes and other forms of short-term tax-exempt loans. Such instruments are issued with a short-term maturity in anticipation of the receipt of tax funds, the proceeds of bond placements or other revenues. In addition, these Funds may invest in bonds and other types of tax-exempt instruments provided they have remaining maturities that meet any applicable maturity limitations.

As described in their Prospectuses, the Balanced, Managed Bond, Short-Term Fixed Income, Prime and the two Tax-Exempt Funds may purchase securities in the form of custodial receipts. These custodial receipts are known by a number of names, including "Municipal Receipts," "Municipal Certificates of Accrual on Tax-Exempt Securities" ("M-CATS") and "Municipal Zero-Coupon Receipts."

Certain municipal obligations may be insured at the time of issuance as to the timely payment of principal and interest. The insurance policies will usually be obtained by the issuer of the municipal obligation at the time of its original issuance. In the event that the issuer defaults on interest or principal payment, the insurer of the obligation is required to make payment to the bondholders upon proper notification. There is, however, no guarantee that the insurer will meet its obligations. In addition, such insurance will not protect against market fluctuations caused by changes in interest rates and other factors. The two Tax-Exempt Funds may, from time to time, invest more than 25% of their total assets in municipal obligations covered by insurance policies.

From time to time, proposals have been introduced before Congress for the purpose of restricting or eliminating the federal income tax exemption for the interest on municipal obligations. For example, pursuant to federal tax legislation passed in 1986, interest on certain private activity bonds must be included in an investor's federal alternative minimum taxable

income, and corporate investors must take all tax-exempt interest into account in determining certain adjustments for Federal alternative minimum tax purposes. Emerald Funds cannot, of course, predict what legislation, if any, may be proposed in the future as regards the income tax status of interest on municipal obligations, or which proposals, if any, might be enacted. Such proposals, while pending or if enacted, might materially and adversely affect the availability of municipal obligations for investment by the two Tax-Exempt Funds and the liquidity and value of those Funds' portfolios. In such an event, Emerald Funds would reevaluate the investment objective and policies of the two Tax-Exempt Funds and consider possible changes in their structure or possible dissolution.

STAND-BY COMMITMENTS

The two Tax-Exempt Funds may acquire stand-by commitments with respect to municipal obligations held in their respective portfolios. The amount payable to a Fund upon its exercise of a "stand-by commitment" is normally (i) the Fund's acquisition cost of the municipal obligations (excluding any accrued interest which the Fund paid on their acquisition), less any amortized market premium or plus any amortized market or original issue discount during the period the Fund owned the securities, plus (ii) all interest accrued on the securities since the last interest payment date during that period. Stand-by commitments may be sold, transferred or assigned by a Fund only with the instruments involved.

The Funds expect that stand-by commitments will generally be available without the payment of any direct or indirect consideration. However, if necessary or advisable, the Funds may pay for a stand-by commitment either separately in cash or by paying a higher price for portfolio securities which are acquired subject to the commitment (thus reducing the yield to maturity otherwise available for the same securities). Where a Fund has paid any consideration directly or indirectly for a stand-by commitment, its cost would be reflected as unrealized depreciation for the period during which the commitment was held by the Fund.

The Funds intend to enter into stand-by commitments only with dealers, banks and broker-dealers which, in the Adviser's or Sub-Advisers' opinion, present minimal credit risks. In evaluating the creditworthiness of the issuer of a stand-by commitment, the Adviser or Sub-Adviser will review periodically the issuer's assets, liabilities, contingent claims and other relevant financial information.

The Tax-Exempt Funds would acquire stand-by commitments solely to facilitate portfolio liquidity and do not intend to exercise their rights thereunder for trading purposes. Stand-by

commitments acquired by these Funds would be valued at zero in determining net asset value.

INTEREST RATE SWAPS, FLOORS AND CAPS

The Balanced, Short-Term Fixed Income and Managed Bond Funds may enter into interest rate swaps and purchase interest rate floors and caps for hedging purposes and not for speculation. A Fund will only enter into interest rate swaps or interest rate floor or cap transactions on a net basis, I.E., the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Inasmuch as these transactions are entered into for good faith hedging purposes, it is believed that such obligations do not constitute senior securities as defined in the Investment Company Act of 1940 and, accordingly, these transactions are not treated as being subject to a Fund's borrowing restrictions. If there is a default by the other party to an interest rate swap or interest rate floor or cap transaction, the Fund involved will have contractual remedies pursuant to other agreements related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid in comparison with markets for other similar instruments which are traded in the Interbank market.

PARTICIPATION INTERESTS AND TRUST RECEIPTS

The Balanced, Short-Term Fixed Income, Managed Bond, and Prime Funds may purchase participation interests and trust receipts as described in the Prospectuses. Such participation interests and trust receipts may have fixed, floating or variable rates of interest, and when purchased for the Prime Fund, will have remaining maturities of thirteen months or less (as defined by the Securities and Exchange Commission). If a participation interest or trust receipt is unrated, the Adviser will have determined that the interest or receipt is of comparable quality to those instruments in which the Fund involved may invest pursuant to guidelines approved by the Board of Trustees. For certain participation interests or trust receipts a Fund will have the right to demand payment, on not more than 30 days' notice, for all or any part of the Fund's participation interest or trust receipt in the securities involved, plus accrued interest.

GUARANTEED INVESTMENT CONTRACTS

Generally, a guaranteed investment contract ("GIC") allows a purchaser to buy an annuity with the monies accumulated under the contract; however, the Funds will not purchase any such annuities. GICs acquired by the Funds are general obligations of

the issuing insurance company and not separate accounts. The purchase price paid for a GIC becomes part of the general assets of the issuer, and the contract is paid from the general assets of the issuer. The Funds will only purchase GICs from issuers which, at the time of purchase, are rated "A+" by A.M. Best Company, have assets of $1 billion or more and meet quality and credit standards established by the investment adviser pursuant to guidelines approved by the Board of Trustees. Generally, GICs are not assignable or transferable without the permission of the issuing insurance companies, and an active secondary market in GICs does not currently exist. Therefore, GICs are considered by the Funds to be illiquid investments, and will be acquired by the Funds subject to its limitation on illiquid investments.

OPTIONS TRADING

As stated in the Prospectuses, each equity and fixed income Fund may purchase put and call options listed on a national securities exchange and issued by the Options Clearing Corporation. Such purchases would be in an amount not exceeding 5% of a Fund's net assets. Such options may relate to particular securities or to various indices. This is a highly specialized activity which entails greater than ordinary investment risks. Regardless of how much the market price of the underlying security or index increases or decreases, the option buyer's risk is limited to the amount of the original investment for the purchase of the option. However, options may be more volatile than the underlying instruments, and therefore, on a percentage basis, an investment in options may be subject to greater fluctuation than an investment in the underlying instruments themselves. Put and call options purchased by the Funds will be valued at the last sale price or, in the absence of such a price, at the mean between bid and asked prices.

A listed call option for a particular security gives the purchaser of the option the right to buy from a clearing corporation, and a writer has the obligation to sell to the clearing corporation, the underlying security at the stated exercise price at any time prior to the expiration of the option, regardless of the market price of the security. The premium paid to the writer is in consideration for undertaking the obligations under the option contract. A listed put option gives the purchaser the right to sell to a clearing corporation the underlying security at the stated exercise price at any time prior to the expiration date of the option, regardless of the market price of the security. In contrast to an option on a particular security, an option on an index provides the holder with the right to make or receive a cash settlement upon exercise of the option. The amount of this settlement will be equal to the difference between the closing price of the index at the time of exercise and the exercise price of the option expressed in dollars, times a specified multiple.

When a Fund writes a call option on a security, the option is "covered" if the Fund involved owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration (or, if additional cash consideration is required, cash or cash equivalents in such amount as are held in a segregated account by its custodian) upon conversion or exchange of other securities held by it. For a call option on an index, the option is covered if the Fund involved maintains with its custodian cash or cash equivalents equal to the contract value. A call option is also covered if the Fund involved holds a call on the same security or index as the call written where the exercise price of the call held is (i) equal to or less than the exercise price of the call written, or (ii) greater than the exercise price of the call written provided the difference is maintained by the Fund in cash or cash equivalents in a segregated account with its custodian. A secured put option written by a Fund means that the Fund maintains in a segregated account with the custodian cash or U.S. Government securities in an amount not less than the exercise price of the option at all times during the option period.

The principal reason for writing call options on a securities portfolio is the attempt to realize, through the receipt of premiums, a greater current return than would be realized on the securities alone. In return for the premium, the covered option writer gives up the opportunity for profit from a price increase in the underlying security above the exercise price so long as his obligation as a writer continues, but retains the risk of loss should the price of the security decline. Unlike one who owns securities not subject to an option, the covered option writer has no control over when it may be required to sell its securities, since it may be assigned an exercise notice at any time prior to the expiration of its obligation as a writer.

A Fund's obligation to sell a security subject to a covered call option written by it, or to purchase a security subject to a secured put option written by it, may be terminated prior to the expiration date of the option by the Fund's executing a closing purchase transaction, which is effected by purchasing on an exchange an option of the same series (i.e., same underlying security, exercise price and expiration date) as the option previously written. Such a purchase does not result in the ownership of an option. A closing purchase transaction will ordinarily be effected to realize a profit on an outstanding option, to prevent an underlying security from being called, to permit the sale of the underlying security or to permit the writing of a new option containing different terms on such underlying security. The cost of such a liquidation purchase plus transaction costs may be greater than the premium received upon the original option, in which event the Fund will have incurred a loss in the transaction. An option position may be

closed out only on an exchange which provides a secondary market for an option of the same series. There is no assurance that a liquid secondary market on an exchange will exist for any particular option. A covered call option writer, unable to effect a closing purchase transaction, will not be able to sell the underlying security until the option expires or the underlying security is delivered upon exercise with the result that the writer in such circumstances will be subject to the risk of market decline in the underlying security during such period. A Fund will write an option on a particular security only if the Adviser (or Sub-Adviser with respect to the International Equity Fund) believes that a liquid secondary market will exist on an exchange for options of the same series which will permit the Fund to make a closing purchase transaction in order to close out its position.

When a Fund writes a covered call option, an amount equal to the net premium (the premium less the commission) received by the Fund is included in the liability section of the Fund's statement of assets and liabilities as a deferred credit. The amount of the deferred credit will be subsequently marked-to-market to reflect the current value of the option written. The current value of the traded option is the last sale price or, in the absence of a sale, the average of the closing bid and asked prices. If an option expires on the stipulated expiration date or if the Fund enters into a closing purchase transaction, it will realize a gain (or loss if the cost of a closing purchase transaction exceeds the net premium received when the option is sold) and the deferred credit related to such option will be eliminated. Any gain on a covered call option may be offset by a decline in the market price of the underlying security during the option period. If a covered call option is exercised, the Fund involved may deliver the underlying security held by it or purchase the underlying security in the open market. In either event, the proceeds of the sale will be increased by the net premium originally received and the Fund will realize a gain or loss. If a secured put option is exercised, the amount paid by the Fund for the underlying security will be partially offset by the amount of the premium previously paid to the Fund. Premiums from expired options written by a Fund and net gains from closing purchase transactions are treated as short-term capital gains for federal income tax purposes, and losses on closing purchase transactions are short-term capital losses.

As noted previously, there are several risks associated with transactions in options on securities and indices. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. In addition, a liquid secondary market for particular options, whether traded over-the-counter or on a national securities exchange ("Exchange") may be absent for reasons which include the following: there may be insufficient trading interest in certain options; restrictions may be imposed by an Exchange on opening transactions or closing transactions or both; trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities; unusual or unforeseen circumstances may interrupt normal operations on an Exchange; the facilities of an Exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or one or more Exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that Exchange (or in that class or series of options) would cease to exist, although outstanding options that had been issued by the Options Clearing Corporation as a result of trades on that Exchange would continue to be exercisable in accordance with their terms.

A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

OPTIONS ON FOREIGN STOCK INDEXES -- INTERNATIONAL EQUITY FUND

The effectiveness of purchasing or writing foreign stock index options as a hedging technique will depend upon the extent to which price movements in the portion of the securities portfolio of the International Equity Fund 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 realizes a gain or loss from the purchase or writing of options on an index is dependent upon movements in the level of stock prices in the foreign stock market generally or, in the case of certain indexes, 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 foreign stock indexes will be subject to Brandes' ability to predict correctly movements in the direction 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. There can be no assurance that such judgment will be accurate or that the use of these portfolio strategies will be successful. The International Equity Fund will engage in foreign stock index options transactions that are determined to be consistent with its efforts to control risk.

When the Fund writes an option on a foreign stock index, it will establish a segregated account with its custodian or with a foreign sub-custodian in which International Equity will deposit cash or cash equivalents or a combination of both in

an amount equal to the market value of the option, and will maintain the account while the option is open.

FOREIGN CURRENCY EXCHANGE TRANSACTIONS -- INTERNATIONAL EQUITY FUND

Because the International Equity Fund may buy and sell securities denominated in currencies other than the U.S. dollar, and receive interest, dividends and sale proceeds in currencies other than the U.S. dollar, the Fund may enter into foreign currency exchange transactions to convert United States currency to foreign currency and foreign currency to United States currency as well as convert foreign currency to other foreign currencies. The Fund either enters into these transactions on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or uses forward contracts to purchase or sell foreign currencies.

A forward foreign currency exchange contract is an obligation by the Fund to purchase or sell a specific currency at a specified price and future date, which may be any fixed number of days from the date of the contract. Forward foreign currency exchange contracts establish an exchange rate at a future date. These contracts are transferable in the interbank market conducted directly between currency traders (usually large commercial banks) and their customers. A forward foreign currency exchange contract generally has no deposit requirement and is traded at a net price without commission. Neither spot transactions nor forward foreign currency exchange contracts eliminate fluctuations in the prices of the Fund's portfolio securities or in foreign exchange rates, or prevent loss if the prices of these securities should decline.

The Fund may enter into foreign currency hedging transactions in an attempt to protect against changes in foreign currency exchange rates between the trade and settlement dates of specific securities transactions or changes in foreign currency exchange rates that would adversely affect a portfolio position or an anticipated portfolio position. Since consideration of the prospect for currency parities will be incorporated into the Fund's long-term investment decisions, the Fund will not routinely enter into foreign currency hedging transactions with respect to portfolio security transactions; however, it is important to have the flexibility to enter into foreign currency hedging transactions when it is determined that the transactions would be in the Fund's best interest. Although these transactions tend to minimize the risk of loss due to a decline in the value of the hedged currency, at the same time they tend to limit any potential gain that might be realized should the value of the hedged currency increase. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of these

securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. The projection of currency market movements is extremely difficult, and the successful execution of a hedging strategy is highly uncertain.

AMERICAN DEPOSITORY RECEIPTS ("ADRS") AND EUROPEAN DEPOSITORY RECEIPTS ("EDRS")

The Equity, Equity Value, International Equity, Small Capitalization and Balanced Funds may invest their assets in ADRs, which are receipts issued by an American bank or trust company evidencing ownership of underlying securities issued by a foreign issuer, and in EDRs, which are receipts issued by European financial institutions evidencing ownership of underlying securities issued by a foreign issuer. ADRs may be listed on a national securities exchange or may trade in the over-the-counter market. ADR prices are denominated in United States dollars while EDR prices are generally denominated in foreign currencies. The securities underlying an ADR or EDR will also normally be denominated in a foreign currency. The underlying securities may be subject to foreign government taxes which could reduce the yield on such securities. As discussed above under "Foreign Money Market Instruments," investments in foreign securities involve certain inherent risks, such as political or economic instability of the issuer or the country of issue and the difficulty of predicting international trade patterns: the possible imposition of foreign withholding taxes on interest income payable on such instruments; the possible establishment of exchange controls; the possible seizure or nationalization of foreign deposits or the adoption of other foreign branches of U.S. banks; may be subject to less stringent reserve requirements and to different accounting, auditing, reporting and recordkeeping standards than those applicable to domestic issuers, and securities of foreign issuers may be less liquid and their prices more volatile than those of comparable domestic issuers.

WARRANTS

Warrants are privileges issued by corporations enabling the owner to subscribe to and purchase a specified number of shares of the corporation at a specified price during a specified period of time. The prices of warrants do not necessarily correlate with the prices of the underlying securities. The purchase of warrants involves the risk that the purchaser could lose the purchase value of the warrant if the right to subscribe to additional shares is not exercised prior to the warrant's expiration. Also, the purchase of warrants involves the risk that the effective price paid for the warrant added to the subscription price of the related security may exceed the value

of the subscribed security's market price such as when there is no movement in the level of the underlying security.

CONVERTIBLE SECURITIES

Convertible securities entitle the holder to receive interest paid or accrued on debt or the dividend paid on preferred stock until the securities mature or are redeemed, converted or exchanged. Prior to conversion, convertible securities have characteristics similar to ordinary debt securities in that they normally provide a stable stream of income with generally higher yields than those of common stock of the same or similar issuers. Convertible securities rank senior to common stock in a corporation's capital structure and therefore generally entail less risk than the corporation's common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed income security.

In selecting convertible securities, the Adviser (or Sub-Adviser as applicable) will consider, among other factors, the creditworthiness of the issuers of the securities; the interest or dividend income generated by the securities; the potential for capital appreciation of the securities and the underlying common stocks; the prices of the securities relative to other comparable securities and to the underlying common stocks; whether the securities are entitled to the benefits of sinking funds or other protective conditions; diversification of a Fund's portfolio as to issuers; and the ratings of the securities. Since credit rating agencies may fail to timely change the credit ratings of securities to reflect subsequent events, the Adviser(or Sub-Adviser as applicable) will consider whether such issuers will have sufficient cash flow and profits to meet required principal and interest payments. A Fund may retain a portfolio security whose rating has been changed if the Adviser (or Sub-Adviser) deems that retention of such security is warranted.

As described in the Prospectuses, the Equity, Small Capitalization, Balanced, Short-Term Fixed Income and Managed Bond Funds may invest a portion of their assets in convertible securities that are rated below investment grade. In general, investments in lower-rated securities are subject to a significant risk of a change in the credit rating or financial condition of the issuing entity. Investments in such securities are also likely to be subject to greater market fluctuation and to greater risk of loss of income and principal due to default than investments of higher rated securities.

In particular, a Fund's investments in lower-rated securities present the following risk factors:

SENSITIVITY TO INTEREST RATE AND ECONOMIC CHANGES. The economy and interest rates can affect lower-rated securities differently from other securities. For example, the prices of lower-rated securities are more sensitive to adverse economic changes or individual corporate developments than are the prices of higher-rated investments. Also, during an economic downturn or substantial period of rising interest rates, highly leveraged issuers may experience financial stress which would adversely affect their ability to service their principal and interest payment obligations, to meet projected business goals and to obtain additional financing. If the issuer of a convertible security defaulted, a Fund might incur additional expenses to seek recovery. In addition, periods of economic uncertainty and changes can be expected to result in increased volatility of market prices of lower-rated securities and of a Fund's net asset value. In general, both the price and yields of lower-rated securities will fluctuate.

LIQUIDITY AND VALUATION. To the extent that an established secondary market does not exist and a particular convertible security is thinly traded, the determination of the security's fair value may be difficult to determine because of the absence of reliable objective data. As a result, a Fund's valuation of the security and the price it could obtain upon its disposition could differ. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of lower-rated securities held by a Fund, especially in a thinly traded market. Illiquid or restricted securities held by a Fund may involve special registration responsibilities, liabilities and costs, and liquidity and valuation difficulties.

CONGRESSIONAL PROPOSALS. Current laws and legislative proposals designed to limit the use, or tax and other advantages, of lower-rated securities, may have a material effect on a Fund's investment in convertible securities.

CREDIT RATINGS. The credit ratings of S&P, Moody's, D&P and Fitch are evaluations of the safety of principal and interest payments, not market value risk, of convertible securities. Also, credit rating agencies may fail to timely change the credit ratings to reflect subsequent events. Therefore, in addition to using recognized rating agencies and other sources, the Adviser (or the Sub-Adviser) also performs its own analysis of issuers in selecting convertible securities for a Fund. The Adviser's (or the Sub-Adviser's) analysis of issuers may include, among other things, historic and current financial condition, current and anticipated cash flow and borrowing requirements, value of assets in relation to historical costs, strength of management, responsiveness to business conditions, credit standing, and current and anticipated results of operations. Among other factors which may also be considered by the Adviser (or the Sub-Advisers) are anticipated changes in interest rates, the availability of new investment opportunities and the outlook for specific industries. Issues of convertible securities rated by S&P, Moody's, D&P or Fitch at the time of purchase may subsequently cease to be rated. This event will not require the elimination of such obligations from a Fund's portfolio, but the Adviser (or the Sub-Adviser) will consider such an event in determining whether the Fund should continue to hold such obligations.

SPECIAL CONSIDERATIONS RELATING TO FLORIDA OBLIGATIONS

Some of the significant financial considerations relating to investments by the Florida Tax-Exempt Fund in Florida Obligations are summarized below. This summary information is derived principally from official statements released prior to the date of this Statement of Additional Information relating to issues of Florida Obligations and does not purport to be a complete description of any of the considerations mentioned herein. While the Fund has not independently verified such information, it has no reason to believe such information is not correct in all material respects.

The financial condition of the State of Florida may be affected by various financial, social, economic and political factors. Those factors can be very complex, may vary from fiscal year to fiscal year, and are frequently the result of actions taken not only by the State and its agencies and instrumentalities but also by entities that are not under the control of the State. Adverse developments affecting the State's financing activities, its agencies or its political subdivisions could adversely affect the State's financial condition.

The State's revenues increased from $29,115,034,000 during the 1993-94 fiscal year ended June 30, 1994 to $31,178,025,000 during the fiscal year ended June 30, 1995. The State's expenses increased from $27,878,146,000 during the 1993-94 fiscal year ended June 30, 1994 to $30,775,597,000 during the 1994-95 fiscal year ended June 30, 1995. The Florida Comptroller also projected non-agricultural jobs to gross 3.2% and 3.0% in fiscal years 1995-96 and 1996-97, respectively.

The Constitution of the State of Florida limits the right of the State and its local governments to tax. The Constitution requires the State to have a balanced budget and to raise revenues to defray its operating expenses. The State may not borrow for the purpose of maintaining ordinary operating expenses, but may generally borrow for capital improvements.

There are a number of methods by which the State of Florida may incur debt. The State may issue bonds backed by the State's full faith and credit to finance or refinance certain

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capital projects authorized by its voters. The State also may issue certain bonds backed by the State's full faith and credit to finance or refinance pollution control, solid waste disposal and water facilities for local governments; county roads; school districts and capital public education projects without voter authorization. The State may also, pursuant to specific constitutional authorization, directly guarantee certain obligations of the State's authorities, agencies and instrumentalities. Payments of debt service on State bonds backed by the State's full faith and credit and State-guaranteed bonds and notes are legally enforceable obligations of the State. Revenue bonds to finance or refinance certain capital projects also may be issued by the State of Florida without voter authorization. However, revenue bonds are payable solely from funds derived directly from sources other than state tax revenues.

The State of Florida currently imposes, among other taxes, an ad valorem tax on intangible property and a corporate income tax. The Florida Constitution prohibits the levying of a personal income tax. Certain other taxes the State of Florida imposes include: an estate or inheritance tax which is limited by the State's Constitution to an amount not in excess of the amount allowed to be credited upon or deducted from federal estate taxes or the estate taxes of another state; and a 6% sales tax on most goods and certain services with an option for counties to impose up to an additional 1% sales tax on such goods and services.

The Constitution reserves the right to charge an ad valorem tax on real estate and tangible personal property to Florida's local governments. All other forms of taxation are preempted to the State of Florida except as may be provided by general law. Motor vehicles, boats, airplanes, trailers, trailer coaches and mobile homes, as defined by law, may be subject to a license tax for their operation, but may not be subject to an ad valorem tax.

Under the Constitution, ad valorem taxes may not be levied in excess of the following millage upon the assessed value of real estate and tangible personal property: for all county purposes, ten mills; for all municipal purposes, ten mills; for all school purposes, ten mills; for water management purposes for the northwest portion of the State, .05 mills; for water management purposes for the remaining portion of the State, one mill; and for all other special districts a millage authorized by law and approved by referendum. When authorized by referendum, the above millage caps may be exceeded for up to two years. Counties, school districts, municipalities, special districts and local governmental bodies with taxing powers may issue bonds to finance or refinance capital projects payable from ad valorem taxes in excess of the above millage cap when approved by referendum. It should be noted that several municipalities and

counties have charters that further limit either ad valorem taxes or the millage that may be assessed.

The Florida legislature has passed a number of mandates which limit or place requirements on local governments without providing the local governments with compensating changes in their fiscal resources. The Florida legislature enacted a comprehensive growth management act which forces local governments to establish and implement comprehensive planning programs to guide and control future development. This legislation prohibits public or private development that does not conform with the locality's comprehensive plan. Local governments may face greater requirements for services and capital expenditures than they had previously experienced if their locality experiences increased growth or development. The burden for funding these potential services and capital expenditures which has been left to the local governments may be quite large.

The State of Florida enacted an amendment to the Florida Constitution ("Amendment 10") which limits ad valorem taxes on homestead real property, effective as of January 1994. Beginning in 1995, Amendment 10 limits the assessed value of homestead real property for ad valorem tax purposes to the lower of (a) three percent (3%) of the assessed value for the prior year; or (b) the percentage change in the Consumer Price Index for the preceding calendar year. In addition, no such assessed value shall exceed "just value" and such just value shall be reassessed (notwithstanding the 3% cap) as of January 1 of the year following a change of ownership of the assessed real property.

The payment on most Florida Obligations held by the Fund will depend upon the issuer's ability to meet its obligations. If the State or any of its political subdivisions were to suffer serious financial difficulties jeopardizing their ability to pay their obligations, the marketability of obligations issued by the State or localities within the State, and the value of the Fund's portfolio, could be adversely affected.

NET ASSET VALUE

The net asset value per share of each class of shares in a particular Fund is calculated by adding the value of all portfolio securities and other assets belonging to the Fund that are attributable to the class, subtracting the Funds' liabilities that are attributable to the class, and dividing the result by the number of outstanding shares in the class. The net asset value per share for each Fund and for each class of shares within a Fund is calculated separately. Each Fund is charged with the

direct expenses of that Fund, and with a share of the general expenses of Emerald Funds. Subject to the provisions of the Agreement and Declaration of Trust, determinations by the Board of Trustees as to the direct and allocable expenses, and the allocable portion of any general assets, with respect to a particular Fund or share class are conclusive. With respect to the Equity and Fixed Income Funds, the liabilities that are charged to a Fund are borne by each share of the Fund, except for certain miscellaneous "class expenses" and payments that are borne solely by Retail Shares pursuant to the Combined Amended and Restated Distribution and Service Plan and the Shareholder Processing Plan for Retail Shares (the "Retail Plans") as described in the Prospectus for such Shares. Similarly, with respect to the Money Market Funds, the liabilities that are charged to a Fund are borne by each share of such Fund, except for certain miscellaneous "class expenses" and payments that are borne solely by Retail Shares under the Retail Plans described in the Prospectuses for such Shares and certain "plan" payments that are borne solely by Service Shares as described in the Prospectus for those Shares.

VALUATION OF THE MONEY MARKET FUNDS

Emerald Funds uses the amortized cost method of valuation to value each Money Market Fund's portfolio securities, pursuant to which an instrument is valued at its cost initially and thereafter a constant amortization to maturity of any discount or premium is assumed, regardless of the impact of fluctuating interest rates on the market value of the instrument. This method may result in periods during which value, as determined by amortized cost, is higher or lower than the price a Fund would receive if it sold the instrument. The market value of portfolio securities held by a Money Market Fund can be expected to vary inversely with changes in prevailing interest rates.

Each Money Market Fund attempts to maintain a dollar-weighted average portfolio maturity appropriate to its objective of maintaining a stable net asset value per share. In this regard, except for securities subject to repurchase agreements, no Money Market Fund will purchase a security deemed to have a remaining maturity of more than thirteen months within the meaning of the Investment Company Act of 1940 nor maintain a dollar-weighted average maturity that exceeds ninety days. The Board of Trustees has also established procedures that are intended to stabilize the net asset value per share of each Money Market Fund for purposes of sales and redemptions at $1.00. These procedures include the determination, at such intervals as the Trustees deem appropriate, of the extent, if any, to which the net asset value per share of each Money Market Fund calculated by using available market quotations deviates from $1.00 per share. In the event such deviation exceeds one-half of

one percent, the Board will promptly consider what action, if any, should be initiated. If the Board believes that the extent of any deviation from a $1.00 amortized cost price per share may result in material dilution or other unfair results to new or existing investors, it has agreed to take such steps as it considers appropriate to eliminate or reduce to the extent reasonably practicable any such dilution or unfair results. These steps may include selling portfolio instruments prior to maturity; shortening the average portfolio maturity; withholding or reducing dividends; redeeming shares in kind; reducing the number of outstanding shares without monetary consideration; or utilizing a net asset value per share determined by using available market quotations.

Should Emerald Funds incur or anticipate any unusual significant expense or loss which might affect disproportionately the income of a Money Market Fund, the Board of Trustees would, at that time, consider whether to adhere to its present dividend policies with respect to the Money Market Funds, which are described in the Prospectuses for those Funds, or to revise the policies in order to mitigate, to the extent possible, the disproportionate effect the expense or loss might have on the income of a Fund for a particular period.

VALUATION OF THE EQUITY FUND, EQUITY VALUE, INTERNATIONAL EQUITY, SMALL CAPITALIZATION FUND, BALANCED FUND, SHORT-TERM FIXED INCOME FUND, U.S. GOVERNMENT SECURITIES FUND AND MANAGED BOND FUND

Securities of the Equity Fund, Equity Value, International Equity, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund and Managed Bond Fund (other than debt securities with remaining maturities of 60 days or less) are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Restricted securities and securities for which market quotations are not readily available are valued at fair value, using methods determined by the Board of Trustees. Valuation of options is described above under "Investment Objectives and Policies -- Options Trading." Valuation of futures contracts and related options is described in Appendix B.

Debt securities with remaining maturities of 60 days or less are valued on an amortized cost basis, which approximates market value and is described further under "Valuation of the Money Market Funds."

The International Equity Fund's portfolio securities which are primarily traded on foreign securities exchanges are valued at the preceding closing values of such securities on their respective exchanges, except when an occurrence subsequent to the time a value was so established is likely to have changed such value, then the fair value of those securities will be determined through consideration of other factors by or under the direction of the Board of Trustees. A security which is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. For valuation purposes, quotations of foreign securities in foreign currency are converted to U.S. dollars equivalent at the prevailing market rate on the date of valuation. An option is generally valued at the last sale price or, in the absence of a last sale price, the last offer price. All other securities are valued at the last current bid quotation if market quotations are available, or at fair value as determined in accordance with policies established in good faith by the Board of Trustees.

Certain of the securities acquired by the International Equity Fund may be traded on foreign exchanges or over-the-counter markets on days on which the Fund's net asset value is not calculated. In such cases, the net asset value of the Fund's shares may be significantly affected on days when investors can neither purchase nor redeem shares of the Fund.

A pricing service may be used to value certain portfolio securities where the prices provided are believed to reflect the fair value of such securities. In valuing a Fund's securities the pricing service would normally take into consideration such factors as yield, risk, quality, maturity, type of issue, trading characteristics, special circumstances and other factors it deems relevant in determining valuations for normal institutional-sized trading units of debt securities and would not rely on quoted prices. The methods used by the pricing service and the valuations so established will be utilized under the general supervision of the Board of Trustees of Emerald Funds.

VALUATION OF THE FLORIDA TAX-EXEMPT FUND

The assets of the Florida Tax-Exempt Fund are valued for purposes of pricing sales and redemptions of the shares of the Fund each business day by an independent pricing service (the "Service") approved by the Board of Trustees of Emerald Funds. When, in the judgment of the Service, quoted bid prices for portfolio securities are readily available and are representative of the bid side of the market, these investments are valued at the mean between quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such

securities). Other investments are carried at fair value as determined by the Service, based on methods which include consideration of yields or prices of municipal bonds of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. The Service may also employ electronic data processing techniques and matrix systems to determine value. Securities with maturities of 60 days or less are normally valued at amortized cost, which approximates market value and is described further under "Valuation of the Money Market Funds."

ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

SUPPLEMENTARY PURCHASE INFORMATION

As described in the Prospectuses for such Shares, Retail Shares may be purchased directly from the Distributor or by clients of certain financial institutions such as broker-dealers that have entered into selling and/or servicing agreements with the Distributor ("Service Organizations"). Institutional Shares may be purchased by clients of the Adviser and its affiliates through qualified accounts and by certain institutions acting on behalf of themselves and persons maintaining qualified accounts at such institutions, as described in the Prospectuses for such Shares. Individuals may not purchase Institutional Shares directly. The Adviser, Service Organizations and other institutions may impose minimum customer account and other requirements in addition to those imposed by Emerald Funds and described in the Prospectuses. Depending on the terms of the particular account, these entities may charge their customers fees for automatic investment, redemption and other services. Such fees may include, for example, account maintenance fees, compensating balance requirements or fees based upon account transactions, assets or income. The Adviser, Service Organizations or other institutions are responsible for providing information concerning these services and any charges to any customer who must authorize the purchase of shares prior to such purchase.

Purchase orders will be effected only on business days. Persons wishing to purchase shares through their accounts at a Service Organization (for Retail Shares), or at the Adviser or another institution (for Institutional Shares), should contact such entity directly for appropriate instructions. Clients of Barnett Capital Advisors, Inc. interested in purchasing Institutional Shares may call their administrative officer. Other interested investors may call 800-637-3759.

An investor desiring to purchase Retail Shares directly from Emerald Funds by wire should request his or her bank to transmit immediately available funds by wire to Emerald Funds;

call 800-637-3759 for wiring instructions, for purchase of shares in the investor's name. It is important that the wire include the investor's name, address, and taxpayer identification number, indicate whether a new account is being established or a subsequent payment is being made to an established account and indicate the name of the Fund and the class of shares being purchased. If a subsequent payment is being made, the investor's Fund account number should be included. An investor in Retail Shares must have completed and forwarded to the Transfer Agent an Account Registration Form, including any required signature guarantees, before any redemptions of shares purchased by wire may be processed.

The Adviser and/or Distributor may charge certain fees for acting as Custodian for IRAs or 401k retirement plans, payment of which could require the liquidation of shares. Consult the appropriate form for a description of these fees. Purchases for IRA accounts or 401k retirement plans will be effective only when payments received by the Transfer Agent are converted into federal funds. Purchases for these plans may not be made in advance of receipt of funds.

SUPPLEMENTARY REDEMPTION INFORMATION

An investor whose shares are purchased through accounts at the Adviser, a Service Organization or another institution may redeem all or part of his or her shares in accordance with instructions pertaining to such accounts. Shares in the Equity and Fixed Income Funds for which orders placed by the Adviser, a Service Organization, another institution or individual investor for wire redemption are received on a business day before the close of regular trading hours on the New York Stock Exchange (currently 4:00 p.m. Eastern time) will be redeemed as of the close of regular trading on such Exchange and the proceeds of redemption will normally be wired in federal funds on the next business day to the commercial bank specified by the individual investor on the Account Registration Form (or other bank of record on the investor's file with the Transfer Agent), or to the Service Organization or other institution through which the investment was made. Retail Shares in the Money Market Funds for which orders for wire redemption are received on a business day before 2:00 p.m. (12:00 noon with respect to the Tax-Exempt Fund) Eastern Time will be redeemed as of that time and the proceeds of redemption will normally be wired in federal funds on the same business day to the commercial bank specified by the investor on the Account Registration Form (or other bank of record on the investor's file with the Transfer Agent). To qualify to use the wire redemption privilege with Emerald Funds, the payment for shares must be drawn on, and redemption proceeds paid to, the same bank and account as designated on the Account Registration Form (or other bank of record as described above). If the proceeds of a particular redemption are to be wired to another

bank, the request must be in writing and signature guaranteed. Shares in the Equity and Fixed Income Funds for which orders for wire redemption are received by Emerald Funds after the close of regular trading hours on the New York Stock Exchange or on a non-business day will be redeemed as of the close of regular trading on such Exchange on the next day on which shares of the particular Fund are priced and the proceeds will normally be wired in federal funds on the next business day thereafter. Retail Shares in each Money Market Fund for which orders for wire redemption are received by Emerald Funds on a business day between 2:00 p.m. (12:00 noon with respect to the Tax-Exempt Fund) Eastern Time and the close of regular trading hours on the New York Stock Exchange (currently 4:00 p.m. Eastern Time), and shares for which orders for wire redemption are received by Emerald Funds after the close of regular trading hours on the New York Stock Exchange or on a non-business day, will be priced as of 2:00 p.m. (12:00 noon with respect to the Tax-Exempt Fund) Eastern Time on the next day on which shares of the particular Fund are priced and the proceeds will normally be wired in federal funds on the day the shares are priced. Redemption proceeds will be wired to a correspondent member bank if the investor's designated bank is not a member of the Federal Reserve System. Immediate notification by the correspondent bank to the investor's bank is necessary to avoid a delay in crediting the funds to the investor's bank account. Proceeds of less than $1,000 will be mailed to the investor's address.

To change the commercial bank or account designated to receive redemption proceeds from Retail Shares, a written request must be sent to Emerald Funds, c/o BISYS Fund Services, Inc., P.O. Box 182697, Columbus, Ohio 43219-3035. Such request must be signed by each shareholder, with each signature guaranteed as described in the Funds' Prospectuses. Guarantees must be signed by an authorized signatory and "signature guaranteed" must appear with the signature.

For processing redemptions or to change wiring instructions with Emerald Funds, the Transfer Agent may request further documentation from corporations, executors, administrators, trustees or guardians. The Transfer Agent will accept other suitable verification arrangements from foreign investors, such as consular verification.

Investors should be aware that if they have selected the TeleTrade privilege, any request for a wire redemption will be effected as a TeleTrade transaction through the Automated Clearing House (ACH) system unless more prompt transmittal specifically is requested. Redemption proceeds of a TeleTrade transaction will be on deposit in the investor's account at the ACH member bank normally two business days after receipt of the redemption request.

EXCHANGE PRIVILEGE

Emerald Funds offers an exchange privilege whereby investors may exchange all or part of their Retail Shares for Retail Shares of other Equity and Fixed Income Funds and Retail Shares of the Money Market Funds. By use of this exchange privilege, the investor authorizes the Transfer Agent to act on telephonic or written exchange instructions from any person representing himself or herself to be the investor and reasonably believed by the Transfer Agent to be genuine. The Transfer Agent's records of such instructions are binding. The exchange privilege may be modified or terminated at any time upon notice to shareholders.

Exchange transactions will be made on the basis of the relative net asset values per share of the investment portfolios involved in the transaction. Exchange requests received on a business day prior to the time shares of the investment portfolios involved in the request are priced will be processed on the date of receipt. "Processing" a request means that shares in the investment portfolios from which the shareholder is withdrawing an investment will be redeemed at the net asset value per share next determined on the date of receipt. Shares of the new investment portfolio into which the shareholder is investing will also normally be purchased at the net asset value per share next determined coincident to or after the time of redemption. Exchange requests received on a business day after the time shares of the investment portfolios involved in the request are priced will be processed on the next business day in the manner described above.

MISCELLANEOUS

Certificates for shares will not be issued unless expressly requested in writing and will not be issued for fractional shares.

Depending on the terms of the customer account at the Adviser, Service Organization or other institution, certain purchasers of the Equity and Fixed Income Funds may arrange with the Funds' transfer agent for sub-accounting services paid by Emerald Funds without direct charge to the purchaser.

With respect to the Money Market Funds, a "business day" for purposes of processing share purchases and redemptions received by the Transfer Agent at its Columbus, Ohio office is a day on which the New York Stock Exchange and the Funds' Custodian are open, except that a "business day" with respect to the Money Market Funds does not include Martin Luther King, Jr. Day, Columbus

Day or Veterans Day (observed). With respect to the Equity and Fixed Income Funds, a "business day" is a day on which the New York Stock Exchange is open for trading, and includes

Martin Luther King, Jr. Day, Columbus Day and Veterans Day (observed). The holidays on which the New York Stock Exchange is closed are: New Year's Day (observed), President's Day, Good Friday, Memorial Day, Independence Day (observed), Labor Day, Thanksgiving Day and Christmas Day (observed).

Emerald Funds may suspend the right of redemption or postpone the date of payment for shares during any period when (a) trading on the New York Stock Exchange (the "Exchange") is restricted by applicable rules and regulations of the Securities and Exchange Commission; (b) the Exchange is closed for other than customary weekend and holiday closings; (c) the Securities and Exchange Commission has by order permitted such suspension; or (d) an emergency exists as determined by the Securities and Exchange Commission. (Emerald Funds may also suspend or postpone the recordation of the transfer of its shares upon the occurrence of any of the foregoing conditions.)

Emerald Funds reserves the right to require a shareholder to redeem involuntarily shares in an account (other than an IRA or Qualified Retirement Plan account) if the balance held of record by the shareholder drops below $1,000 and such shareholder does not increase such balance to $1,000 or more upon 30 days' notice. Emerald Funds will not require a shareholder to redeem shares of a Fund if the balance held of record by the shareholder is less than $1,000 solely because of a decline in the net asset value of the Fund's shares or because the shareholder has made an initial investment in a lower amount as provided for in the Funds' Prospectuses. Emerald Funds may also redeem shares involuntarily if such redemption is appropriate to carry out Emerald Funds' responsibilities under the Investment Company Act of 1940.

Emerald Funds may redeem shares involuntarily to reimburse a Fund for any loss sustained by reason of the failure of a shareholder to make full payment for shares purchased by the shareholder or to collect any charge relating to a transaction effected for the benefit of a shareholder which is applicable to Fund shares as provided in the Funds' Prospectuses from time to time.

IN-KIND PURCHASES

Payment for shares of a Fund may, in the discretion of the Adviser, be made in the form of securities that are permissible investments for the Fund as described in the Prospectuses. For further information about this form of payment, contact the Adviser. In connection with an in-kind securities payment, a Fund will require, among other things, that the securities be valued on the day of purchase in accordance with the pricing methods used by the Fund and that the Fund receive satisfactory assurances that it will have good and

marketable title to the securities received by it; that the securities be in proper form for transfer to the Fund; and that adequate information be provided concerning the basis and other tax matters relating to the securities.

So long as shares in the Equity, Equity Value, International Equity, Small Capitalization, Balanced, Short-Term Fixed Income, U.S. Government Securities, Managed Bond and Florida Tax-Exempt Funds are offered or sold in Texas, any securities that are accepted as payment for shares in the portfolios will be limited to securities that are issued in transactions that involve a bona fide reorganization or statutory merger, or will be limited to other acquisitions of portfolio securities (except for municipal debt securities issued by state political sub-divisions or their agencies or instrumentalities) that: (a) meet the investment objectives and policies of the portfolio; (b) are acquired for investment and not for resale; (c) are liquid securities that are not restricted as to transfer either by law or by liquidity of market; and (d) have a value that is readily ascertainable (and not established only by evaluation procedures) as evidenced by a listing on the American Stock Exchange, New York Stock Exchange or NASDAQ, or as evidenced by their status as U.S. Government securities, bank certificates of deposit, banker's acceptances, corporate and other debt securities that are actively traded, money market securities and other like securities with a readily ascertainable value.

REDEMPTIONS IN-KIND

If the Board of Trustees determines that conditions exist which make payment of redemption proceeds wholly in cash unwise or undesirable, Emerald Funds may make payment wholly or partly in securities or other property. Such redemptions will only be made in "readily marketable" securities. In such an event, a shareholder would incur transaction costs in selling the securities or other property. Each Fund may commit that it will pay all redemption requests by a shareholder of record in cash, limited in amount with respect to each shareholder during any ninety-day period to the lesser of $250,000 or 1% of the net asset value of the Fund at the beginning of such period.

DESCRIPTION OF SHARES

Emerald Funds is a Massachusetts business trust. Under Emerald Funds' Agreement and Declaration of Trust, the beneficial interests in Emerald Funds may be divided into an unlimited number of full and fractional transferable shares. The Agreement and Declaration of Trust authorizes the Board of Trustees to classify or reclassify any unissued shares of Emerald Funds into one or more classes by setting or changing, in any one or more

respects, their respective designations, preferences, conversion or other rights, voting powers, restrictions, limitations, qualifications and terms and conditions of redemption. Pursuant to such authority, the Board of Trustees has authorized the issuance of thirty-three classes of shares. Eighteen of these classes represent interests in the Equity and Fixed Income Funds and nine other classes represent interests in the Money Market Funds. The remaining classes represent interests in other investment portfolios of Emerald Funds. The Trustees may similarly classify or reclassify any particular class of shares into one or more series.

The Fund's separate share classes have formal legal designations; however, to assist the public in more readily identifying and understanding the nature of the share classes, they are commonly referred to in the Funds' Prospectuses and this Statement of Additional Information, as well as certain of the Fund's advertising and other literature, by less technical names. For example, Classes G-1, H-1, I-1, J-1, K-1, L-1, M-1, N-1 and O-1 of the Equity and Fixed Income Funds are known as "Retail Shares"; Classes G-3, H-3, I-3, J-3, K-3, L-3, M-3, N-3 and O-3 of the Equity and Fixed Income Funds are known as "Institutional Shares"; Classes D-3, E-3 and F-3 of the Money Market Funds are known as "Retail Shares"; Classes D-2, E-2 and F-2 of the Money Market Funds are known as "Service Shares"; and Classes D-1, E-1 and F-1 of the Money Market Funds are known as "Institutional Shares."

Except as noted in the Prospectuses with respect to certain miscellaneous "class expenses" and below with respect to the Retail Plans, shares of the Equity and Fixed Income Funds bear the same types of ongoing expenses with respect to the Fund to which they belong. Similarly, except as noted in the Prospectuses with respect to certain miscellaneous "class expenses" and below with respect to the Retail Plans and the Shareholder Processing and Services Plan (the "Service Plan") for Service Shares, Shares of a Money Market Fund bear the same types of expenses. In the event of a liquidation or dissolution of Emerald Funds or an individual Fund, shareholders of a particular Fund would be entitled to receive the assets available for distribution belonging to the Fund, and a proportionate distribution, based upon the relative net asset values of Emerald Funds' respective investment portfolios, of any general assets not belonging to any particular portfolio which are available for distribution. Shareholders of a Fund are entitled to participate in the net distributable assets of the particular Fund involved on liquidation, based on the number of shares of the Fund that are held by each shareholder, except that Retail Shares of a particular Equity, Fixed Income and Money Market Fund will be solely responsible for that Fund's payments pursuant to the Retail Plans; and each Money Market Fund's Service Shares will be solely responsible for such Fund's payments to Service

Organizations pursuant to the Service Plan adopted for such Shares. In addition, each class of shares will be responsible for the other miscellaneous "class expenses" attributable to the class as described in the Prospectuses.

Holders of all outstanding shares of a particular Fund will vote together in the aggregate and not by class on all matters, except that only Retail Shares of an Equity, Fixed Income and Money Market Fund will be entitled to vote on matters submitted to a vote of shareholders pertaining to the Fund's

Retail Plans, and only Service Shares of a Money Market Fund will be entitled to vote on matters submitted to a vote of shareholders pertaining to the Fund's Service Plan. (See "The Emerald Family of Funds" in the Prospectuses.) Further, shareholders of all of the Funds, as well as those of any other investment portfolio now or hereafter offered by Emerald Funds, will vote together in the aggregate and not separately on a Fund-by-Fund basis, except as otherwise required by law or when permitted by the Board of Trustees. Rule 18f-2 under the Investment Company Act of 1940 provides that any matter required to be submitted to the holders of the outstanding voting securities of an investment company such as Emerald Funds shall not be deemed to have been effectively acted upon unless approved by the holders of a majority of the outstanding shares of each Fund affected by the matter. A Fund is affected by a matter unless it is clear that the interests of each Fund in the matter are substantially identical or that the matter does not affect any interest of the Fund. Under the Rule, the approval of an investment advisory agreement or change in a fundamental investment policy would be effectively acted upon with respect to a Fund only if approved by a majority of the outstanding shares of such Fund. However, the Rule also provides that the ratification of the appointment of independent accountants, the approval of principal underwriting contracts and the election of Trustees may be effectively acted upon by shareholders of Emerald Funds voting together in the aggregate without regard to particular investment portfolios. Shares of Emerald Funds have noncumulative voting rights and, accordingly, the holders of more than 50% of Emerald Funds' outstanding shares (irrespective of Fund or class) may elect all of the Trustees.

Shares have no preemptive rights and only such conversion and exchange rights as the Board of Trustees may grant in its discretion. When issued for payment as described in the Prospectuses, shares will be fully paid and nonassessable by Emerald Funds. Shares of each Fund have a par value of $.001.

There will normally be no meetings of shareholders for the purpose of electing Trustees unless and until such time as less than a majority of the Trustees holding office have been elected by shareholders. If such should occur, the Trustees then in office will call a shareholders meeting for the election of

Trustees. Except as set forth above, the Trustees shall continue to hold office and may appoint successor Trustees. The Agreement and Declaration of Trust provides that meetings of the shareholders of Emerald Funds shall be called by the Trustees upon the written request of shareholders owning at least 10% of the outstanding shares entitled to vote.

Emerald Funds' Agreement and Declaration of Trust authorizes the Board of Trustees, without shareholder approval (unless otherwise required by applicable law), to: (a) sell and convey the assets belonging to a Fund to another management investment company for consideration which may include securities issued by the purchaser and, in connection therewith, to cause all outstanding shares of such Fund to be redeemed at a price which is equal to their net asset value and which may be paid in cash or by distribution of the securities or other consideration received from the sale and conveyance; (b) sell and convert the assets belonging to a Fund into money and, in connection therewith, to cause all outstanding shares of such Fund to be redeemed at their net asset value; or (c) combine the assets belonging to a Fund with the assets belonging to one or more other funds if the Board of Trustees reasonably determines that such combination will not have a material adverse effect on the shareholders of any fund participating in such combination and, in connection therewith, to cause all outstanding shares of any such Fund to be redeemed or converted into shares of another fund at their net asset value. However, the exercise of such authority may be subject to certain restrictions under the Investment Company Act of 1940. The Board of Trustees may authorize the termination of any Fund after the assets belonging to such Fund have been distributed to its shareholders.

ADDITIONAL INFORMATION CONCERNING TAXES

FEDERAL -- ALL FUNDS

Each Fund will be treated as a separate corporate entity under the Internal Revenue Code of 1986, as amended (the "Code"), and intends to qualify as a "regulated investment company." By following this policy, each Fund expects to eliminate or reduce to a nominal amount the federal income taxes to which it may be subject. If for any taxable year a Fund does not qualify for the special federal tax treatment afforded regulated investment companies, all of the Fund's taxable income would be subject to federal income tax at regular corporate rates (without any deduction for distributions to its shareholders).

In such event, the Fund's dividend distributions (including amounts derived from interest on municipal obligations) to shareholders would be taxable as ordinary income, to the extent of the current and accumulated earnings and profits of the

particular Fund, and would be eligible for the dividends received deduction for corporate shareholders.

Qualification as a regulated investment company under the Code requires, among other things, that each Fund distribute to its shareholders each taxable year an amount equal to at least the sum of 90% of its investment company taxable income and 90% of its tax-exempt income net of certain deductions. In general, a Fund's investment company taxable income will be its taxable income, including dividends, interest, and short-term capital gains (the excess of net short-term capital gain over net long-term capital loss), subject to certain adjustments and excluding the excess of any net long-term capital gain for the taxable year over the net short-term capital loss for such year. A Fund will be taxed on its undistributed investment company taxable income. To the extent such income is distributed by a Fund (whether in cash or additional shares), it will be taxable to shareholders as ordinary income.

A Fund will not be treated as a regulated investment company under the Code if 30% or more of the Fund's gross income for a taxable year is derived from gains realized on the sale or other disposition of the following investments held for less than three months: (1) stock and securities (as defined in section 2(a)(36) of the Investment Company Act of 1940); (2) options, futures and forward contracts (other than those on foreign currencies); and (3) foreign currencies (and options, futures and forward contracts on foreign currencies) that are not directly related to a Fund's principal business of investing in stock and securities (and options and futures with respect to stocks and securities) (the "Short-Short test"). Interest (including original issue discount and accrued market discount) received by a Fund upon maturity or disposition of a security held for less than three months will not be treated as gross income derived from the sale or other disposition of such security within the meaning of this requirement. However, any other income that is attributable to realized market appreciation will be treated as gross income from the sale or other disposition of securities for this purpose. With respect to covered call options, if the call is exercised by the holder, the premium and the price received on exercise constitute the proceeds of sale, and the difference between the proceeds and the cost of the securities subject to the call is capital gain or loss. Premiums from expired call options written by a Fund and net gains from closing purchase transactions are treated as short-term capital gains for federal income tax purposes, and losses on closing purchase transactions are short-term capital losses. See "Financial Instruments" below, for a general discussion of the federal tax treatment of futures contracts and related options thereon, including their treatment under the Short-Short test.

In addition to the foregoing requirements, at the close of each quarter of its taxable year, at least 50% of the value of each Fund's assets must consist of cash and cash items, U.S. Government securities, securities of other regulated investment companies, and securities of other issuers (as to which a Fund has not invested more than 5% of the value of its total assets in securities of such issuer and as to which a Fund does not hold more than 10% of the outstanding voting securities of such issuer), and no more than 25% of the value of each Fund's total assets may be invested in the securities of any one issuer (other than U.S. Government securities and securities of other regulated investment companies), or in two or more issuers such Fund controls and that are engaged in the same or similar trades or businesses.

Any distribution of the excess of net long-term capital gain over net short-term capital loss is taxable to shareholders as long-term capital gain, regardless of how long the shareholder has held the distributing Fund's shares and whether such gains are received in cash or additional Fund shares. The Fund will designate such a distribution as a capital gain dividend in a written notice mailed to shareholders within 60 days after the close of the Fund's taxable year. It should be noted that, upon the sale or exchange of Fund shares, if the shareholder has not held such shares for more than six months, any loss on the sale or exchange of those shares will be treated as long-term capital loss to the extent of the capital gain dividends received with respect to the shares.

Ordinary income of individuals is taxable at a maximum marginal rate of 39.6% but, because of limitations on itemized deductions otherwise allowable and the phase-out of personal exemptions, the maximum effective marginal rate of tax for some taxpayers may be higher. An individual's long-term capital gains are taxable at a maximum marginal rate of 28%. For corporations, long-term capital gains and ordinary income are both taxable at a maximum marginal rate of 35% (or at a maximum marginal rate of 39% in the case of corporations having taxable income between $100,000 and $335,000).

A 4% non-deductible excise tax is imposed on regulated investment companies that fail to currently distribute specified percentages of their ordinary taxable income and capital gain net income (excess of capital gains over capital losses). Each Fund intends to make sufficient distributions or deemed distributions of its ordinary taxable income and any capital gain net income prior to the end of each calendar year to avoid liability for this excise tax.

Each Fund will be required in certain cases to withhold and remit to the U.S. Treasury 31% of taxable dividends or of gross sale proceeds paid to shareholders who have failed to

provide a correct tax identification number in the manner required, who are subject to withholding by the Internal Revenue Service for failure properly to include on their return payments of taxable interest or dividends, or who have failed to certify, when required to do so, to the Fund that they are not subject to backup withholding or that they are "exempt recipients."

FOREIGN TAXES

Income received by the International Equity Fund from sources within foreign countries may be subject to withholding and other foreign taxes. The payment of such taxes will reduce the amount of dividends and distributions paid to the Fund's shareholders. If the Fund qualifies as a regulated investment company, certain distribution requirements are satisfied, and more than 50% of the value of the Fund's assets at the close of the taxable year consists of stock or securities of foreign corporations, the Fund may elect, for U.S. federal income tax purposes, to treat foreign income taxes paid by the Fund as income taxes under U.S. income tax principles as paid by its shareholders. The Fund may qualify for and make this election in some, but not necessarily all, of its taxable years. If the Fund were to make an election, an amount equal to the foreign income taxes paid by a Fund would be included in the income of its shareholders and each shareholder would be entitled either (i) to credit their portions of this amount against their U.S. tax due, if any, or (ii) to deduct such portion from their U.S taxable income, if any. Shortly after any year for which it makes such an election, the Fund will report to its shareholders, in writing, the amount per share of such foreign tax that must be included in each shareholder's gross income and the amount which will be available for deduction or credit. No deduction for foreign taxes may be claimed by a shareholder who does not itemize deductions. Certain limitations are imposed on the extent to which the credit (but not the deduction) for foreign taxes may be claimed. Because of these limitations, shareholders may be unable to claim a credit for the full amount of their proportionate shares of the foreign income taxes paid by the Fund.

The Fund may be subject to U.S. federal income tax on a portion of any "excess distribution" or a gain from the disposition of passive foreign investment companies even if it distributes the income to its shareholders.

FINANCIAL INSTRUMENTS

Special rules govern the federal income tax treatment of financial instruments that may be held by the Fund. These rules may have a particular impact on the amount of income or gain that a Fund must distribute to its shareholders to comply with the 90% distribution requirement, on the income or gain

qualifying under the 90% gross income test and on their ability to comply with the 30% test described above.

Generally, certain foreign currency contracts entered into by the Fund (as described above) at the close of its taxable year are treated for federal income tax purposes as sold for their fair market value on the last business day of such year, a process known as "mark-to-market." Forty percent of any gain or loss resulting from such constructive sales will be treated as short-term capital gain or loss and 60% of such gain or loss will be treated as long-term capital gain or loss without regard to the period the Fund has held the contracts ("the 40%-60% rule"). The amount of any capital gain or loss actually realized by the Fund in a subsequent sale or other disposition of those contracts is adjusted to reflect any capital gain or loss taken into account by the Fund in a prior year as a result of the constructive sale of the contracts. Losses with respect to certain foreign currency contracts, which are regarded as parts of a "mixed straddle" because their values fluctuate inversely to the values of specific securities held by the Fund, are subject to certain loss deferral rules, which limit the amount of loss currently deductible on either part of the straddle to the amount thereof that exceeds the unrecognized gain (if any) with respect to the other part of the straddle, and to certain wash sales regulations. Under short sales rules, which also are applicable, the holding period of the securities forming part of the straddle (if they have not been held for the long-term holding period) will be deemed not to begin prior to termination of the straddle. With respect to certain contracts, deductions for interest and carrying charges may not be allowed. Notwithstanding the rules described above, with respect to certain foreign currency contracts that are properly identified as such, the Fund may make an election which will exempt (in whole or in part) those identified foreign currency contracts from the Rules of Section 1256 of the Code including "the 40%-60% rule" and "mark-to-market," but gains and losses will be subject to such short sales, wash sales and loss deferral rules and the requirement to capitalize interest and carrying charges. Under Temporary Regulations, the Fund would be allowed (in lieu of the foregoing) to elect either (1) to offset gains or losses from portions which are part of a mixed straddle by separately identifying each mixed straddle to which such treatment applies, or (2) to establish a mixed straddle account for which gains and losses would be recognized and offset on a periodic basis during the taxable year. Under either election, "the 40%-60% rule" will apply to the net gain or loss attributable to the contracts, but in the case of a mixed straddle account election, not more than 50% of any net gain may be treated as long-term and no more than 40% of any net loss may be treated as short-term.

With respect to futures contracts and other financial instruments subject to the mark-to-market rules, the Internal

Revenue Service has ruled in private letter rulings that for purposes of the Short-Short test a gain realized from such a futures contract or financial instrument will be treated as being derived from a security held for three months or more (regardless of the actual period for which the contract or instrument is held) if the gain arises as a result of a constructive sale under the mark-to-market rules, and will be treated as being derived from a security held for less than three months only if the contract or instrument is terminated (or transferred) during the taxable year (other than by reason of marking-to-market) and less than three months have elapsed between the date the contract or instrument is acquired and the termination date. In determining whether the Short-Short test is met for a taxable year, increases and decreases in the value of each Fund's futures contracts and other investments that qualify as part of a "designated hedge," as defined in the Code, may be netted.

A foreign currency contract must meet the following conditions in order to be subject to the mark-to-market rules described above: (1) the contract must require delivery of a foreign currency of a type in which regulated futures contracts are traded or upon which the settlement value of the contract depends; (2) the contract must be entered into at arm's length at a price determined by reference to the price in the interbank market; and (3) the contract must be traded in the interbank market. The Treasury Department has broad authority to issue regulations under the provisions respecting foreign currency contracts. As of the date of this Statement of Additional Information, the Treasury Department has not issued any such regulations. Other foreign currency contracts entered into by the Fund may result in the creation of one or more straddles for federal income tax purposes, in which case certain loss deferral, short sales, and wash sales rules and the requirement to capitalize interest and carrying charges may apply.

Some of the non-U.S. dollar denominated investments that the Fund may make, such as foreign securities, European Depository Receipts and foreign currency contracts, may be subject to the provisions of Subpart J of the Code, which govern the federal income tax treatment of certain transactions denominated in terms of a currency other than the U.S. dollar or determined by reference to the value of one or more currencies other than the U.S dollar. The types of transactions covered by these provisions include the following: (1) the acquisition of, or becoming the obligor under, a bond or other debt instrument (including, to the extent provided in Treasury regulations, preferred stock); (2) the accruing of certain trade receivables and payables; and (3) the entering into or acquisition of any forward contract, futures contract, option and similar financial instrument. The disposition of a currency other than the U.S. dollar by a U.S. taxpayer also is treated as a transaction subject to the special currency rules. However, foreign

currency-related regulated futures contracts and nonequity options are generally not subject to the special currency rules if they are or would be treated as sold for their fair market value at year-end under the mark-to-market rules, unless an election is made to have such currency rules apply. With respect to transactions covered by the special rules, foreign currency gain or loss is calculated separately from any gain or loss on the underlying transaction and is normally taxable as ordinary gain or loss. A taxpayer may elect to treat as capital gain or loss foreign currency gain or loss arising from certain identified forward contracts, futures contracts and options that are capital assets in the hands of the taxpayer and which are not part of a straddle. In accordance with Treasury regulations, certain transactions that are part of a "Section 988 hedging transaction" (as defined in the Code and Treasury regulations) may be integrated and treated as a single transaction or otherwise treated consistently for purposes of the Code. "Section 988 hedging transactions" are not subject to the mark-to-market or loss deferral rules under the Code. Gain or loss attributable to the foreign currency component of transactions engaged in by the Fund, which is not subject to the special currency rules (such as foreign equity investments other than certain preferred stocks), is treated as capital gain or loss and is not segregated from the gain or loss on the underlying transaction.

FEDERAL -- TAX-EXEMPT FUNDS

As described above and in the Prospectuses, the Tax-Exempt Funds are designed to provide investors with current tax-exempt interest income. These Funds are not intended to constitute a balanced investment program and are not designed for investors seeking capital appreciation or maximum tax-exempt income irrespective of fluctuations in principal. Shares of the Tax-Exempt Funds may not be suitable for tax-exempt institutions, or for retirement plans qualified under Section 401 of the Internal Revenue Code, H.R. 10 plans and individual retirement accounts because such plans and accounts are generally tax-exempt and, therefore, not only would not gain any additional benefit from the Funds' dividends being tax-exempt, but such dividends would be ultimately taxable to the beneficiaries when distributed to them. In addition, the Tax-Exempt Funds may not be appropriate investments for entities that are "substantial users" of facilities financed by private activity bonds or "related persons" thereof. "Substantial user" is defined under U.S. Treasury Regulations to include a non-exempt person who regularly uses a part of such facilities in his or her trade or business and whose gross revenues derived with respect to the facilities financed by the issuance of bonds are more than 5% of the total revenues derived by all users of such facilities, who occupies more than 5% of the usable area of such facilities, or for whom such facilities or a part thereof were specifically constructed, reconstructed or acquired. "Related persons" include certain

related natural persons, affiliated corporations, a partnership and its partners and an S Corporation and its shareholders. Each shareholder is advised to consult his or her tax adviser with respect to whether exempt-interest dividends would be excludable from his or her gross income under Section 103(a) of the Internal Revenue Code.

The percentage of total dividends paid by the Tax-Exempt Funds with respect to any taxable year that qualifies as federal exempt-interest dividends will be the same for all shareholders of such a Fund receiving dividends for such year. In order for such a Fund to pay exempt-interest dividends for any taxable year, at the close of each quarter of its taxable year at least 50% of the aggregate value of the Fund's portfolio must consist of federal tax-exempt interest obligations. In addition, the Fund must distribute an amount that is at least equal to the sum of 90% of the aggregate net tax-exempt interest income and 90% of the investment company taxable income earned by the Fund for the taxable year. Not later than 60 days after the close of its taxable year, the Fund will notify each shareholder of the portion of the dividends paid by the Fund to the shareholder with respect to such taxable year that constitutes an exempt-interest dividend. However, the aggregate amount of dividends so designated cannot exceed the excess of the amount of interest exempt from tax under Section 103 of the Code received by the Fund during the taxable year over any amounts disallowed as deductions under Sections 265 and 171(a)(2) of the Code.

Interest on indebtedness incurred by a shareholder to purchase or carry shares of the Tax-Exempt Funds generally is not deductible for federal income tax purposes. If a shareholder holds Tax-Exempt Fund or Florida Tax-Exempt Fund shares for six months or less, any loss on the sale or exchange of those shares will be disallowed to the extent of the amount of exempt-interest dividends earned with respect to the shares. The Treasury Department, however, is authorized to issue regulations reducing the six-month holding requirement to a period of not less than the greater of 31 days or the period between regular distributions where the investment company regularly distributes at least 90% of its net tax-exempt interest. No such regulations had been issued as of the date of this Statement of Additional Information.

Income itself exempt from federal income taxation may be considered in addition to adjusted gross income when determining whether Social Security payments received by a shareholder are subject to federal income taxation.

FLORIDA TAXES

The State of Florida does not currently impose an income tax on individuals. Thus individual shareholders of the

Florida Tax-Exempt Fund will not be subject to any Florida income tax on distributions received from the Fund. However, Florida does currently impose an income tax on certain corporations. Consequently, distributions may be taxable to corporate shareholders.

The State of Florida currently imposes an "intangibles tax" at the annual rate of 2 mills or 0.20% on certain securities and other intangible assets owned by Florida residents. With respect to the first mill, or first .10%, of the intangibles tax, every natural person is entitled each year to an exemption of the first $20,000 of the value of the property subject to the tax. A husband and wife filing jointly will have an exemption of $40,000. With respect to the last 1 mill, or last .10%, of the intangibles tax, every natural person is entitled each year to an exemption of the first $100,000 of the value of the property subject to the tax. A husband and wife filing jointly will have an exemption of $200,000. Notes, bonds and other obligations issued by the State of Florida or its municipalities, counties, and other taxing districts, or by the United States Government, its agencies and certain U.S. territories and possessions (such as Guam, Puerto Rico and the Virgin Islands) as well as cash are exempt from this intangibles tax. If on December 31 of any year the portfolio of the Florida Tax-Exempt Fund consists solely of such exempt assets, then the Fund's shares will be exempt from the Florida intangibles tax payable in the following year.

In order to take advantage of the exemption from the intangibles tax in any year, the Florida Tax-Exempt Fund must sell any non-exempt assets held in its portfolio during the year and reinvest the proceeds in exempt assets including cash prior to December 31. Transaction costs involved in restructuring the portfolio in this fashion would likely reduce the Fund's investment return and might exceed any increased investment return the Fund achieved by investing in non-exempt assets during the year.

OTHER INFORMATION

Depending upon the extent of activities in states and localities in which its offices are maintained, in which its agents or independent contractors are located or in which it is otherwise deemed to be conducting business, a Fund may be subject to the tax laws of such states or localities.

Outside the State of Florida, income distributions may be taxable to shareholders under state or local law as dividend income even though all or a portion of such distributions may be derived from interest on tax-exempt obligations or U.S. Government obligations which, if realized directly, would be exempt from such income taxes. Shareholders are advised to

consult their tax advisers concerning the application of state and local taxes.

The foregoing discussion is a general and abbreviated summary of certain provisions of federal and Florida law and is based on tax laws and regulations which are in effect on the date of this Statement of Additional Information. Such laws and regulations may be changed by legislative or administrative action. This discussion is only a summary of some of the important tax considerations generally affecting purchasers of shares of the Funds. No attempt is made to present a detailed explanation of the federal income tax treatment of the Funds or their shareholders, and this discussion is not intended as a substitute for careful tax planning. Accordingly, potential purchasers of shares of the Funds should consult their tax advisers with specific reference to their own tax situation.

MANAGEMENT OF EMERALD FUNDS

TRUSTEES AND OFFICERS

The Trustees and officers of Emerald Funds, their addresses, principal occupations during the past five years and other affiliations are as follows:

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
Chesterfield H. Smith* Suite 3000 701 Brickell Avenue Miami, FL 33101 Age 78	Chairman of the Board of Trustees	Senior Partner of the law firm of Holland and Knight; Director, Greenwich Air Services, Inc. (an aircraft and engine repair company); Director, Citrus and Chemical Bank; Director, Citrus and Chemical Bancorporation (bank holding company of Citrus and Chemical Bank).
Raynor E. Bowditch 4811 Beach Blvd. Suite 105 Jacksonville, FL 33207 Age 62	Trustee	President, Bowditch Insurance Corporation (a general lines independent agency); Director, General Truck Equipment and Trailer Sales; Director, Greater Jacksonville Fair Association.

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
Mary Doyle University of Miami Law School 1311 Miller Drive Coral Gables, FL 33124 Age 52	Trustee	Professor of Law, University of Miami Law School, 1995 to present; Dean in Residence, Association of American Law Schools, 1994 to date; Dean, University of Miami School of Law, 1986-1994.
Albert D. Ernest* 1560 Lancaster Terrace Suite 1402 Jacksonville, FL 32204 Age 65	Trustee	President, Albert Ernest Enterprises (personal investments), 1991 to date; President and Chief Operating Officer, Barnett Banks, Inc., 1988 to 1991; Director, Barnett Banks, Inc., 1982 to 1991; Director, Florida Rock Industries, Inc. (mining and construction materials); Director, FRP Properties, Inc. (transportation, hauling and real estate development); Director, Regency Realty, Inc.; Director, Stein Mart, Inc. (retail); and Director, Wickes Lumber Company.
John G. Grimsley* 50 N. Laura St. Suite 3300 Jacksonville, FL 32202	Trustee and President	Member of the law firm of Mahoney Adams & Criser, P.A. since 1966.

Age 57		
Harvey R. Holding 189 Laurel Lane Ponte Vedra Beach, Fl 32082 Age 61	Trustee	Retired; Executive Vice President and Chief Financial Officer, BellSouth Corp., 1990 to 1993; Vice Chairman of the Board of BellSouth Corp., 1991 to 1993; Director, Golden Poultry Company, Inc.
William B. Blundin 125 West 55th Street New York, NY 10019 Age 57	Executive Vice President	Executive Vice President, BISYS Fund Services, Inc. March 1995 to present; Vice President of Emerald Asset Management, Inc. March 1995 to present; Vice Chairman of the Board of Concord Holding Corporation and Distributor, July 1993 to March 1995; Director and President of Concord Holding Corporation and Distributor, February 1987 to March 1995.

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
Hugh Fanning BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 42	Vice President	Employee of BISYS Fund Services, Inc., August 1992 to present; Director of Marketing, Ketchum Communications, July 1987 to August 1992
J. David Huber BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 49	Vice President	Employee of BISYS Fund Services, Inc., June 1987 to present.
Martin R. Dean BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 32	Treasurer	Employee of BISYS Fund Services, Inc., May 1994 to present; Senior Manager at KPMG Peat Marwick prior thereto.
Jeffrey A. Dalke Philadelphia National Bank Building 1345 Chestnut Street Philadelphia, PA 19107-3496 Age 45	Secretary	Partner, Drinker Biddle & Reath (law firm).
George Martinez BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 36	Assistant Secretary	Senior Vice President and Director of Legal and Compliance Services, BISYS Fund Services, Inc., March 1995 to present; Senior Vice President, Emerald Asset Management, Inc., August 1995 to present; Vice President and Associate General Counsel, Alliance Capital Management, June 1989 to March 1995.
William J. Tomko BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 36	Vice President	Employee of BISYS Fund Services, Inc., April 1987 to present.
Robert Tuch BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 44	Assistant Secretary	Employee of BISYS Fund Services, Inc., June 1991 to present; Assistant Secretary, Emerald Asset Management, Inc. August 1995 to present; Vice

President and Associate General Counsel with National Securities Research Corp., July 1990 to June 1991.

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
Alaina Metz BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 28	Assistant Secretary	Chief Administrator, Administrative and Regulatory Services, BISYS Fund Services, Inc., June 1995 to present; Supervisor, Mutual Fund Legal Department, Alliance Capital Management, May 1989 to June 1995.

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* These Trustees may be deemed to be "interested persons" of Emerald Funds as defined in the Investment Company Act of 1940.

Each Trustee receives an annual fee of $14,000 plus $1,500 for each meeting attended and reimbursement of expenses incurred as a Trustee. Additionally the Chairman and President of the Board of Trustees each receive an additional annual fee of $3,500 for service in such capacities. Furthermore, each Trustee who serves on a special committee appointed by the Board or the Chairman or who is assigned a special project by the Board or the Chairman, receives additional compensation in the amount of $1,000 per day for each meeting attended or $1,000 for each assignment to a Special Project plus reimbursement of out-of- pocket expenses. Remuneration for services rendered during Emerald Funds' fiscal year ended November 30, 1995 and distributed to all Trustees and officers as a group was $99,750. Drinker Biddle & Reath, of which Mr. Dalke is a partner, receives legal fees as counsel to Emerald Funds. As of July 31, 1996, the Trustees and officers of Emerald Funds, as a group, owned less than 1% of the outstanding shares of each Fund and each of the other investment portfolios of the Trust.

The following chart provides certain information about the fees received by the Emerald Funds' trustees for their services as members of the Board of Trustees and Committees thereof.

<TABLE>
<CAPTION>

NAME OF PERSON POSITION	AGGREGATE COMPENSATION FROM EMERALD FUNDS	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPENSATION FROM REGISTRANT AND FUND COMPLEX(*) PAID TO DIRECTORS
<S>	<C>	<C>	<C>	<C>
Chesterfield H. Smith Chairman of the Board of Trustees	$20,750	N/A	N/A	$20,750
John G. Grimsley President and Trustee	$26,000	N/A	N/A	$26,000
Raynor E. Bowditch Trustee	$19,000	N/A	N/A	$19,000
Mary Doyle Trustee	$20,500	N/A	N/A	$20,500
Albert D. Ernest** Trustee	$13,500	N/A	N/A	$13,500

Harvey R. Holding*** Trustee	N/A	N/A	N/A	N/A

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* The "Fund Complex" consists solely of Emerald Funds.

** Mr. Ernest was appointed to the Board of Trustees on May 4, 1995.

*** Mr. Holding was elected to the Board of Trustees on May 29, 1996.

SHAREHOLDER AND TRUSTEE LIABILITY

Under Massachusetts law, shareholders of a business trust may, under certain circumstances, be held personally liable as partners for the obligations of the trust. However, Emerald Funds' Agreement and Declaration of Trust provides that shareholders shall not be subject to any personal liability in connection with the assets of Emerald Funds for the acts or obligations of Emerald Funds, and that every note, bond, contract, order or other undertaking made by Emerald Funds shall contain a provision to the effect that the shareholders are not personally liable thereunder. The Agreement and Declaration of Trust provides for indemnification out of the trust property of any shareholder held personally liable solely by reason of his or her being or having been a shareholder and not because of his or her acts or omissions or some other reason. The Agreement and Declaration of Trust also provides that Emerald Funds shall, upon request, assume the defense of any claim made against any shareholder for any act or obligation of Emerald Funds, and shall satisfy any judgment thereon. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is

limited to circumstances in which Emerald Funds itself would be unable to meet its obligations.

The Agreement and Declaration of Trust further provides that all persons, having any claim against the Trustees or Emerald Funds shall look solely to the trust property for payment; that no Trustee of Emerald Funds shall be personally liable for or on account of any contract, debt, tort, claim, damage, judgment or decree arising out of or connected with the administration or preservation of the trust property or the conduct of any business of Emerald Funds; and that no Trustee shall be personally liable to any person for any action or failure to act except by reason of his or her own bad faith, willful misfeasance, gross negligence or reckless disregard of his or her duties as Trustee. With the exception stated, the Agreement and Declaration of Trust provides that a Trustee is entitled to be indemnified against all liabilities and expenses reasonably incurred by him or her in connection with the defense or disposition of any proceeding in which he or she may be involved or with which he or she may be threatened by reason of his or her being or having been a Trustee, and that the Trustees will indemnify representatives and employees of Emerald Funds to the same extent that Trustees are entitled to indemnification.

ADVISORY AND SUB-ADVISORY AGREEMENTS

Barnett Capital Advisors, Inc. assumed, as of June 29, 1996, the responsibilities of Barnett Banks Trust Company, N.A. ("BBTC") as investment adviser to each Fund. Brandes Investment Partners, L.P. serves as sub-investment adviser to the International Equity Fund. Brandes Investment Partners, Inc. owns a controlling interest in Brandes and serves as its general partner. Charles Brandes is the controlling shareholder of Brandes Investment Partners, Inc. Rodney Square Management Corporation, a wholly-owned subsidiary of Wilmington Trust Company ("WTC"), serves as sub-investment adviser to the Tax-Exempt Fund. In rendering sub-advisory services, the Sub-Adviser may occasionally consult, on an informal basis, with personnel from WTC's investment department; however, WTC will take no part in determining the investment policies of the Tax-Exempt Fund, or in deciding which securities are to be purchased or sold by the Fund.

In their Investment Advisory and Sub-Advisory Agreements, the Adviser and Sub-Advisers have agreed to pay all expenses incurred by them in connection with their advisory and sub-advisory services other than the cost of securities and other investments, including brokerage commissions and other transaction costs, if any, purchased or sold for each Fund. For the services provided and expenses assumed pursuant to the advisory agreements, Emerald Funds has agreed to pay the Adviser fees, computed daily and paid monthly, at the annual rate of 1.00% of the average daily net assets of the

International Equity and Small Capitalization Funds, 0.60% of the respective average daily net assets of each of the Equity, Equity Value and Balanced Funds; 0.40% of the respective average daily net assets of each of the Short-Term Fixed Income Fund, U.S. Government Securities

Fund, Managed Bond Fund and Florida Tax-Exempt Fund; and 0.25% of the respective average net assets of each Money Market Fund. Under the terms of the agreements, the fees payable to the Adviser are not subject to reduction as the value of each Fund's net assets increases; however, the Adviser has informed Emerald Funds of its intention to reduce the annual rate of its advisory fees with respect to the Treasury Fund and the Prime Fund to the following rates: .25% of the first $600 million of each Fund's net assets; .23% of each Fund's net assets over $600 million but not exceeding $1 billion; .21% of the next $1 billion of each Fund's net assets; and .19% of each Fund's net assets over $2 billion. The Adviser has agreed to pay the International Equity Fund's Sub-Adviser a sub-advisory fee at the rate of .50% of the Fund's net assets and the Tax-Exempt Fund's Sub-Adviser a sub-advisory fee at the rate of .15% of the Fund's net assets. The sub-advisory fees paid by the Adviser to the Sub-Advisers are borne entirely by the Adviser and have no effect on the advisory fees payable by the International Equity Fund and Tax-Exempt Fund. Emerald Funds has been advised that, until further notice, the Adviser has voluntarily agreed to waive all advisory fees with respect to the Tax-Exempt Fund in excess of the sub-advisory fees payable by it to Rodney Square.

The Adviser and Rodney Square have made certain additional voluntary and contractual undertakings to waive their fees. See "Management of Emerald Funds - Administration Services" below for further information regarding the waiver of fees and reimbursement of expenses by the Adviser and Rodney Square with respect to the Funds. For the fiscal years ended November 30, 1995, 1994 and 1993, BBTC received (net of waivers) advisory fees totalling $1,155,425, $1,156,911 and $916,787, respectively, for the Equity Fund; $400,689, $497,815 and $206,848, respectively, for the U.S. Government Securities Fund; and $557,888, $740,873 and $409,497, respectively, for the Florida Tax-Exempt Fund. For the fiscal year ended November 30, 1995 and the period from January 4, 1994 (commencement of operations) through November 30, 1994, BBTC received (net of fee waivers) advisory fees totalling $742,502 and $427,853 for the Small Capitalization Fund. For the fiscal year ended November 30, 1995 and the period April 11, 1994 (commencement of operations) through November 30, 1994, BBTC received (net of fee waivers) advisory fees totalling $371,499 and $0, $84,074 and $0 and $266,371 and $0, respectively, for the Balanced, Short-Term Fixed Income and Managed Bond Funds. The Equity Value and International Equity Funds were not operational during these periods. For the same time periods, BBTC waived advisory fees and reimbursed expenses in the amount of $13,355, $0 and $0, respectively, for the Equity Fund; $17,957, $0 and $207,103, respectively, for the U.S. Government Securities Fund; $33,887, $0 and $248,901, respectively, for the Florida Tax-Exempt Fund; $53,824 and $0 for the Small Capitalization Fund; $526,354 and $170,207 for the Balanced Fund; $278,214 and $53,025 for the Short-Term Fixed Income Fund; and $380,759 and $177,688 for the Managed Bond Fund.

For the fiscal years ended November 30, 1995, 1994 and 1993, BBTC received (net of waivers) advisory fees totalling $3,677,324, $3,243,600 and $4,752,234, respectively, for the Prime Fund; $1,914,250, $2,231,677 and $2,207,189, respectively, for the Treasury Fund; and $506,689, $222,183 and $150,753, respectively, for the Tax-Exempt Fund. Of the advisory fee received by BBTC with respect to the Tax-Exempt Fund for the fiscal years ended November 30, 1995, 1994 and 1993, the entire fee was paid to the sub-adviser, Rodney Square. In addition, BBTC waive an additional $202,676, $186,758 and $131,253 in advisory fees with respect to the Tax-Exempt Fund for the fiscal years ended November 30, 1995, 1994 and 1993, respectively. For the fiscal year ended November 30, 1995, BBTC waived fees totalling $358,950 and $134,960 for the Prime Fund and Treasury Fund, respectively. For the fiscal years ended November 30, 1994 and 1993, BBTC did not waive any advisory fees for the Prime Fund and the Treasury Fund. For the fiscal years ended November 30, 1995, 1994 and 1993, Rodney Square waived sub-advisory fees totalling $53,487, $55,868 and $57,955 with respect to the Tax-Exempt Fund.

Under the Investment Advisory and Sub-Advisory Agreements for the

Funds, the Adviser and Sub-Advisers are not liable for any error of judgment or mistake of law or for any loss suffered by Emerald Funds in connection with the performance of such agreements, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or a loss resulting from willful misfeasance, bad faith or negligence on the part of the Adviser or Sub-Adviser in the performance of their duties or from their reckless disregard of their duties and obligations under the agreements.

The Glass-Steagall Act, among other things, prohibits banks from engaging to any extent in the business of underwriting securities, although national and state-chartered banks generally are permitted to purchase and sell securities upon the order and for the account of their customers. In 1971, the United States Supreme Court held in INVESTMENT COMPANY INSTITUTE V. CAMP that the Glass-Steagall Act prohibits a national bank from operating a fund for the collective investment of managing agency accounts. Subsequently, the Board of Governors of the Federal Reserve System (the "Board") issued a regulation and interpretation to the effect that the Glass-Steagall Act and such decision forbid a bank holding company registered under the Federal Bank Holding Company Act of 1956 (the "Holding Company Act") or any non-bank affiliate thereof from sponsoring, organizing or controlling a registered, open-end investment company continuously engaged in the issuance of its shares, but do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent and custodian to such an investment company. In 1981, the United States Supreme Court held in BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM V. INVESTMENT Company Institute that the

Board did not exceed its authority under the Holding Company Act when it adopted its regulation and interpretation authorizing bank holding companies and their non-bank affiliates to act as investment advisers to registered closed-end investment companies.

The Adviser believes, with respect to its activities as required by the Investment Advisory Agreements and as contemplated by the Prospectuses and this Statement of Additional Information, and Rodney Square believes, with respect to its activities as required by the Sub-Advisory Agreement, and as contemplated by the Prospectuses and this Statement of Additional Information, that, if the question were properly presented, a court should hold that the Adviser or Rodney Square, as the case may be, may each perform such activities without violation of the Glass-Steagall Act or other applicable banking laws or regulations. It should be noted, however, that there have been no cases deciding whether banks may perform services comparable to those performed by the Adviser and Rodney Square and that future changes in either federal or state statutes and regulations relating to permissible activities of banks or trust companies and their subsidiaries or affiliates, as well as further judicial or administrative decisions or interpretations of present and future statutes and regulations, could prevent the Adviser and Rodney Square from continuing to perform such services for the Funds. If the Adviser or Rodney Square were prohibited from continuing to perform advisory and sub-advisory services for the Funds, it is expected that the Board of Trustees would recommend that the Funds affected enter into a new agreement or would consider the possible termination of such Funds. Any new advisory or sub-advisory agreement would be subject to shareholder approval.

On the other hand, as described herein, Emerald Funds are currently distributed by Emerald Asset Management, Inc., and BISYS Fund Services Limited Partnership provides the Funds with administrative services. If current restrictions under the Glass-Steagall Act preventing a bank from sponsoring, organizing, controlling, or distributing shares of an investment company were relaxed, the Funds expect that the Adviser would consider the possibility of offering to perform some or all of the services now provided by BISYS Fund Services Limited Partnership and Emerald Asset Management, Inc. From time to time, legislation modifying such restrictions has been introduced in Congress which, if enacted, would permit a bank holding company to establish a non-bank subsidiary having the authority to organize, sponsor and distribute shares of an investment company. The Funds therefore expect that if that or a similar bill were enacted, the Adviser's parent bank holding company would consider the possibility of one of its non-bank subsidiaries offering to perform additional services now provided by BISYS Fund Services Limited Partnership and Emerald Asset Management, Inc. In this

regard it may be noted that the Adviser has entered into an agreement whereunder the Adviser (or an affiliate) may acquire Emerald Asset Management, Inc. under specified conditions. It is not possible, of course, to predict whether or in what form such legislation might be enacted or the terms upon which the Adviser or such a non-bank affiliate might offer to provide services for consideration by the Board of Trustees.

ADMINISTRATION AGREEMENT

BISYS Fund Services Limited Partnership (the "Administrator"), a wholly-owned subsidiary of The BISYS Group, Inc., serves as administrator to each Fund. In its administration agreements, the Administrator has agreed among other things to provide among other things the following administrative services: payment of the costs of maintaining the Funds' offices; statistical and research data, Fund data processing services, and clerical, accounting and bookkeeping services; preparation or coordination of such preparation of reports to shareholders of the Funds, tax returns and reports to the Securities and Exchange Commission; maintaining the registration or qualification of Fund shares for sale under state securities laws; maintenance of the books and records of the Funds; calculation or providing for the calculation of the net asset value of Fund shares and calculation or providing for the calculation of dividends and capital gains distributions to shareholders; and generally the provision of the facilities and personnel to carry out administrative services required for the operation of the business of the Funds other than those delegated by Emerald Funds pursuant to other agreements or arrangements. The Administrator has also agreed to pay all expenses incurred by it in connection with its activities under these agreements except certain out-of-pocket expenses relating to its fund accounting responsibilities and as otherwise described in this Statement of Additional Information and the Prospectus.

As compensation for its services under the agreements described above (which became effective April 1, 1996), the Administrator is entitled to receive a fee, computed daily and payable monthly, at the effective annual rate of .0775% of the first $5 billion of the aggregate net assets of all portfolios of Emerald Funds, .07% of the next $2.5 billion, .065% of the next $2.5 billion and .05% of all assets exceeding $10 billion. In the event the aggregate average daily net assets for all Funds falls below $3 billion, the fee will be increased to .08% of the aggregate average daily net assets.

From time to time, the Administrator may waive its fees or reimburse the Funds for expenses under the agreements described above, either voluntarily or as required by certain state securities laws.

For the fiscal years ended November 30, 1995, 1994 and 1993, Concord Holding Corporation, the Trust's prior administrator which was acquired by The BISYS Group, Inc. in 1995, received administration fees (net of waivers) under the respective administration agreements then in effect for those Funds (which provided for different administration fee rates than those currently in effect) totalling $96,285, $121,409 and $74,400, respectively, for the Equity Fund; $50,152, $113,986 and $74,400, respectively, for the U.S. Government Securities Fund; and $69,736, $230,514 and $74,400, respectively, for the Florida Tax-Exempt Fund. For the fiscal year ended November 30, 1995 and the period from commencement of operations (January 4, 1994 for the Small Capitalization Fund, and April 11, 1994 for the Balanced, Short-Term Fixed Income and Managed Bond Funds, the prior administrator received administration fees (net of waivers) totalling $37,116 and $19,776 for the Small Capitalization Fund; $30,958 and $0 for the Balanced Fund; $10,509 and $0 for the Short-Term Fixed Income Fund; and $33,391 and $0 for the Managed Bond Fund. For the same time periods, the prior administrator waived administration fees and reimbursed expenses in the amount of $4,451, $48,972 and $204,619, respectively, for the Equity Fund; $9,052, $48,561 and $142,213, respectively, for the U.S. Government Securities Fund; $16,016, $92,309 and $226,738, respectively, for the Florida Tax-Exempt Fund; and $9,992 and $4,179, $0 and $15,246, $0 and $6,747, and $0 and $22,818, respectively, for the Small Capitalization, Balanced, Short-Term Fixed Income and Managed Bond Funds.

For the fiscal years ended November 30, 1995, 1994 and 1993, the prior administrator received administration fees (net of waivers) totalling $1,451,222, $1,273,698 and $1,820,903, respectively, for the Prime Fund; $797,128, $885,278 and $876,466, respectively, for the Treasury Fund; and $304,013, $211,853 and $222,183, respectively, for the Tax-Exempt Fund. For the same time periods, the prior administrator waived administration fees totalling $53,487, $55,868 and $57,955 for the Tax-Exempt Fund. During these periods, the prior administrator did not waive any administration fees for the Prime and Treasury Funds.

In addition, if the total expenses borne by an Equity and Fixed Income Fund, the Prime Fund or the Treasury Fund in any fiscal year exceed the expense limitations imposed by applicable state securities regulations, Emerald Funds may deduct from the payments to be made with respect to such Fund to the Adviser and the Administrator, respectively, or the Adviser and the Administrator will bear, the amount of such excess to the extent required by such regulations in proportion to the fees otherwise payable to them for such year pursuant to the Investment Advisory Agreements and administration agreements. If the total expenses borne by the Tax-Exempt Fund in any fiscal year exceed applicable state expense limitations, the Adviser and Rodney Square have

agreed to make reimbursements, to the extent required by law, for half of such excess expenses, and the Administrator has agreed to bear the other half, provided that Rodney Square's obligation with respect to such reimbursement is limited to the amount of each of their sub-advisory fees. Such amounts, if any, will be estimated and accrued daily and paid on a monthly basis. As of the date of this Statement of Additional Information, the most restrictive expense limitation that may be applicable to the Funds limits aggregate annual expenses with respect to each Fund, including management and advisory fees but excluding interest, taxes, brokerage commissions, distribution plan expenses, foreign custody costs and certain other expenses, to 2-1/2% of the first $30 million of its average net assets, 2% of the next $70 million, and 1-1/2% of its remaining average net assets.

The administration agreements provide that the Administrator shall not be liable for any error of judgment or mistake of law or any loss suffered by Emerald Funds in connection with the performance of the agreements, except a loss resulting from willful misfeasance, bad faith or negligence in the performance of its duties or from the reckless disregard by it of its obligations and duties thereunder.

DISTRIBUTION AGREEMENT

Emerald Asset Management, Inc. (the "Distributor"), a wholly-owned subsidiary of the Administrator, acts as distributor of the Funds' shares. The Distributor has agreed to use its best efforts to solicit orders for the sale of Fund shares, although it is not obliged to sell any particular amount of shares.

The Distributor pays the cost of printing and distributing prospectuses to persons who are not shareholders of the Funds (excluding preparation and printing expenses necessary for the continued registration of the Equity and Fixed Income Funds' shares) and of printing and distributing all sales literature.

SALES CHARGES; DISTRIBUTION AND OTHER PLANS

The Board of Trustees of Emerald Funds voted to eliminate the front-end sales charge on Retail Shares (formerly called "Class A" Shares) and the contingent deferred sales charge on Class B Shares for all share purchases and redemptions made on or after February 5, 1996 and to convert Class B Shares into Retail Shares on March 9, 1996.

Through the fiscal year ended November 30, 1995, however, the Distributor was entitled to payment of a front-end sales charge on the sale of Class A Shares of the Equity and Fixed Income Funds. For the fiscal years ended November 30, 1995, 1994 and 1993, the Distributor received front-end sales

charges in connection with Class A Share purchases as follows: Equity Fund -- $36,840, $257,556 and $100,580, respectively; U.S. Government Securities Fund -- $14,369, $572,054 and $196,820, respectively; and Florida Tax-Exempt Fund -- $121,393, $579,867 and $439,220, respectively. For the fiscal year ended November 30, 1995 and the period from commencement of operations (January 4, 1994 for the Small Capitalization Fund, and April 11, 1994 for the Balanced, Short-Term Fixed Income and Managed Bond Funds) to November 30, 1994 the Distributor received front-end sales charges in connection with Class A Share purchases of $10,759 and $17,401, respectively, for the Small Capitalization Fund; $14,299 and $10,000, respectively, for the Balanced Fund; $4,628 and $1,500, respectively, for the Short-Term Fixed Income Fund; and $9,447 and $8,000, respectively for the Managed Bond Fund. Of these amounts, the Distributor retained $1,113, $5,750 and $46,935, respectively, and the Adviser and its affiliates retained $11,904, $10,623 and $46,042, respectively, with respect to the Equity Fund; the Distributor retained $466, $15,739 and $134,143, respectively, and the Adviser and its affiliates retained $3,567, $28,164 and

$59,025, respectively, with respect to the U.S. Government Securities Fund; the Distributor retained $793, $55,688 and $321,238, respectively, and the Adviser and its affiliates retained $7,261, $76,543 and $82,580, respectively, with respect to the Florida Tax-Exempt Fund; the Distributor retained $199 and $2,457 and the Adviser and its affiliates retained $11,041 and $696 with respect to the Small Capitalization Fund; the Distributor retained $859 and $361 and the Adviser and its affiliates retained $21,641 and $400 with respect to the Balanced Fund; the Distributor retained $426 and $146 and the Adviser and its affiliates retained $1,571 and $30 with respect to the Short-Term Fixed Income Fund; and the Distributor retained $165 and $1,491 and the Adviser and its affiliates retained $7,289 and $520 with respect to the Managed Bond Fund.

During these periods, the Distributor was also entitled to the payment of a contingent deferred sales charge upon redemption of Class B Shares of the Equity and Fixed Income Funds. For the fiscal year ended November 30, 1995 and the period from their initial offering date (March 1, 1994 for the Equity, Small Capitalization, U.S. Government Securities and Florida Tax-Exempt Funds or commencement of operations (April 11, 1994) for the Balanced, Short-Term Fixed Income and Managed Bond Funds) through November 30, 1994, the Distributor received contingent deferred sales charges in connection with Class B redemptions as follows: Equity Fund -- $15,319 and $62,366; U.S. Government Securities Fund -- $14,490 and $61,800; Florida Tax-Exempt-Fund -- $22,167 and $259,483; Small Capitalization Fund -- $13,269 and $71,180; Balanced Fund -- $10,005 and $51,329; Short-Term Fixed Income Fund -- $2,873 and $0; and Managed Bond Fund -- $3,306 and $19,889. Of these amounts, the Distributor retained: Equity Fund -- $15,319 and $2,495; U.S. Government

Securities Fund $14,490 and $2,472; Florida Tax-Exempt Fund -- $22,167 and $10,379; Small Capitalization Fund -- $13,269 and $2,847; Balanced Fund -- $10,005 and $2,053; Short Term Fixed Income Fund -- $2,873 and $0; and Managed Bond Fund $3,306 and $796, respectively.

The following table shows all sales charges, commissions and other compensation received by the Distributor directly or indirectly from the existing Equity and Fixed Income Funds during the fiscal year ended November 30, 1995:

<TABLE>
<CAPTION>

<S>	Net Underwriting Discounts and Commissions(1) <C>	Compensation on Redemption and Repurchase(2) <C>	Brokerage Commissions in Connection with Fund Transactions <C>	Other Compensation(3) <C>
Equity Fund	$ 4,066	$ 15,319	$ 0	$ 99,146
Small Capitalization Fund	$ 1,195	$ 13,269	$ 0	$ 30,794
Balanced Fund	$ 1,547	$ 10,005	$ 0	$ 21,460
Short-Term Fixed Income Fund	$ 972	$ 2,873	$ 0	$ 2,131
U.S. Government Securities Fund	$ 1,574	$ 14,490	$ 0	$ 127,570
Managed Bond Fund	$ 1,027	$ 3,306	$ 0	$ 10,818
Florida Tax-Exempt Fund	$ 24,001	$ 22,167	$ 0	$ 490,374

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(1) Represents amounts received from front-end sales charges on Class A Shares.
(2) Represents amounts received from contingent deferred sales charges on Class B Shares. The basis on which such sales charges are paid is described in the Prospectus relating to Class B Shares. No Class B Shares were offered during the time period covered by this table.
(3) Represents the total of (i) amounts paid to the Administrator for administrative services provided to the respective Equity and Fixed Income Funds (see "Management of Emerald Funds-Administration Agreements" above) and (ii) payments made under the Distribution and Shareholder and Administrative Services Plans that were in effect for the respective Funds

(see discussion in the following paragraphs).

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Securities dealers, financial institutions or other industry professionals ("Service Organizations") may receive payments by the Trust for distribution under the Combined Amended and Restated Distribution and Service Plan and the Shareholder Processing Plan for Retail Shares both of which became effective on April 1, 1996. Under the Combined Amended and Restated Distribution and Service Plan the Trust pays for distribution assistance and/or the provision of shareholder liaison services to one or more Service Organizations (which may include the Distributor itself). These payments are based on the average daily value of the Trust's Retail Shares beneficially owned by persons ("Clients") for whom the Service Organization is the

dealer of record or with whom the Service Organization has a servicing relationship.

The shareholder liaison services provided by Service Organizations pursuant to the Combined Amended and Restated Distribution and Service Plan for Retail Shares include, but are not limited to: (i) answering Client inquiries regarding account status and history, the manner in which purchases, exchanges and redemptions of shares may be effected and certain other matters pertaining to the Clients' investments; (ii) assisting Clients in designating and changing dividend options, account designations and addresses; and (iii) providing such other similar services as your Client may reasonably request.

Shareholder processing services provided by Service Organizations pursuant to the Shareholder Processing Plan may include some or all of the following: (i) providing necessary personnel and facilities to establish and maintain shareholder accounts and records for Clients; (ii) assisting in aggregating and processing purchase, exchange and redemption transactions; (iii) placing net purchase and redemption orders with the Trust's distributor; (iv) arranging for wiring of funds; (v) transmitting and receiving funds in connection with Client orders to purchase or redeem Retail Shares; (vi) processing dividend payments; (vii) verifying and guaranteeing Client signatures in connection with redemption orders and transfers and changes in Client-designated accounts, as necessary; (viii) providing periodic statements showing a Client's account balance and, to the extent practicable, integrating such information with other Client transactions otherwise effected through or with us; (ix) furnishing (either separately or on an integrated basis with other reports sent to a Client) periodic statements and confirmations of purchases, exchanges and redemptions; (x) transmitting on behalf of the Funds, proxy statements, annual reports, updating prospectuses and other communications from the Funds to Clients; (xi) receiving, tabulating and transmitting to the Funds proxies executed by Clients with respect to shareholder meetings; (xii) providing the information to the Funds necessary for accounting or subaccounting; and (xiii) providing other similar services.

Payments made out of or charged against the assets of the Retail Shares of a particular Fund must be in payment for expenses incurred on behalf of that class. (The Combined Amended and Restated Distribution and Service Plan permits, however, joint distribution financing by the Funds or other investment portfolios or companies that are affiliated persons of the Funds, affiliated persons of such a person, or affiliated persons of the Distributor, in accordance with applicable regulations of the Securities and Exchange Commission.)

Previously, the Distributor was entitled to payment by the Trust for distribution services under distribution plans for Retail and Class B Shares in addition to the sales charges then in effect as described above. These plans were terminated and replaced with the Combined Amended and Restated Distribution and Service Plan described above. The distribution plans in effect from March 1, 1994 through March 31, 1996 for Retail Shares provided that the Distributor was entitled to receive distribution payments on a monthly basis at an annual rate not exceeding .25% of the average daily net assets during such month of the outstanding Shares to which a particular Plan related.

The distribution plan in effect for Class B Shares for the period from March 1, 1994 through March 9, 1996 provided that the Distributor was entitled to receive distribution payments on a monthly basis at an annual rate not exceeding 1.00% of the average daily net assets during such month of the outstanding Shares to which such Plan related. Not more than 0.25% of such net assets were to be used to compensate Service Organizations for personal services provided to Class B shareholders and/or the maintenance of such shareholders' accounts and not more than 0.75% of such net assets were to be used for promotional and other primary distribution activities.

For fiscal year 1993 and for the period December 1, 1993 through February 28, 1994 a Combined Distribution and Shareholder Plan was in effect. On March 1, 1994 this Plan was replaced in connection with the adoption of the distribution plans for Retail and Class B Shares just described.

For the fiscal years ended November 30, 1995, 1994 and 1993, pursuant to the respective distribution plans for Retail Shares, the Equity Fund was charged $49,877, $131,931 and $381,995, of which $0, $0 and $0; $18,625, $0 and $0; and $0, $0 and $0 were paid to the Distributor, the Adviser and affiliates of the Adviser, respectively; the U.S. Government Securities Fund was charged $70,145, $174,243 and $296,219, of which $0, $0 and $0; $14,792, $0 and $0; and $0, $0 and $0 were paid to the Distributor, the Adviser and affiliates of the Adviser, respectively; and the Florida Tax-Exempt Fund was charged $251,826, $389,107 and $411,499, of which $0, $0 and $0; $44,307, $0 and $0; and $0, $0 and $0 were paid to the Distributor, the Adviser and affiliates of the Adviser, respectively. For the fiscal year ended November 30, 1995 and the period from commencement of operations (January 4, 1994 for the Small Capitalization Fund and April 11, 1994 for the Balanced, Short-Term Fixed Income and Managed Bond Funds) to November 30, 1994, the Small Capitalization Fund was charged $4,747 and $1,939 of which $0 and $0; $1,074 and $0; and $0 and $404 was paid to the Distributor, the Adviser and affiliates of the Adviser, respectively; the Balanced Fund was charged $1,836 and $489 of which $0 and $0; $521 and $0; and $0 and $96 was paid to the

Distributor, the Adviser and affiliates of the Adviser, respectively; the Short-Term Fixed Income Fund was charged $681 and $177 of which $0 and $0; $152 and $0; and $0 and $15 was paid to the Distributor, the Adviser and affiliates of the Adviser respectively; and the Managed Bond Fund was charged $2,539 and $550 of which $0 and $0; $976 and $0; and $0 and $128 was paid to the Distributor, the Adviser and affiliates of the Adviser, respectively.

For the fiscal years ended November 30, 1995, 1994 and 1993, the Distributor and various brokers of record waived $0, $61,965 and $323,780 for the Equity Fund; $0, $27,775 and $148,971, respectively for the U.S. Government Securities Fund; and $0, $21,715 and $107,504, respectively, for the Florida Tax-Exempt Fund.

For the fiscal years ended November 30, 1995, 1994 and 1993, pursuant to the respective distribution plans for Retail Shares then in effect, the Prime Fund was charged $1,523,956, $902,581 and $837,010, of which amount $154,828, $89,233 and $2,282, $6,626, $83,701 and $1,321 and $2,710, $302,417 and $1,084 was earned by the Distributor, the Adviser, and affiliates of the Adviser, respectively; the Treasury Fund was charged $200,869, $142,700 and $89,259, of which amount $20,170, $14,261 and $9,425, $0, $8,926 and $177 and $339, $18,613 and $931 was earned by the Distributor, the Adviser and affiliates of the Adviser, respectively; and the Tax-Exempt Fund was charged $188,796, $198,481 and $195,143, of which amount $18,722, $19,269 and $1,795, $0, $19,514 and $3,205 and $1,247, $44,430 and $1,566 was earned by the Distributor, the Adviser and affiliates of the Adviser, respectively.

Class B Shares were initially offered by the Equity, Small Capitalization, U.S. Government Securities and Florida Tax-Exempt Funds on March 1, 1994. Additionally, the Balanced, Short-Term Fixed Income and Managed Bond Funds commenced operations on April 11, 1994. For the fiscal year ended November 30, 1995 and the period from their respective dates of initial offering or commencement of operations through November 30, 1994, the Distributor received distribution payments under the Distribution Plan for Class B Shares, in the amounts of $16,820 and $8,264; $20,053 and $9,982; $16,107 and $5,072; $898 and $73; $13,340 and $7,819; $5,219 and $1,832; and $76,047 and $30,051 from the Equity, Small Capitalization, Balanced, Short-Term Fixed Income, U.S. Government Securities, Managed Bond and Florida Tax-Exempt Funds, respectively. For the same time periods the Distributor and various broker dealers waived $0 and $3,982; $0 and $0; $0 and $0; $0 and $0; $0 and $1,308; $0 and $0; and $0 and $1,746 respectively, for the Equity, Small Capitalization, Balanced, Short-Term Fixed Income, U.S. Government Securities, Managed Bond and Florida Tax-Exempt Funds.

Prior to April 1, 1996, Emerald Funds maintained Shareholder and Administrative Services Plans for Retail Shares and Class B Shares. The shareholder and administrative support services provided by the Funds' prior administrator pursuant to these Plans were services designed particularly for retail investors. For these services, the prior administrator received payments in an amount not exceeding (on an annual basis) a specified percentage (.15% in the case of the Equity and Fixed Income Funds and .25% in the case of the Money Market Funds) of the average daily net asset value of the Shares to which a particular Shareholder and Administrative Services Plan related.

For the fiscal year ending November 30, 1995 and the period March 1, 1994 (effective date of the initial Shareholder and Administrative Services Plans) through November 30, 1994, pursuant to the Shareholder and Administrative Service Plan For Retail Shares, the Equity Fund was charged $29,926 and $25,053, of which $29,926 and $22,106 was paid to the prior Administrator; the Small Capitalization Fund was charged $2,916 and $1,163, of which $2,916 and $1,138 was paid to the prior Administrator; the U.S. Government Securities Fund was charged $42,088 and $54,294, of which $42,088 and $46,973 was paid to the prior Administrator; and the Florida Tax-Exempt Fund was charged $151,096 and $156,105 of which $151,096 and $136,763 was paid to the prior Administrator. For the fiscal year ended November 30, 1995 and the period April 11, 1994 (commencement of operations) through November 30, 1994 the Balanced Fund was charged $1,064 and $294 of which $1,064 and $0 was paid to the prior Administrator; the Short-Term Fixed Income Fund was charged $408 and $106 of which $408 and $0 was paid to the prior Administrator and the Managed Bond Fund was charged $2,021 and $330 of which $2,021 and $0 was paid to the prior Administrator, and the Prime, Treasury and Tax-Exempt Funds were charged $1,523,904 and $902,581; $200,689 and $142,700; and $188,796 and $198,481, respectively, of which $1,523,904 and $89,233; $200,689 and $14,261; and $188,791 and $19,269, respectively, was paid to the prior Administrator.

For the same fiscal year or period, pursuant to the Shareholder and Administrative Plan for Class B Shares, the Equity, Small Capitalization, U.S. Government Securities, Florida Tax-Exempt, Balanced, Short-Term Fixed Income and Managed Bond Funds were charged $2,523 and $1,272, $3,078 and $1,399; $1,996 and $848; $11,406 and $4,164; $2,453 and $768; $144 and $13; and $1,039 and $277, respectively, of which $2,523 and $1,122; $3,078 and $1,370; $1,196 and $734; $11,406 and $3,648; $2,453 and $0; $144 and $0; and $1,039 and $0, respectively, was paid to the prior Administrator.

MATTERS PERTAINING TO COMBINED DISTRIBUTION AND SERVICE PLAN FOR RETAIL SHARES

Payments for distribution expenses under the Combined Distribution and Services Plan are subject to Rule 12b-1 (the "Rule") under the Investment Company Act of 1940. The Rule defines distribution expenses to include the cost of "any activity which is primarily intended to result in the sale of [Trust] shares." The Rule provides, among other things, that an investment company may bear such expenses only pursuant to a plan adopted in accordance with the Rule. In accordance with the Rule, the Plan provides that a report of the amounts expended under the respective Plans, and the purposes for which such expenditures were incurred, will be made to the Board of Trustees for its review at least quarterly. The Combined Distribution and Service Plan provides that any type of material amendment must be approved by a majority of the Board of Trustees, and by a majority of the Trustees who are neither "interested persons" (as defined in the Investment Company Act of 1940) of Emerald Funds nor have any direct or indirect financial interest in the operation of the Plan being amended or in any related agreements, by vote cast in person at a meeting called for the purpose of considering such amendments (the "Disinterested Trustees").

Emerald Funds' Board of Trustees has concluded that there is a reasonable likelihood that the Combined Distribution and Services Plan will benefit the Equity, Fixed Income and Money Market Funds and their Retail Shareholders. The Plan is subject to annual re-approval by a majority of the Disinterested Trustees of the Plan and is terminable at any time with respect to any Fund by a vote of a majority of such Trustees or by vote of the holders of a majority of the Retail Shares of the Fund involved. Any agreement entered into pursuant to the Combined Distribution and Service Plan with a Service Organization is terminable with respect to any Fund without penalty at any time by vote of a majority of the Disinterested Trustees, by vote of the holders of a majority of the Retail Shares of such Fund, by the Distributor or by the Service Organization. An agreement will also terminate automatically in the event of its assignment.

Banks may act as Service Organizations and receive payments under the Combined Distribution and Service Plan and the Shareholder Processing Plan as described. The Glass-Steagall Act and other applicable laws, among other things, prohibit banks from engaging in the business of underwriting securities. If a bank were prohibited from acting as a Service Organization, changes in the operation of the Funds might occur and a shareholder serviced by such bank might no longer be able to avail itself of any automatic investment or other services then being provided by the bank. It is not expected that shareholders would suffer any adverse financial consequences as a result of these occurrences.

As long as the Combined Distribution and Service Plan for the Retail Shares is in effect, the nomination of the Trustees who are not interested persons of Emerald Funds (as defined in the Investment Company Act of 1940) must be committed to the non-interested Trustees.

Emerald Funds understands that the Adviser and/or some Service Organizations or other institutions may charge their clients a direct fee for services in connection with their investments in the Funds. These fees would be in addition to any amounts which might be received under the Retail Plans. Small, inactive long-term accounts involving such additional charges may not be in the best interest of shareholders.

CUSTODIAN AND TRANSFER AGENT

Emerald Funds has appointed The Bank of New York, 90 Washington Street, New York, New York 10286 as custodian for the Funds.

BISYS Fund Services, Inc., 3435 Stelzer Road, Columbus, Ohio 43219-3035 provides transfer agency and dividend disbursing services for Emerald Funds.

INDEPENDENT ACCOUNTANTS/EXPERTS

Price Waterhouse LLP, 1177 Avenue of the Americas, New York, New York 10036, serves as independent accountants for Emerald Funds. The financial statements dated November 30, 1995 which are incorporated by reference into this Statement of Additional Information have been included in reliance on the report of Price Waterhouse LLP given on the authority of said firm as experts in auditing and accounting.

COUNSEL

Drinker Biddle & Reath, Philadelphia National Bank Building, 1345 Chestnut Street, Philadelphia, Pennsylvania 19107-3496, is counsel to Emerald Funds and will pass upon the legality of the shares offered by the Funds' Prospectuses.

ADDITIONAL INFORMATION ON PERFORMANCE CALCULATIONS

From time to time, the yields and the total returns of the Funds may be quoted in advertisements, shareholder reports or other communications to shareholders. Performance information with respect to these Funds is generally available by calling 800-637-3759. In addition to the publications listed in the Funds' Prospectuses, yields and total returns as reported in the

following publications may be used to compare the performance of the Funds or any one of them to that of other mutual funds with similar investment objectives and to stock and other relevant indices or to rankings prepared by independent services or other financial or industry publications that monitor the performance of mutual funds: BOCA RATON NEWS, BRADENTON HERALD, CHARLOTTE SUN HERALD, COCOA TODAY, DAYTONA BEACH NEWS-JOURNAL, DELAND SUN NEWS, FORT LAUDERDALE NEWS AND SUN SENTINEL, FORT MYERS NEWS, FORT PIERCE NEWS TRIBUNE, GAINESVILLE SUN, JACKSONVILLE TIMES UNION, MIAMI HERALD, ORLANDO SENTINEL, PENSACOLA NEWS JOURNAL, SANFORD HERALD, SARASOTA HERALD-TRIBUNE, ST. PETERSBURG TIMES, STUART NEWS, TALLAHASSEE DEMOCRAT, TAMPA TRIBUNE, VERO BEACH PRESS JOURNAL, AND WEST PALM BEACH POST TIMES.

From time to time, the Funds may include general comparative information, such as statistical data regarding inflation, securities indices or the features or performance of alternative investments, in advertisements, sales literature and reports to shareholders. The Funds may also include calculations, such as hypothetical compounding examples, which describe hypothetical investment results in such communications. Such performance examples will be based on an express set of assumptions and are not indicative of the performance of any Fund.

In addition, in such communication, the Adviser may offer opinions on current economic conditions.

PERFORMANCE CALCULATIONS FOR THE EQUITY AND FIXED INCOME FUNDS

YIELD CALCULATIONS. The yields for the respective share classes of an Equity and Fixed Income Fund are calculated separately by dividing the net investment income per share (as described below) earned by a class during a 30-day (or one month) period by the maximum offering price per share, on the last day of the period and analyzing the result on a semi-annual basis by adding one to the quotient, raising the sum to the power of six, subtracting one from the result and then doubling the difference. The Fund's net investment income per share earned during the period with respect to a particular class is based on the average daily number of shares outstanding in the class during the period entitled to receive dividends and includes dividends and interest earned during the period attributable to that class minus expenses accrued for the period attributable to the class, net of reimbursements. This calculation can be expressed as follows:

$$\text{Yield} = 2\left[\left(\frac{a-b}{cd} + 1\right)^{6} - 1\right]$$

Where: a = dividends and interest earned during the period.

b = expenses accrued for the period (net of reimbursements).

c = the average daily number of shares outstanding during the period that were entitled to receive dividends.

d = maximum offering price per share on the last day of the period.

For the purpose of determining net investment income earned during the period (variable "a" in the formula), dividend income on equity securities held by a Fund is recognized by accruing 1/360 of the stated dividend rate of the security each day that the security is in the Fund. Except as noted below, interest earned on debt obligations held by a Fund is calculated by computing the yield to maturity of each obligation held by the Fund based on the market value of the obligation (including actual accrued interest) at the close of business on the last business day of each month, or, with respect to obligations purchased during the month, the purchase price (plus actual accrued interest), and dividing the result by 360 and multiplying the quotient by the market value of the obligation (including actual accrued interest) in order to determine the interest income on the obligation for each day of the subsequent month that the obligation is held by the Fund. For purposes of this calculation, it is assumed that each month contains 30 days. The maturity of an obligation with a call provision is the next call date on which the obligation reasonably may be expected to be called or, if none, the maturity date. With respect to debt obligations purchased at a discount or premium, the formula generally calls for amortization of the discount or premium. The amortization schedule will be adjusted monthly to reflect changes in the market values of such debt obligations.

Interest earned on tax-exempt obligations that are issued without original issue discount and have a current market discount is calculated by using the coupon rate of interest instead of the yield to maturity. In the case of tax-exempt obligations that are issued with original issue discount but which have discounts based on current market value that exceed the then-remaining portion of the original issue discount (market discount), the yield to maturity is the imputed rate based on the original issue discount calculation. On the other hand, in the case of tax-exempt obligations that are issued with original issue discount but which have the discounts based on current market value that are less than the then-remaining portion of the original issue discount (market premium), the yield to maturity is based on the market value.

With respect to mortgage or other receivables-backed obligations which are expected to be subject to monthly payments of principal and interest ("pay downs"), (a) gain or loss attributable to actual monthly pay downs are accounted for as an increase or decrease to interest income during the period; and (b) a Fund may elect either (i) to amortize the discount and premium on the remaining security, based on the cost of the security, to the weighted average maturity date, if such information is available, or to the remaining term of the security, if any, if the weighted average maturity date is not available, or (ii) not to amortize discount or premium on the remaining security.

Undeclared earned income will be subtracted from the maximum offering price per share (variable "d" in the formula). Undeclared earned income is the net investment income which, at the end of the base period, has not been declared as a dividend, but is reasonably expected to be and is declared and paid as a dividend shortly thereafter.

The Florida Tax-Exempt Fund's "tax-equivalent" yield for a particular share class is computed by (a) dividing the portion of the Fund's yield for a particular class (calculated as above) that is exempt from federal income taxes by one minus a stated federal income tax rate; and (b) adding the quotient to that portion, if any, of such yield that is not exempt from federal income tax.

Based on the foregoing calculations, the yields for Retail Shares and Institutional Shares of the Short-Term Fixed Income, U.S. Government Securities, Managed Bond and Florida Tax-Exempt Funds (after fee waivers and expense reimbursements) for the 30-day period ended May 31, 1996 were as follows: 5.31% and 5.62%, respectively, for the Short-Term Fixed Income Fund; 6.89% and 7.34%, respectively, for the U.S. Government Securities Fund; 5.93% and 6.37%, respectively, for the Managed Bond Fund; and 5.12% and 5.31%, respectively, for the Florida Tax-Exempt Fund.

The yields for Retail Shares and Institutional Shares for the same period before fee waivers and expense reimbursements were 3.20% and 4.90%, respectively, for the Short-Term Fixed Income Fund; 6.68% and 7.19%, respectively, for the U.S. Government Securities Fund; 4.88% and 6.31%, respectively, for the Managed Bond Fund; and 4.85% and 5.25%, respectively, for the Florida Tax-Exempt Fund.

The Florida Tax-Exempt Fund's "tax-equivalent" yields for its Retail Shares and Institutional Shares were 8.00% and 8.30%, respectively, after fee waivers and expense reimbursements, and 7.58% and 8.20%, respectively, before fee waivers and expense

reimbursements, for the 30-day period ended May 31, 1996, based on a federal tax rate of 36%.

TOTAL RETURN CALCULATIONS. The Equity and Fixed Income Funds compute their average annual total returns separately for their separate share classes by determining the average annual compounded rates of return during specified periods that equate the initial amount invested in a particular share class to the ending redeemable value of such investment in the class. This is done by dividing the ending redeemable value of a hypothetical $1,000 initial payment by $1,000 and raising the quotient to a power equal to one divided by the number of years (or fractional portion thereof) covered by the computation and subtracting one from the result. This calculation can be expressed as follows:

$$T = [(\frac{ERV}{P})^{1/n} - 1]$$

Where: T = average annual total return.

ERV = ending redeemable value at the end of the period covered by the computation of a hypothetical $1,000 payment made at the beginning of the period.

P = hypothetical initial payment of $1,000.

n = period covered by the computation, expressed in terms of years.

The Equity and Fixed Income Funds compute their aggregate total returns separately for their separate share classes by determining the aggregate rates of return during specified periods that likewise equate the initial amount invested in a particular share class to the ending redeemable value of such investment in the class. The formula for calculating aggregate total return is as follows:

$$\text{aggregate total return} = \left[\left(\frac{ERV}{P} - 1\right)\right]$$

The calculations of average annual total return and aggregate total return assume the reinvestment of all dividends and capital gain distributions on the reinvestment dates during the period. The ending redeemable value (variable "ERV" in each formula) is determined by assuming complete redemption of the hypothetical investment and the deduction of all nonrecurring charges at the end of the period covered by the computations.

Based on the foregoing calculations, the average annual total returns for Retail Shares for the twelve months ended May 31, 1996 and the period from their respective commencement dates to May 31, 1996 were as follows: Balanced Fund -- 20.05% and 15.29%, respectively; U.S. Government Securities Fund -- 3.34% and 7.32%, respectively; and the Florida Tax-Exempt Fund -- 1.93% and 7.07%, respectively. The aggregate total returns for Retail Shares of the Balanced, U.S. Government Securities, and Florida Tax-Exempt Funds, for the period from their respective commencement dates to May 31, 1996 were 35.63%, 40.80% and 39.17%, respectively. The commencement dates for Retail Shares of the respective Funds were as follows: Balanced Fund - April 11, 1994; U.S. Government Securities Fund - July 31, 1991; and Florida Tax-Exempt Fund - August 1, 1991.

Based on the foregoing calculations, the average annual total returns for Institutional Shares for the twelve months ended May 31, 1996 and the period from their respective commencement dates to May 31, 1996 were as follows: Balanced Fund -- 20.53% and 14.73%, respectively; U.S. Government Securities Fund -- 3.77% and 4.53%, respectively; and the Florida Tax-Exempt Fund -- 2.29% and 3.38%, respectively. The aggregate total returns for Institutional Shares of the Balanced, U.S. Government Securities, and Florida Tax-Exempt Funds, for the period from their respective commencement dates to May 31, 1996 were 35.74%, 10.50% and 7.78%, respectively. The commencement dates for Institutional Shares of the respective Funds were as follows: Balanced Fund - April 11, 1994; U.S. Government Securities Fund - March 1, 1994; and Florida Tax-Exempt Fund - March 1, 1994.

The Equity, Small Capitalization, Managed Bond and Short-Term Fixed Income Funds commenced their initial investment operations in connection with the trnasfer of assets from common trust funds managed by BBTC for employee benefit plan accounts. The Prospectuses set forth certain performance information under the heading "Other Performance Information" relating to those common trust funds before the Equity, Small Capitalization, Managed Bond and Short-Term Fixed Income Funds registered as investment companies with the Securities and Exchange Commission, together with the performance information of these Funds since their commencement of operations. As of May 31, 1996, such performance was as follows:

RETAIL SHARES

Average Annual Total Return
For the Periods Ended May 31, 1996

<TABLE>
<CAPTION>

<S>	1 Year <C>	3 Years <C>	5 Years <C>	10 Years <C>
Equity Fund	30.56%	14.06%	11.36%	11.70%
Small Capitalization Fund	50.10%	21.86%	21.81%	N/A
Managed Bond Fund	4.48%	5.53%	8.11%	N/A
Short-Term Fixed Income Fund	4.50%	4.37%	5.80%	6.76%

</TABLE>

INSTITUTIONAL SHARES

Average Annual Total Return
For the Periods Ended May 31, 1996

<TABLE>
<CAPTION>

	1 Year	3 Years	5 Years	10 Years
Equity Fund	30.89%	14.54%	11.64%	11.84%
Small Capitalization Fund	50.46%	22.28%	22.15%	N/A
Managed Bond Fund	4.77%	5.78%	8.43%	N/A
Short-Term Fixed Income Fund	4.90%	4.79%	6.22%	7.19%

</TABLE>

The aggregate total returns of the Equity Value Fund and International Equity Fund for the period from their commencement of operations on December 27, 1995 to May 31, 1996 were 9.42% and 6.56%, respectively.

During the periods indicated fee waivers and expense reimbursements were in effect; without these waivers and reimbursements the Funds' total returns would have been lower.

YIELD CALCULATIONS FOR THE MONEY MARKET FUNDS

The "yields" and "effective yields" of each Money Market Fund are calculated according to formulas prescribed by the Securities and Exchange Commission. The standardized seven-day yields for the respective share classes of each Money Market Fund are computed separately for each class by determining the net change, exclusive of capital changes, in the value of a hypothetical pre-existing account in the particular Fund involved having a balance of one share at the beginning of the period, dividing the net change in account value by the value of the account at the beginning of the base period to obtain the base period return, and multiplying the base period return by (365/7). The net change in the value of an account in a Fund includes the value of additional shares purchased with dividends from the original share, and dividends declared on both the original share and any such additional shares, net of all fees, other than nonrecurring account or front-end sales charges, that are charged to all shareholder accounts in proportion to the length of the base period and the Fund's average account size. The capital changes to be excluded from the calculation of the net change in account value are realized gains and losses from the sale of securities and unrealized appreciation and depreciation. The effective annualized yields for each Money Market Fund are computed by compounding a particular Fund's unannualized base period returns (calculated as above) by adding 1 to the base period returns, raising the sums to a power equal to 365 divided by 7, and subtracting 1 from the results. In addition, the Tax-Exempt Fund may quote a standardized "tax-equivalent yield" of each of its classes of shares, which is computed by: (a) dividing the portion of the Fund's yield (as calculated above) for such class that is exempt from federal income tax by one minus a stated federal income tax rate; and (b) adding the figure resulting from (a) above to that portion, if any, of the Fund's yield for such class of shares that is not exempt from federal income tax. The fees that may be imposed by institutional investors directly on their customers for cash management and other services are not reflected in Emerald Funds' calculations of yields for the Funds.

For the seven-day period ended May 31, 1996, the annualized yields (after fee waivers) of Retail Shares in the Treasury Fund, Prime Fund and Tax-Exempt Fund were 4.91%, 5.05% and 2.98%, respectively, the effective yields (after fee waivers) of Retail Shares in such Funds were 4.91%, 5.04% and 2.94%, respectively, and the tax-equivalent yield (after fee waivers) of Retail Shares in the Tax-Exempt Fund was 4.59% (assuming a Federal income tax rate of 36%).

MISCELLANEOUS

As used in this Statement of Additional Information and in the Prospectuses a "majority of the outstanding shares" of a Fund or class means the lesser of (1) 67% of the shares of the particular Fund or class represented at a meeting at which the holders of more than 50% of the outstanding shares of such Fund or class are present in person or by proxy, or (2) more than 50% of the outstanding shares of such Fund or class.

As of August 20, 1996, the Adviser and its affiliated banks owned of record substantially all of the outstanding shares of the Treasury Trust Fund and Prime Trust Fund on behalf of their customer accounts. The Adviser and such affiliated banks were also the beneficial owners of the following percentages of shares that were also the beneficial owners of the following percentages of shares that were outstanding on such date because the Adviser possessed voting or investment discretion with respect to such shares: Treasury Trust Fund - Institutional Shares (100%), Prime Trust Fund - Institutional Shares (100%), Treasury Fund - Institutional Shares (91.07%), Treasury Fund - Service Shares (86.35%), Prime Fund - Institutional Shares (53.06%), Prime Fund - Service Shares (99.74%), Tax-Exempt Fund - Institutional Shares (100.00%), Tax-Exempt Fund - Service Shares (18.25%), Equity Fund -Institutional Shares (99.55%), Equity Value Fund - Institutional Shares (100%); Small Capitalization Fund - Institutional Shares (99.67%), Balanced Fund -Institutional Shares (99.51%), U.S. Government Securities Fund - Institutional Shares (98.38%), Managed Bond Fund - Institutional Shares (99.27%), International Equity Fund - Institutional Fund (100%); Short-Term Fixed Income Fund - Institutional Shares (100%); and Florida Tax-Exempt Fund - Institutional Shares (95.16%).

As of August 20, 1996, the name, address and percentage of the outstanding shares held by other investors who may have owned of record or beneficially 5% or more of the outstanding shares of a particular class of a Fund of the Trust were as follows:

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Equity Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	56.16%
		University of West Florida Foundation 11000 University Parkway Pensacola, FL 32514-5750	6.33%
Equity Value Fund	Retail	Emerald Asset Management, Inc 3435 Stelzer Road Columbus, OH 43219	100.00%
International Equity Fund	Retail	Emerald Asset Management Inc. 3435 Stelzer Road Columbus, OH 43219	100.00%
Small Capitalization Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers and John T.R. Hayt, John T. R. Hayt Living Trust, 1169 Queens Harbor Blvd. Jacksonville, FL 32225	5.08%

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Short-Term Fixed Income Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers/FBO John W. Selby 2888 La Concha Dr. Clearwater, FL 34622	9.11%
		National Financial Services Corporation for the Exclusive Benefit of Our Customers/ Manley Holdings Ltd.	6.70%

		Ville St. Laurent H4N 1X7 PQ Canada	
		National Financial Services Corporation for the Exclusive Benefit of Our Customers/FBO George A. Zellner 530 Park St. Jacksonville, FL 32204	13.36%
U.S. Government Securities Fund	Retail	Barnett Bank & Trust Company N.A. Customer Capital Network Services P.O. Box 40200 Jacksonville, FL 32203-0200	11.74%
		National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	53.40%

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Prime Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	99.42%
Tax-Exempt Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	99.31%
Treasury Fund	Institutional	Wilmington Trust Company Attn: Margaret Wilhelm Mutual Funds 1100 N. Market St. Wilmington, DE 19890	8.86%
Treasury Fund	Service	Hare & Co. Attn: Frank Nataro Attn: STIF/Master Note One Wall Street, 5th Floor New York, NY 10286	13.64%
Prime Fund	Institutional	Wilmington Trust Company Attn: Margaret Wilhelm Mutual Funds 1100 N. Market St. Wilmington, DE 19890	46.94%
Tax-Exempt Fund	Service	Hare & Co. Attn: Frank Nataro Attn: STIF/Master Note One Wall Street, 5th Floor New York, NY 10286	77.39%

The Prospectus and this Additional Statement do not contain all the information included in the Registration Statement filed with the SEC under the Securities Act of 1933 with respect to the securities offered by the Trust's Prospectus. Certain portions of the Registration Statement have been omitted from the Prospectus and this Additional Statement pursuant to the rules and regulations of the SEC. The Registration Statement including the exhibits filed therewith may be examined at the office of the SEC in Washington, D.C.

Statements contained in the Prospectus or in this Additional Statement as to the contents of any contract or other documents referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which the Prospectus and this Additional Statement form a part, each such statement being qualified in all respects by such reference.

FINANCIAL STATEMENTS

The audited financial statements and related report of Price Waterhouse LLP, independent auditors, contained in the Funds' annual report to shareholders for the fiscal year ended November 30, 1995 (the "Annual Report") and the unaudited financial statements contained in the Funds' semi-annual report to shareholders for the period ended May 31, 1996 (the "Semi-Annual Report") are hereby incorporated herein by reference. No other parts of the Annual Report or Semi-Annual Report are incorporated by reference. Copies of the Annual Report and Semi-Annual Report may be obtained by writing to BISYS Fund Services, Inc. at P.O. Box 182697, Columbus, Ohio 43219-3035 or by calling toll-free at 800-637-3759.

APPENDIX A

COMMERCIAL PAPER RATINGS

A Standard & Poor's commercial paper rating is a current assessment of the likelihood of timely payment of debt considered short-term in the relevant market. The following summarizes the rating categories used by Standard and Poor's for commercial paper:

"A-1" - Issue's degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted "A-1+."

"A-2" - Issue's capacity for timely payment is satisfactory. However, the relative degree of safety is not as high as for issues designated "A-1."

"A-3" - Issue has an adequate capacity for timely payment. It is, however, somewhat more vulnerable to the adverse effects of changes and circumstances than an obligation carrying a higher designation.

"B" - Issue has only a speculative capacity for timely payment.

"C" - Issue has a doubtful capacity for payment.

"D" - Issue is in payment default.

Moody's commercial paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of 9 months. The following summarizes the rating categories used by Moody's for commercial paper:

"Prime-1" - Issuer or related supporting institutions are considered to have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics: leading market positions in well established industries; high rates of return on funds employed; 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.

"Prime-2" - Issuer or related supporting institutions are considered to 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 alternative liquidity is maintained.

"Prime-3" - Issuer or related supporting institutions have an acceptable capacity for repayment of short-term promissory obligations. The effects of industry characteristics and market composition may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and the requirement for relatively high financial leverage. Adequate alternate liquidity is maintained.

"Not Prime" - Issuer does not fall within any of the Prime rating categories.

The three rating categories of Duff & Phelps for investment grade commercial paper are "Duff 1," "Duff 2" and "Duff 3." Duff & Phelps employs three designations, "Duff 1+," "Duff 1" and "Duff 1-," within the highest rating category. The following summarizes the rating categories used by Duff & Phelps for commercial paper:

"Duff 1+" - Debt possesses highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below risk-free U.S. Treasury short-term obligations.

"Duff 1" - Debt possesses very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

"Duff 1-" - Debt possesses high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

"Duff 2" - Debt possesses good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

"Duff 3" - Debt possesses satisfactory liquidity, and other protection factors qualify issue as investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

"Duff 4" - Debt possesses speculative investment characteristics. Liquidity is not sufficient to ensure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.

"Duff 5" - Issuer has failed to meet scheduled principal and/or interest payments.

Fitch short-term ratings apply to debt obligations that are payable on demand or have original maturities of up to three years. The following summarizes the rating categories used by Fitch for short-term obligations:

"F-1+" - Securities possess exceptionally strong credit quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

"F-1" - Securities possess very strong credit quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated "F-1+."

"F-2" - Securities possess good credit quality. Issues assigned 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.

"F-3" - Securities possess fair credit quality. Issues assigned this rating have characteristics suggesting that the degree of assurance for timely payment is adequate; however, near-term adverse changes could cause these securities to be rated below investment grade.

"F-S" - Securities possess weak credit quality. Issues assigned this rating have characteristics suggesting a minimal degree of assurance for timely payment and are vulnerable to near-term adverse changes in financial and economic conditions.

"D" - Securities are in actual or imminent payment default.

Fitch may also use the symbol "LOC" with its short-term ratings to indicate that the rating is based upon a letter of credit issued by a commercial bank.

Thomson BankWatch short-term ratings assess the likelihood of an untimely or incomplete payment of principal or interest of unsubordinated instruments having a maturity of one year or less which is issued by United States commercial banks, thrifts and non-bank banks; non-United States banks; and broker-

dealers. The following summarizes the ratings used by Thomson BankWatch:

"TBW-1" - This designation represents Thomson BankWatch's highest rating category and indicates a very high degree of likelihood that principal and interest will be paid on a timely basis.

"TBW-2" - This designation indicates that while the degree of safety regarding timely payment of principal and interest is strong, the relative degree of safety is not as high as for issues rated "TBW-1."

"TBW-3" - This designation represents the lowest investment grade category and indicates that while the debt is more susceptible to adverse developments (both internal and external) than obligations with higher ratings, capacity to service principal and interest in a timely fashion is considered adequate.

"TBW-4" - This designation indicates that the debt is regarded as non-investment grade and therefore speculative.

IBCA assesses the investment quality of unsecured debt with an original maturity of less than one year which is issued by bank holding companies and their principal bank subsidiaries. The following summarizes the rating categories used by IBCA for short-term debt ratings:

"A1" - Obligations are supported by the highest capacity for timely repayment. Where issues possess a particularly strong credit feature, a rating of A1+ is assigned.

"A2" - Obligations are supported by a good capacity for timely repayment.

"A3" - Obligations are supported by a satisfactory capacity for timely repayment.

"B" - Obligations for which there is an uncertainty as to the capacity to ensure timely repayment.

"C" - Obligations for which there is a high risk of default or which are currently in default.

CORPORATE AND MUNICIPAL LONG-TERM DEBT RATINGS

The following summarizes the ratings used by Standard & Poor's for corporate and municipal debt:

"AAA" - This designation represents the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay interest and repay principal.

"AA" - Debt is considered to have a very strong capacity to pay interest and repay principal and differs from AAA issues only in small degree.

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

"BBB" - Debt is regarded as having an adequate capacity to pay interest and repay principal. Whereas such issues normally exhibit 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.

"BB," "B," "CCC," "CC" and "C" - Debt is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "C" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

"BB" - Debt has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The "BB" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BBB-" rating.

"B" - Debt has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The "B" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BB" or "BB-" rating.

"CCC" - Debt has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The "CCC" rating

category is also used for debt subordinated to senior debt that is assigned an actual or implied "B" or "B-" rating.

"CC" - Debt is typically applied to debt subordinated to senior debt that is assigned an actual or implied "CCC" rating.

"C" - Debt is typically applied to debt subordinated to senior debt which is assigned an actual or implied "CCC-" debt rating. The "C" rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

"CI" - This rating is reserved for income bonds on which no interest is being paid.

"D" - Debt is in payment default and is used when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired, unless S & P believes such payments will be made during such grace period. "D" rating is also used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

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

The following summarizes the ratings used by Moody's for corporate and municipal long-term debt:

"Aaa" - Bonds are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edged." 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 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 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 considered 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.

"Ba," "B," "Caa," "Ca," and "C" - Bonds that possess one of these ratings provide questionable protection of interest and principal ("Ba" indicates some speculative elements; "B" indicates a general lack of characteristics of desirable investment; "Caa" represents a poor standing; "Ca" represents obligations which are speculative in a high degree; and "C" represents the lowest rated class of bonds). "Caa," "Ca" and "C" bonds may be in default.

Con. (---) - Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. Parenthetical rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

Moody's applies numerical modifiers 1, 2 and 3 in each generic classification from "Aa" to "B" in its bond rating system. The modifier 1 indicates that the company ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks at the lower end of its generic rating category.

The following summarizes the long-term debt ratings used by Duff & Phelps for corporate and municipal long-term debt:

"AAA" - Debt is considered to be of the highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

"AA" - Debt is considered of high credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

"A" - Debt possesses protection factors which are average but adequate. However, risk factors are more variable and greater in periods of economic stress.

"BBB" - Debt possesses below average protection factors but such protection factors are still considered sufficient for prudent investment. Considerable variability in risk is present during economic cycles.

"BB," "B," "CCC," "DD," and "DP" - Debt that possesses one of these ratings is considered to be below investment grade. Although below investment grade, debt rated "BB" is deemed likely to meet obligations when due. Debt rated "B" possesses the risk that obligations will not be met when due. Debt rated "CCC" is well below investment grade and has considerable uncertainty as to timely payment of principal, interest or preferred dividends. Debt rated "DD" is a defaulted debt obligation, and the rating "DP" represents preferred stock with dividend arrearages.

To provide more detailed indications of credit quality, the "AA," "A," "BBB," "BB" and "B" ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within these major categories.

The following summarizes the highest four ratings used by Fitch for corporate and municipal bonds:

"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 an adverse impact on these bonds, and therefore, impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

"BB," "B," "CCC," "CC," "C," "DDD," "DD," and "D" - Bonds that possess one of these ratings are considered by Fitch to be speculative investments. The ratings "BB" to "C" represent Fitch's assessment of the likelihood of timely payment of principal and interest in accordance with the terms of obligation for bond issues not in default. For defaulted bonds, the rating "DDD" to "D" is an assessment of the ultimate recovery value through reorganization or liquidation.

To provide more detailed indications of credit quality, the Fitch ratings from and including "AA" to "C" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within these major rating categories.

IBCA assesses the investment quality of unsecured debt with an original maturity of more than one year which is issued by bank holding companies and their principal bank subsidiaries. The following summarizes the rating categories used by IBCA for long-term debt ratings:

"AAA" - Obligations for which there is the lowest expectation of investment risk. Capacity for timely repayment of principal and interest is substantial such that adverse changes in business, economic or financial conditions are unlikely to increase investment risk substantially.

"AA" - Obligations for which there is a very low expectation of investment risk. Capacity for timely repayment of principal and interest is substantial. Adverse changes in business, economic or financial conditions may increase investment risk albeit not very significantly.

"A" - Obligations for which there is a low expectation of investment risk. Capacity for timely repayment of principal and interest is strong, although adverse changes in business, economic or financial conditions may lead to increased investment risk.

"BBB" - Obligations for which there is currently a low expectation of investment risk. Capacity for timely repayment of principal and interest is adequate, although adverse changes in business, economic or financial conditions are more likely to lead to increased investment risk than for obligations in higher categories.

"BB," "B," "CCC," "CC," and "C" - Obligations are assigned one of these ratings where it is considered that speculative characteristics are present. "BB" represents the lowest degree of speculation and indicates a possibility of investment risk developing. "C" represents the highest degree of

speculation and indicates that the obligations are currently in default.

IBCA may append a rating of plus (+) or minus (-) to a rating to denote relative status within major rating categories.

Thomson BankWatch assesses the likelihood of an untimely repayment of principal or interest over the term to maturity of long term debt and preferred stock which are issued by United States commercial banks, thrifts and non-bank banks; non-United States banks; and broker-dealers. The following summarizes the rating categories used by Thomson BankWatch for long-term debt ratings:

"AAA" - This designation represents the highest category assigned by Thomson BankWatch to long-term debt and indicates that the ability to repay principal and interest on a timely basis is very high.

"AA" - This designation indicates a superior ability to repay principal and interest on a timely basis with limited incremental risk versus issues rated in the highest category.

"A" - This designation indicates that the ability to repay principal and interest is strong. Issues rated "A" could be more vulnerable to adverse developments (both internal and external) than obligations with higher ratings.

"BBB" - This designation represents Thomson BankWatch's lowest investment grade category and indicates an acceptable capacity to repay principal and interest. Issues rated "BBB" are, however, more vulnerable to adverse developments (both internal and external) than obligations with higher ratings.

"BB," "B," "CCC," and "CC," - These designations are assigned by Thomson BankWatch to non-investment grade long-term debt. Such issues are regarded as having speculative characteristics regarding the likelihood of timely payment of principal and interest. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation.

"D" - This designation indicates that the long-term debt is in default.

PLUS (+) OR MINUS (-) - The ratings from "AAA" through "CC" may include a plus or minus sign designation which indicates where within the respective category the issue is placed.

MUNICIPAL NOTE RATINGS

A Standard and Poor's rating reflects the liquidity concerns and market access risks unique to notes due in three years or less. The following summarizes the ratings used by Standard & Poor's Corporation for municipal notes:

"SP-1" - The issuers of these municipal notes exhibit very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics are given a plus (+) designation.

"SP-2" - The issuers of these municipal notes exhibit satisfactory capacity to pay principal and interest.

"SP-3" - The issuers of these municipal notes exhibit speculative capacity to pay principal and interest.

Moody's ratings for state and municipal notes and other short-term loans are designated Moody's Investment Grade ("MIG") and variable rate demand obligations are designated Variable Moody's Investment Grade ("VMIG"). Such ratings recognize the differences between short-term credit risk and long-term risk. The following summarizes the ratings by Moody's Investors Service, Inc. for short-term notes:

"MIG-1"/"VMIG-1" - Loans bearing this designation are of the best quality, enjoying strong protection by established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing.

"MIG-2"/"VMIG-2" - Loans bearing this designation are of high quality, with margins of protection ample although not so large as in the preceding group.

"MIG-3"/"VMIG-3" - Loans bearing this designation are of favorable quality, with all security elements accounted for but lacking the undeniable strength of the preceding grades. Liquidity and cash flow protection may be narrow and market access for refinancing is likely to be less well established.

"MIG-4"/"VMIG-4" - Loans bearing this designation are of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative.

"SG" - Loans bearing this designation are of speculative quality and lack margins of protection.

D&P uses the ratings described under Corporate and Municipal Long-Term Debt Ratings for tax-exempt notes and other short-term obligations.

Fitch uses the short-term ratings described under Commercial Paper Ratings for municipal notes.

APPENDIX B

As stated in the Prospectuses, certain of the Funds may enter into futures contracts and options in an effort to have fuller exposure to price movements in securities markets pending investment of purchase orders or while maintaining liquidity to meet potential shareholder redemptions and for other hedging purposes. Such transactions are described in this Appendix.

I. INTEREST RATE FUTURES CONTRACTS.

USE OF INTEREST RATE FUTURES CONTRACTS. Bond prices are established in both the cash market and the futures market. In the cash market, bonds are purchased and sold with payment for the full purchase price of the bond being made in cash, generally within five business days after the trade. In the futures market, only a contract is made to purchase or sell a bond in the future for a set price on a certain date. Historically, the prices for bonds established in the futures markets have tended to move generally in the aggregate in concert with the cash market prices and have maintained fairly predictable relationships. Accordingly, a Fund may use interest rate futures as a defense, or hedge, against anticipated interest rate changes and not for speculation. As described below, this would include the use of futures contract sales to protect against expected increases in interest rates and futures contract purchases to offset the impact of interest rate declines.

A Fund presently could accomplish a similar result to that which it hopes to achieve through the use of futures contracts by selling bonds with long maturities and investing in bonds with short maturities when interest rates are expected to increase, or conversely, selling short-term bonds and investing in long-term bonds when interest rates are expected to decline. However, because of the liquidity that is often available in the futures market the protection is more likely to be achieved, perhaps at a lower cost and without changing the rate of interest being earned by a Fund, through using futures contracts.

DESCRIPTION OF INTEREST RATE FUTURES CONTRACTS. An interest rate futures contract sale would create an obligation by a Fund, as seller, to deliver the specific type of financial instrument called for in the contract at a specific future time for a specified price. A futures contract purchase would create an obligation by a Fund, as purchaser, to take delivery of the specific type of financial instrument at a specific future time at a specific price. The specific securities delivered or taken, respectively, at settlement date, would not be determined until at or near that date. The determination would be in accordance with the rules of the exchange on which the futures contract sale or purchase was made.

Although interest rate futures contracts by their terms call for actual delivery or acceptance of securities, in most cases the contracts are closed out before the settlement date without the making or taking of delivery of securities. Closing out a futures contract sale is effected by the Fund's entering into a futures contract purchase for the same aggregate amount of the specific type of financial instrument and the same delivery date. If the price in the sale exceeds the price in the offsetting purchase, the Fund is paid the difference and thus realizes a gain. If the offsetting purchase price exceeds the sale price, the Fund pays the difference and realizes a loss. Similarly, the closing out of a futures contract purchase is effected by the Fund's entering into a futures contract sale. If the offsetting sale price exceeds the purchase price, the Fund realizes a gain, and if the purchase price exceeds the offsetting sale price, the Fund realizes a loss.

Interest rate futures contracts are traded in an auction environment on the floors of several exchanges - principally, the Chicago Board of Trade and the Chicago Mercantile Exchange. The Fund would deal only in standardized contracts on recognized exchanges. Each exchange guarantees performance under contract provisions through a clearing corporation, a nonprofit organization managed by the exchange membership.

A public market now exists in futures contracts covering various financial instruments including long-term United States Treasury bonds and notes; Government National Mortgage Association (GNMA) modified pass-through mortgage-backed securities; three-month United States Treasury bills; and ninety-day commercial paper. A Fund may trade in any futures contract for which there exists a public market, including, without limitation, the foregoing instruments.

EXAMPLES OF FUTURES CONTRACT SALE. A Fund would engage in an interest rate futures contract sale to maintain the income advantage from continued holding of a long-term bond while endeavoring to avoid part or all of the loss in market value that would otherwise accompany a decline in long-term securities prices. Assume that the market value of a certain security in a Fund tends to move in concert with the futures market prices of long-term United States Treasury bonds ("Treasury bonds"). The adviser wishes to fix the current market value of this portfolio security until some point in the future. Assume the portfolio security has a market value of 100, and the adviser believes that, because of an anticipated rise in interest rates, the value will decline to 95. The Fund might enter into futures contract sales of Treasury bonds for an equivalent of 98. If the market value of the portfolio security does indeed decline from 100 to 95, the equivalent futures market price for the Treasury bonds might also decline from 98 to 93.

In that case, the five-point loss in the market value of the portfolio security would be offset by the five-point gain realized by closing out the futures contract sale. Of course, the futures market price of Treasury bonds might well decline to more than 93 or to less than 93 because of the imperfect correlation between cash and futures prices mentioned below.

The adviser could be wrong in its forecast of interest rates and the equivalent futures market price could rise above 98. In this case, the market value of the portfolio securities, including the portfolio security being protected, would increase. The benefit of this increase would be reduced by the loss realized on closing out the futures contract sale.

If interest rate levels did not change, the Fund in the above example might incur a loss of 2 points (which might be reduced by an off-setting transaction prior to the settlement date). In each transaction, transaction expenses would also be incurred.

EXAMPLES OF FUTURES CONTRACT PURCHASE. A Fund would engage in an interest rate futures contract purchase when it is not fully invested in long-term bonds but wishes to defer for a time the purchase of long-term bonds in light of the availability of advantageous interim investments, e.g., shorter-term securities whose yields are greater than those available on long-term bonds. The Fund's basic motivation would be to maintain for a time the income advantage from investing in the short-term securities; the Fund would be endeavoring at the same time to eliminate the effect of all or part of an expected increase in market price of the long-term bonds that the Fund may purchase.

For example, assume that the market price of a long-term bond that a Fund may purchase, currently yielding 10%, tends to move in concert with futures market prices of Treasury bonds. The adviser wishes to fix the current market price (and thus 10% yield) of the long-term bond until the time (four months away in this example) when it may purchase the bond. Assume the long-term bond has a market price of 100, and the adviser believes that, because of an anticipated fall in interest rates, the price will have risen to 105 (and the yield will have dropped to about 9 1/2%) in four months. The Fund might enter into futures contracts purchases of Treasury bonds for an equivalent price of 98. At the same time, the Fund would assign a pool of investments in short-term securities that are either maturing in four months or earmarked for sale in four months, for purchase of the long-term bond at an assumed market price of 100. Assume these short-term securities are yielding 15%. If the market price of the long-term bond does indeed rise from 100 to 105, the equivalent futures market price for Treasury bonds might also rise from 98 to 103. In that case, the 5-point increase in the price that the Fund pays for the long-term

bond would be offset by the 5-point gain realized by closing out the futures contract purchase.

The adviser could be wrong in its forecast of interest rates; long-term interest rates might rise to above 10%; and the equivalent futures market price could fall below 98. If short-term rates at the same time fall to 10% or below, it is possible that the Fund would continue with its purchase program for long-term bonds. The market price of available long-term bonds would have decreased. The benefit of this price decrease, and thus yield increase, will be reduced by the loss realized on closing out the futures contract purchase.

If, however, short-term rates remained above available long-term rates, it is possible that the Fund would discontinue its purchase program for long-term bonds. The yield on short-term securities in the portfolio, including those originally in the pool assigned to the particular long-term bond, would remain higher than yields on long-term bonds. The benefit of this continued incremental income will be reduced by the loss realized on closing out the futures contract purchase. In each transaction, expenses would also be incurred.

II. INDEX FUTURES CONTRACTS.

A stock or bond index assigns relative values to the stocks or bonds included in the index and the index fluctuates with changes in the market values of the stocks or bonds included. A stock or bond index futures contract is a bilateral agreement pursuant to which two parties agree to take or make delivery of an amount of cash equal to a specified dollar amount times the difference between the stock index value (which assigns relative values to the common stocks or bonds included in the index) at the close of the last trading day of the contract and the price at which the futures contract is originally struck. No physical delivery of the underlying stocks in the index is made. Some stock index futures contracts are based on broad market indices, such as the Standard & Poor's 500 or the New York Stock Exchange Composite Index. In contrast, certain exchanges offer futures contracts on narrower market indices, such as the Standard & Poor's 100 or indices based on an industry or market segment, such as oil and gas stocks. Futures contracts are traded on organized exchanges regulated by the Commodity Futures Trading Commission. Transactions on such exchanges are cleared through a clearing corporation, which guarantees the performance of the parties to each contract.

A Fund will sell index futures contracts in order to offset a decrease in market value of their respective portfolio securities that might otherwise result from a market decline. The Funds may do so either to hedge the value of its respective portfolio as a whole, or to protect against declines, occurring

prior to sales of securities, in the value of the securities to be sold. Conversely, a Fund will purchase index futures contracts in anticipation of purchases of securities. In a substantial majority of these transactions, a Fund will purchase such securities upon termination of the long futures position, but a long futures position may be terminated without a corresponding purchase of securities.

In addition, a Fund may utilize index futures contracts in anticipation of changes in the composition of its portfolio holdings. For example, in the event that a Fund expects to narrow the range of industry groups represented in its holdings it may, prior to making purchases of the actual securities, establish a long futures position based on a more restricted index, such as an index comprised of securities of a particular industry group. A Fund may also sell futures contracts in connection with this strategy, in order to protect against the possibility that the value of the securities to be sold as part of the restructuring of their respective portfolios will decline prior to the time of sale.

The following are examples of transactions in stock index futures (net of commissions and premiums, if any).

ANTICIPATORY PURCHASE HEDGE: Buy the Future
Hedge Objective: Protect Against Increasing Price

PORTFOLIO	FUTURES
	-Day Hedge is Placed-
Anticipate Buying $62,500 Equity Portfolio	Buying 1 Index Futures at 125 Value of Futures = $62,500/Contract
	-Day Hedge is Lifted-
Buy Equity Portfolio with Actual Cost = $65,000 Increase in Purchase Price = $2,500	Sell 1 Index Futures at 130 Value of Futures = $65,000/ Contract Gain on Futures = $2,500

HEDGING A STOCK PORTFOLIO: Sell the Future
Hedge Objective: Protect Against Declining Value of the Fund

Factors:

Value of Stock Fund = $1,000,000
Value of Futures Contract = 125 x $500 = $62,500
Fund Beta Relative to the Index = 1.0

PORTFOLIO	FUTURES
	-Day Hedge is Placed-
Anticipate Selling $1,000,000 Equity Portfolio	Sell 16 Index Futures at 125 Value of Futures = $1,000,000
	-Day Hedge is Lifted-
Equity Portfolio-Own Stock with Value = $960,000 Loss in Fund Value = $40,000	Buy 16 Index Futures at 120 Value of Futures = $960,000 Gain on Futures = $40,000

If, however, the market moved in the opposite direction, that is, market value decreased and a Fund had entered into an anticipatory purchase hedge, or market value increased and a Fund had hedged its stock portfolio, the results of the Fund's transactions in stock index futures would be as set forth below.

ANTICIPATORY PURCHASE HEDGE: Buy the Future
Hedge Objective: Protect Against Increasing Price

PORTFOLIO	FUTURES
	-Day Hedge is Placed-
Anticipate Buying $62,500 Equity Portfolio	Buying 1 Index Futures at 125 Value of Futures = $62,500/ Contract
	-Day Hedge is Lifted-
Buy Equity Portfolio with Actual Cost - $60,000 Decrease in Purchase Price = $2,500	Sell 1 Index Futures at 120 Value of Futures = $60,000/ Contract

Loss on Futures = $2,500

HEDGING A STOCK PORTFOLIO: Sell the Future
Hedge Objective: Protect Against Declining Value of the Fund

Factors:

Value of Stock Fund = $1,000,000
Value of Futures Contract = 125 x $500 = $62,500
Fund Beta Relative to the Index = 1.0

PORTFOLIO	FUTURES
	-Day Hedge is Placed-
Anticipate Selling $1,000,000 Equity Portfolio	Sell 16 Index Futures at 125 Value of Futures = $1,000,000
	-Day Hedge is Lifted-
Equity Portfolio-Own Stock with Value = $1,040,000	Buy 16 Index Futures at 130 Value of Futures = $1,040,000
Gain in Fund Value = $40,000	Loss of Futures = $40,000

III. FUTURES CONTRACTS ON FOREIGN CURRENCIES.

A futures contract on foreign currency creates a binding obligation on one party to deliver, and a corresponding obligation on another party to accept delivery of, a stated quantity of a foreign currency, for an amount fixed in U.S. dollars. Foreign currency futures may be used by a Fund to hedge against exposure to fluctuations in exchange rates between the U.S. dollar and other currencies arising from multinational transactions.

IV. MARGIN PAYMENTS.

Unlike when a Fund purchases or sells a security, no price is paid or received by a Fund upon the purchase or sale of a futures contract. Initially, a Fund will be required to deposit with the broker or in a segregated account with the

Fund's custodian an amount of cash or cash equivalents (generally, short-term U.S. Government securities), the value of which may vary but is generally equal to 10% or less of the value of the contract. This amount is known as initial margin. The nature of initial margin in futures transactions is different from that of margin in security transactions in that futures contract margin does not involve the borrowing of funds by the customer to finance the transactions. Rather, the 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. Subsequent payments, called variation margin, to and from the broker, will be made on a daily basis as the price of the underlying instruments fluctuates making the long and short positions in the futures contract more or less valuable, a process known as marking-to-market. For example, when a Fund has purchased a futures contract and the price of the contract has risen in response to a rise in the underlying instruments, that position will have increased in value and the Fund will be entitled to receive from the broker a variation margin payment equal to that increase in value. Conversely, where a Fund has purchased a futures contract and the price of the futures contract has declined in response to a decrease in the underlying instruments, the position would be less valuable and the Fund would be required to make a variation margin payment to the broker. At any time prior to expiration of the futures contract, the adviser may elect to close the position by taking an opposite position, subject to the availability of a secondary market, which will operate to terminate the Fund's position in the futures contract. A final determination of variation margin is then made, additional cash is required to be paid by or released to the Fund, and the Fund realizes a loss or gain.

V. RISKS OF TRANSACTIONS IN FUTURES CONTRACTS.

There are several risks in connection with the use of futures by a Fund as a hedging device. One risk arises because of the imperfect correlation between movements in the price of the future and movements in the price of the securities which are the subject of the hedge. The price of the future may move more than or less than the price of the securities being hedged. If the price of the future moves less than the price of the securities which are the subject of the hedge, the hedge will not be fully effective but, if the price of the securities being hedged has moved in an unfavorable direction, the Fund would be in a better position than if it had not hedged at all. If the price of the securities being hedged has moved in a favorable direction, this advantage will be partially offset by the loss on the future. If the price of the future moves more than the price of the hedged securities, the Fund will experience either a loss or gain on the future which will not be completely offset by movements in the price of the securities which are the subject of

the hedge. To compensate for the imperfect correlation of movements in the price of securities being hedged and movements in the price of futures contracts, a Fund may buy or sell futures contracts in a greater dollar amount than the dollar amount of securities being hedged if the volatility over a particular time period of the prices of such securities has been greater than the volatility over such time period of the future, or if otherwise deemed to be appropriate by the investment adviser. Conversely, a Fund may buy or sell fewer futures contracts if the volatility over a particular time period of the prices of the securities being hedged is less than the volatility over such time period of the futures contract being used, or if otherwise deemed to be appropriate by the adviser. It is also possible that, where a Fund has sold futures to hedge its portfolio against a decline in the market, the market may advance and the value of securities held in the Fund may decline. If this occurred, the Fund would lose money on the future and also experience a decline in value in its portfolio securities.

Where futures are purchased to hedge against a possible increase in the price of securities before a Fund is able to invest its cash (or cash equivalents) in securities (or options) in an orderly fashion, it is possible that the market may decline instead; if the Fund then concludes not to invest in securities or options at that time because of concern as to possible further market decline or for other reasons, the Fund will realize a loss on the futures contract that is not offset by a reduction in the price of securities purchased.

In instances involving the purchase of futures contracts by a Fund, an amount of cash and cash equivalents (e.g., short-term U.S. Government securities), equal to the market value of the futures contracts, will be deposited in a segregated account with the Fund's custodian and/or in a margin account with a broker to collateralize the position and thereby reduce the leverage effect resulting from the use of such futures.

In addition to the possibility that there may be an imperfect correlation, or no correlation at all, between movements in the futures and the securities being hedged, the price of futures may not correlate perfectly with movement in the cash market due to certain market distortions. Rather than meeting additional margin deposit requirements, investors may close futures contracts through off-setting transactions which could distort the normal relationship between the cash and futures markets. Second, with respect to financial futures contracts, the liquidity of the futures market depends on participants entering into off-setting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced thus producing distortions. Third, from the point of view of speculators, the deposit requirements in the futures

market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may also cause temporary price distortions. Due to the possibility of price distortion in the futures market, and because of the imperfect correlation between the movements in the cash market and movements in the price of futures, a correct forecast of general market trends or interest rate movements by the adviser may still not result in a successful hedging transaction over a short time frame.

Positions in futures may be closed out only on an exchange or board of trade which provides a secondary market for such futures. Although a Fund intends to purchase or sell futures only on exchanges or boards of trade where there appear to be active secondary markets, there is no assurance that a liquid secondary market on any exchange or board of trade will exist for any particular contract or at any particular time. In such event, it may not be possible to close a futures investment position, and in the event of adverse price movements, a Fund would continue to be required to make daily cash payments of variation margin. However, in the event futures contracts have been used to hedge portfolio securities, such securities will not be sold until the futures contract can be terminated. In such circumstances, an increase in the price of the securities, if any, may partially or completely offset losses on the futures contract. However, as described above, there is no guarantee that the price of the securities will in fact correlate with the price movements in the futures contract and thus provide an offset on a futures contract.

Further, it should be noted that the liquidity of a secondary market in a futures contract may be adversely affected by "daily price fluctuation limits" established by commodity exchanges which limit the amount of fluctuation in a futures contract price during a single trading day. Once the daily limit has been reached in the contract, no trades may be entered into at a price beyond the limit, thus preventing the liquidation of open futures positions.

Successful use of futures by a Fund is also subject to the adviser's ability to predict correctly movements in the direction of the market. For example, if a Fund has hedged against the possibility of a decline in the market adversely affecting securities held in its portfolio and securities prices increase instead, the Fund will lose part or all of the benefit to the increased value of its securities which it has hedged because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash, it may have to sell securities to meet daily variation margin requirements. Such sales of securities may be, but will not necessarily be, at increased prices which reflect the rising

market. A Fund may have to sell securities at a time when it may be disadvantageous to do so.

VI. OPTIONS ON FUTURES CONTRACTS.

The Funds may purchase options on the futures contracts described above. A futures option gives the holder, in return for the premium paid, the right to buy (call) from or sell (put) to the writer of the option a futures contract at a specified price at any time during the period of the option. Upon exercise, the writer of the option is obligated to pay the difference between the cash value of the futures contract and the exercise price. Like the buyer or seller of a futures contract, the holder, or writer, of an option has the right to terminate its position prior to the scheduled expiration of the option by selling, or purchasing, an option of the same series, at which time the person entering into the closing transaction will realize a gain or loss.

Investments in futures options involve some of the same considerations that are involved in connection with investments in futures contracts (for example, the existence of a liquid secondary market). In addition, the purchase of an option also entails the risk that changes in the value of the underlying futures contract will not be fully reflected in the value of the option purchased. Depending on the pricing of the option compared to either the futures contract upon which it is based, or upon the price of the securities being hedged, an option may or may not be less risky than ownership of the futures contract or such securities. In general, the market prices of options can be expected to be more volatile than the market prices on the underlying futures contract. Compared to the purchase or sale of futures contracts, however, the purchase of call or put options on futures contracts may frequently involve less potential risk to a Fund because the maximum amount at risk is the premium paid for the options (plus transaction costs).

VII. OTHER HEDGING TRANSACTIONS

A Fund is authorized to enter into hedging transactions in any other futures or options contracts which are currently traded or which may subsequently become available for trading. Such instruments may be employed in connection with the Funds' hedging strategies if, in the judgment of the adviser, transactions therein are necessary or advisable.

VIII. ACCOUNTING AND TAX TREATMENT.

Accounting for futures contracts and related options will be in accordance with generally accepted accounting principles.

Generally, futures contracts and options on futures contracts held by a Fund at the close of the Fund's taxable year will be treated for federal income tax purposes as sold for their fair market value on the last business day of such year, a process known as "mark-to-market." Forty percent of any gain or loss resulting from such constructive sale will be treated as short-term capital gain or loss and 60% of such gain or loss will be treated as long-term capital gain or loss without regard to the length of time the Fund holds the futures contract or option ("the 40%-60% rule"). The amount of any capital gain or loss actually realized by a Fund in a subsequent sale or other disposition of those futures contracts or options will be adjusted to reflect any capital gain or loss taken into account by the Fund in a prior year as a result of the constructive sale of the contracts or options. With respect to futures contracts to sell, which will be regarded as parts of a "mixed straddle" because their values fluctuate inversely to the values of specific securities held by the Fund, losses as to such contracts to sell will be subject to certain loss deferral rules which limit the amount of loss currently deductible on either part of the straddle to the amount thereof which exceeds the unrecognized gain (if any) with respect to the other part of the straddle, and to certain wash sales regulations. Under short sales rules, which also will be applicable, the holding period of the securities forming part of the straddle (if they have not been held for the long-term holding period) will be deemed not to begin prior to termination of the straddle. With respect to certain futures contracts and related options, deductions for interest and carrying charges will not be allowed. Notwithstanding the rules described above, with respect to futures contracts to sell which are properly identified as such, a Fund may make an election which will exempt (in whole or in part) those identified futures contracts and options from being treated for federal income tax purposes as sold on the last business day of the Fund's taxable year, but gains and losses will be subject to such short sales, wash sales and loss deferral rules and the requirement to capitalize interest and carrying charges. Under Temporary Regulations, a Fund is allowed (in lieu of the foregoing) to elect either (1) to offset gains or losses from portions which are part of a mixed straddle by separately identifying each mixed straddle to which such treatment applies or (2) to establish a mixed straddle account for which gains and losses would be recognized and offset on a periodic basis during the taxable year. Under either election, the 40%-60% rule will apply to the net gain or loss attributable to the futures contracts, but in the case of a mixed straddle account election, not more than 50 percent of any net gain may be treated as long-term and no more than 40 percent of any net loss may be treated as short-term.

Certain foreign currency contracts entered into by a Fund may be subject to the marking-to-market process but gain or

loss will be treated as 100% ordinary income or loss. To receive such federal income tax treatment, a foreign currency contract must meet the following conditions: (1) the contract must require delivery of a foreign currency of a type in which regulated futures contracts are traded or upon which the settlement value of the contract depends; (2) the contract must be entered into at arm's length at a price determined by reference to the price in the interbank market; and (3) the contract must be traded in the interbank market. The Treasury Department has broad authority to issue regulations under the provisions respecting foreign currency contracts. As of the date of this Statement of Additional Information, the Treasury has not issued any such regulations. Foreign currency contracts entered into by a Fund may result in the creation of one or more straddles for federal income tax purposes, in which case certain loss deferral, short sales, and wash sales rules and the requirement to capitalize interest and carrying charges may apply.

Some investments of a Fund may be subject to special rules which govern the federal income tax treatment of certain transactions denominated in terms of a currency other than the U.S. dollar or determined by reference to the value of one or more currencies other than the U.S. dollar. The types of transactions covered by the special rules include the following: (i) the acquisition of, or becoming the obligor under, a bond or other debt instrument (including, to the extent provided in Treasury regulations, preferred stock); (ii) the accruing of certain trade receivables and payables; and (iii) the entering into or acquisition of any forward contract, futures contract, option and similar financial instrument. However, regulated futures contracts and non-equity options are generally not subject to the special currency rules if they are or would be treated as sold for their fair market value at year-end under the mark-to-market rules, unless an election is made to have such currency rules apply. The disposition of a currency other than the U.S. dollar by a U.S. taxpayer also is treated as a transaction subject to the special currency rules. With respect to transactions covered by the special rules, foreign currency gain or loss is calculated separately from any gain or loss on the underlying transaction and is normally taxable as ordinary gain or loss. A taxpayer may elect to treat as capital gain or loss foreign currency gain or loss arising from certain identified forward contracts, futures contracts and options that are capital assets in the hands of the taxpayer and which are not part of a straddle. In accordance with Treasury regulations, certain transactions subject to the special currency rules that are part of a "section 988 hedging transaction" (as defined in the Code and the Treasury regulations) will be integrated and treated as a single transaction or otherwise treated consistently for purposes of the Code. "Section 988 hedging transactions" are not subject to the mark-to-market or loss deferral rules under

the Code. It is anticipated that some of the non-U.S. dollar denominated investments and foreign currency contracts that such Funds may make or may enter into will be subject to the special currency rules described above. Gain or loss attributable to the foreign currency component of transactions engaged in by a Fund which are not subject to special currency rules (such as foreign equity investments other than certain preferred stocks) will be treated as capital gain or loss and will not be segregated from the gain or loss on the underlying transaction.

Qualification as a regulated investment company under the Code requires that a Fund satisfy certain requirements with respect to the source of its income during a taxable year. At least 90% of the gross income of each Fund must be derived from dividends, interests, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, and other income (including, but not limited to, gains from options, futures, or forward contracts) derived with respect to a Fund's business of investing in such stock, securities or currencies. The Treasury Department may by regulation exclude from qualifying income foreign currency gains that are not directly related to a Fund's principal business of investing in stock or securities, or options and futures with respect to stock or securities. Any income derived by a Fund from a partnership or trust is treated for this purpose as derived with respect to a Fund's business of investing in stock, securities or currencies only to the extent that such income is attributable to items of income which would have been qualifying income if realized by a Fund in the same manner as by the partnership or trust.

An additional requirement for qualification as a regulated investment company under the Code is the Short-Short test described above in "Additional Information Concerning Taxes." With respect to futures contracts and other financial instruments subject to the mark-to-market rules, the Internal Revenue Service (the "Service") has ruled in private letter rulings issued to other regulated investment companies that a gain realized from such a futures contract or financial instrument will be treated as being derived from a security held for three months or more (regardless of the actual period for which the contract or instrument is held) if the gain arises as a result of a constructive sale under the mark-to-market rules, and will be treated as being derived from a security held for less than three months only if the contract or instrument is terminated (or transferred) during the taxable year (other than by reason of mark-to-market) and less than three months have elapsed between the date the contract or instrument is acquired and the termination date. Although private letter rulings are not binding on the Service, management believes the Service would take the same position on this issue with respect to the Funds. In determining whether the 30% test is met for a taxable year,

increases and decreases in the value of a Fund's futures contracts and other investments that qualify as part of a "designated hedge," as defined in the Code, may be netted.

EMERALD FUNDS

Statement of Additional Information
for the
Treasury Trust Fund
Prime Trust Fund

April 1, 1996
(as revised August 30, 1996)

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This Statement of Additional Information is meant to be read in conjunction with Emerald Funds' Prospectus dated April 1, 1996, as supplemented August 30, 1996, for the Treasury Trust Fund and Prime Trust Fund, and is incorporated by reference in its entirety into that Prospectus. Because this Statement of Additional Information is not itself a prospectus, no investment in shares of the Treasury Trust Fund or Prime Trust Fund should be made solely upon the information contained herein. Copies of the Prospectus may be obtained by calling 800-637-3759. Capitalized terms used but not defined herein have the same meanings as in the Prospectus.

SHARES OF THE FUNDS ARE NOT BANK DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BARNETT BANK OR ANY OTHER BANK AND ARE NOT ISSUED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FDIC, THE FEDERAL RESERVE BOARD OR ANY OTHER GOVERNMENTAL AGENCY. EACH FUND SEEKS TO MAINTAIN A NET ASSET VALUE OF $1.00 PER SHARE, ALTHOUGH THERE CAN BE NO ASSURANCE THAT IT WILL BE ABLE TO DO SO ON A CONTINUOUS BASIS. INVESTMENT IN THE FUNDS INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL. IN ADDITION, THE DIVIDENDS PAID BY A FUND WILL FLUCTUATE.

EMERALD FUNDS

Emerald Funds is a Massachusetts business trust which was organized on March 15, 1988 as an open-end investment company. This Statement of Additional Information pertains to two diversified portfolios of the Emerald Funds -- the Treasury Trust Fund and the Prime Trust Fund (such portfolios are sometimes called the "Funds"). Emerald Funds also offers other investment portfolios which are described in separate Prospectuses and Statements of Additional Information. For information concerning these other portfolios contact the Distributor at the address or telephone number stated on the cover page of this Statement of Additional Information.

INVESTMENT OBJECTIVES AND POLICIES

As stated in the Prospectus, the investment objective of both the Treasury Trust Fund and the Prime Trust Fund is to seek a high level of current income, in each case consistent with liquidity, the preservation of capital and a stable net asset value. The following policies supplement the Funds' respective investment objectives and policies as set forth in the Prospectus.

PORTFOLIO TRANSACTIONS

Subject to the general supervision of the Board of Trustees and the Adviser, the Sub-Adviser is responsible for, makes decisions with respect to, and places orders for all purchases and sales of portfolio securities for each Fund.

Securities purchased and sold by each Fund are generally traded in the over-the-counter market on a net basis (I.E, without commission) through dealers, or otherwise involve transactions directly with the issuer of an instrument. The cost of securities purchased from underwriters includes an underwriting commission or concession, and the prices at which securities are purchased from and sold to dealers include a dealer's mark-up or mark-down. With respect to over-the-counter transactions, the Sub-Adviser will normally deal directly with dealers who make a market in the instruments involved except in those circumstances where more favorable prices and execution are available elsewhere.

The Funds may participate, if and when practicable, in bidding for the purchase of portfolio securities directly from an issuer in order to take advantage of the lower purchase price available to members of a bidding group. The Funds will engage

in this practice, however, only when the Sub-Adviser, in its sole discretion, believes such practice to be in the Funds' interests.

The Funds do not intend to seek profits from short-term trading. Because the Funds will invest only in short-term debt instruments, their annual portfolio turnover rates will be relatively high, but brokerage commissions are normally not paid on money market instruments, and portfolio turn-over is not expected to have a material effect on the net investment income of any Fund.

In its Sub-Advisory Agreement with respect to the Funds, the Sub-Adviser agrees that it will seek to obtain the best overall terms available in executing portfolio transactions and selecting brokers or dealers. In assessing the best overall terms available for any transaction, the Sub-Adviser shall consider factors it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, both for the specific transaction and on a continuing basis. In addition, the Sub-Advisory Agreement authorizes the Sub-Adviser to cause any of the Funds to pay a broker-dealer which furnishes brokerage and research services a higher commission than that which might be charged by another broker-dealer for effecting the same transaction, provided that the Sub-Adviser determines in good faith that such commission is reasonable in relation to the value of the brokerage and research services provided by such broker-dealer, viewed in terms of either the particular transaction or the overall responsibilities of the Sub-Adviser to the Funds. Such brokerage and research services might consist of reports and statistics of specific companies or industries, general summaries of groups of stocks or bonds and their comparative earnings and yields, or broad overviews of the stock, bond and government securities markets and the economy.

Supplementary research information so received is in addition to, and not in lieu of, services required to be performed by the Sub-Adviser and does not reduce the sub-advisory fees payable to it by the Funds. The Trustees will periodically review the commissions paid by the Funds to consider whether the commissions paid over representative periods of time appear to be reasonable in relation to the benefits inuring to the Funds. It is possible that certain of the supplementary research or other services received will primarily benefit one or more other investment companies or other accounts for which investment discretion is exercised. Conversely, a Fund may be the primary beneficiary of the research or services received as a result of portfolio transactions effected for such other account or investment company.

Portfolio securities will not be purchased from or sold to (and savings deposits will not be made in and repurchase and reverse repurchase agreements will not be entered into with) the Adviser, the Sub-Adviser, the Distributor or an affiliated person of any of them (as such term is defined in the Investment Company Act of 1940) acting as principal, except as permitted by the Securities and Exchange Commission. Further, while such allocation is not expected to occur frequently, the Sub-Adviser is authorized to allocate purchase and sale orders for portfolio securities to broker/dealers and financial institutions, including, in the case of agency transactions, broker/dealers and financial institutions which are affiliated with the Adviser or the Sub-Adviser, to take into account the sale of Fund shares if the Sub-Adviser believes that the quality of the execution of the transaction and the amount of the commission are comparable to what they would be with other qualified brokerage firms. In addition, the Funds will not purchase securities during the existence of any underwriting or selling group relating thereto of which the Adviser, the Sub-Adviser or the Distributor, or an affiliated person of any of them, is a member, except as permitted by the Securities and Exchange Commission. In certain instances, current regulations of the Commission would impose volume, dollar and price restrictions on purchases by the Funds during the existence of such a group or prohibit such purchases altogether.

Investment decisions for the Funds are made independently from those for other investment companies and accounts advised or managed by the Adviser and the Sub-Adviser. Such other investment companies and accounts may also invest in the same securities as the Funds. When a purchase or sale of the same security is made at substantially the same time on behalf of a Fund and another investment company or account, the transaction will be averaged as to price and available investments allocated as to amount, in a manner which the Sub-Adviser believes to be equitable to the Fund and such other investment company or account. In some instances, this investment procedure may adversely affect the price paid or received by a Fund or the size of the position obtained by the Fund. To the extent permitted by law, the Sub-Adviser may aggregate the securities to be sold or purchased for a Fund with those to be sold or purchased for other investment companies or accounts in executing transactions.

Subsequent to its purchase by a Fund, a rated security may cease to be rated or its rating may be reduced below the minimum rating required for purchase by the Fund. The Board of Trustees, or the Sub-Adviser pursuant to guidelines established by the Board and the Adviser, will promptly consider such an event in determining whether the Fund involved should continue to hold the security in accordance with the interests of the Fund and applicable regulations of the Securities and Exchange

Commission. In addition, it is possible that unregistered securities purchased by a Fund in reliance upon Rule 144A under the Securities Act of 1933 could have the effect of increasing the level of the Fund's illiquidity to the extent that qualified institutional buyers become, for a period, uninterested in purchasing these securities.

ADDITIONAL INVESTMENT LIMITATIONS

Each Fund is subject to the investment limitations enumerated in this sub-section which may be changed with respect to a particular Fund only by a vote of the holders of a majority of such Fund's outstanding shares (as defined under "Miscellaneous" below).

No Fund may:

1. Purchase or sell real estate, except that each Fund may purchase securities of issuers which deal in real estate and may purchase securities which are secured by interests in real estate.

2. Acquire any other investment company or investment company security except in connection with a merger, consolidation, reorganization or acquisition of assets or where otherwise permitted by the Investment Company Act of 1940.

3. Act as an underwriter of securities within the meaning of the Securities Act of 1933 except to the extent that the purchase of obligations directly from the issuer thereof in accordance with the Fund's investment objective, policies and limitations may be deemed to be underwriting.

4. Write or sell put options, call options, straddles, spreads, or any combination thereof, except for transactions in options on securities, securities indices, futures contracts and options on futures contracts.

5. Purchase securities on margin, make short sales of securities or maintain a short position, except that (a) this investment limitation shall not apply to a Fund's transactions in futures contracts and related options, and (b) a Fund may obtain short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities.

6. Purchase or sell commodity contracts, or invest in oil, gas or mineral exploration or development programs, except that each Fund may, to the extent appropriate to its investment objective, purchase publicly traded securities of companies engaging in whole or in part in such activities and may enter into futures contracts and related options.

7. Make loans, except that each Fund may purchase and hold debt instruments and enter into repurchase agreements in accordance with its investment objective and policies and may lend portfolio securities.

8. Purchase securities of companies for the purpose of exercising control.

9. Purchase securities of any one issuer (other than securities

issued or guaranteed by the U.S. Government, its agencies or instrumentalities or certificates of deposit for any such securities) if, immediately after such purchase, more than 15% of its total assets would be invested in certificates of deposit or bankers' acceptances of any one bank, or more than 5% of the value of the Fund's total assets would be invested in other securities of any one bank or in the securities of any other issuer, or more than 10% of the issuer's outstanding voting securities would be owned by the Fund or Emerald Funds; except that up to 25% of the value of a Fund's total assets may be invested without regard to the foregoing limitations. For purposes of this limitation, a security is considered to be issued by the entity (or entities) whose assets and revenues back the security. A guarantee of a security shall not be deemed to be a security issued by the guarantor when the value of all securities issued and guaranteed by the guarantor, and owned by the Fund, does not exceed 10% of the value of the Fund's total assets.

[Note: In accordance with the current regulations of the Securities and Exchange Commission, the Prime Trust Fund intends to limit its investments in bankers' acceptances, certificates of deposit and other securities of any one bank to not more than 5% of the Fund's total assets at the time of purchase (rather than the 15% limitation set forth above), provided that the Fund may invest up to 25% of its total assets in the securities of any one issuer for a period of up to three business days. This practice, which is not a fundamental policy of the Fund, could be changed only in the event that such regulations of the Securities and Exchange Commission are amended in the future.]

10. In addition, as summarized in the Prospectus no Fund may:

Purchase any securities which would cause 25% or more of the value of the Fund's total assets at the time of purchase to be invested in the securities of one or more issuers conducting their principal business activities in the same industry, provided that (a) there is no limitation with respect to (i) instruments issued or guarantee by the United States, any state, territory or possession of the United States, the District

of Columbia or any of their authorities, agencies, instrumentalities or political subdivisions, (ii) instruments issued by domestic branches of U.S. banks and (iii) repurchase agreements secured by the instruments described in clauses (i) and (ii); (b) wholly-owned finance companies will be considered to be in the industries of their parents if their activities are primarily related to financing the activities of the parents; and (c) utilities will be divided according to their services, for example, gas, gas transmission, electric and gas, electric and telephone will each be considered a separate industry.

[Note: In construing Investment Limitation 10 in accordance with SEC policy, to the extent permitted, U.S. branches of foreign banks will be considered to be U.S. banks where they are subject to the same regulation as U.S. banks.

11. Borrow money or issue senior securities, except that each Fund may borrow from banks and enter into reverse repurchase agreements for temporary purposes in amounts up to one-third of the value of the total assets at the time of such borrowing or mortgage, pledge or hypothecate any assets, except in connection with any such borrowing and then in amounts not in excess of one-third of the value of a Fund's total assets at the time of such borrowing. No Fund will purchase securities while its borrowings (including reverse repurchase agreements) in excess of 5% of its total assets are outstanding. Securities held in escrow or separate accounts in connection with a Fund's investment practices described in this Statement of Additional Information or in the Prospectus are not deemed to be pledged for purposes of this limitation.

Although the foregoing investment limitations would permit the Funds to invest in options, futures contracts and options on futures contracts, the Funds do not currently intend to trade in such instruments during the next 12 months. Prior to making any such investments, the Funds would notify their shareholders and add appropriate descriptions concerning the instruments to the Prospectus and this Statement of Additional Information.

TYPES OF OBLIGATIONS, INVESTMENT RISKS AND OTHER INVESTMENT INFORMATION

REVERSE REPURCHASE AGREEMENTS

At the time a Fund enters into a reverse repurchase agreement (an agreement under which a Fund sells portfolio securities and agrees to repurchase them at an agreed-upon date and price), it will place in a segregated custodial account liquid assets, such as U.S. Government securities or other liquid high-grade debt securities having a value equal to or greater than the repurchase price (including accrued interest), and will subsequently monitor the account to ensure that such value is maintained. Reverse repurchase agreements involve the risk that the market value of the securities sold by a Fund may decline below the price of the securities it is obligated to repurchase. Reverse repurchase agreements are considered to be borrowings under the Investment Company Act of 1940. Each Fund intends to limit its borrowings (including reverse repurchase agreements), during the next 12 months to not more than 5% of its net assets.

VARIABLE AND FLOATING RATE INSTRUMENTS

With respect to the variable and floating rate instruments that may be acquired by the Funds as described in the Prospectus, the Sub-Adviser will consider the earning power, cash flows and other liquidity ratios of the issuers and guarantors of those instruments and, if the instrument is subject to a demand feature, will monitor their financial status to meet payment on demand.

In determining average weighted portfolio maturity, an instrument will usually be deemed to have a maturity equal to the longer of the period remaining until the next regularly scheduled interest rate adjustment or the time the Fund involved can recover payment of principal as specified in the instrument. Instruments which are U.S. Government obligations and certain variable rate instruments having a nominal maturity of 397 days or less, however, will be deemed to have maturities equal to the period remaining until the next interest rate adjustment.

Variable and floating rate instruments may carry nominal maturities in excess of a Fund's maturity limitations if such instruments carry demand features that comply with conditions established by the Securities and Exchange Commission. In order to be purchased by a Fund, these instruments must permit a Fund to demand payment of the principal of the instrument at least once every 397 days upon not more than 30 days' notice.

REPURCHASE AGREEMENTS

The repurchase price under the repurchase agreements described in the Prospectus generally equals the price paid by a Fund plus interest negotiated on the basis of current short-term rates (which may be more or less than the rate on the securities underlying the repurchase agreement). Securities subject to repurchase agreements are held by either the Funds' custodian or another independent third party acting as sub-custodian for the Fund involved in the transaction, or in the federal Reserve Treasury Book-Entry System. Repurchase agreements are considered to be loans by a Fund under the Investment Company Act of 1940.

LENDING SECURITIES

When the Treasury Trust Fund or the Prime Trust Fund lends its securities, it continues to receive interest on the securities loaned and may simultaneously earn interest on the investment of the cash loan collateral which will be invested in readily marketable, high-quality, short-term obligations. Although voting rights, or rights to consent, attendant to securities on loan pass to the borrower, such loans will be called so that the securities may be voted by a Fund if a material event affecting the investment is to occur. Portfolio loans will be continuously secured by collateral equal at all times in value to at least the market value of the securities loaned plus accrued interest. Collateral for such loans may include cash or U.S. Government Securities or additionally, in the case of the Prime Trust Fund, securities of U.S. Government agencies or instrumentalities or an irrevocable letter of credit issued by a bank that meets the credit standards of the Prime Trust Fund. Collateral for the Treasury Trust Fund is limited to cash and U.S. Government securities. There may be risks of delay in recovering additional collateral or in recovering the securities loaned or even a loss of rights in the collateral should the borrower of the securities fail financially.

OTHER INVESTMENT COMPANIES

In seeking to attain their investment objectives, the Funds may invest in securities issued by other investment companies within the limits prescribed by the Investment Company Act of 1940. Each Fund currently intends to limit its investments so that, as determined immediately after a securities purchase is made: (a) not more than 5% of the value of its total assets will be invested in the securities of any one investment company; (b) not more than 10% of the value of its total assets will be invested in the aggregate in securities of investment companies as a group; and (c) not more than 3% of the outstanding stock of any one investment company will be owned by the Fund or Emerald Funds as a whole. As a shareholder of another investment company, a Fund would bear, along with other shareholders, its pro rata portion of the other investment company's expenses, including advisory fees. These expenses would be in addition to the advisory and other expenses that a Fund bears in connection with its own operations.

U.S. GOVERNMENT OBLIGATIONS

Examples of the types of U.S. Government obligations that may be held by the Prime Trust Fund include, in addition to U.S. Treasury bonds, notes and bills, the obligations of Federal Home Loan Banks, Federal Farm Credit Banks, Federal Land Banks, the Federal Housing Administration, Farmers Home Administration,

Export-Import Bank of the United States, Small Business Administration, Government National Mortgage Association, Federal National Mortgage Association, General Services Administration, Student Loan Marketing Association, Central Bank for Cooperatives, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Tennessee Valley Authority, Resolution Funding Corporation and Maritime Administration. U.S. Government obligations also include U.S. Government-backed trusts that hold obligations of foreign governments and are guaranteed or backed by the full faith and credit of the United States. Obligations of certain agencies and instrumentalities of the U.S. Government, such as those of the Government National Mortgage Association, are supported by the full faith and credit of the U.S. Treasury; others, such as the Export-Import Bank of the United States, are supported by the right of the issuer to borrow from the Treasury; others, such as those of the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations; still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. No assurance can be given that the U.S. Government would provide financial support to U.S. Government-sponsored instrumentalities if it is not obligated to do so by law.

ASSET-BACKED SECURITIES

The Prime Trust Fund may invest in securities backed by installment contracts, credit card receivables and other assets. Asset-backed securities represent interests in pools of assets in which payment of both interest and principal on the securities are made monthly, thus in effect passing through (net of fees paid to the issuer or guarantor of the securities) the monthly payments made by the individual borrowers on the assets that underlie the asset-backed securities.

Non-mortgage asset-backed securities involve certain risks that are not presented by mortgage-backed securities. Primarily, these securities do not have the benefit of the same security interest in the underlying collateral. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which have given debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the

automobile receivables may not have an effective security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be able to support payments on these securities.

MUNICIPAL OBLIGATIONS

Assets of the Prime Trust Fund may be invested in debt instruments ("municipal obligations") issued by or on behalf of states, territories and possessions of the United States, the District of Columbia and their respective authorities, agencies, instrumentalities and political sub-divisions. These investments may be advantageous when, as a result of prevailing economic, regulatory or other circumstances, the yield of such securities on a pre-tax basis, is comparable to that of other securities the Fund may purchase. Municipal obligations include debt obligations issued by governmental entities to obtain funds for various public purposes, including the construction of a wide range of public facilities, the refunding of outstanding obligations, the payment of general operating expenses and the extension of loans to public institutions and facilities.

The two principal classifications of municipal obligations are "general obligation" securities and "revenue" securities. General obligation securities are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue securities are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source such as the issuer of the facility being financed.

Private activity bonds (e.g., bonds issued by industrial development authorities) that are issued by or on behalf of public authorities to finance various privately-operated facilities are included within the term "Municipal Obligations". Private activity bonds are in most cases revenue securities and are not payable from the unrestricted revenues of the issuer. Additionally, the principal and interest on these obligations may or may not be payable from the general revenues of the users of the facilities involved. The credit quality of such bonds is usually directly related to the credit standing of such corporate users. Private activity bonds have been or may be issued to obtain funds to provide privately operated housing facilities, pollution control facilities, convention or trade show facilities, mass transit, airport, port or parking facilities and certain local facilities for water supply, gas, electricity or sewage or solid waste disposal. Such bonds may also be issued on behalf of privately held or publicly owned corporations in the financing of commercial or industrial

facilities. State and local governments are authorized in most states to issue private activity bonds for such purposes in order to encourage corporations to locate within their communities.

Municipal obligations may also include "moral obligation" securities, which are normally issued by special purpose public authorities. If the issuer of moral obligation securities is unable to meet its debt service obligations from current revenues, it may draw on a reserve fund, the restoration of which is a moral commitment but not a legal obligation of the state or municipality which created the issuer.

As described in the Prospectus, the Prime Trust Fund may also invest in municipal leases, which may be considered liquid under guidelines established by Emerald Funds' Board of Trustees. The guidelines will provide for determination of the liquidity and proper valuation of a municipal lease obligation based on factors including the following: (1) the frequency of trades and quotes for the obligation; (2) the number of dealers willing to purchase or sell the security and the number of other potential buyers; (3) the willingness of dealers to undertake to make a market in the security; and (4) the nature of marketplace trades, including the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer. Emerald, under the supervision of Emerald Funds' Board of Trustees, will also consider the continued marketability of a municipal lease obligation based upon an analysis of the general credit quality of the municipality issuing the obligation and the importance to the municipality of the property covered by the lease.

Municipal obligations may include short-term General Obligation Notes, Tax Anticipation Notes, Bond Anticipation Notes, Revenue Anticipation Notes, Tax-Exempt Commercial Paper, Construction Loan Notes and other forms of short-term tax-exempt loans. Such instruments are issued with a short-term maturity in anticipation of the receipt of tax funds, the proceeds of bond placements or other revenues. In addition, the Prime Trust Fund may invest in bonds and other types of tax-exempt instruments provided they have remaining maturities that meet the Fund's maturity limitations.

As described in the Prospectus, the Prime Trust Fund may purchase securities in the form of custodial receipts. These custodial receipts are known by a number of names, including "Municipal Receipts," "Municipal Certificates of Accrual on Tax-Exempt Securities" ("M-CATS") and "Municipal Zero-Coupon Receipts."

Certain municipal obligations may be insured at the time of issuance as to the timely payment of principal and interest. The insurance policies will usually be obtained by the issuer of the municipal obligation at the time of its original issuance. In the event that the issuer defaults on interest or principal payment, the insurer of the obligation is required to make payment to the bondholders upon proper notification. There is, however, no guarantee that the insurer will meet its obligations. In addition, such insurance will not protect against market fluctuations caused by changes in interest rates and other factors.

FOREIGN MONEY MARKET INSTRUMENTS. A Fund will invest in obligations of foreign banks and commercial paper issued by foreign issuers as described above only when the Adviser deems the instrument to present minimal credit risk. Such investments may nevertheless entail risks that are different from those of investments in domestic obligations of U.S. banks. Such risks include future political and economic developments, the possible imposition of foreign withholding taxes on interest income payable on such instruments, the possible establishment of exchange controls, the possible seizure or nationalization of foreign deposits or the adoption of other foreign government restrictions which might affect adversely the payment of principal and interest of such instruments. In addition, foreign issuers, including foreign banks and foreign branches of U.S. banks, may be subject to less stringent reserve requirements and to different accounting, auditing, reporting and recordkeeping standards than those applicable to domestic issuers, and securities of foreign issuers may be less liquid and their prices more volatile than those of comparable domestic issuers.

WHEN-ISSUED PURCHASES AND FORWARD COMMITMENTS

The Funds may purchase securities on a when-issued basis and purchase or sell securities on a forward commitment basis. These transactions, which involve a commitment by a Fund to purchase or sell particular securities with payment and delivery taking place beyond the normal settlement date, permit a Fund to lock-in a price or yield on a security it intends to purchase or sell, regardless of future changes in interest rates. When-issued and forward commitment transactions involve the risk, however, that the yield obtained in a transaction may be less favorable than the yield available in the market when the securities delivery takes place.

When a Fund agrees to purchase securities on a when-issued or forward commitment basis, the custodian will set aside cash or liquid portfolio securities equal to the amount of the commitment in a separate account. Normally, the custodian will set aside portfolio securities to satisfy a purchase commitment, and in such a case the Fund involved may be required subsequently to place additional assets in the separate account in order that

the value of the account remains equal to the amount of the Fund's commitments. It may be expected that the market value of a Fund's net assets will fluctuate to a greater degree when it sets aside portfolio securities to cover such purchase commitments than when it sets aside cash. Because a Fund will set aside cash or liquid assets to satisfy its purchase commitments in the manner described, that Fund's liquidity and ability to manage its portfolio might be affected in the event its forward commitments to purchase securities ever exceeded 25% of the value of its total assets. The respective forward purchase commitments of the Treasury Trust Fund and Prime Trust Fund are not expected to exceed 25% of the value of their respective total assets, absent unusual market conditions or periods of unusual purchase or redemption activity in shares of a Fund such as at calendar year-end or other times; furthermore, a forward commitment or commitment to purchase when-issued securities for any Fund is not expected to exceed 45 days.

The Funds do not intend to engage in when-issued purchases and forward commitments for speculative purposes but only in furtherance of their investment objectives, and the Funds will purchase securities on a when-issued or forward commitment basis only with the intention of completing the transaction and actually purchasing the securities. If deemed advisable as a matter of investment strategy, however, a Fund may dispose of or renegotiate a commitment after it is entered into, and may sell securities it has committed to purchase before those securities are delivered to the Fund on the settlement date. In these cases the Fund involved may realize a taxable capital gain or loss.

When the Funds engage in when-issued and forward commitment transactions, they rely on the other party to consummate the trade. Failure of such party to do so may result in a Fund's incurring a loss or missing an opportunity to obtain a price considered to be advantageous.

The market value of the securities underlying a when-issued purchase or a forward commitment to purchase securities, and any subsequent fluctuations in their market value, is taken into account when determining the market value of a Fund involved in such transactions starting on the day the Fund agrees to purchase the securities. A Fund does not earn interest on the securities it has committed to purchase until they are paid for and delivered on the settlement date.

FOREIGN MONEY MARKET INSTRUMENTS. A Fund will invest in obligations of foreign banks and commercial paper issued by foreign issuers as described above only when the Adviser deems the instrument to present minimal credit risk. Such investments may nevertheless entail risks that are different from those of investments in domestic obligations of U.S. banks. Such risks

include future political and economic developments, the possible imposition of foreign withholding taxes on interest income payable on such instruments, the possible establishment of exchange controls, the possible seizure or nationalization of foreign deposits or the adoption of other foreign government restrictions which might affect adversely the payment of principal and interest of such instruments. In addition, foreign issuers, including foreign banks and foreign branches of U.S. banks, may be subject to less stringent reserve requirements and to different accounting, auditing, reporting and recordkeeping standards than those applicable to domestic issuers, and securities of foreign issuers may be less liquid and their prices more volatile than those of comparable domestic issuers.

PARTICIPATION INTERESTS AND TRUST RECEIPTS

The Prime Trust Fund may purchase participation interests and trust receipts as described in its Prospectus. Such participation interests and trust receipts may have fixed, floating or variable rates of interest, and will have remaining maturities of thirteen months or less (as defined by the Securities and Exchange Commission). If a participation interest or trust receipt is unrated, the Adviser will have determined that the interest or receipt is of comparable quality to those instruments in which the Prime Trust Fund may invest pursuant to guidelines approved by the Board of Trustees. For certain participation interests or trust receipts the Prime Trust Fund will have the right to demand payment, on not more than 30 days' notice, for all or any part of the Fund's participation interest or trust receipt in the securities involved, plus accrued interest.

GUARANTEED INVESTMENT CONTRACTS

Generally, a guaranteed investment contract ("GIC") allows a purchaser to buy an annuity with the monies accumulated under the contract; however, the Prime Trust Fund will not purchase any such annuities. GICs acquired by the Prime Trust Fund are general obligations of the issuing insurance company and not separate accounts. The purchase price paid for a GIC becomes part of the general assets of the issuer, and the contract is paid from the general assets of the issuer. The Prime Trust Fund will only purchase GICs from issuers which, at the time of purchase, are rated "A+" by A.M. Best Company, have assets of $1 billion or more and meet quality and credit standards established by the investment adviser pursuant to guidelines approved by the Board of Trustees. Generally, GICs are not assignable or transferable without the permission of the issuing insurance companies, and an active secondary market in GICs does not currently exist. Therefore, GICs are considered by the Prime

Trust Fund to be illiquid investments, and will be acquired by the Fund subject to its limitation on illiquid investments.

RATINGS AND ISSUER'S OBLIGATIONS

The ratings of Nationally Recognized Statistical Rating Organizations ("NRSROs") represent their opinions as to the quality of debt securities. It should be emphasized, however, that ratings are general and are not absolute standards of quality, and debt securities with the same maturity, interest rate and rating may have different yields while debt securities of the same maturity and interest rate with different ratings may have the same yield.

The payment of principal and interest on most securities purchased by the Funds will depend upon the ability of the issuers to meet their obligations. An issuer's obligations under its debt securities are subject to the provisions of bankruptcy, insolvency, and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Code, and laws, if any, which may be enacted by Federal or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations or, in the case of governmental entities, upon the ability of such entities to levy taxes. The power or ability of an issuer to meet its obligations for the payment of interest on, and principal of, its debt securities may be materially adversely affected by litigation or other conditions.

NET ASSET VALUE AND DIVIDENDS

Net asset value per share of each Fund is calculated by adding the value of all portfolio securities and other assets belonging to the particular Fund, subtracting the Fund's liabilities of the Fund, and dividing the result by the number of outstanding shares of that Fund. The net asset value per share for each Fund is calculated separately. Each Fund is charged with the direct expenses of that Fund, and with a share of the general expenses of Emerald Funds. Subject to the provisions of the Agreement and Declaration of Trust, determinations by the Board of Trustees as to the direct and allocable expenses, and the allocable portion of any general assets, with respect to a particular Fund are conclusive.

Emerald Funds uses the amortized cost method of valuation to value each Fund's portfolio securities, pursuant to which an instrument is valued at its cost initially and thereafter a constant amortization to maturity of any discount or premium is assumed, regardless of the impact of fluctuating

interest rates on the market value of the instrument. This method may result in periods during which value, as determined by amortized cost, is higher or lower than the price a Fund would receive if it sold the instrument. The market value of portfolio securities held by a Fund can be expected to vary inversely with changes in prevailing interest rates.

Each Fund attempts to maintain a dollar-weighted average portfolio maturity appropriate to its objective of maintaining a stable net asset value per share. In this regard, except for securities subject to repurchase agreements, no Fund will purchase a security deemed to have a remaining maturity of more than thirteen months within the meaning of the Investment Company Act of 1940 nor maintain a dollar-weighted average maturity which exceeds ninety days. The Board of Trustees has also established procedures that are intended to stabilize the net asset value per share of each Fund for purposes of sales and redemptions at $1.00. These procedures include the determination, at such intervals as the Trustees deem appropriate, of the extent, if any, to which the net asset value per share of each Fund calculated by using available market quotations deviates from $1.00 per share. In the event such deviation exceeds one-half of one percent, the Board will promptly consider what action, if any, should be initiated. If the Board believes that the extent of any deviation from a $1.00 amortized cost price per share may result in material dilution or other unfair results to new or existing investors, it has agreed to take such steps as it considers appropriate to eliminate or reduce to the extent reasonably practicable any such dilution or unfair results. These steps may include selling portfolio instruments prior to maturity; shortening the average portfolio maturity; withholding or reducing dividends; redeeming shares in kind; reducing the number of outstanding shares without monetary consideration; or utilizing a net asset value per share determined by using available market quotations.

Should Emerald Funds incur or anticipate any unusual significant expense or loss which might affect disproportionately the income of a Fund, the Board of Trustees would, at that time, consider whether to adhere to its present dividend policies with respect to the Funds, which are described in the Prospectus, or to revise the policies in order to mitigate, to the extent possible, the disproportionate effect the expense or loss might have on the income of a Fund for a particular period.

ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

Shares in Emerald Funds are sold on a continuous basis by Emerald Asset Management, Inc. As described in the

Prospectus, shares of the Treasury Trust Fund and the Prime Trust Fund are presently sold only to Barnett Banks Trust Company, N.A. ("Barnett") and its affiliated banks (collectively, "Banks") acting in a fiduciary capacity on behalf of persons maintaining accounts at the Banks, as well as certain accounts maintained at other institutions for which Barnett provides advisory or other fiduciary services.

Under the Investment Company Act of 1940, Emerald Funds may suspend the right of redemption or postpone the date of payment for shares of the Funds during any period when (a) trading on the New York Stock Exchange (the "Exchange") is restricted by applicable rules and regulations of the Securities and Exchange Commission; (b) the Exchange is closed for other than customary weekend and holiday closings; (c) the Securities and Exchange Commission has by order permitted such suspension; or (d) an emergency exists as determined by the Securities and Exchange Commission. (Emerald Funds may also suspend or postpone the recordation of the transfer of its shares upon an occurrence of any of the foregoing conditions.)

In addition to the situations described in the Prospectus under "Redemption of Shares," Emerald Funds may redeem shares involuntarily to reimburse a Fund for any loss sustained by reason of the failure of a shareholder to make full payment for shares purchased by the shareholder or to collect any charge relating to a transaction effected for the benefit of a shareholder which is applicable to Fund shares as provided in the Prospectus from time to time.

Shares of the Funds are not bank deposits, and are neither insured by, guaranteed by, obligations of, nor otherwise supported by the U.S. Government, any governmental agency, the Adviser, the Sub-Adviser or any other bank.

DESCRIPTION OF SHARES

Emerald Funds is a Massachusetts business trust. Under Emerald Funds' Agreement and Declaration of Trust, the beneficial interest in Emerald Funds may be divided into an unlimited number of full and fractional transferable shares. The Agreement and Declaration of Trust authorizes the Board of Trustees to classify or reclassify any unissued shares of Emerald Funds into one or more additional classes by setting or changing, in any one or more respects, their respective designations, preferences, conversion or other rights, voting powers, restrictions, limitations, qualifications and terms and conditions of redemption. Pursuant to such authority, the Board of Trustees has authorized the issuance of thirty-three classes of shares.

Two of these classes represent interests in the Treasury Trust Fund and the Prime Trust Fund. The remaining classes represent interests in other investment portfolios of Emerald Funds. The Trustees may similarly classify or reclassify any particular class of shares into one or more series.

Each share in the Treasury Trust Fund and the Prime Trust Fund has a par value of $.001, represents an equal proportionate interest in the particular Fund involved and is entitled to such dividends and distributions earned on such Fund's assets as are declared in the discretion of the Board of Trustees.

In the event of a liquidation or dissolution of Emerald Funds or an individual Fund, shareholders of a particular Fund would be entitled to receive the assets available for distribution belonging to such Fund, and a proportionate distribution, based upon the relative net asset values of Emerald Funds' respective investment portfolios, of any general assets not belonging to any particular portfolio which are available for distribution. Shareholders of a Fund are entitled to participate in the net distributable assets of a particular Fund involved in liquidation, based on the number of shares of the Fund that are held by each shareholder.

Shareholders of the Funds, as well as those of any other investment portfolio now or hereafter offered by Emerald Funds, will vote together in the aggregate and not separately on a Fund-by-Fund basis, except as otherwise required by law or when permitted by the Board of Trustees. Rule 18f-2 under the Investment Company Act of 1940 provides that any matter required to be submitted to the holders of the outstanding voting securities of an investment company such as Emerald Funds shall not be deemed to have been effectively acted upon unless approved by the holders of a majority of the outstanding shares of each Fund affected by the matter. A Fund is affected by a matter unless it is clear that the interests of each Fund in the matter are substantially identical or that the matter does not affect any interest of the Fund. Under the Rule, the approval of an investment advisory agreement or any change in a fundamental investment policy would be effectively acted upon with respect to a Fund only if approved by a majority of the outstanding shares of such Fund. However, the Rule also provides that the ratification of the appointment of independent accountants, the approval of principal underwriting contracts and the election of Trustees may be effectively acted upon by shareholders of Emerald Funds voting together in the aggregate without regard to particular investment portfolios. Shares of Emerald Funds have non-cumulative voting rights and, accordingly, the holders of more than 50% of Emerald Funds' outstanding shares (irrespective of Fund) may elect all Trustees.

Shares have no preemptive rights and only such conversion and exchange rights as the Board of Trustees may grant in its discretion. When issued for payment as described in the Prospectuses, shares will be fully paid and nonassessable by Emerald Funds.

There will normally be no meetings of shareholders for the purpose of electing Trustees unless and until such time as less than a majority of the Trustees holding office have been elected by shareholders. If such should occur, the Trustees then in office will call a shareholders meeting for the election of Trustees. Except as set forth above, the Trustees shall continue to hold office and may appoint successor Trustees. The Agreement and Declaration of Trust provides that meetings of the shareholders of Emerald Funds shall be called by the Trustees upon the written request of shareholders owning at least 10% of the outstanding shares entitled to vote.

Emerald Funds' Agreement and Declaration of Trust authorizes the Board of Trustees, without shareholder approval (unless otherwise required by applicable law), to: (a) sell and convey the assets belonging to a class of shares to another management investment company for consideration which may include securities issued by the purchaser and, in connection therewith, to cause all outstanding shares of such class to be redeemed at a price which is equal to their net asset value and which may be paid in cash or by distribution of the securities or other consideration received from the sale and conveyance; (b) sell and convert the assets belonging to a class of shares into money and, in connection therewith, to cause all outstanding shares of such class to be redeemed at their net asset value; or (c) combine the assets belonging to a class of shares with the assets belonging to one or more other classes of shares if the Board of Trustees reasonably determines that such combination will not have a material adverse effect on the shareholders of any class participating in such combination and, in connection therewith, to cause all outstanding shares of any such class to be redeemed or converted into shares of another class of shares at their net asset value. However, the exercise of such authority may be subject to certain restrictions under the Investment Company Act of 1940. The Board of Trustees may authorize the termination of any class of shares after the assets belonging to such class have been distributed to its shareholders.

ADDITIONAL INFORMATION CONCERNING TAXES

The following is only a summary of certain additional tax considerations generally affecting the Funds and their shareholders that are not described in the Prospectus. No

attempt is made to present a detailed explanation of the tax treatment of the Funds or their shareholders, and the discussion here and in the Prospectus is not intended as substitute for careful tax planning. Investors are advised to consult their tax advisers with specific reference to their own tax situations.

Investment company taxable income earned by the Treasury Trust Fund or the Prime Trust Fund will be distributed by the Funds to their shareholders, and will be taxable to shareholders as ordinary income whether paid in cash or additional shares. In general, investment company taxable income will be a Fund's taxable income subject to certain adjustments and excluding the excess of any net long-term capital gain for the taxable year over the net short-term capital loss, if any, for such year.

Similarly, while the Funds do not expect to realize long-term capital gains, any net realized long-term capital gains will be distributed at least annually, after reduction for capital loss carryforwards, if any. The Funds will have no tax liability with respect to such gains and the distributions will be taxable to shareholders as long-term capital gains, regardless of how long a shareholder has held Fund shares. Such distributions will be designated as a capital gains dividend in a written notice mailed by Emerald Funds to shareholders after the close of Emerald Funds' taxable year.

A 4% non-deductible excise tax is imposed on regulated investment companies that fail to currently distribute specified percentages of their ordinary taxable income and capital gain net income (excess of capital gains over capital losses). The Funds intend to make sufficient distributions or deemed distributions of their ordinary taxable income and any capital gain net income with respect to each calendar year to avoid liability for this excise tax.

Each Fund is treated as a separate entity for the purpose of determining the Fund's qualification as a "regulated investment company" under the Internal Revenue Code. Although each Fund expects to qualify as a "regulated investment company" and to be relieved of all or substantially all liability for federal income taxes, depending upon the extent of Emerald Funds' activities in states and localities in which its offices are maintained, in which its agents or independent contractors are located or in which it is otherwise deemed to be conducting business, the Funds may be subject to the tax laws of such states or localities.

In addition to the foregoing requirements, at the close of each quarter of its taxable year, at least 50% of the value of each Fund's assets must consist of cash and cash items, U.S.

Government securities, securities of other regulated investment companies, and securities of other issuers (as to which a Fund has not invested more than 5% of the value of its total assets in securities of such issuer and as to which a Fund does not hold more than 10% of the outstanding voting securities of such issue), and no more than 25% of the value of each Fund's total assets may be invested in the securities of any one issuer (other than U.S. Government securities and securities of other regulated investment companies), or in two or more issuers which such Fund controls and which are engaged in the same or similar trades or businesses.

If for any taxable year a Fund does not qualify for the special federal income tax treatment afforded regulated investment companies, all of its taxable income will be subject to federal income tax at regular corporate rates (without any deduction for distributions to its shareholders). In such event, dividend distributions would be taxable as ordinary income to shareholders to the extent of the Fund's current and accumulated earnings and profits and would be eligible for the dividends received deduction for corporations.

A Fund will be required in certain cases to withhold and remit to the U.S. Treasury 31% of the taxable dividends or gross proceeds realized upon sale paid to shareholders who have failed to provide a correct tax identification number in the manner required, who are subject to withholding by the Internal Revenue Service for failure properly to include on their return payments of taxable interest or dividends, or who have failed to certify to the Fund that they are not subject to backup withholding when required to do so or that they are "exempt recipients."

MANAGEMENT OF EMERALD FUNDS

TRUSTEES AND OFFICERS

The Trustees and officers of Emerald Funds, their addresses, principal occupations during the past five years and other affiliations are as follows:

Principal

Name and Address	Position with Emerald Funds	Occupations During Past 5 Years and Other Affiliations
Chesterfield H. Smith* Suite 3000 701 Brickell Avenue Miami, FL 33101 Age 78	Chairman of the Board of Trustees	Senior Partner of the law firm of Holland and Knight; Director, Greenwich Air Services, Inc. (an aircraft and engine repair company); Director, Citrus and Chemical Bank; Director, Citrus and Chemical Bancorporation (bank holding company of Citrus and Chemical Bank).
Raynor E. Bowditch 4811 Beach Blvd. Suite 105 Jacksonville, FL 33207 Age 62	Trustee	President, Bowditch Insurance Corporation (a general lines independent agency); Director, General Truck Equipment and Trailer Sales; Director, Greater Jacksonville Fair Association.
Mary Doyle University of Miami Law School 1311 Miller Drive Coral Gables, FL 33124 Age 52	Trustee	Professor of Law, University of Miami Law School, 1995 to present; Dean in Residence, Association of American Law Schools, 1994 to date; Dean, University of Miami School of Law, 1986 to 1994.
Albert D. Ernest* 1560 Lancaster Terrace Suite 1402 Jacksonville, FL 32204 Age 65	Trustee	President, Albert Ernest Enterprises (personal investments), 1991 to date; President and Chief Operating Officer, Barnett Banks, Inc., 1988 to 1991; Director, Barnett Banks, Inc., 1982 to 1991; Director, Florida Rock Industries, Inc. (mining and construction materials); Director, FRP Properties, Inc. (transportation, hauling and real estate development); Director, Regency Realty, Inc.; Director, Stein Mart, Inc. (retail); and Director, Wickes Lumber Company.
John G. Grimsley* 50 N. Laura St. Suite 3300 Jacksonville, FL 32202 Age 57	Trustee and President	Member of the law firm of Mahoney Adams & Criser, P.A. since 1966.

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
Harvey R. Holding 189 Laurel Lane Ponte Vedra Beach, FL 32082 Age 61	Trustee	Retired; Executive Vice President and Chief Financial Officer, BellSouth Corp., 1990 to 1993; Vice Chairman of the Board of BellSouth Corp., 1991 to 1993; Director, Golden Poultry Company, Inc.
William B. Blundin 125 West 55th Street New York, NY 10019 Age 57	Executive Vice President	Executive Vice President, BISYS Fund Services, Inc., March 1995 to present; Vice President of Emerald Asset Management, Inc., March 1995 to present; Vice Chairman of the Board of Concord Holding Corporation and Distributor, July 1993 to March 1995; Director and President of Concord Holding Corporation and

		Distributor, February 1987 to March 1995.
Hugh Fanning BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 42	Vice President	Employee of BISYS Fund Services, Inc., August 1992 to present; Director of Marketing, Ketchum Communications, July 1987 to August 1992
J. David Huber BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-30-35 Age 49	Vice President	Employee of BISYS Fund Services, Inc., June 1987 to present.
Martin R. Dean BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 32	Treasurer	Employee of BISYS Fund Services, Inc., May 1994 to present; Senior Manager at KPMG Peat Marwick prior thereto.
Jeffrey A. Dalke Philadelphia National Bank Building 1345 Chestnut Street Philadelphia, PA 19107-3496 Age 45	Secretary	Partner, Drinker Biddle & Reath (law firm).

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
George Martinez BISYS Fund Services 3435 Stelzer Road Columbus, OH 43218-3035 Age 36	Assistant Secretary	Senior Vice President and Director of Legal and Compliance Services, BISYS Fund Services, Inc., March 1995 to present; Senior Vice President, Emerald Asset Management, Inc., August 1995 to present; Vice President and Associate General Counsel, Alliance Capital Management, June 1989 to March 1995.
William J. Tomko BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 36	Vice President	Employee of BISYS Fund Services, Inc., April 1987 to present.
Robert Tuch BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 44	Assistant Secretary	Employee of BISYS Fund Services, Inc., June 1991 to present; Assistant Secretary, Emerald Asset Management, Inc., August 1995 to present; Vice President and Associate General Counsel with National Securities Research Corp., July 1990 to June 1991.
Alaina Metz BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 28	Assistant Secretary	Chief Administrator, Administrative and Regulatory Services, BISYS Fund Services, Inc., June 1995 to present; Supervisor, Mutual Fund Legal Department, Alliance Capital Management, May 1989 to June 1995.

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* These Trustees may be deemed to be "interested persons" of Emerald Funds as defined in the Investment Company Act of 1940.

Each Trustee receives an annual fee of $14,000 plus $1,500 for each meeting attended and reimbursement of expenses incurred as a Trustee. Additionally the Chairman and President of the Board of Trustees each receive an additional annual fee of $3,500 for service in such capacities. Furthermore, each Trustee who serves on a special committee appointed by the Board or the Chairman or who is assigned a special project by the Board or the Chairman, receives additional compensation in the amount of $1,000 per day for each meeting attended or $1,000 for each

assignment to a Special Project plus reimbursement of out-of-pocket expenses. Remuneration for services rendered during Emerald Funds' most recent fiscal year ended November 30, 1995 and distributed to all Trustees and officers as a group was $99,750. Drinker Biddle & Reath, of which Mr. Dalke is a partner, receives legal fees as counsel to Emerald Funds. As of May 31, 1996, the Trustees and officers of Emerald Funds, as a group, owned less than 1% of the outstanding shares of each Fund and each of the other investment portfolios of the Trust.

The following chart provides certain information about the fees received by the Emerald Fund's trustees for their services as members of the Board of Trustees and Committees thereof.

<TABLE>
<CAPTION>

NAME OF PERSON POSITION	AGGREGATE COMPENSATION FROM THE EMERALD FUNDS	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPENSATION FROM EMERALD FUNDS AND FUND COMPLEX* PAID TO DIRECTORS
<S>	<C>	<C>	<C>	<C>
Chesterfield H. Smith Chairman of the Board of Trustees	$20,750	N/A	N/A	$20,750
John G. Grimsley President and Trustee	$26,000	N/A	N/A	$26,000
Raynor E. Bowditch Trustee	$19,000	N/A	N/A	$19,000
Mary Doyle Trustee	$20,500	N/A	N/A	$20,500
Albert D. Ernest** Trustee	$13,500	N/A	N/A	$13,500
Harvey R. Holding*** Trustee	N/A	N/A	N/A	N/A

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* The "Fund Complex" consists solely of Emerald Funds.

** Mr. Ernest was appointed to the Board of Trustees on May 4, 1995.

*** Mr. Holding was elected to the Board of Trustees on May 29, 1996.

SHAREHOLDER AND TRUSTEE LIABILITY

Under Massachusetts law, shareholders of a business trust may, under certain circumstances, be held personally liable as partners for the obligations of the trust. However, Emerald

Funds' Agreement and Declaration of Trust provides that shareholders shall not be subject to any personal liability in connection with the assets of Emerald

Funds for the acts or obligations of Emerald Funds, and that every note, bond, contract, order or other undertaking made by Emerald Funds shall contain a provision to the effect that the shareholders are not personally liable thereunder. The Agreement and Declaration of Trust provides for indemnification out of the trust property of any shareholder held personally liable solely by reason of his or her being or having been a shareholder and not because of his or her acts or omissions or some other reason. The Agreement and Declaration of Trust also provides that Emerald Funds shall, upon request, assume the defense of any claim made against any shareholder for any act or obligation of Emerald Funds, and shall satisfy any judgment thereon. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which Emerald Funds itself would be unable to meet its obligations.

The Agreement and Declaration of Trust further provides that all persons having any claim against the Trustees or Emerald Funds shall look solely to the trust property for payment; that no Trustee of Emerald Funds shall be personally liable for or on account of any contract, debt, tort, claim, damage, judgment or decree arising out of or connected with the administration or preservation of the trust property or the conduct of any business of Emerald Funds; and that no Trustee shall be personally liable to any person for any action or failure to act except by reason of his or her own bad faith, willful misfeasance, gross negligence or reckless disregard of his or her duties as Trustee. With the exception stated, the Agreement and Declaration of Trust provides that a Trustee is entitled to be indemnified against all liabilities and expenses reasonably incurred by him or her in connection with the defense or disposition of any proceeding in which he or she may be involved or with which he or she may be threatened by reason of his or her being or having been a Trustee, and that the Trustees will indemnify representatives and employees of Emerald Funds to the same extent that Trustees are entitled to indemnification.

ADVISORY AND SUB-ADVISORY SERVICES

Barnett Capital Advisors, Inc. (the "Adviser") assumed, as of June 29, 1996, the responsibilities of Barnett Banks Trust Company, N.A. ("BBTC") as investment adviser to each Fund. Rodney Square Management Corporation (the "Sub-Adviser"), a wholly-owned subsidiary of Wilmington Trust Company ("WTC"), serves as sub-investment adviser, to each Fund.

In their Investment Advisory and Sub-Advisory Agreements, the Adviser and Sub-Adviser have agreed to provide

the services described in the Prospectus and to pay all expenses incurred by them in connection with their advisory and sub-advisory activities, other than the cost of securities and other investments, including brokerage commissions and other transaction costs, if any, purchased or sold for each Fund. In rendering its sub-advisory services, the Sub-Adviser may occasionally consult, on an informal basis, with personnel from the investment departments of WTC; however, WTC will take no part in determining the investment policies of the Funds or in deciding which securities are to be purchased or sold by the Funds.

Because of state and federal regulations applicable to the fiduciary accounts whose assets are invested in the Funds, the Funds' Advisory Agreement provides that the Adviser will not be entitled to any compensation from the Funds for its advisory services.

For the services provided and expenses assumed pursuant to the sub-advisory agreement, Emerald Funds has agreed to pay the Sub-Adviser fees, computed daily and paid monthly, at the annual rate of .15% of the average net assets of each Fund. The fees payable to the Sub-Adviser are not subject to reduction as the value of each Fund's net assets increases. From time to time, however, the Sub-Adviser may waive fees or reimburse the Funds for expenses either voluntarily or as required by certain state securities laws. See "Management of Emerald Funds - Distribution and Administration Services" below for further information regarding the waiver of fees and reimbursement of expenses by the Sub-Adviser with respect to the Funds. For the fiscal years ended November 30, 1995, 1994 and 1993 the Sub-Adviser received (net of waivers and reimbursements) sub-advisory fees totalling $212,078, $ 194,762 and $244,422, respectively, for the Treasury Trust Fund and $173,413, $162,403 and $166,258, respectively, for the Prime Trust Fund. For the fiscal year ended November 30, 1995, the Sub-Adviser reimbursed sub-advisory fees totalling $32,074 for the Prime Trust Fund and $32,055 for the Treasury Trust Fund. For the fiscal years ended November 30, 1994 and 1993 the Sub-Adviser waived sub-advisory fees totalling $28,256 and $17,525 for the Treasury Trust Fund and $25,863 and $23,338 for the Prime Trust Fund.

Under the Investment Advisory and Sub-Advisory Agreements, the Adviser and Sub-Adviser are not liable for any error of judgment or mistake of law or for any loss suffered by Emerald Funds in connection with the performance of such agreements, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or a loss resulting from willful misfeasance, bad faith or negligence on the part of the Adviser or Sub-Adviser in the

performance of their duties or from their reckless disregard of their duties and obligations under the Agreements.

The Glass-Steagall Act, among other things, prohibits banks from engaging to any extent in the business of underwriting securities, although national and state-chartered banks generally are permitted to purchase and sell securities upon the order and for the account of their customers. In 1971, the United States Supreme Court held in INVESTMENT COMPANY INSTITUTE V. CAMP that the Glass-Steagall Act prohibits a national bank from operating a fund for the collective investment of managing agency accounts. Subsequently, the Board of Governors of the Federal Reserve System (the "Board") issued a regulation and interpretation to the effect that the Glass-Steagall Act and such decision forbid a bank holding company registered under the Federal Bank Holding Company Act of 1956 (the "Holding Company Act") or any non-bank affiliate thereof from sponsoring, organizing or controlling a registered, open-end investment company continuously engaged in the issuance of its shares, but do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent and custodian to such an investment company. In 1981, the United States Supreme Court held in BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM V. INVESTMENT COMPANY INSTITUTE that the Board did not exceed its authority under the Holding Company Act when it adopted its regulation and interpretation authorizing bank holding companies and their non-bank affiliates to act as investment advisers to registered closed-end investment companies.

The Adviser believes, with respect to its activities as required by the Investment Advisory and Sub-Advisory Agreements and as contemplated by the Prospectus and this Statement of Additional Information, and the Sub-Adviser believes, with respect to its activities as required by the Sub-Advisory Agreement and as contemplated by the Prospectus and this Statement of Additional Information, that, if the question were properly presented, a court should hold that the Adviser or the Sub-Adviser, as the case may be, may each perform such activities without violation of the Glass-Steagall Act or other applicable banking laws or regulations. It should be noted, however, that there have been no cases deciding whether banks may perform services comparable to those performed by the Adviser and Sub-Adviser and that future changes in either federal or state statutes and regulations relating to permissible activities of banks or trust companies and their subsidiaries or affiliates, as well as further judicial or administrative decisions or interpretations of present and future statutes and regulations, could prevent the Adviser and Sub-Adviser from continuing to perform such services for the Funds. If the Adviser or Sub-Adviser were prohibited from continuing to perform advisory and sub-advisory services for the Funds, it is expected that the

Board of Trustees would recommend that the Funds enter into new agreements or would consider the possible termination of the Funds. Any new advisory or sub-advisory agreement would be subject to shareholder approval.

On the other hand, as described herein, Emerald Funds are currently distributed by Emerald Asset Management, Inc., and BISYS Fund Services Limited Partnership provides the Funds with administrative services. If current restrictions under the Glass-Steagall Act preventing a bank from sponsoring, organizing, controlling or distributing shares of an investment company were relaxed, the Funds expect that the Adviser would consider the possibility of offering to perform some or all of the services now provided by BISYS Fund Services Limited Partnership and Emerald Asset Management, Inc. From time to time, legislation modifying such restrictions has been introduced in Congress which, if enacted, would permit a bank holding company to establish a non-bank subsidiary having the authority to organize, sponsor and distribute shares of an investment company. The Funds therefore expect that if this or similar legislation were enacted, the Adviser's parent bank holding company would consider the possibility of one of its non-bank subsidiaries offering to perform additional services now provided by BISYS Fund Services Limited Partnership and Emerald Asset Management, Inc. In this regard it may be noted that the Adviser has entered into an agreement whereunder the Adviser (or an affiliate) may acquire Emerald Asset Management, Inc. under specified conditions. It is not possible, of course, to predict whether or in what form such legislation might be enacted or the terms upon which the Adviser or such a non-bank affiliate might offer to provide services for consideration by the Board of Trustees.

DISTRIBUTION AND ADMINISTRATION SERVICES

Emerald Funds has entered into a distribution agreement with Emerald Asset Management, Inc. (the "Distributor") under which the Distributor, as agent, sells shares of each Fund on a continuous basis. The Distributor has agreed to use its best efforts to solicit orders for the sale of shares, although it is not obliged to sell any particular amount of shares. The Distributor pays the cost of printing and distributing prospectuses to persons who are not shareholders of the Funds (excluding preparation and printing expenses necessary for the continued registration of the Funds' shares) and of printing and distributing all sales literature. No compensation is payable by the Funds to the Distributor for its distribution services.

BISYS Fund Services Limited Partnership (the "Administrator"), a wholly-owned subsidiary of The BISYS Group, Inc., serves as administrator to each Fund. In the administration agreement, the Administrator has agreed to provide

administrative services as described in the Prospectus. The Administrator has also agreed to pay all expenses incurred by it in connection with its activities under its agreement except certain out-of-pocket expenses relating to its fund accounting responsibilities and as otherwise described in this Statement of Additional Information and the Prospectus.

Emerald Funds has agreed to pay the Administrator fees for its services as Administrator, computed daily and paid monthly, at the effective annual rate of .0775% of the first $5 billion of the aggregate net assets of all portfolios of Emerald Funds, .07% of the next $2.5 billion, .065% of the next $2.5 billion and .05% of all assets exceeding $10 billion. In the event the aggregate average daily net assets for all Funds falls below $3 billion, the fee will be increased to .08% of the aggregate average daily net assets. From time to time, the Administrator may waive fees or reimburse the Fund for expenses, either voluntarily or as required by certain state securities laws.

For the fiscal years ended November 30, 1995, 1994 and 1993, Concord Holding Corporation, Emerald Funds' prior administrator which was acquired by The BISYS Group, Inc. in 1995, received (net of waivers and reimbursements) administration fees totalling $212,078, $194,762 and $244,422, respectively, for the Treasury Trust Fund and $173,413, $162,403 and $166,258, respectively, for the Prime Trust Fund. For the fiscal year ended November 30, 1995, the prior administrator reimbursed administration fees totalling $32,074 for the Prime Trust Fund and $32,055 for the Treasury Trust Fund. For the fiscal years ended November 30, 1994 and 1993, the prior administrator waived administration fees totalling $28,256 and $17,525 respectively, for the Treasury Trust Fund and $25,863 and $23,338, respectively, for the Prime Trust Fund.

In addition, if the total expenses borne by either Fund in any fiscal year exceed the expense limitations imposed by applicable state securities regulations, Emerald Funds may deduct from the payments to be made with respect to such Fund to the Sub-Adviser and the Administrator, respectively, or the Sub-Adviser and the Administrator will bear, a portion of the amount of such excess to the extent required by such regulations in proportion to the fees otherwise payable to them for such year. The Sub-Adviser's obligation with respect to any Fund, however, is limited to the amount of its fees from such Fund. Such amounts, if any, will be estimated and accrued daily and paid on a monthly basis. As of the date of this Statement of Additional Information, to the knowledge of Emerald Funds, there were no state expense limitations applicable to either Fund.

The administration agreement provides that the Administrator shall not be liable for any error of judgment or mistake of law or any loss suffered by Emerald Funds in connection with the performance of the administration agreement, except a loss resulting from willful misfeasance, bad faith or negligence in the performance of its duties or from the reckless disregard by it of its obligations and duties thereunder.

CUSTODIAN AND TRANSFER AGENT

Emerald Funds has appointed The Bank of New York, 90 Washington Street, New York, New York 10286 as custodian for the Funds. BISYS Fund Services, Inc., 3435 Stelzer Road, Columbus, Ohio 43219-3035 provides transfer agency and dividend disbursing services for the Funds.

OPERATING EXPENSES

Operating expenses borne by the Funds include taxes; interest; fees and expenses of Trustees and officers who are not also officers, directors, employees or holders of 5% or more of the outstanding voting securities of the Adviser, Sub-Adviser, Administrator or any of their affiliates; Securities and Exchange Commission fees; state securities registration and qualification fees; sub-advisory fees; administration fees; charges of the custodian and of the transfer and dividend disbursing agent; certain insurance premiums; outside auditing and legal expenses; costs of preparing and printing prospectuses for regulatory purposes and for distribution to shareholders; costs of shareholder reports and meetings; and any extraordinary expenses. The Funds also pay any brokerage fees, commissions and other transaction charges (if any) incurred in connection with the purchase and sale of its portfolio securities.

INDEPENDENT ACCOUNTANTS/EXPERTS

Price Waterhouse LLP, independent accountants, 1177 Avenue of the Americas, New York, New York 10036, serve as independent accountants for Emerald Funds. The financial statements dated November 30, 1995 which are incorporated by reference into this Statement of Additional Information have been included in reliance on the report of Price Waterhouse LLP given on the authority of said firm as experts in auditing and accounting.

COUNSEL

Drinker Biddle & Reath, Philadelphia National Bank Building, 1345 Chestnut Street, Philadelphia, Pennsylvania 19107, are counsel to Emerald Funds and will pass upon the legality of the shares offered by the Prospectus.

ADDITIONAL INFORMATION ON YIELD

The "yields" and "effective yields" of each Fund are calculated according to formulas prescribed by the Securities and Exchange Commission. The standardized seven-day yield for each Fund is computed separately by determining the net change, exclusive of capital changes, in the value of a hypothetical pre-existing account in the particular Fund involved having a balance of one share at the beginning of the period, dividing the net change in account value by the value of the account at the beginning of the base period to obtain the base period return, and multiplying the base period return by (365/7). The net change in the value of an account in a Fund includes the value of additional shares purchased with dividends from the original share, and dividends declared on both the original share and any such additional shares, net of all fees, other than nonrecurring account or sales charges, that are charged to all shareholder accounts in proportion to the length of the base period and the Fund's average account size. The capital changes to be excluded from the calculation of the net change in account value are realized gains and losses from the sale of securities and unrealized appreciation and depreciation. The effective annualized yield for each Fund is computed by compounding a particular Fund's unannualized base period return (calculated as above) by adding 1 to the base period return, raising the sum to a power equal to 365 divided by 7, and subtracting 1 from the result. The fees which may be imposed by Banks on their customers for cash management services are not reflected in Emerald Funds' calculations of yields for the Funds.

The current yield for each of the Funds may be obtained by calling the Distributor at 800-637-3759. For the seven-day period ending May 31, 1996, the annualized yields (after fee waivers) of the Treasury Trust Fund and Prime Trust Fund were 4.92% and 5.06%, respectively, and the effective yields (after fee waivers) of such Funds were 5.05% and 4.92%, respectively.

From time to time, the Funds may include general comparative information, such as statistical data regarding inflation, securities indices or the features or performance of alternative investments, in advertisements, sales literature and reports to shareholders. The Funds may also include calculations, such as hypothetical compounding examples, which describe hypothetical investment results in such communications. Such performance examples will be based on an express set of assumptions and are not indicative of the performance of any Fund.

In addition, in such communications, the Adviser may offer opinions on current economic conditions.

MISCELLANEOUS

As used in this Statement of Additional Information and in the Prospectuses a "majority of the outstanding shares" of a Fund means the lesser of (1) 67% of the shares of the particular Fund represented at a meeting at which the holders of more than 50% of the outstanding shares of such Fund are present in person or by proxy, or (2) more than 50% of the outstanding shares of such Fund.

As of August 20, 1996, the Adviser and its affiliated banks owned of record substantially all of the outstanding shares of the Treasury Trust Fund and Prime Trust Fund on behalf of their customer accounts. The Adviser and such affiliated banks were also the beneficial owners of the following percentages of shares that were also the beneficial owners of the following percentages of shares that were outstanding on such date because the Adviser possessed voting or investment discretion with respect to such shares: Treasury Trust Fund - Institutional Shares (100%), Prime Trust Fund - Institutional Shares (100%), Treasury Fund - Institutional Shares (91.07%), Treasury Fund - Service Shares (86.35%), Prime Fund - Institutional Shares (53.06%), Prime Fund - Service Shares (99.74%), Tax-Exempt Fund - Institutional Shares (100.00%), Tax-Exempt Fund - Service Shares (18.25%), Equity Fund - Institutional Shares (99.55%), Equity Value Fund - Institutional Shares (100%); Small Capitalization Fund - Institutional Fund (99.67%), Balanced Fund -Institutional Shares (99.51%), U.S. Government Securities Fund - Institutional Shares (98.38%), Managed Bond Fund - Institutional Shares (99.27%), International Equity Fund - Institutional Shares (100%); Short-Term Fixed Income Fund -Institutional Shares (100%); and Florida Tax-Exempt Fund - Institutional Shares (95.16%).

As of August 20, 1996, the name, address and percentage of the outstanding shares held by other investors who may have owned of record or beneficially 5% or more of the outstanding shares of a particular class of a Fund of the Trust were as follows:

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Equity Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	56.16%
		University of West Florida Foundation 11000 University Parkway Pensacola, FL 32514-5750	6.33%
Equity Value Fund	Retail	Emerald Asset Management, Inc 3435 Stelzer Road Columbus, OH 43219	100.00%
International Equity Fund	Retail	Emerald Asset Management Inc. 3435 Stelzer Road Columbus, OH 43219	100.00%
Small Capitalization Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers and John T.R. Hayt, John T. R. Hayt Living Trust, 1169 Queens Harbor Blvd. Jacksonville, FL 32225	5.08%

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Short-Term Fixed Income Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers/FBO John W. Selby 2888 La Concha Dr. Clearwater, FL 34622	9.11%
		National Financial Services Corporation for the Exclusive Benefit of Our Customers/ Manley Holdings Ltd. Ville St. Laurent H4N 1X7 PQ Canada	6.70%
		National Financial Services Corporation for the Exclusive Benefit of Our Customers/FBO George A. Zellner 530 Park St. Jacksonville, FL 32204	13.36%
U.S. Government Securities Fund	Retail	Barnett Bank & Trust Company N.A. Customer Capital Network Services P.O. Box 40200 Jacksonville, FL 32203-0200	11.74%
		National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	53.40%

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Prime Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	99.42%
Tax-Exempt Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	99.31%
Treasury Fund	Institutional	Wilmington Trust Company Attn: Margaret Wilhelm Mutual Funds 1100 N. Market St. Wilmington, DE 19890	8.86%
Treasury Fund	Service	Hare & Co. Attn: Frank Nataro Attn: STIF/Master Note One Wall Street, 5th Floor New York, NY 10286	13.64%
Prime Fund	Institutional	Wilmington Trust Company Attn: Margaret Wilhelm Mutual Funds 1100 N. Market St. Wilmington, DE 19890	46.94%
Tax-Exempt Fund	Service	Hare & Co. Attn: Frank Nataro Attn: STIF/Master Note	77.39%

One Wall Street, 5th Floor
New York, NY 10286

The Prospectus and this Additional Statement do not contain all the information included in the Registration Statement filed with the SEC under the Securities Act of 1933 with respect to the securities offered by the Funds' Prospectus. Certain portions of the Registration Statement have been omitted from the Prospectus and this Additional Statement pursuant to the rules and regulations of the SEC. The Registration Statement including the exhibits filed therewith may be examined at the office of the SEC in Washington, D.C.

Statements contained in the Prospectus or in this Additional Statement as to the contents of any contract or other documents referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which the Prospectus and this Additional Statement form a part, each such statement being qualified in all respects by such reference.

FINANCIAL STATEMENTS

The audited financial statements and related report of Price Waterhouse LLP, independent auditors, contained in the Funds' annual report to shareholders for the fiscal year ended November 30, 1995 (the "Annual Report") are hereby incorporated herein by reference. No other parts of the Annual Report are incorporated by reference. Copies of the Annual Report may be obtained by writing to BISYS Fund Services, Inc., 3435 Stelzer Road, Columbus, Ohio 43219-3035 or by calling 800-637-3759.

APPENDIX A

COMMERCIAL PAPER RATINGS

A Standard & Poor's commercial paper rating is a current assessment of the likelihood of timely payment of debt considered short-term in the relevant market. The following summarizes the rating categories used by Standard and Poor's for commercial paper:

"A-1" - Issue's degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted "A-1+."

"A-2" - Issue's capacity for timely payment is satisfactory. However, the relative degree of safety is not as high as for issues designated "A-1."

"A-3" - Issue has an adequate capacity for timely payment. It is, however, somewhat more vulnerable to the adverse effects of changes and circumstances than an obligation carrying a higher designation.

"B" - Issue has only a speculative capacity for timely payment.

"C" - Issue has a doubtful capacity for payment.

"D" - Issue is in payment default.

Moody's commercial paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of 9 months. The following summarizes the rating categories used by Moody's for commercial paper:

"Prime-1" - Issuer or related supporting institutions are considered to have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics: leading market positions in well established industries; high rates of return on funds employed; 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.

"Prime-2" - Issuer or related supporting institutions are considered to 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 alternative liquidity is maintained.

"Prime-3" - Issuer or related supporting institutions have an acceptable capacity for repayment of short-term promissory obligations. The effects of industry characteristics and market composition may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and the requirement for relatively high financial leverage. Adequate alternate liquidity is maintained.

"Not Prime" - Issuer does not fall within any of the Prime rating categories.

The three rating categories of Duff & Phelps for investment grade commercial paper are "Duff 1," "Duff 2" and "Duff 3." Duff & Phelps employs three designations, "Duff 1+," "Duff 1" and "Duff 1-," within the highest rating category. The following summarizes the rating categories used by Duff & Phelps for commercial paper:

"Duff 1+" - Debt possesses highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below risk-free U.S. Treasury short-term obligations.

"Duff 1" - Debt possesses very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

"Duff 1-" - Debt possesses high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

"Duff 2" - Debt possesses good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

"Duff 3" - Debt possesses satisfactory liquidity, and other protection factors qualify issue as investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

"Duff 4" - Debt possesses speculative investment characteristics. Liquidity is not sufficient to ensure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.

"Duff 5" - Issuer has failed to meet scheduled principal and/or interest payments.

Fitch short-term ratings apply to debt obligations that are payable on demand or have original maturities of up to three years. The following summarizes the rating categories used by Fitch for short-term obligations:

"F-1+" - Securities possess exceptionally strong credit quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

"F-1" - Securities possess very strong credit quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated "F-1+."

"F-2" - Securities possess good credit quality. Issues assigned 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.

"F-3" - Securities possess fair credit quality. Issues assigned this rating have characteristics suggesting that the degree of assurance for timely payment is adequate; however, near-term adverse changes could cause these securities to be rated below investment grade.

"F-S" - Securities possess weak credit quality. Issues assigned this rating have characteristics suggesting a minimal degree of assurance for timely payment and are vulnerable to near-term adverse changes in financial and economic conditions.

"D" - Securities are in actual or imminent payment default.

Fitch may also use the symbol "LOC" with its short-term ratings to indicate that the rating is based upon a letter of credit issued by a commercial bank.

Thomson BankWatch short-term ratings assess the likelihood of an untimely or incomplete payment of principal or interest of unsubordinated instruments having a maturity of one year or less which is issued by United States commercial banks, thrifts and non-bank banks; non-United States banks; and broker-

dealers. The following summarizes the ratings used by Thomson BankWatch:

"TBW-1" - This designation represents Thomson BankWatch's highest rating category and indicates a very high degree of likelihood that principal and interest will be paid on a timely basis.

"TBW-2" - This designation indicates that while the degree of safety regarding timely payment of principal and interest is strong, the relative degree of safety is not as high as for issues rated "TBW-1."

"TBW-3" - This designation represents the lowest investment grade category and indicates that while the debt is more susceptible to adverse developments (both internal and external) than obligations with higher ratings, capacity to service principal and interest in a timely fashion is considered adequate.

"TBW-4" - This designation indicates that the debt is regarded as non-investment grade and therefore speculative.

IBCA assesses the investment quality of unsecured debt with an original maturity of less than one year which is issued by bank holding companies and their principal bank subsidiaries. The following summarizes the rating categories used by IBCA for short-term debt ratings:

"A1" - Obligations are supported by the highest capacity for timely repayment. Where issues possess a particularly strong credit feature, a rating of A1+ is assigned.

"A2" - Obligations are supported by a good capacity for timely repayment.

"A3" - Obligations are supported by a satisfactory capacity for timely repayment.

"B" - Obligations for which there is an uncertainty as to the capacity to ensure timely repayment.

"C" - Obligations for which there is a high risk of default or which are currently in default.

CORPORATE AND MUNICIPAL LONG-TERM DEBT RATINGS

The following summarizes the ratings used by Standard & Poor's for corporate and municipal debt:

"AAA" - This designation represents the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay interest and repay principal.

"AA" - Debt is considered to have a very strong capacity to pay interest and repay principal and differs from AAA issues only in small degree.

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

"BBB" - Debt is regarded as having an adequate capacity to pay interest and repay principal. Whereas such issues normally exhibit 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.

"BB," "B," "CCC," "CC" and "C" - Debt is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "C" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

"BB" - Debt has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The "BB" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BBB-" rating.

"B" - Debt has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The "B" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BB" or "BB-" rating.

"CCC" - Debt has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The "CCC" rating

category is also used for debt subordinated to senior debt that is assigned an actual or implied "B" or "B-" rating.

"CC" - Debt is typically applied to debt subordinated to senior debt that is assigned an actual or implied "CCC" rating.

"C" - Debt is typically applied to debt subordinated to senior debt which is assigned an actual or implied "CCC-" debt rating. The "C" rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

"CI" - This rating is reserved for income bonds on which no interest is being paid.

"D" - Debt is in payment default and is used when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired, unless S & P believes such payments will be made during such grace period. "D" rating is also used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

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

The following summarizes the ratings used by Moody's for corporate and municipal long-term debt:

"Aaa" - Bonds are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edged." 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 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 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 considered 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.

"Ba," "B," "Caa," "Ca," and "C" - Bonds that possess one of these ratings provide questionable protection of interest and principal ("Ba" indicates some speculative elements; "B" indicates a general lack of characteristics of desirable investment; "Caa" represents a poor standing; "Ca" represents obligations which are speculative in a high degree; and "C" represents the lowest rated class of bonds). "Caa," "Ca" and "C" bonds may be in default.

Con. (---) - Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. Parenthetical rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

Moody's applies numerical modifiers 1, 2 and 3 in each generic classification from "Aa" to "B" in its bond rating system. The modifier 1 indicates that the company ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks at the lower end of its generic rating category.

The following summarizes the long-term debt ratings used by Duff & Phelps for corporate and municipal long-term debt:

"AAA" - Debt is considered to be of the highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

"AA" - Debt is considered of high credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

"A" - Debt possesses protection factors which are average but adequate. However, risk factors are more variable and greater in periods of economic stress.

"BBB" - Debt possesses below average protection factors but such protection factors are still considered sufficient for prudent investment. Considerable variability in risk is present during economic cycles.

"BB," "B," "CCC," "DD," and "DP" - Debt that possesses one of these ratings is considered to be below investment grade. Although below investment grade, debt rated "BB" is deemed likely to meet obligations when due. Debt rated "B" possesses the risk that obligations will not be met when due. Debt rated "CCC" is well below investment grade and has considerable uncertainty as to timely payment of principal, interest or preferred dividends. Debt rated "DD" is a defaulted debt obligation, and the rating "DP" represents preferred stock with dividend arrearages.

To provide more detailed indications of credit quality, the "AA," "A," "BBB," "BB" and "B" ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within these major categories.

The following summarizes the highest four ratings used by Fitch for corporate and municipal bonds:

"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 an adverse impact on these bonds, and therefore, impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

"BB," "B," "CCC," "CC," "C," "DDD," "DD," and "D" - Bonds that possess one of these ratings are considered by Fitch to be speculative investments. The ratings "BB" to "C" represent Fitch's assessment of the likelihood of timely payment of principal and interest in accordance with the terms of obligation for bond issues not in default. For defaulted bonds, the rating "DDD" to "D" is an assessment of the ultimate recovery value through reorganization or liquidation.

To provide more detailed indications of credit quality, the Fitch ratings from and including "AA" to "C" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within these major rating categories.

IBCA assesses the investment quality of unsecured debt with an original maturity of more than one year which is issued by bank holding companies and their principal bank subsidiaries. The following summarizes the rating categories used by IBCA for long-term debt ratings:

"AAA" - Obligations for which there is the lowest expectation of investment risk. Capacity for timely repayment of principal and interest is substantial such that adverse changes in business, economic or financial conditions are unlikely to increase investment risk substantially.

"AA" - Obligations for which there is a very low expectation of investment risk. Capacity for timely repayment of principal and interest is substantial. Adverse changes in business, economic or financial conditions may increase investment risk albeit not very significantly.

"A" - Obligations for which there is a low expectation of investment risk. Capacity for timely repayment of principal and interest is strong, although adverse changes in business, economic or financial conditions may lead to increased investment risk.

"BBB" - Obligations for which there is currently a low expectation of investment risk. Capacity for timely repayment of principal and interest is adequate, although adverse changes in business, economic or financial conditions are more likely to lead to increased investment risk than for obligations in higher categories.

"BB," "B," "CCC," "CC," and "C" - Obligations are assigned one of these ratings where it is considered that speculative characteristics are present. "BB" represents the lowest degree of speculation and indicates a possibility of investment risk developing. "C" represents the highest degree of

speculation and indicates that the obligations are currently in default.

IBCA may append a rating of plus (+) or minus (-) to a rating to denote relative status within major rating categories.

Thomson BankWatch assesses the likelihood of an untimely repayment of principal or interest over the term to maturity of long term debt and preferred stock which are issued by United States commercial banks, thrifts and non-bank banks; non-United States banks; and broker-dealers. The following summarizes the rating categories used by Thomson BankWatch for long-term debt ratings:

"AAA" - This designation represents the highest category assigned by Thomson BankWatch to long-term debt and indicates that the ability to repay principal and interest on a timely basis is very high.

"AA" - This designation indicates a superior ability to repay principal and interest on a timely basis with limited incremental risk versus issues rated in the highest category.

"A" - This designation indicates that the ability to repay principal and interest is strong. Issues rated "A" could be more vulnerable to adverse developments (both internal and external) than obligations with higher ratings.

"BBB" - This designation represents Thomson BankWatch's lowest investment grade category and indicates an acceptable capacity to repay principal and interest. Issues rated "BBB" are, however, more vulnerable to adverse developments (both internal and external) than obligations with higher ratings.

"BB," "B," "CCC," and "CC," - These designations are assigned by Thomson BankWatch to non-investment grade long-term debt. Such issues are regarded as having speculative characteristics regarding the likelihood of timely payment of principal and interest. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation.

"D" - This designation indicates that the long-term debt is in default.

PLUS (+) OR MINUS (-) - The ratings from "AAA" through "CC" may include a plus or minus sign designation which indicates where within the respective category the issue is placed.

MUNICIPAL NOTE RATINGS

A Standard and Poor's rating reflects the liquidity concerns and market access risks unique to notes due in three years or less. The following summarizes the ratings used by Standard & Poor's Corporation for municipal notes:

"SP-1" - The issuers of these municipal notes exhibit very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics are given a plus (+) designation.

"SP-2" - The issuers of these municipal notes exhibit satisfactory capacity to pay principal and interest.

"SP-3" - The issuers of these municipal notes exhibit speculative capacity to pay principal and interest.

Moody's ratings for state and municipal notes and other short-term loans are designated Moody's Investment Grade ("MIG") and variable rate demand obligations are designated Variable Moody's Investment Grade ("VMIG"). Such ratings recognize the differences between short-term credit risk and long-term risk. The following summarizes the ratings by Moody's Investors Service, Inc. for short-term notes:

"MIG-1"/"VMIG-1" - Loans bearing this designation are of the best quality, enjoying strong protection by established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing.

"MIG-2"/"VMIG-2" - Loans bearing this designation are of high quality, with margins of protection ample although not so large as in the preceding group.

"MIG-3"/"VMIG-3" - Loans bearing this designation are of favorable quality, with all security elements accounted for but lacking the undeniable strength of the preceding grades. Liquidity and cash flow protection may be narrow and market access for refinancing is likely to be less well established.

"MIG-4"/"VMIG-4" - Loans bearing this designation are of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative.

"SG" - Loans bearing this designation are of speculative quality and lack margins of protection.

D&P uses the ratings described under Corporate and Municipal Long-Term Debt Ratings for tax-exempt notes and other short-term obligations.

Fitch uses the short-term ratings described under Commercial Paper Ratings for municipal notes.

EMERALD FUNDS

Statement of Additional Information
for Institutional Shares and Service Shares
of the
* Prime Fund *
Treasury Fund
Tax-Exempt Fund

April 1, 1996
(as revised August 30, 1996)

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This Statement of Additional Information, which applies to the Institutional Share and Service Share Classes of Emerald Funds' Treasury Fund, Prime Fund and Tax-Exempt Fund, is meant to be read in conjunction with the Prospectus dated April 1, 1996, as supplemented August 30, 1996, for such Shares, and is incorporated by reference in its entirety into those Prospectuses. Because this Statement of Additional Information is not itself a prospectus, no investment in Institutional Shares and Service Shares of the Treasury Fund, Prime Fund or Tax-Exempt Fund should be made solely upon the information contained herein. Copies of the Prospectuses may be obtained by calling 800-637-3759. Capitalized terms used but not defined herein have the same meanings as in the Prospectuses.

SHARES OF THE FUNDS ARE NOT BANK DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BARNETT BANK, OR ANY OTHER BANK AND ARE NOT INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FDIC, THE FEDERAL RESERVE BOARD OR ANY OTHER GOVERNMENTAL AGENCY. EACH FUND SEEKS TO MAINTAIN A NET ASSET VALUE OF $1.00 PER SHARE, ALTHOUGH THERE CAN BE NO ASSURANCE THAT IT WILL BE ABLE TO DO SO ON A CONTINUOUS BASIS. INVESTMENT IN THE FUNDS INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL. IN ADDITION, THE DIVIDENDS PAID BY A FUND WILL FLUCTUATE.

EMERALD FUNDS

Emerald Funds is a Massachusetts business trust which was organized on March 15, 1988 as an open-end investment company. This Statement of Additional Information pertains to the Institutional Share and Service Share Classes of three diversified portfolios of Emerald Funds -- the Treasury Fund, the Prime Fund and the Tax-Exempt Fund (such portfolios are sometimes called the "Funds"). Emerald Funds also offers other classes of shares in the aforementioned Funds and in other investment portfolios which are described in separate Prospectuses and Statements of Additional Information. For further information, contact the Distributor at the telephone number stated on the cover page of this Statement of Additional Information.

INVESTMENT OBJECTIVES AND POLICIES

As stated in the Prospectus for the Funds, the investment objective of both the Treasury Fund and the Prime Fund is to seek a high level of current income, and the investment objective of the Tax-Exempt Fund is to seek a high level of current income exempt from federal income taxes, in each case consistent with liquidity, the preservation of capital and a stable net asset value. The following policies supplement the Funds' respective investment objectives and policies as set forth in the Prospectus for the Funds.

PORTFOLIO TRANSACTIONS

Subject to the general supervision of the Board of Trustees, Barnett Capital Advisors, Inc. (the "Adviser") makes decisions with respect to and places orders for all purchases and sales of portfolio securities for the Treasury Fund and Prime Fund. Rodney Square Management Corporation (the "Sub-Adviser"), a wholly-owned subsidiary of Wilmington Trust Company, has similar responsibilities for the Tax-Exempt Fund, subject to the general supervision of both the Board of Trustees and the Adviser. (The Sub-Adviser does not provide sub-advisory services for the Treasury and Prime Funds.)

Securities purchased and sold by each Fund are generally traded in the over-the-counter market on a net basis (I.E., without commission) through dealers, or otherwise involve transactions directly with the issuer of an instrument. The cost of securities purchased from underwriters includes an underwriting commission or concession, and the prices at which securities are purchased from and sold to dealers include a dealer's mark-up or mark-down. With respect to over-the-counter transactions, the Adviser for the Treasury and Prime Funds, and

the Sub-Adviser for the Tax-Exempt Fund, will normally deal directly with dealers who make a market in the instruments involved except in those circumstances where more favorable prices and execution are available elsewhere.

The Funds may participate, if and when practicable, in bidding for the purchase of portfolio securities directly from an issuer in order to take advantage of the lower purchase price available to members of a bidding group. A Fund will engage in this practice, however, only when the Adviser (or, with respect to the Tax-Exempt Fund, the Sub-Adviser) believes such practice to be in the Fund's interests.

The Funds do not intend to seek profits from short-term trading. Because the Funds will invest only in short-term debt instruments, their annual portfolio turnover rates will be relatively high, but brokerage commissions are normally not paid on money market instruments, and portfolio turn-over is not expected to have a material effect on the net investment income of any Fund.

In its Advisory Agreement the Adviser agrees with respect to the Treasury and Prime Funds, and in its Sub-Advisory Agreement the Sub-Adviser agrees with respect to the Tax-Exempt Fund, to seek to obtain the best overall terms available in executing portfolio transactions and selecting brokers or dealers. In assessing the best overall terms available for any transaction, the Adviser and Sub-Adviser shall consider factors they deem relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, both for the specific transaction and on a continuing basis. In addition, the respective Agreements authorize the Adviser and Sub-Adviser to cause the Funds to pay a broker-dealer which furnishes brokerage and research services a higher commission than that which might be charged by another broker-dealer for effecting the same transaction, provided that the Adviser (or Sub-Adviser with respect to the Tax-Exempt Fund) determines in good faith that such commission is reasonable in relation to the value of the brokerage and research services provided by such broker-dealer, viewed in terms of either the particular transaction or the overall responsibilities of the Adviser (or Sub-Adviser) to the Funds. Such brokerage and research services might consist of reports and statistics of specific companies or industries, general summaries of groups of stocks or bonds and their comparative earnings and yields, or broad overviews of the stock, bond and government securities markets and the economy.

Supplemental research information so received is in addition to, and not in lieu of, services required to be per-

formed by the Adviser (and Sub-Adviser) and does not reduce the advisory fees payable to the Adviser by the Funds. The Trustees will periodically review the commissions paid by the Funds to consider whether the commissions paid over representative periods of time appear to be reasonable in relation to the benefits inuring to the Funds. It is possible that certain of the supplementary research or other services received will primarily benefit one or more other investment companies or other accounts for which investment discretion is exercised. Conversely, a Fund may be the primary beneficiary of the research or services received as a result of portfolio transactions effected for such other account or investment company.

Portfolio securities will not be purchased from or sold to (and savings deposits will not be made in and repurchase and reverse repurchase agreements will not be entered into with) the Adviser, the Sub-Adviser, the Distributor or an affiliated person of any of them (as such term is defined in the Investment Company Act of 1940) acting as principal, except as permitted by the Securities and Exchange Commission. Further, while such allocation is not expected to occur frequently, the Adviser (and Sub-Adviser with respect to the Tax-Exempt Fund) is authorized to allocate purchase and sale orders for portfolio securities to broker/dealers and financial institutions, including, in the case of agency transactions, broker/dealers and financial institutions which are affiliated with the Adviser or the Sub-Adviser, to take into account the sale of Fund shares if the Adviser (or Sub-Adviser) believes that the quality of the execution of the transaction and the amount of the commission are comparable to what they would be with other qualified brokerage firms. In addition, the Funds will not purchase securities during the existence of any underwriting or selling group relating thereto of which the Distributor, the Adviser or Sub-Adviser, or an affiliated person of any of them, is a member, except as permitted by the Securities and Exchange Commission. In certain instances, current regulations of the Commission would impose volume, dollar and price restrictions on purchases by the Funds during the existence of such a group or prohibit such purchases altogether.

Investment decisions for the Funds are made independently from those for other investment companies and accounts advised or managed by the Adviser and Sub-Adviser. Such other investment companies and accounts may also invest in the same securities as the Funds. When a purchase or sale of the same security is made at substantially the same time on behalf of a Fund and another investment company or account, the transaction will be averaged as to price and available investments allocated as to amount, in a manner which the Adviser (Sub-Adviser with respect to the Tax-Exempt Fund) believes to be equitable to the Fund and such other investment company or account. In some

instances, this investment procedure may adversely affect the price paid or received by a Fund or the size of the position obtained by a Fund. To the extent permitted by law, the Adviser and Sub-Adviser may aggregate the securities to be sold or purchased for a Fund with those to be sold or purchased for other investment companies or accounts in executing transactions.

Subsequent to its purchase by a Fund, a rated security may cease to be rated or its rating may be reduced below the minimum rating required for purchase by the Fund. The Board of Trustees or the Adviser (Sub-Adviser with respect to the Tax-Exempt Fund), pursuant to guidelines established by the Board, will consider such an event in determining whether the Fund involved should continue to hold the security in accordance with the interests of the Fund and applicable regulations of the Securities and Exchange Commission. In addition, it is possible that unregistered securities purchased by a Fund in reliance upon Rule 144A under the Securities Act of 1933 could have the effect of increasing the level of the Fund's illiquidity to the extent that qualified institutional buyers become, for a period, uninterested in purchasing these securities.

ADDITIONAL INVESTMENT LIMITATIONS

Each Fund is subject to the investment limitations enumerated in this sub-section which may be changed with respect to a particular Fund only by a vote of the holders of a majority of such Fund's outstanding shares (as defined under "Miscellaneous" below).

No Fund may:

1. Purchase or sell real estate, except that each Fund may purchase securities of issuers which deal in real estate and may purchase securities which are secured by interests in real estate.

2. Acquire any other investment company or investment company security except in connection with a merger, consolidation, reorganization or acquisition of assets or where otherwise permitted by the Investment Company Act of 1940.

3. Act as an underwriter of securities within the meaning of the Securities Act of 1933 except to the extent that the purchase of obligations directly from the issuer thereof in accordance with the Fund's investment objective, policies and limitations may be deemed to be underwriting.

4. Write or sell put options, call options, straddles, spreads, or any combination thereof, except for transac-

tions in options on securities, securities indices, futures contracts and options on futures contracts.

5. Borrow money or issue senior securities, except that each Fund may borrow from banks and enter into reverse repurchase agreements for temporary purposes in amounts up to one-third of the value of the total assets at the time of such borrowing; or mortgage, pledge or hypothecate any assets, except in connection with any such borrowing and then in amounts not in excess of one-third of the value of a Fund's total assets at the time of such borrowing. No Fund will purchase securities while its borrowings (including reverse repurchase agreements) in excess of 5% of its total assets are outstanding. Securities held in escrow or separate accounts in connection with a Fund's investment practices described in this Statement of Additional Information or in the Prospectus for a particular Fund are not deemed to be pledged for purposes of this limitation.

6. Purchase securities on margin, make short sales of securities or maintain a short position, except that (a) this investment limitation shall not apply to a Fund's transactions in futures contracts and related options, and (b) a Fund may obtain short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities.

7. Purchase or sell commodity contracts, or invest in oil, gas or mineral exploration or development programs, except that each Fund may, to the extent appropriate to its investment objective, purchase publicly traded securities of companies engaging in whole or in part in such activities and may enter into futures contracts and related options.

8. Make loans, except that each Fund may purchase and hold debt instruments and enter into repurchase agreements in accordance with its investment objective and policies and may lend portfolio securities.

9. Purchase securities of companies for the purpose of exercising control.

10. Purchase securities of any one issuer (other than securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or certificates of deposit for any such securities) if, immediately after such

purchase, (a) with respect to the Treasury Fund and Tax-Exempt Fund, more than 5% of the value of the Fund's total assets would be invested in the securities of such issuer, or (b) with respect to the Prime Fund, more than 15% of its total assets would be invested in certificates of deposit or bankers' acceptances of any one bank, or more than 5% of the value of the Fund's total assets would be invested in other securities of any one bank or in the securities

of any other issuer, or (c) in the case of any Fund, more than 10% of the issuer's outstanding voting securities would be owned by the Fund or Emerald Funds; except that up to 25% of the value of a Fund's total assets may be invested without regard to the foregoing limitations. For purposes of this limitation, a security is considered to be issued by the entity (or entities) whose assets and revenues back the security. A guarantee of a security shall not be deemed to be a security issued by the guarantor when the value of all securities issued and guaranteed by the guarantor, and owned by the Fund, does not exceed 10% of the value of the Fund's total assets.

[Note: In accordance with the current regulations of the Securities and Exchange Commission, the Prime Fund intends to limit its investments in bankers' acceptances, certificates of deposit and other securities of any one bank to not more than 5% of the Fund's total assets at the time of purchase (rather than the 15% limitation set forth above), provided that the Fund may invest up to 25% of its total assets in the securities of any one issuer for a period of up to three business days. This practice, which is not a fundamental policy of the Prime Fund, could be changed only in the event that such regulations of the Securities and Exchange Commission are amended in the future.]

In addition, the Prime Fund and Tax-Exempt Fund may not:

11. Purchase any securities which would cause 25% or more of the value of the Fund's total assets at the time of purchase to be invested in the securities of one or more issuers conducting their principal business activities in the same industry, provided that (a) there is no limitation with respect to (i) instruments issued or guaranteed by the United States, any state, territory or possession of the United States, the District of Columbia or any of their authorities, agencies, instrumentalities or political subdivisions, (ii) instruments issued by domestic branches of U.S. banks and (iii) repurchase agreements secured by the instruments described in clauses (i) and (ii); (b) wholly-owned finance companies will be considered to be in the industries of their parents if their activities are primarily related to financing the activities of the parents; and (c) utilities will be divided according to their services, for example, gas, gas transmission, electric and gas, electric and telephone will each be considered a separate industry.

[Note: In construing Investment Limitation 11 in accordance with SEC policy, to the extent permitted, U.S. branches of foreign banks will be considered to be U.S. banks where they are subject to the same regulation as U.S. banks.

In addition, as summarized in the Prospectus, the Tax-Exempt Fund must:

12. Invest at least 80% of its net assets in securities the interest on which is exempt from federal income tax, except during defensive periods or during periods of unusual market conditions. For the purposes of this fundamental policy, municipal obligations that are treated as a specific tax preference item under the federal alternative minimum tax are considered taxable.

Although the foregoing investment limitations would permit the Funds to invest in options, futures contracts and options on futures contracts, the Funds do not currently intend to trade in such instruments during the next 12 months. Prior to making any such investments, the Funds would notify their shareholders and add appropriate descriptions concerning the instruments to their Prospectuses and this Statement of Additional Information.

In order to permit the sale of Shares of the Funds in the State of Texas, the Trust has agreed to the following non-fundamental additional restriction with respect to the Funds:

1. The Funds will not invest in oil, gas or other mineral leases nor will they invest in real estate limited partnerships.

Should the Trust determine that the above commitment to the state of Texas or any other commitment made to permit the sale of a particular class of a Fund's shares in any state are no longer in the best interests of such class, the Trust will revoke the commitment by terminating sales of that class in the state involved.

TYPES OF OBLIGATIONS, INVESTMENT RISKS AND OTHER INVESTMENT INFORMATION

REVERSE REPURCHASE AGREEMENTS

At the time a Fund enters into a reverse repurchase agreement (an agreement under which a Fund sells portfolio securities and agrees to repurchase them at an agreed-upon date and price), it will place in a segregated custodial account liquid assets such as U.S. Government securities or other liquid high-grade debt securities having a value equal to or greater than the repurchase price (including accrued interest) and will subsequently monitor the account to ensure that such value is maintained. Reverse repurchase agreements involve the risk that the market value of the securities sold by a Fund may decline below the price of the securities it is obligated to repurchase.

Reverse repurchase agreements are considered to be borrowings under the Investment Company Act of 1940. Each Fund intends to limit its borrowings (including reverse repurchase agreements), during the next 12 months to not more than 5% of its net assets.

VARIABLE AND FLOATING RATE INSTRUMENTS

With respect to the variable and floating rate instruments that may be acquired by the Funds as described in the Prospectus for each Fund, the Adviser (Sub-Adviser with respect to the Tax-Exempt Fund) will consider the earning power, cash flows and other liquidity ratios of the issuers and guarantors of such instruments and, if the instrument is subject to a demand feature, will monitor their financial status to meet payment on demand.

In determining average weighted portfolio maturity, an instrument will usually be deemed to have a maturity equal to the longer of the period remaining until the next regularly scheduled interest rate adjustment or the time the Fund involved can recover payment of principal as specified in the instrument. Instruments which are U.S. Government obligations and certain variable rate instruments having a nominal maturity of 397 days or less, however, will be deemed to have maturities equal to the period remaining until the next interest rate adjustment.

Variable and floating rate instruments may carry nominal maturities in excess of a Fund's maturity limitations if those instruments carry demand features that comply with conditions established by the Securities and Exchange Commission. In order to be purchased by a Fund, these instruments must permit a Fund to demand payment of the principal of the instrument at least once every 397 days upon not more than 30 days' notice.

REPURCHASE AGREEMENTS

The repurchase price under repurchase agreements described in the Prospectus generally equals the price paid by a Fund plus interest negotiated on the basis of current short-term rates (which may be more or less than the rate on the securities underlying the repurchase agreement). Securities subject to repurchase agreements are held by either the Funds' custodian or another independent third party acting as sub-custodian for the Fund involved in the transaction, or in the federal Reserve Treasury Book-Entry System. Repurchase agreements are considered to be loans by a Fund under the Investment Company Act of 1940.

LENDING SECURITIES

When the Treasury Fund or the Prime Fund lends its securities, it continues to receive interest on the securities loaned and may simultaneously earn interest on the investment of the cash loan collateral which will be invested in readily marketable, high-quality, short-term obligations. Although voting rights, or rights to consent, attendant to securities on loan pass to the borrower, such loans will be called so that the securities may be voted by a Fund if a material event affecting the investment is to occur. Portfolio loans will be continuously secured by collateral equal at all times in value to at least the market value of the securities loaned plus accrued interest. Collateral for such loans may includecash or U.S. Government Securities or additionally, in the case of the Prime Fund, securities of U.S. Government agencies or instrumentalities or an irrevocable letter of credit issued by a bank that meets the credit standards of the Prime Fund. Collateral for the Treasury Fund is limited to cash and U.S. Government Securities. There maybe risks of delay in recovering additional collateral or in recovering the securities loaned or even a loss of rights in the collateral should the borrower of the securities fail financially.

OTHER INVESTMENT COMPANIES

In seeking to attain their investment objectives, the Funds may invest in securities issued by other investment companies within the limits prescribed by the Investment Company Act of 1940. Each Fund currently intends to limit its investments so that, as determined immediately after a securities purchase is made: (a) not more than 5% of the value of its total assets will be invested in the securities of any one investment company; (b) not more than 10% of the value of its total assets will be invested in the aggregate in securities of investment companies as a group; and (c) not more than 3% of the outstanding stock of any one investment company will be owned by the Fund or Emerald Funds as a whole. As a shareholder of another investment company, a Fund would bear, along with other shareholders, its pro rata portion of the other investment company's expenses, including advisory fees. These expenses would be in addition to the advisory and other expenses that a Fund bears in connection with its own operations.

U.S. GOVERNMENT OBLIGATIONS

Examples of the types of U.S. Government obligations that may be held by the Prime Fund include, in addition to U.S. Treasury bonds, notes and bills, the obligations of federal Home Loan Banks, federal Farm Credit Banks, federal Land Banks, the federal Housing Administration, Farmers Home Administration,

Export-Import Bank of the United States, Small Business Administration, Government National Mortgage Association, federal National Mortgage Association, General Services Administration, Student Loan Marketing Association, Central Bank for Cooperatives, federal Home Loan Mortgage Corporation, federal Intermediate Credit Banks, Tennessee Valley Authority, Resolution Funding Corporation and Maritime Administration. U.S. Government obligations also include U.S. Government-backed trusts that hold obligations of foreign governments and are guaranteed or backed by the full faith and credit of the United States. Obligations of certain agencies and instrumentalities of the U.S. Government, such as those of the Government National Mortgage Association, are supported by the full faith and credit of the U.S. Treasury; others, such as the Export-Import Bank of the United States, are supported by the right of the issuer to borrow from the Treasury; others, such as those of the federal National Mortgage Association, are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations; still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. No assurance can be given that the U.S. Government would provide financial support to U.S. Government-sponsored instrumentalities if it is not obligated to do so by law.

ASSET-BACKED SECURITIES

The Prime Fund may invest in securities backed by installment contracts, credit card receivables and other assets. Asset-backed securities represent interests in pools of assets in which payment of both interest and principal on the securities are made monthly, thus in effect passing through (net of fees paid to the issuer or guarantor of the securities) the monthly payments made by the individual borrowers on the assets that underlie the asset-backed securities.

Non-mortgage asset-backed securities involve certain risks that are not presented by mortgage-backed securities. Primarily, these securities do not have the benefit of the same security interest in the underlying collateral. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which have given debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have an effective security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be able to support payments on these securities.

RATINGS AND ISSUER'S OBLIGATIONS

The ratings of Nationally Recognized Statistical Rating Organizations ("NRSROs") represent their opinions as to the quality of debt securities. It should be emphasized, however, that ratings are general and are not absolute standards of quality, and debt securities with the same maturity, interest rate and rating may have different yields while debt securities of the same maturity and interest rate with different ratings may have the same yield.

The payment of principal and interest on most securities purchased by the Funds will depend upon the ability of the issuers to meet their obligations. An issuer's obligations under its debt securities are subject to the provisions of bankruptcy, insolvency, and other laws affecting the rights and remedies of creditors, such as the federal Bankruptcy Code, and laws, if any, which may be enacted by federal or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations or, in the case of governmental entities, upon the ability of such entities to levy taxes. The power or ability of an issuer to meet its obligations for the payment of interest on, and principal of, its debt securities may be materially adversely affected by litigation or other conditions.

MUNICIPAL OBLIGATIONS

Assets of the Tax-Exempt Fund may be invested in debt instruments ("municipal obligations") issued by or on behalf of states, territories and possessions of the United States, the District of Columbia and their respective authorities, agencies, instrumentalities and political sub-divisions. The Prime Fund may also acquire municipal obligations, which may be advantageous when, as a result of prevailing economic, regulatory or other circumstances, the yield of such securities on a pre-tax basis is comparable to that of other securities the Fund may purchase. municipal obligations include debt obligations issued by governmental entities to obtain funds for various public purposes, including the construction of a wide range of public facilities, the refunding of outstanding obligations, the payment of general operating expenses and the extension of loans to public institutions and facilities.

The two principal classifications of municipal obligations are "general obligation" securities and "revenue" securities. General obligation securities are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue securities are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source such as the issuer of the facility being financed.

Private activity bonds (e.g., bonds issued by industrial development authorities) that are issued by or on behalf of public authorities to finance various privately-operated facilities are included within the term "municipal obligations." Private activity bonds are in most cases revenue securities and are not payable from the unrestricted revenues of the issuer. Additionally, the principal and interest on these obligations may or may not be payable from the general revenues of the users of the facilities involved. The credit quality of such bonds is usually directly related to the credit standing of such corporate users. Private activity bonds have been or may be issued to obtain funds to provide privately operated housing facilities, pollution control facilities, convention or trade show facilities, mass transit, airport, port or parking facilities and certain local facilities for water supply, gas, electricity or sewage or solid waste disposal. Such bonds may also be issued on behalf of privately held or publicly owned corporations in the financing of commercial or industrial facilities. State and local governments are authorized in most states to issue private activity bonds for such purposes in order to encourage corporations to locate within their communities.

As described in the Prospectus, the Prime and Tax-Exempt Funds may also invest in municipal leases, which may be considered liquid under guidelines established by Emerald Funds Board of Trustees. The guidelines will provide for determination of the liquidity and proper valuation of a municipal lease obligation based on factors including the following: (1) the frequency of trades and quotes for the obligation; (2) the number of dealers willing to purchase or sell the security and the number of other potential buyers; (3) the willingness of dealers to undertake to make a market in the security; and (4) the nature of marketplace trades, including the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer. Emerald, under the supervision of Emerald Funds' Board of Trustees, will also consider the continued marketability of a municipal lease obligation based upon an analysis of the general credit quality of the municipality issuing the obligation and the importance to the municipality of the property covered by the lease.

Municipal obligations may also include "moral obligation" securities, which are normally issued by special purpose public authorities. If the issuer of moral obligation securities is unable to meet its debt service obligations from current revenues, it may draw on a reserve fund, the restoration of which is a moral commitment but not a legal obligation of the state or municipality which created the issuer.

Municipal obligations may include short-term General Obligation Notes, Tax Anticipation Notes, Bond Anticipation Notes, Revenue Anticipation Notes, Tax-Exempt Commercial Paper, Construction Loan Notes and other forms of short-term tax-exempt loans. Such instruments are issued with a short-term maturity in anticipation of the receipt of tax funds, the proceeds of bond placements or other revenues. In addition, the Tax-Exempt and Prime Funds may invest in bonds and other types of tax-exempt instruments provided they have remaining maturities that meet the Funds' maturity limitations.

As described in the Prospectuses, the Tax-Exempt and the Prime Funds may purchase securities in the form of custodial receipts. These custodial receipts are known by a number of names, including "Municipal Receipts," "Municipal Certificates of Accrual on Tax-Exempt Securities" ("M-CATS") and "Municipal Zero-Coupon Receipts."

Certain municipal obligations may be insured at the time of issuance as to the timely payment of principal and interest. The insurance policies will usually be obtained by the issuer of the municipal obligation at the time of its original issuance. In the event that the issuer defaults on interest or principal payment, the insurer of the obligation is required to make payment to the bondholders upon proper notification. There is, however, no guarantee that the insurer will meet its obligations. In addition, such insurance will not protect against market fluctuations caused by changes in interest rates and other factors. The Tax-Exempt Fund may, from time to time, invest more than 25% of its total assets in municipal obligations covered by insurance policies.

From time to time, proposals have been introduced before Congress for the purpose of restricting or eliminating the federal income tax exemption for the interest on municipal obligations. For example, pursuant to federal tax legislation passed in 1986, interest on certain private activity bonds must be included in an investor's federal alternative minimum taxable income, and corporate investors must take all tax-exempt interest into account in determining certain adjustments for federal alternative minimum tax purposes. Emerald Funds cannot, of course, predict what legislation, if any, may be proposed in the future as regards the income tax status of interest on municipal

obligations, or which proposals, if any, might be enacted. Such proposals, while pending or if enacted, might materially and adversely affect the availability of municipal obligations for investment by the Tax-Exempt Fund and the liquidity and value of that Fund's portfolio. In such an event, Emerald Funds would reevaluate the investment objective and policies of the Tax-Exempt Fund and consider possible changes in its structure or possible dissolution.

FOREIGN MONEY MARKET INSTRUMENTS

A Fund will invest in obligations of foreign banks and commercial paper issued by foreign issuers as described above only when the Adviser deems the instrument to present minimal credit risks. Such investments may nevertheless entail risks that are different from those of investments in domestic obligations of U.S. banks. Such risks include future political and economic developments, the possible imposition of foreign withholding taxes on interest income payable on such instruments, the possible establishment of exchange controls, the possible seizure or nationalization of foreign deposits or the adoption of other foreign government restrictions which might affect adversely the payment of principal and interest of such instruments. In addition, foreign issuers, including foreign banks and foreign branches of U.S. banks, may be subject to less stringent reserve requirements and to different accounting, auditing, reporting and recordkeeping standards than those applicable to domestic issuers, and securities of foreign issuers may be less liquid and their prices more volatile than those of comparable domestic issuers.

WHEN-ISSUED PURCHASES AND FORWARD COMMITMENTS

The Funds may purchase securities on a when-issued basis and purchase or sell securities on a forward commitment basis. These transactions, which involve a commitment by a Fund to purchase or sell particular securities with payment and delivery taking place beyond the normal settlement date, permit a Fund to lock-in a price or yield on a security it intends to purchase or sell, regardless of future changes in interest rates. When-issued and forward commitment transactions involve the risk, however, that the yield obtained in a transaction may be less favorable than the yield available in the market when the securities delivery takes place.

When a Fund agrees to purchase securities on a when-issued or forward commitment basis, the custodian will set aside cash or liquid portfolio securities equal to the amount of the commitment in a separate account. Normally, the custodian will set aside portfolio securities to satisfy a purchase commitment,

and in such a case the Fund involved may be required subsequently to place additional assets in the separate account in order that the value of the account remains equal to the amount of the Fund's commitments. It may be expected that the market value of a Fund's net assets will fluctuate to a greater degree when it sets aside portfolio securities to cover such purchase commitments than when it sets aside cash. Because a Fund will set aside cash or liquid assets to satisfy its purchase commitments in the manner described, that Fund's liquidity and ability to manage its portfolio might be affected in the event its forward commitments to purchase securities ever exceeded 25% of the value of its total assets. The respective forward purchase commitments of the Treasury Fund, Prime Fund and Tax-Exempt Fund are not expected to exceed 25% of the value of their respective total assets, absent unusual market conditions or periods of unusual purchase or redemption activity in shares of a Fund such as at calendar year-end or other times; furthermore, a forward commitment or commitment to purchase when-issued securities for any Fund is not expected to exceed 45 days.

The Funds do not intend to engage in when-issued purchases and forward commitments for speculative purposes but only in furtherance of their investment objectives, and the Funds will purchase securities on a when-issued or forward commitment basis only with the intention of completing the transaction and actually purchasing the securities. If deemed advisable as a matter of investment strategy, however, a Fund may dispose of or renegotiate a commitment after it is entered into, and may sell securities it has committed to purchase before those securities are delivered to the Fund on the settlement date. In these cases the Fund involved may realize a taxable capital gain or loss.

When the Funds engage in when-issued and forward commitment transactions, they rely on the other party to consummate the trade. Failure of such party to do so may result in a Fund's incurring a loss or missing an opportunity to obtain a price considered to be advantageous.

The market value of the securities underlying a when-issued purchase or a forward commitment to purchase securities, and any subsequent fluctuations in their market value, is taken into account when determining the market value of a Fund involved in such transactions starting on the day the Fund agrees to purchase the securities. A Fund does not earn interest on the securities it has committed to purchase until they are paid for and delivered on the settlement date.

STAND-BY COMMITMENTS

The Tax-Exempt Fund may acquire stand-by commitments with respect to municipal obligations held in its portfolio.

The amount payable to a Fund upon its exercise of a "stand-by commitment" is normally (i) the Fund's acquisition cost of the municipal obligations (excluding any accrued interest which the Fund paid on their acquisition), less any amortized market premium or plus any amortized market or original issue discount during the period the Fund owned the securities, plus (ii) all interest accrued on the securities since the last interest payment date during that period. Stand-by commitments may be sold, transferred or assigned by a Fund only with the instruments involved. Stand-by commitments may be sold, transferred or assigned by the Fund only with the instruments involved.

The Fund expects that stand-by commitments will generally be available without the payment of any direct or indirect consideration. However, if necessary or advisable, the Tax-Exempt Fund may pay for a stand-by commitment either separately in cash or by paying a higher price for portfolio securities which are acquired subject to the commitment (thus reducing the yield to maturity otherwise available for the same securities). Where the Fund has paid any consideration directly or indirectly for a stand-by commitment, its cost would be reflected as unrealized depreciation for the period during which the commitment was held by the Fund.

The Fund intends to enter into stand-by commitments only with dealers, banks and broker-dealers which, in the Sub-Adviser's opinion, present minimal credit risks. In evaluating the creditworthiness of the issuer of a stand-by commitment, the Sub-Adviser will review periodically the issuer's assets, liabilities, contingent claims and other relevant financial information.

The Tax-Exempt Fund would acquire stand-by commitments solely to facilitate portfolio liquidity and does not intend to exercise its rights thereunder for trading purposes. Stand-by commitments acquired by the Fund would be valued at zero in determining net asset value.

PARTICIPATION INTERESTS AND TRUST RECEIPTS

The Prime Fund may purchase participation interests and trust receipts as described in its Prospectus. Such participation interests and trust receipts may have fixed, floating or variable rates of interest, and will have remaining maturities of thirteen months or less (as defined by the Securities and Exchange Commission). If a participation interest or trust receipt is unrated, the Adviser will have determined that the interest or receipt is of comparable quality to those instruments in which the Prime Fund may invest pursuant to guidelines approved by the Board of Trustees. For certain participation interests or trust receipts the Prime Fund will

have the right to demand payment, on not more than 30 days' notice, for all or any part of the Fund's participation interest or trust receipt in the securities involved, plus accrued interest.

GUARANTEED INVESTMENT CONTRACTS

Generally, a guaranteed investment contract ("GIC") allows a purchaser to buy an annuity with the monies accumulated under the contract; however, the Prime Fund will not purchase any such annuities. GICs acquired by the Prime Fund are general obligations of the issuing insurance company and not separate accounts. The purchase price paid for a GIC becomes part of the general assets of the issuer, and the contract is paid from the general assets of the issuer. The Prime Fund will only purchase GICs from issuers which, at the time of purchase, are rated "A+" by A.M. Best Company, have assets of $1 billion or more and meet quality and credit standards established by the investment adviser pursuant to guidelines approved by the Board of Trustees. Generally, GICs are not assignable or transferable without the permission of the issuing insurance companies, and an active secondary market in GICs does not currently exist. Therefore, GICs are considered by the Prime Fund to be illiquid investments, and will be acquired by the Fund subject to its limitation on illiquid investments.

NET ASSET VALUE AND DIVIDENDS

Net asset value per share of each class of shares in a particular Fund is calculated by adding the value of all portfolio securities and other assets belonging to the Fund that are attributable to a class, subtracting the Fund's liabilities attributable to the class, and dividing the result by the number of outstanding shares in the class. The net asset value per share for each Fund and for each class of shares within a Fund is calculated separately. Each Fund is charged with the direct expenses of that Fund, and with a share of the general expenses of Emerald Funds. Subject to the provisions of the Agreement and Declaration of Trust, determinations by the Board of Trustees as to the direct and allocable expenses, and the allocable portion of any general assets, with respect to a particular Fund are conclusive. The expenses that are charged to a Fund are borne equally by each share of the Fund, except that payments to Service Organizations under the Shareholder Processing and Services Plan adopted for Services Shares (the "Service Plan") are borne solely by Service Shares as described in the Prospectuses for such Shares, and payments under the Combined Amended and Restated Distribution and Service Plan and the Shareholder Processing Plan for Retail Shares are borne solely by

Retail Shares. In addition, each class of Shares bears certain miscellaneous "class expenses" as described in the Prospectus.

Emerald Funds uses the amortized cost method of valuation to value each Fund's portfolio securities, pursuant to which an instrument is valued at its cost initially and thereafter a constant amortization to maturity of any discount or premium is assumed, regardless of the impact of fluctuating interest rates on the market value of the instrument. This method may result in periods during which value, as determined by amortized cost, is higher or lower than the price a Fund would receive if it sold the instrument. The market value of portfolio securities held by a Fund can be expected to vary inversely with changes in prevailing interest rates.

Each Fund attempts to maintain a dollar-weighted average portfolio maturity appropriate to its objective of maintaining a stable net asset value per share. In this regard, except for securities subject to repurchase agreements, no Fund will purchase a security deemed to have a remaining maturity of more than thirteen months within the meaning of the Investment Company Act of 1940 nor maintain a dollar-weighted average maturity which exceeds ninety days. The Board of Trustees has also established procedures that are intended to stabilize the net asset value per share of each Fund for purposes of sales and redemptions at $1.00. These procedures include the determination, at such intervals as the Trustees deem appropriate, of the extent, if any, to which the net asset value per share of each Fund calculated by using available market quotations deviates from $1.00 per share. In the event such deviation exceeds one-half of one percent, the Board will promptly consider what action, if any, should be initiated. If the Board believes that the extent of any deviation from a $1.00 amortized cost price per share may result in material dilution or other unfair results to new or existing investors, it has agreed to take such steps as it considers appropriate to eliminate or reduce to the extent reasonably practicable any such dilution or unfair results. These steps may include selling portfolio instruments prior to maturity; shortening the average portfolio maturity; withholding or reducing dividends; redeeming shares in kind; reducing the number of outstanding shares without monetary consideration; or utilizing a net asset value per share determined by using available market quotations.

Should Emerald Funds incur or anticipate any unusual significant expense or loss which might affect disproportionately the income of a Fund, the Board of Trustees would, at that time, consider whether to adhere to its present dividend policies with respect to the Funds, which are described in the Prospectus for Institutional Shares and Service Shares, or to revise the policies in order to mitigate, to the extent possible, the

disproportionate effect the expense or loss might have on the income of a Fund for a particular period.

ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

Shares in Emerald Funds are sold on a continuous basis by Emerald Asset Management, Inc. As described in the Prospectus, Institutional Shares and Service Shares of the Treasury Fund, the Prime Fund and the Tax-Exempt Fund are sold to the Adviser, its affiliated and correspondent banks and other institutional investors (collectively "Institutions") acting on behalf of themselves and persons maintaining accounts at the Institutions.

Under the Investment Company Act of 1940, Emerald Funds may suspend the right of redemption or postpone the date of payment for shares of the Funds during any period when (a) trading on the New York Stock Exchange (the "Exchange") is restricted by applicable rules and regulations of the Securities and Exchange Commission; (b) the Exchange is closed for other than customary weekend and holiday closings; (c) the Securities and Exchange Commission has by order permitted such suspension; or (d) an emergency exists as determined by the Securities and Exchange Commission. (Emerald Funds may also suspend or postpone the recordation of the transfer of its shares upon an occurrence of any of the foregoing conditions.)

In addition to the situations described in the Prospectus under "Redemption of Shares," Emerald Funds may redeem shares involuntarily to reimburse a Fund for any loss sustained by reason of the failure of a shareholder to make full payment for shares purchased by the shareholder or to collect any charge relating to a transaction effected for the benefit of a shareholder which is applicable to Fund shares as provided in the Funds' Prospectus from time to time.

Shares of the Funds are not bank deposits, and are neither insured by, guaranteed by, obligations of, nor otherwise supported by the U.S. Government, any governmental agency, the Adviser, the Sub-Adviser (with respect to the Tax-Exempt Fund) or any other bank.

DESCRIPTION OF SHARES

Emerald Funds is a Massachusetts business trust. Under Emerald Funds' Agreement and Declaration of Trust, the beneficial interest in Emerald Funds may be divided into an unlimited number of full and fractional transferable shares. The

Agreement and Declaration of Trust authorizes the Board of Trustees to classify or reclassify any unissued shares of Emerald Funds into one or more additional classes by setting or changing, in any one or more respects, their respective designations, preferences, conversion or other rights, voting powers, restrictions, limitations, qualifications and terms and conditions of redemption. Pursuant to such authority, the Board of Trustees has authorized the issuance of thirty-three classes of shares. Nine of these classes (Institutional Shares, Service Shares and Retail Shares) represent interests in the Treasury Fund, the Prime Fund and the Tax-Exempt Fund, respectively. The remaining classes represent interests in other investment portfolios of Emerald Funds. The Trustees may similarly classify or reclassify any particular class of shares into one or more series. Each Institutional Share, Service Share and Retail Share in a Fund has a par value of $.001.

Except as noted below with respect to the fees paid under the Combined Distribution and Services Plan and the Shareholder Processing and Services Plan for Retail Shares (the "Retail Plans") and the Shareholder Processing and Services Plan for Service Shares (the "Emerald Service Plan"), Institutional, Service and Retail Shares bear the same types of ongoing expenses with respect to the Fund to which they belong. In the event of a liquidation or dissolution of Emerald Funds or an individual Fund, shareholders of a particular Fund would be entitled to receive the assets available for distribution belonging to such Fund, and a proportionate distribution, based upon the relative net asset values of Emerald Funds' respective investment portfolios, of any general assets not belonging to any particular portfolio which are available for distribution. Shareholders of a Fund are entitled to participate in the net distributable assets of the particular Fund involved in liquidation, based on the number of shares of the Fund that are held by each shareholder, except that each Fund's Service Shares will be solely responsible for the Fund's payments to Service Organizations pursuant to the Service Plan adopted for those Shares; and each Fund's Retail Shares will be solely responsible for the Fund's payments under the Retail Plans. In addition, each class of Shares will be responsible for certain miscellaneous "class expenses" as described in the Prospectus.

Holders of all outstanding shares of a particular Fund will vote together in the aggregate and not by class on all matters, except that only Service Shares of a Fund will be entitled to vote on matters submitted to a vote of shareholders pertaining to the Service Plan and only Retail Shares of a Fund will be entitled to vote on matters submitted to a vote of shareholders pertaining to the Retail Plans. (See "Other Information Concerning Emerald Funds and Its Shares" in the Prospectus.) Further, shareholders of all of the Funds, as well

as those of any other investment portfolio now or hereafter offered by Emerald Funds, will vote together in the aggregate and not separately on a Fund-by-Fund basis, except as otherwise required by law or when permitted by the Board of Trustees. Rule 18f-2 under the Investment Company Act of 1940 provides that any matter required to be submitted to the holders of the outstanding voting securities of an investment company such as Emerald Funds shall not be deemed to have been effectively acted upon unless approved by the holders of a majority of the outstanding shares of each Fund affected by the matter. A Fund is affected by a matter unless it is clear that the interests of each Fund in the matter are substantially identical or that the matter does not affect any interest of the Fund. Under the Rule, the approval of an investment advisory agreement or any change in a fundamental investment policy would be effectively acted upon with respect to a Fund only if approved by a majority of the outstanding shares of such Fund. However, the Rule also provides that the ratification of the appointment of independent accountants, the approval of principal underwriting contracts and the election of Trustees may be effectively acted upon by shareholders of Emerald Funds voting together in the aggregate without regard to particular investment portfolios. Shares of Emerald Funds have noncumulative voting rights and, accordingly, the holders of more than 50% of Emerald Funds' outstanding shares (irrespective of Fund or class) may elect all Trustees.

Shares have no preemptive rights and only such conversion and exchange rights as the Board of Trustees may grant in its discretion. When issued for payment as described in the Prospectuses, shares will be fully paid and nonassessable by Emerald Funds.

There will normally be no meetings of shareholders for the purpose of electing Trustees unless and until such time as less than a majority of the Trustees holding office have been elected by shareholders. If such should occur, the Trustees then in office will call a shareholders meeting for the election of Trustees. Except as set forth above, the Trustees shall continue to hold office and may appoint successor Trustees. The Agreement and Declaration of Trust provides that meetings of the shareholders of Emerald Funds shall be called by the Trustees upon the written request of shareholders owning at least 10% of the outstanding shares entitled to vote.

Emerald Funds' Agreement and Declaration of Trust authorizes the Board of Trustees, without shareholder approval (unless otherwise required by applicable law), to: (a) sell and convey the assets belonging to a Fund to another management investment company for consideration which may include securities issued by the purchaser and, in connection therewith, to cause all outstanding shares of such Fund to be redeemed at a price

which is equal to their net asset value and which may be paid in cash or by distribution of the securities or other consideration received from the sale and conveyance; (b) sell and convert the assets belonging to a Fund into money and, in connection therewith, to cause all outstanding shares of such Fund to be redeemed at their net asset value; or (c) combine the assets belonging to a Fund with the assets belonging to one or more other funds if the Board of Trustees reasonably determines that such combination will not have a material adverse effect on the shareholders of any fund participating in such combination and, in connection therewith, to cause all outstanding shares of any such Fund to be redeemed or converted into shares of another fund at their net asset value. However, the exercise of such authority may be subject to certain restrictions under the Investment Company Act of 1940. The Board of Trustees may authorize the termination of any Fund after the assets belonging to such Fund have been distributed to its shareholders.

SERVICE SHARES

As stated in the Prospectus, Service Shares are sold to institutional investors ("Service Organizations") which enter into service agreements requiring them to provide support services to their customers who beneficially own Service Shares in consideration of the Funds' payment of not more than .35% (on an annualized basis) of the average daily net asset value of the Service Shares beneficially owned by the customers. For the fiscal years ended November 30, 1995, 1994 and 1993, payments to Service Organizations pursuant to the Service Plan totalled $1,898,193, $1,678,991 and $1,332,955, respectively, with respect to Service Shares of the Treasury Fund; $2,814,354, $2,409,889 and $1,937,188, respectively, with respect to Service Shares of the Prime Fund; and $10,478, $9,468 and $1,420, respectively, with respect to Service Shares of the Tax-Exempt Fund. Of such amounts, the Funds' distributor, affiliates of the Funds' distributor and the Adviser and its affiliates earned $0, $0 and $1,898,193; $0, $0 and $1,678,991; and $0, $0, and $1,332,665, respectively, for the fiscal years ended November 30, 1995, 1994 and 1993 with respect to Service Shares of the Treasury Fund; $0, $0 and $2,804,354; $0, $0, and $2,409,889; and $0, $0 and $1,936,926, respectively, for the fiscal years ended November 30, 1995, 1994 and 1993 with respect to Service Shares of the Prime Fund; and $0, $0 and $10,478; $0, $0 and $0; and $0, $0 and $0, respectively, for the fiscal years ended November 30, 1995, 1994 and 1993 with respect to Service Shares of the Tax-Exempt Fund.

Services provided by Service Organizations under their service agreements may include: (i) providing necessary personnel and facilities to establish and maintain shareholder accounts and records for customers; (ii) assisting in aggregating and processing purchase, exchange and redemption transactions;

(iii) placing net purchase and redemption orders with the Distributor; (iv) arranging for wiring of funds; (v) transmitting and receiving funds in connection with customer orders to purchase or redeem Service Shares; (vi) processing dividend payments; (vii) verifying and guaranteeing customer signatures in connection with redemption orders and transfers and changes in customer-designated accounts, as necessary; (viii) providing periodic statements showing a customer's account balance, and to the extent practicable, integrating such information with other customer transactions otherwise effected through or with us; (ix) furnishing (either separately or on an integrated basis with other reports sent to a customer by us) periodic statements and confirmations of purchases, exchanges and redemptions; (x) transmitting on behalf of the Funds, proxy statements, annual reports, updating prospectuses and other communications from the Funds to customers; (xi) receiving, tabulating and transmitting to the Funds proxies executed by customers with respect to shareholder meetings; (xii) providing the information to the Funds necessary for accounting or subaccounting; and (xiii) providing such other similar services as a Service Organization or customer may reasonably request.

Pursuant to the Service Plan, the Board of Trustees will review, at least quarterly, a written report of the amounts expended under Emerald Funds' agreements with Service Organizations and the purposes for which the expenditures were made. In addition, the arrangements with Service Organizations must be approved annually by a majority of the Board of Trustees, including a majority of the trustees who are not "interested persons" of Emerald Funds as defined in the Investment Company Act of 1940 and have no direct or indirect financial interest in such arrangements (the "Disinterested Trustees").

The Board of Trustees has approved the arrangements with Service Organizations based on information provided by Emerald Funds' service contractors that there is a reasonable likelihood that the arrangements will benefit the Funds and their shareholders by affording the Funds greater flexibility in connection with the servicing of the accounts of the beneficial owners of their shares in an efficient manner.

ADDITIONAL INFORMATION CONCERNING TAXES

The following is only a summary of certain additional tax considerations generally affecting the Funds and their shareholders that are not described in the Prospectus for Institutional Shares and Service Shares. No attempt is made to present a detailed explanation of the tax treatment of the Funds or their shareholders, and the discussion here and in the Prospectus is not intended as a substitute for careful tax

planning. Investors are advised to consult their tax advisers with specific reference to their own tax situations.

TAX-EXEMPT FUND

As described above and in its Prospectus, the Tax-Exempt Fund is designed to provide investors with current tax-exempt interest income. This Fund is not intended to constitute a balanced investment program and is not designed for investors seeking capital appreciation or maximum tax-exempt income irrespective of fluctuations in principal. Shares of the Tax-Exempt Fund may not be suitable for tax-exempt institutions, or for retirement plans qualified under Section 401 of the Internal Revenue Code, H.R. 10 plans and individual retirement accounts since such plans and accounts are generally tax-exempt and, therefore, not only would not gain any additional benefit from the Fund's dividends being tax-exempt, but such dividends would be ultimately taxable to the beneficiaries when distributed to them. In addition, the Tax-Exempt Fund may not be an appropriate investment for entities which are "substantial users" of facilities financed by private activity bonds or "related persons" thereof. "Substantial user" is defined under U.S. Treasury Regulations to include a non-exempt person who regularly uses a part of such facilities in his or her trade or business and whose gross revenues derived with respect to the facilities financed by the issuance of bonds are more than 5% of the total revenues derived by all users of such facilities, who occupies more than 5% of the usable area of such facilities, or for whom such facilities or a part thereof were specifically constructed, reconstructed or acquired. "Related persons" include certain related natural persons, affiliated corporations, a partnership and its partners and an S corporation and its shareholders. Each shareholder is advised to consult his or her tax adviser with respect to whether exempt-interest dividends would be excludable from his or her gross income under Section 103(a) of the Internal Revenue Code.

The percentage of total dividends paid by the Tax-Exempt Fund with respect to any taxable year which qualify as federal exempt-interest dividends will be the same for all shareholders of the Fund receiving dividends for such year. In order for the Fund to pay exempt-interest dividends for any taxable year, at the close of each quarter of its taxable year at least 50% of the aggregate value of the Fund's portfolio must consist of federal tax-exempt interest obligations. In addition, the Fund must distribute an amount that is at least equal to the sum of 90% of the aggregate net tax-exempt interest income and 90% of the investment company taxable income earned by the Fund for the taxable year. Not later than 60 days after the close of its taxable year, the Fund will notify each shareholder of the portion of the dividends paid by the Fund to the shareholder with

respect to such taxable year which constitutes an exempt-interest dividend. However, the aggregate amount of dividends so designated cannot exceed the excess of the amount of interest exempt from tax under Section 103 of the Code received by the Fund during the taxable year over any amounts disallowed as deductions under Sections 265 and 171(a)(2) of the Code.

Interest on indebtedness incurred by a shareholder to purchase or carry shares of the Tax-Exempt Fund generally is not deductible for federal income tax purposes. If a shareholder holds Fund shares for six months or less, any loss on the sale or exchange of those shares will be disallowed to the extent of the amount of exempt-interest dividends earned with respect to the shares. The Treasury Department, however, is authorized to issue regulations that would reduce the six-month holding requirement to a period of not less than the greater of 31 days or the period between regular distributions for shareholders of an investment company that regularly distributes at least 90% of its net tax-exempt interest. No such regulations had been issued as of the date of this Statement of Additional Information.

Income itself exempt from federal income taxation may be considered in addition to adjusted gross income when determining whether Social Security payments received by a shareholder are subject to federal income taxation.

ALL FUNDS

Investment company taxable income earned by the Treasury Fund, the Prime Fund or the Tax-Exempt Fund will be distributed by each Fund to its shareholders and will be taxable to shareholders as ordinary income whether paid in cash or additional shares. In general, investment company taxable income will be a Fund's taxable income subject to certain adjustments and excluding the excess of any net long-term capital gain for the taxable year over the net short-term capital loss, if any, for such year.

Similarly, while the Funds do not expect to realize long-term capital gains, any net realized long-term capital gains will be distributed at least annually, after reduction for capital loss carryforwards, if any. A Fund generally will have no tax liability with respect to such gains and the distributions (whether paid in cash or additional shares) will be taxable to shareholders as long-term capital gains, regardless of how long a shareholder has held Fund shares. Such distributions will be designated as a capital gains dividend in a written notice mailed by Emerald Funds to shareholders after the close of Emerald Funds' taxable year.

A 4% non-deductible excise tax is imposed on regulated investment companies that fail to currently distribute specified percentages of their ordinary taxable income and capital gain net income (excess of capital gains over capital losses). Each Fund intends to make sufficient distributions or deemed distributions of their ordinary taxable income and any capital gain net income with respect to each calendar year to avoid liability for this excise tax.

Each Fund is treated as a separate entity for the purpose of determining the Fund's qualification as a "regulated investment company" under the Internal Revenue Code. Although each Fund expects to qualify as a "regulated investment company" and to be relieved of all or substantially all liability for federal income taxes, depending upon the extent of Emerald Funds' activities in states and localities in which its offices are maintained, in which its agents or independent contractors are located or in which it is otherwise deemed to be conducting business, a Fund may be subject to the tax laws of such states or localities.

In addition to the foregoing requirements, at the close of each quarter of its taxable year, at least 50% of the value of each Fund's assets must consist of cash and cash items, U.S. Government securities, securities of other regulated investment companies, and securities of other issuers (as to which a Fund has not invested more than 5% of the value of its total assets in securities of such issuer and as to which a Fund does not hold more than 10% of the outstanding voting securities of such issuer), and no more than 25% of the value of each Fund's total assets may be invested in the securities of any one issuer (other than U.S. Government securities and securities of other regulated investment companies), or in two or more issuers which such Fund controls and which are engaged in the same or similar trades or businesses.

If for any taxable year a Fund does not qualify for the special federal income tax treatment afforded regulated investment companies, all of its taxable income will be subject to federal income tax at regular corporate rates (without any deduction for distributions to its shareholders). In such event, dividend distributions (including amounts derived from interest on municipal obligations) would be taxable as ordinary income to shareholders to the extent of the Fund's current and accumulated earnings and profits and would be eligible for the dividends received deduction for corporations.

A Fund will be required in certain cases to withhold and remit to the U.S. Treasury 31% of the taxable dividends or gross sale proceeds paid to shareholders who have failed to provide a correct tax identification number in the manner

required, who are subject to withholding by the Internal Revenue Service for failure properly to include on their return payments of taxable interest or dividends, or who have failed to certify, when required to do so, to the Fund that they are not subject to backup withholding or that they are "exempt recipients."

MANAGEMENT OF EMERALD FUNDS

TRUSTEES AND OFFICERS

The Trustees and officers of Emerald Funds, their addresses, principal occupations during the past five years and other affiliations are as follows:

<TABLE>
<CAPTION>

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
<S>	<C>	<C>
Chesterfield H. Smith* Suite 3000 701 Brickell Avenue Miami, FL 33101 Age 78	Chairman of the Board of Trustees	Senior Partner of the law firm of Holland and Knight; Director, Greenwich Air Services, Inc. (an aircraft and engine repair company); Director, Citrus and Chemical Bank; Director, Citrus and Chemical Bancorporation (bank holding company of Citrus and Chemical Bank).
Raynor E. Bowditch 4811 Beach Blvd. Suite 105 Jacksonville, FL 33207 Age 62	Trustee	President, Bowditch Insurance Corporation (a general lines independent agency); Director, General Truck Equipment and Trailer Sales; Director, Greater Jacksonville Fair Association.
Mary Doyle University of Miami Law School 1311 Miller Drive Coral Gables, FL 33124 Age 52	Trustee	Professor of Law, University of Miami Law School, 1995 to present; Dean in Residence, Association of American Law Schools, 1994 to date; Dean, University of Miami School of Law, 1986-1994.

<CAPTION>

Principal

Name and Address	Position with Emerald Funds	Occupations During Past 5 Years and Other Affiliations
<S>	<C>	<C>
Albert D. Ernest* 1560 Lancaster Terrace Suite 1402 Jacksonville, FL 32204 Age 65	Trustee	President, Albert Ernest Enterprises (personal investments), 1991 to date; President and Chief Operating Officer, Barnett Banks, Inc., 1988 to 1991; Director, Barnett Banks, Inc., 1982 to 1991; Director, Florida Rock Industries, Inc. (mining and construction materials); Director, FRP Properties, Inc. (transportation, hauling and real estate development); Director, Regency Realty, Inc.; Director, Stein Mart, Inc. (retail); and Director, Wickes Lumber Company.
John G. Grimsley* 50 N. Laura St. Suite 3300 Jacksonville, FL 32202 Age 57	Trustee and President	Member of the law firm of Mahoney Adams & Criser, P.A. since 1966.
Harvey R. Holding 189 Laurel Lane Ponte Vedra Beach, FL 32082 Age 61	Trustee	Retired; Executive Vice President and Chief Financial Officer, BellSouth Corp., 1990 to 1993; Vice Chairman of the Board of BellSouth Corp., 1991 to 1993; Director, Golden Poultry Company, Inc.
William B. Blundin 125 West 55th Street New York, NY 10019 Age 57	Executive Vice President	Executive Vice President, BISYS Fund Services, Inc. March 1995 to present; Vice President of Emerald Asset Management, Inc. March 1995 to present; Vice Chairman of the Board of Concord Holding Corporation and Distributor, July 1993 to March 1995; Director and President of Concord Holding Corporation and Distributor, February 1987 to March 1995.
Hugh Fanning BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 42	Vice President	Employee of BISYS Fund Services, Inc., August 1992 to present; Director of Marketing, Ketchum Communications, July 1987 to August 1992

<CAPTION>

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
<S>	<C>	<C>
J. David Huber BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-30-35 Age 49	Vice President	Employee of BISYS Fund Services, Inc., June 1987 to present.
Martin R. Dean BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 32	Treasurer	Employee of BISYS Fund Services, Inc., May 1994 to present; Senior Manager at KPMG Peat Marwick prior thereto.
Jeffrey A. Dalke Philadelphia National Bank Building 1345 Chestnut Street	Secretary	Partner, Drinker Biddle & Reath (law firm).

Philadelphia, PA 19107-3496
Age 45

George Martinez BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 36	Assistant Secretary	Senior Vice President and Director of Legal and Compliance Services, BISYS Fund Services, Inc., March 1995 to present; Senior Vice President, Emerald Asset Management, Inc., August 1995 to present; Vice President and Associate General Counsel, Alliance Capital Management, June 1989 to March 1995.
William J. Tomko BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 36	Vice President	Employee of BISYS Fund Services, Inc., April 1987 to present.
Robert Tuch BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 44	Assistant Secretary	Employee of BISYS Fund Services, Inc., June 1991 to present; Assistant Secretary, Emerald Asset Management, Inc., August 1995 to present; Vice President and Associate General Counsel with National Securities Research Corp., July 1990 to June 1991.

<CAPTION>

Name and Address	Position with Emerald Funds	Principal Occupations During Past 5 Years and Other Affiliations
<S>	<C>	<C>
Alaina Metz BISYS Fund Services 3435 Stelzer Road Columbus, OH 43219-3035 Age 28	Assistant Secretary	Chief Administrator, Administrative and Regulatory Services, BISYS Fund Services, Inc., June 1995 to present; Supervisor, Mutual Fund Legal Department, Alliance Capital Management, May 1989 to June 1995.

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* These Trustees may be deemed to be "interested persons" of Emerald Funds as defined in the Investment Company Act of 1940.

Each Trustee receives an annual fee of $14,000 plus $1,500 for each meeting attended and reimbursement of expenses incurred as a Trustee. Additionally, the Chairman and President of the Board of Trustees each receive an additional annual fee of $3,500 for service in such capacities. Furthermore, each Trustee who serves on a special committee appointed by the Board or the Chairman receives additional compensation in the amount of $1,000 per day for each meeting attended or $1,000 for each assignment to a special project plus reimbursement of out-of-pocket expenses. Remuneration for services rendered during Emerald Funds' most recent fiscal year ended November 30, 1995, and distributed to all Trustees and officers as a group was $99,750. Drinker Biddle & Reath, of which Mr. Dalke is a partner, receives legal fees as counsel to Emerald Funds. As of May 31, 1996, the Trustees and officers of Emerald Funds, as a group, owned less than 1% of the outstanding shares of each Fund and each of the other investment portfolios of the Trust.

The following chart provides certain information about the fees received by the Emerald Funds' trustees for their services as members of the Board of Trustees and Committees thereof.

<TABLE>
<CAPTION>

TOTAL

NAME OF PERSON POSITION	AGGREGATE COMPENSATION FROM THE EMERALD FUNDS	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	COMPENSATION FROM EMERALD FUNDS AND FUND COMPLEX* PAID TO DIRECTORS
Chesterfield H. Smith Chairman of the Board of Trustees	$20,750	N/A	N/A	$20,750
John G. Grimsley President and Trustee	$26,000	N/A	N/A	$26,000
Raynor E. Bowditch Trustee	$19,000	N/A	N/A	$19,000
Mary Doyle Trustee	$20,500	N/A	N/A	$20,500
Albert D. Ernest** Trustee	$13,500	N/A	N/A	$13,500
Harvey R. Holding***	N/A	N/A	N/A	N/A

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* The "Fund Complex" consists solely of Emerald Funds.

** Mr. Ernest was appointed to the Board of Trustees on May 4, 1995.

*** Mr. Holding was elected to the Board of Trustees on May 29, 1996.

SHAREHOLDER AND TRUSTEE LIABILITY

Under Massachusetts law, shareholders of a business trust may, under certain circumstances, be held personally liable as partners for the obligations of the trust. However, Emerald Funds' Agreement and Declaration of Trust provides that shareholders shall not be subject to any personal liability in connection with the assets of Emerald Funds for the acts or obligations of Emerald Funds, and that every note, bond, contract, order or other undertaking made by Emerald Funds shall contain a provision to the effect that the shareholders are not personally liable thereunder. The Agreement and Declaration of Trust provides for indemnification out of the trust property of any shareholder held personally liable solely by reason of his or her being or having been a shareholder and not because of his or her acts or omissions or some other reason. The Agreement and Declaration of Trust also provides that Emerald Funds shall, upon request, assume the defense of any claim made against any shareholder for any act or obligation of Emerald Funds, and shall satisfy any judgment thereon. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is

limited to circumstances in which Emerald Funds itself would be unable to meet its obligations.

The Agreement and Declaration of Trust further provides that all persons having any claim against the Trustees or Emerald Funds shall look solely to the trust property for payment; that no Trustee of Emerald Funds shall be personally liable for or on account of any contract, debt, tort, claim, damage, judgment or decree arising out of or connected with the administration or preservation of the trust property or the conduct of any business of Emerald Funds; and that no Trustee be personally liable to any person for any action or failure to act except by reason of his or her own bad faith, willful misfeasance, gross negligence or reckless disregard of his or her duties as Trustee. With the exception stated, the Agreement and Declaration of Trust provides that a Trustee is entitled to be indemnified against all liabilities and expenses reasonably incurred by him or her in connection with the defense or disposition of any proceeding in which he or she may be involved or with which he or she may be threatened by reason of his or her being or having been a Trustee, and that the Trustees will indemnify representatives and employees of Emerald Funds to the same extent that Trustees are entitled to indemnification.

ADVISORY AND SUB-ADVISORY SERVICES

Barnett Capital Advisors, Inc. (the "Adviser") assumed, as of June 29, 1996, the responsibilities of Barnett Banks Trust Company, N.A. ("BBTC") as investment adviser to each Fund. Rodney Square Management Corporation (the "Sub-Adviser"), a wholly-owned subsidiary of Wilmington Trust Company ("WTC"), serves as sub-investment adviser to the Tax-Exempt Fund. In rendering its sub-advisory services, the Sub-Adviser may occasionally consult, on an informal basis, with personnel from the investment departments of WTC; however, WTC will take no part in determining the investment policies of the Tax-Exempt Fund or in deciding which securities are to be purchased or sold by such Fund.

In their Investment Advisory and Sub-Advisory Agreements, the Adviser and Sub-Adviser have agreed to pay all expenses incurred by them in connection with their advisory and sub-advisory services other than the cost of securities and other investments, including brokerage commissions and other transaction costs, if any, purchased or sold for each Fund. For the services provided and expenses assumed pursuant to the advisory agreements, Emerald Funds has agreed to pay the Adviser fees, computed daily and paid monthly, at the annual rate of .25% of the average net assets of each Fund. Under the terms of the agreements, the fees payable to the Adviser are not subject to reduction as the value of each Fund's net assets increases;

however, the Adviser has informed Emerald Funds of its intention to reduce the annual rate of its advisory fees with respect to the Treasury Fund and the Prime Fund to the following rates: .25% of the first $600 million of each Fund's net assets; .23% of each Fund's net assets over $600 million but not exceeding $1 billion; .21% of the next $1 billion of each Fund's net assets; and .19% of each Fund's net assets over $2 billion. The Adviser has also agreed to pay the Sub-Adviser for the Tax-Exempt Fund a sub-advisory fee at the rate of .15% of that Fund's average net assets. The sub-advisory fee paid by the Adviser to the Sub-Adviser is borne entirely by the Adviser and has no effect on the advisory fee payable by the Tax-Exempt Fund. Emerald Funds has been advised that, until further notice, the Adviser has voluntarily agreed to waive all advisory fees with respect to the Tax-Exempt Fund in excess of the sub-advisory fees payable by it to the Sub-Adviser.

The Adviser and Sub-Adviser have made certain additional voluntary and contractual undertakings to waive their fees. See "Management of Emerald Funds - Distribution and Administration Services" below for further information regarding the waiver of fees and reimbursement of expenses by the Adviser and Sub-Adviser with respect to the Funds. For the fiscal years ended November 30, 1995, 1994 and 1993, BBTC received (net of waivers) advisory fees totalling $1,914,250, $2,231,677 and $2,207,189, respectively, for the Treasury Fund; $3,677,324 $3,243,600 and $4,752,234, respectively, for the Prime Fund; and $506,689, $222,183 and $150,753, respectively, for the Tax-Exempt Fund. In fiscal years ended November 30, 1995, 1994 and 1993 the entire advisory fee received by BBTC with respect to the Tax-Exempt Fund was paid to the Sub-Adviser. In addition, BBTC waived an additional $202,676, $186,758 and $131,253 in advisory fees with respect to the Tax-Exempt Fund for the same fiscal years, respectively. For the fiscal year ended November 30, 1995 BBTC waived fees totaling $358,950 and $134,960 for the Prime and Treasury Funds respectively. For the fiscal years ended November 1994 and 1993, BBTC did not waive any advisory fees for the Treasury Fund or the Prime Fund. For the fiscal years ended November 30, 1995, 1994 and 1993, the Sub-Adviser waived sub-advisory fees totalling $53,487, $55,868 and $57,955 with respect to the Tax-Exempt Fund.

Under the Investment Advisory and Sub-Advisory Agreements for the Funds, the Adviser and Sub-Adviser are not liable for any error of judgment or mistake of law or for any loss suffered by Emerald Funds in connection with the performance of such agreements, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or a loss resulting from willful misfeasance, bad faith or negligence on the part of the Adviser or Sub-Adviser in the

performance of their duties or from their reckless disregard of their duties and obligations under the agreements.

The Glass-Steagall Act, among other things, prohibits banks from engaging to any extent in the business of underwriting securities, although national and state-chartered banks generally are permitted to purchase and sell securities upon the order and for the account of their customers. In 1971, the United States Supreme Court held in INVESTMENT COMPANY INSTITUTE V. CAMP that the Glass-Steagall Act prohibits a national bank from operating a fund for the collective investment of managing agency accounts. Subsequently, the Board of Governors of the federal Reserve System (the "Board") issued a regulation and interpretation to the effect that the Glass-Steagall Act and such decision forbid a bank holding company registered under the federal Bank Holding Company Act of 1956 (the "Holding Company Act") or any non-bank affiliate thereof from sponsoring, organizing or controlling a registered, open-end investment company continuously engaged in the issuance of its shares, but do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent and custodian to such an investment company. In 1981, the United States Supreme Court held in BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM V. INVESTMENT COMPANY INSTITUTE that the Board did not exceed its authority under the Holding Company Act when it adopted its regulation and interpretation authorizing bank holding companies and their non-bank affiliates to act as investment advisers to registered closed-end investment companies.

The Adviser believes, with respect to its activities as required by the Investment Advisory and Sub-Advisory Agreements and as contemplated by the Prospectus and this Statement of Additional Information, and the Sub-Adviser believes, with respect to its activities as required by the Sub-Advisory Agreement and as contemplated by the Prospectus and this Statement of Additional Information, that, if the question were properly presented, a court should hold that the Adviser or Sub-Adviser, as the case may be, may each perform such activities without violation of the Glass-Steagall Act or other applicable banking laws or regulations. It should be noted, however, that there have been no cases deciding whether banks may perform services comparable to those performed by the Adviser and Sub-Adviser and that future changes in either federal or state statutes and regulations relating to permissible activities of banks or trust companies and their subsidiaries or affiliates, as well as further judicial or administrative decisions or interpretations of present and future statutes and regulations, could prevent the Adviser and Sub-Adviser from continuing to perform such services for the Funds. If the Adviser or Sub-Adviser were prohibited from continuing to perform advisory and sub-advisory services for the Funds, it is expected that the

Board of Trustees would recommend that the Funds enter into a new agreement or would consider the possible termination of the Funds. Any new advisory or sub-advisory agreement would be subject to shareholder approval.

On the other hand, as described herein, Emerald Funds are currently distributed by Emerald Asset Management, Inc., and BISYS Fund Services Limited Partnership provides the Funds with administrative services. If current restrictions under the Glass-Steagall Act preventing a bank from sponsoring, organizing, controlling, or distributing shares of an investment company were relaxed, the Funds expect that the Adviser would consider the possibility of offering to perform some or all of the services now provided by BISYS Fund Services Limited Partnership and Emerald Asset Management, Inc. From time to time, legislation modifying such restrictions has been introduced in Congress which, if enacted, would permit a bank holding company to establish a non-bank subsidiary having the authority to organize, sponsor and distribute shares of an investment company. The Funds therefore expect that if this or similar legislation were enacted, the Adviser's parent bank holding company would consider the possibility of one of its non-bank subsidiaries offering to perform additional services now provided by BISYS Fund Services Limited Partnership and Emerald Asset Management, Inc. In this regard it may be noted that the Adviser has entered into an agreement whereunder the Adviser (or an affiliate) may acquire Emerald Asset Management, Inc. under specified conditions. It is not possible, of course, to predict whether or in what form such legislation might be enacted or the terms upon which the Adviser or such a non-bank affiliate might offer to provide services for consideration by the Board of Trustees.

DISTRIBUTION AND ADMINISTRATION AGREEMENTS

Emerald Funds has entered into a distribution agreement with Emerald Asset Management, Inc. (the "Distributor") under which the Distributor, as agent, sells shares of each Fund on a continuous basis. The Distributor has agreed to use its best efforts to solicit orders for the sale of shares, although it is not obliged to sell any particular amount of shares. The Distributor pays the cost of printing and distributing prospectuses to persons who are not holders of the Funds' Institutional Shares and Service Shares (excluding preparation and printing expenses necessary for the continued registration of such shares) and of printing and distributing all sales literature. No compensation is payable by the Funds' Institutional Shares or Service Shares to the Distributor for its distribution services.

BISYS Fund Services Limited Partnership (the "Administrator"), a wholly-owned subsidiary of The BISYS Group, Inc., serves as administrator to each Fund. In the administration agreements, the Administrator has agreed to provide administrative services as described in the Prospectuses for the respective Funds. The Administrator has also agreed to pay all expenses incurred by it in connection with its activities under its agreement except certain out-of-pocket expenses relating to its fund accounting responsibilities and as otherwise described in this Statement of Additional Information and the Prospectus.

For its services with respect to the Treasury Fund, Prime Fund and Tax-Exempt Fund, Emerald Funds has agreed to pay the Administrator fees, computed daily and paid monthly, at the effective annual rate of .0775% of the first $5 billion of the aggregate net assets of all portfolios of Emerald Funds, .07% of the next $2.5 billion, .065% of the next $2.5 billion and .05% of all assets exceeding $10 billion. In the event the aggregate average daily net assets for all Funds falls below $3 billion, the fee will be increased to .08% of the aggregate average daily net assets. From time to time the Administrator may waive its fees or reimburse the Fund for expenses, either voluntarily or as required by certain state securities laws.

For the fiscal years ended November 30, 1995, 1994 and 1993, Concord Holding Corporation, Emerald Funds' prior administrator which was acquired by The BISYS Group, Inc. in 1995, received (net of waivers) administration fees totalling $706,100, $885,278 and $876,466, respectively, for the Treasury Fund; $1,418,076, $1,273,698 and $1,820,903, respectively, for the Prime Fund; and $304,013, $211,853 and $280,138, respectively, for the Tax-Exempt Fund. For the fiscal year ended November 30, 1995 the prior administrator waived fees in the amount of $33,145, $91,028 and $0, respectively, for the Prime, Treasury and Tax-Exempt Funds, respectively. The prior administrator did not waive any administration fees for the Prime or Treasury Funds for the fiscal years ended November 30, 1994 and 1993; however, during these periods, the prior administrator waived $55,868 and $57,955, respectively, for the Tax-Exempt Fund.

In addition, if the total expenses borne by either the Prime Fund or the Treasury Fund in any fiscal year exceed the expense limitations imposed by applicable state securities regulations, Emerald Funds may deduct from the payments to be made with respect to such Fund to the Adviser and the Administrator, respectively, or the Adviser and the Administrator will bear, the amount of such excess to the extent required by such regulations in proportion to the fees otherwise payable to them for such year. If the total expenses borne by the Tax-Exempt Fund in any fiscal year exceed applicable state expense limitations, the Adviser and Sub-Adviser have agreed to make

reimbursements, to the extent required by law, for half of such excess expenses, and the Administrator has agreed to bear the other half, provided that the Sub-Adviser's obligation with respect to such reimbursement is limited to the amount of its sub-advisory fees. Such amounts, if any, will be estimated and accrued daily and paid on a monthly basis. As of the date of this Statement of Additional Information, the most restrictive expense limitation applicable to the Funds limits aggregate annual expenses with respect to each Fund, including management and advisory fees but excluding interest, taxes, brokerage commissions, and certain other expenses, to 2-1/2% of the first $30 million of its average net assets, 2% of the next $70 million, and 1-1/2% of its remaining average net assets.

The administration agreements provide that the Administrator shall not be liable for any error of judgment or mistake of law or any loss suffered by Emerald Funds in connection with the performance of the administration agreements, except a loss resulting from willful misfeasance, bad faith or negligence in the performance of its duties or from the reckless disregard by it of its obligations and duties thereunder.

CUSTODIAN AND TRANSFER AGENT

Emerald Funds has appointed The Bank of New York, 90 Washington Street, New York, New York 10286 as custodian for the Funds.

BISYS Fund Services, Inc., 3435 Stelzer Road, Columbus, Ohio 43219-3035, provides transfer agency and dividend disbursing services for the Funds.

OPERATING EXPENSES

Operating expenses borne by the Funds include taxes; interest; fees and expenses of Trustees and officers who are not also officers, directors, employees or holders of 5% or more of the outstanding voting securities of the Adviser, Sub-Adviser, Administrator or any of their affiliates; Securities and Exchange Commission fees; state securities registration and qualification fees;

advisory fees; administration fees; charges of the custodian and of the transfer and dividend disbursing agent; certain insurance premiums; outside auditing and legal expenses; costs of preparing and printing prospectuses for regulatory purposes and for distribution to shareholders; costs of shareholder reports and meetings; and any extraordinary expenses. The Funds also pay any brokerage fees, commissions and other transaction charges (if any) incurred in connection with the purchase and sale of its portfolio securities.

INDEPENDENT ACCOUNTANTS/EXPERTS

Price Waterhouse LLP, independent accountants, 1177 Avenue of the Americas, New York, New York 10036 serve as independent accountants for Emerald Funds. The financial statements dated November 30, 1995, which are incorporated by reference into this Statement of Additional Information have been so incorporated in reliance on the report of Price Waterhouse LLP given on the authority of said firm as experts in auditing and accounting.

COUNSEL

Drinker Biddle & Reath, Philadelphia National Bank Building, 1345 Chestnut Street, Philadelphia, Pennsylvania 19107, are counsel to Emerald Funds and will pass upon the legality of the shares offered by the Funds' Prospectuses.

ADDITIONAL INFORMATION ON YIELD

The "yields" and "effective yields" of each Fund are calculated according to formulas prescribed by the Securities and Exchange Commission. The standardized seven-day yields for the respective share classes of each Fund are computed separately for each class by determining the net change, exclusive of capital changes, in the value of a hypothetical pre-existing account in the particular Fund involved having a balance of one share at the beginning of the period, dividing the net change in account value by the value of the account at the beginning of the base period to obtain the base period return, and multiplying the base period return by (365/7). The net change in the value of an account in a Fund includes the value of additional shares purchased with dividends from the original share, and dividends declared on both the original share and any such additional shares, net of all fees, other than nonrecurring account or sales charges, that are charged to all shareholder accounts in proportion to the length of the base period and the Fund's average account size. The capital changes to be excluded from the calculation of the net change in account value are realized gains and losses from the sale of securities and unrealized appreciation and depreciation. The effective annualized yields for each Fund are computed by compounding a particular Fund's unannualized base period returns (calculated as above) by adding 1 to the base period returns, raising the sums to a power equal to 365 divided by 7, and subtracting 1 from the results. In addition, the Tax-Exempt Fund may quote a standardized "tax-

equivalent yield" of each of its classes of shares, which is computed by: (a) dividing the portion of the Fund's yield (as calculated above) for such class that is exempt from federal income tax by one minus a stated federal income tax rate; and (b) adding the figure resulting from (a) above to that portion, if any, of the Fund's yield for such class of shares that is not exempt from federal income tax. The fees which may be imposed by institutional investors directly on their customers for cash management services are not reflected in Emerald Funds' calculations of yields for the Funds.

The current yields for each of the Funds may be obtained by calling the Distributor at 800-637-3759. For the seven-day period ended May 31, 1996, the annualized yields (after fee waivers) of Institutional Shares in the Treasury Fund, Prime Fund and Tax-Exempt Fund were 4.81%, 5.17% and 3.34%, respectively, the effective yields (after fee waivers) of such Shares were 4.93%, 5.30% and 3.39%, respectively, and the tax- equivalent yield (after fee waivers) of Institutional Shares in the Tax-Exempt Fund was 5.22% (assuming a federal income tax rate of 36%). For this same seven-day period, the annualized yields (after fee waivers) of Service Shares in the Treasury Fund, Prime Fund and Tax-Exempt Fund were 4.46%, 4.82% and 2.93%, respectively, the effective yields (after fee waivers) of such Shares were 4.56%, 4.94% and 2.97%, respectively, and the tax-equivalent yield (after fee waivers) of Service Shares in the Tax-Exempt Fund was 4.58% (assuming a federal income tax rate of 36%). During this seven-day period, fee waivers amounted to 0.00%, 0.00% and 0.10% of the average daily net assets of the Treasury Fund, Prime Fund and Tax-Exempt Fund, respectively.

From time to time, the Funds may include general comparative information, such as statistical data regarding inflation, securities indices or the features or performance of alternative investments, in advertisements, sales literature and reports to shareholders. The Funds may also include calculations, such as hypothetical compounding examples, which describe hypothetical investment results in such communications. Such performance examples will be based on an express set of assumptions and are not indicative of the performance of any Fund.

In addition, in such communications the Adviser may offer opinions on current economic conditions.

MISCELLANEOUS

As used in this Statement of Additional Information and in the Prospectuses a "majority of the outstanding shares" of a Fund or class means the lesser of (1) 67% of the shares of the

particular Fund or class represented at a meeting at which the holders of more than 50% of the outstanding shares of such Fund or class are present in person or by proxy, or (2) more than 50% of the outstanding shares of such Fund or class.

As of August 20, 1996, the Adviser and its affiliated banks owned of record substantially all of the outstanding shares of the Treasury Trust Fund and Prime Trust Fund on behalf of their customer accounts. The Adviser and such affiliated banks were also the beneficial owners of the following percentages of shares that were also the beneficial owners of the following percentages of shares that were outstanding on such date because the Adviser possessed voting or investment discretion with respect to such shares: Treasury Trust Fund - Institutional Shares (100%), Prime Trust Fund - Institutional Shares (100%), Treasury Fund - Institutional Shares (91.07%), Treasury Fund - Service Shares (86.35%), Prime Fund - Institutional Shares (53.06%), Prime Fund - Service Shares (99.74%), Tax-Exempt Fund - Institutional Shares (100.00%), Tax-Exempt Fund - Service Shares (18.25%), Equity Fund - Institutional Shares (99.55%), Equity Value Fund - Institutional Shares (100%); Small Capitalization Fund - Institutional Fund (99.67%), Balanced Fund - Institutional Shares (99.51%), U.S. Government Securities Fund - Institutional Shares (98.38%), Managed Bond Fund - Institutional Shares (99.27%), International Equity Fund - Institutional Shares (100%); Short-Term Fixed Income Fund - Institutional Shares (100%); and Florida Tax-Exempt Fund - Institutional Shares (95.16%).

As of August 20, 1996, the name, address and percentage of the outstanding shares held by other investors who may have owned of record or beneficially 5% or more of the outstanding shares of a particular class of a Fund of the Trust were as follows:

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Equity Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	56.16%
		University of West Florida Foundation 11000 University Parkway Pensacola, FL 32514-5750	6.33%
Equity Value Fund	Retail	Emerald Asset Management, Inc 3435 Stelzer Road Columbus, OH 43219	100.00%
International Equity Fund	Retail	Emerald Asset Management Inc. 3435 Stelzer Road Columbus, OH 43219	100.00%

Small Capitalization Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers and John T.R. Hayt, John T. R. Hayt Living Trust, 1169 Queens Harbor Blvd. Jacksonville, FL 32225	5.08%

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Short-Term Fixed Income Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers/FBO John W. Selby 2888 La Concha Dr. Clearwater, FL 34622	9.11%
		National Financial Services Corporation for the Exclusive Benefit of Our Customers/ Manley Holdings Ltd. Ville St. Laurent H4N 1X7 PQ Canada	6.70%
		National Financial Services Corporation for the Exclusive Benefit of Our Customers/FBO George A. Zellner 530 Park St. Jacksonville, FL 32204	13.36%
U.S. Government Securities Fund	Retail	Barnett Bank & Trust Company N.A. Customer Capital Network Services P.O. Box 40200 Jacksonville, FL 32203-0200	11.74%
		National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	53.40%

Name of Fund	Class of Shares	Name and Address	Percentage of Ownership
Prime Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	99.42%
Tax-Exempt Fund	Retail	National Financial Services Corporation for the Exclusive Benefit of Our Customers P.O. Box 3908 Church Street Station New York, NY 10008	99.31%
Treasury Fund	Institutional	Wilmington Trust Company Attn: Margaret Wilhelm Mutual Funds 1100 N. Market St. Wilmington, DE 19890	8.86%
Treasury Fund	Service	Hare & Co. Attn: Frank Nataro Attn: STIF/Master Note One Wall Street, 5th Floor	13.64%

		New York, NY 10286	
Prime Fund	Institutional	Wilmington Trust Company Attn: Margaret Wilhelm Mutual Funds 1100 N. Market St. Wilmington, DE 19890	46.94%
Tax-Exempt Fund	Service	Hare & Co. Attn: Frank Nataro Attn: STIF/Master Note One Wall Street, 5th Floor New York, NY 10286	77.39%

The Prospectus and this Additional Statement do not contain all the information included in the Registration Statement filed with the SEC under the Securities Act of 1933 with respect to the securities offered by the Trust's Prospectus. Certain portions of the Registration Statement have been omitted from the Prospectus and this Additional Statement pursuant to the rules and regulations of the SEC. The Registration Statement including the exhibits filed therewith may be examined at the office of the SEC in Washington, D.C.

Statements contained in the Prospectus or in this Additional Statement as to the contents of any contract or other documents referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which the Prospectus and this Additional Statement form a part, each such statement being qualified in all respects by such reference.

FINANCIAL STATEMENTS

The audited financial statements and related report of Price Waterhouse LLP, independent auditors, contained in the Funds' annual report to shareholders for the fiscal year ended November 30, 1995 (the "Annual Report") are hereby incorporated herein by reference. No other parts of the Annual Report are incorporated by reference. Copies of the Annual Report may be obtained by writing to BISYS Fund Services, Inc., P.O. Box 182697, Columbus, Ohio 43219-3035 or by calling toll-free at 800-637-3759.

APPENDIX A

COMMERCIAL PAPER RATINGS

A Standard & Poor's commercial paper rating is a current assessment of the likelihood of timely payment of debt considered short-term in the relevant market. The following summarizes the rating categories used by Standard and Poor's for commercial paper:

"A-1" - Issue's degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted "A-1+."

"A-2" - Issue's capacity for timely payment is satisfactory. However, the relative degree of safety is not as high as for issues designated "A-1."

"A-3" - Issue has an adequate capacity for timely payment. It is, however, somewhat more vulnerable to the adverse effects of changes and circumstances than an obligation carrying a higher designation.

"B" - Issue has only a speculative capacity for timely payment.

"C" - Issue has a doubtful capacity for payment.

"D" - Issue is in payment default.

Moody's commercial paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of 9 months. The following summarizes the rating categories used by Moody's for commercial paper:

"Prime-1" - Issuer or related supporting institutions are considered to have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics: leading market positions in well established industries; high rates of return on funds employed; 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.

"Prime-2" - Issuer or related supporting institutions are considered to 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 alternative liquidity is maintained.

"Prime-3" - Issuer or related supporting institutions have an acceptable capacity for repayment of short-term promissory obligations. The effects of industry characteristics and market composition may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and the requirement for relatively high financial leverage. Adequate alternate liquidity is maintained.

"Not Prime" - Issuer does not fall within any of the Prime rating categories.

The three rating categories of Duff & Phelps for investment grade commercial paper are "Duff 1," "Duff 2" and "Duff 3." Duff & Phelps employs three designations, "Duff 1+," "Duff 1" and "Duff 1-," within the highest rating category. The following summarizes the rating categories used by Duff & Phelps for commercial paper:

"Duff 1+" - Debt possesses highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below risk-free U.S. Treasury short-term obligations.

"Duff 1" - Debt possesses very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

"Duff 1-" - Debt possesses high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

"Duff 2" - Debt possesses good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

"Duff 3" - Debt possesses satisfactory liquidity, and other protection factors qualify issue as investment grade. Risk

factors are larger and subject to more variation. Nevertheless, timely payment is expected.

"Duff 4" - Debt possesses speculative investment characteristics. Liquidity is not sufficient to ensure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.

"Duff 5" - Issuer has failed to meet scheduled principal and/or interest payments.

Fitch short-term ratings apply to debt obligations that are payable on demand or have original maturities of up to three years. The following summarizes the rating categories used by Fitch for short-term obligations:

"F-1+" - Securities possess exceptionally strong credit quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

"F-1" - Securities possess very strong credit quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated "F-1+."

"F-2" - Securities possess good credit quality. Issues assigned 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.

"F-3" - Securities possess fair credit quality. Issues assigned this rating have characteristics suggesting that the degree of assurance for timely payment is adequate; however, near-term adverse changes could cause these securities to be rated below investment grade.

"F-S" - Securities possess weak credit quality. Issues assigned this rating have characteristics suggesting a minimal degree of assurance for timely payment and are vulnerable to near-term adverse changes in financial and economic conditions.

"D" - Securities are in actual or imminent payment default.

Fitch may also use the symbol "LOC" with its short-term ratings to indicate that the rating is based upon a letter of credit issued by a commercial bank.

Thomson BankWatch short-term ratings assess the likelihood of an untimely or incomplete payment of principal or

interest of unsubordinated instruments having a maturity of one year or less which is issued by United States commercial banks, thrifts and non-bank banks; non-United States banks; and broker-dealers. The following summarizes the ratings used by Thomson BankWatch:

"TBW-1" - This designation represents Thomson BankWatch's highest rating category and indicates a very high degree of likelihood that principal and interest will be paid on a timely basis.

"TBW-2" - This designation indicates that while the degree of safety regarding timely payment of principal and interest is strong, the relative degree of safety is not as high as for issues rated "TBW-1."

"TBW-3" - This designation represents the lowest investment grade category and indicates that while the debt is more susceptible to adverse developments (both internal and external) than obligations with higher ratings, capacity to service principal and interest in a timely fashion is considered adequate.

"TBW-4" - This designation indicates that the debt is regarded as non-investment grade and therefore speculative.

IBCA assesses the investment quality of unsecured debt with an original maturity of less than one year which is issued by bank holding companies and their principal bank subsidiaries. The following summarizes the rating categories used by IBCA for short-term debt ratings:

"A1" - Obligations are supported by the highest capacity for timely repayment. Where issues possess a particularly strong credit feature, a rating of A1+ is assigned.

"A2" - Obligations are supported by a good capacity for timely repayment.

"A3" - Obligations are supported by a satisfactory capacity for timely repayment.

"B" - Obligations for which there is an uncertainty as to the capacity to ensure timely repayment.

"C" - Obligations for which there is a high risk of default or which are currently in default.

CORPORATE AND MUNICIPAL LONG-TERM DEBT RATINGS

The following summarizes the ratings used by Standard & Poor's for corporate and municipal debt:

"AAA" - This designation represents the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay interest and repay principal.

"AA" - Debt is considered to have a very strong capacity to pay interest and repay principal and differs from AAA issues only in small degree.

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

"BBB" - Debt is regarded as having an adequate capacity to pay interest and repay principal. Whereas such issues normally exhibit 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.

"BB," "B," "CCC," "CC" and "C" - Debt is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "C" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

"BB" - Debt has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The "BB" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BBB-" rating.

"B" - Debt has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The "B" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BB" or "BB-" rating.

"CCC" - Debt has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The "CCC" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "B" or "B-" rating.

"CC" - Debt is typically applied to debt subordinated to senior debt that is assigned an actual or implied "CCC" rating.

"C" - Debt is typically applied to debt subordinated to senior debt which is assigned an actual or implied "CCC-" debt rating. The "C" rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

"CI" - This rating is reserved for income bonds on which no interest is being paid.

"D" - Debt is in payment default and is used when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired, unless S & P believes such payments will be made during such grace period. "D" rating is also used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

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

The following summarizes the ratings used by Moody's for corporate and municipal long-term debt:

"Aaa" - Bonds are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edged." 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 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 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 considered 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.

"Ba," "B," "Caa," "Ca," and "C" - Bonds that possess one of these ratings provide questionable protection of interest and principal ("Ba" indicates some speculative elements; "B" indicates a general lack of characteristics of desirable investment; "Caa" represents a poor standing; "Ca" represents obligations which are speculative in a high degree; and "C" represents the lowest rated class of bonds). "Caa," "Ca" and "C" bonds may be in default.

Con. (---) - Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. Parenthetical rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

Moody's applies numerical modifiers 1, 2 and 3 in each generic classification from "Aa" to "B" in its bond rating system. The modifier 1 indicates that the company ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks at the lower end of its generic rating category.

The following summarizes the long-term debt ratings used by Duff & Phelps for corporate and municipal long-term debt:

"AAA" - Debt is considered to be of the highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

"AA" - Debt is considered of high credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

"A" - Debt possesses protection factors which are average but adequate. However, risk factors are more variable and greater in periods of economic stress.

"BBB" - Debt possesses below average protection factors but such protection factors are still considered sufficient for prudent investment. Considerable variability in risk is present during economic cycles.

"BB," "B," "CCC," "DD," and "DP" - Debt that possesses one of these ratings is considered to be below investment grade. Although below investment grade, debt rated "BB" is deemed likely to meet obligations when due. Debt rated "B" possesses the risk that obligations will not be met when due. Debt rated "CCC" is well below investment grade and has considerable uncertainty as to timely payment of principal, interest or preferred dividends. Debt rated "DD" is a defaulted debt obligation, and the rating "DP" represents preferred stock with dividend arrearages.

To provide more detailed indications of credit quality, the "AA," "A," "BBB," "BB" and "B" ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within these major categories.

The following summarizes the highest four ratings used by Fitch for corporate and municipal bonds:

"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 an adverse impact on these bonds, and therefore, impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

"BB," "B," "CCC," "CC," "C," "DDD," "DD," and "D" - Bonds that possess one of these ratings are considered by Fitch to be speculative investments. The ratings "BB" to "C" represent Fitch's assessment of the likelihood of timely payment of principal and interest in accordance with the terms of obligation for bond issues not in default. For defaulted bonds, the rating "DDD" to "D" is an assessment of the ultimate recovery value through reorganization or liquidation.

To provide more detailed indications of credit quality, the Fitch ratings from and including "AA" to "C" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within these major rating categories.

IBCA assesses the investment quality of unsecured debt with an original maturity of more than one year which is issued by bank holding companies and their principal bank subsidiaries. The following summarizes the rating categories used by IBCA for long-term debt ratings:

"AAA" - Obligations for which there is the lowest expectation of investment risk. Capacity for timely repayment of principal and interest is substantial such that adverse changes in business, economic or financial conditions are unlikely to increase investment risk substantially.

"AA" - Obligations for which there is a very low expectation of investment risk. Capacity for timely repayment of principal and interest is substantial. Adverse changes in business, economic or financial conditions may increase investment risk albeit not very significantly.

"A" - Obligations for which there is a low expectation of investment risk. Capacity for timely repayment of principal and interest is strong, although adverse changes in business, economic or financial conditions may lead to increased investment risk.

"BBB" - Obligations for which there is currently a low expectation of investment risk. Capacity for timely repayment of principal and interest is adequate, although adverse changes in

business, economic or financial conditions are more likely to lead to increased investment risk than for obligations in higher categories.

"BB," "B," "CCC," "CC," and "C" - Obligations are assigned one of these ratings where it is considered that speculative characteristics are present. "BB" represents the lowest degree of speculation and indicates a possibility of investment risk developing. "C" represents the highest degree of speculation and indicates that the obligations are currently in default.

IBCA may append a rating of plus (+) or minus (-) to a rating to denote relative status within major rating categories.

Thomson BankWatch assesses the likelihood of an untimely repayment of principal or interest over the term to maturity of long term debt and preferred stock which are issued by United States commercial banks, thrifts and non-bank banks; non-United States banks; and broker-dealers. The following summarizes the rating categories used by Thomson BankWatch for long-term debt ratings:

"AAA" - This designation represents the highest category assigned by Thomson BankWatch to long-term debt and indicates that the ability to repay principal and interest on a timely basis is very high.

"AA" - This designation indicates a superior ability to repay principal and interest on a timely basis with limited incremental risk versus issues rated in the highest category.

"A" - This designation indicates that the ability to repay principal and interest is strong. Issues rated "A" could be more vulnerable to adverse developments (both internal and external) than obligations with higher ratings.

"BBB" - This designation represents Thomson BankWatch's lowest investment grade category and indicates an acceptable capacity to repay principal and interest. Issues rated "BBB" are, however, more vulnerable to adverse developments (both internal and external) than obligations with higher ratings.

"BB," "B," "CCC," and "CC," - These designations are assigned by Thomson BankWatch to non-investment grade long-term debt. Such issues are regarded as having speculative characteristics regarding the likelihood of timely payment of principal and interest. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation.

"D" - This designation indicates that the long-term debt is in default.

PLUS (+) OR MINUS (-) - The ratings from "AAA" through "CC" may include a plus or minus sign designation which indicates where within the respective category the issue is placed.

MUNICIPAL NOTE RATINGS

A Standard and Poor's rating reflects the liquidity concerns and market access risks unique to notes due in three years or less. The following summarizes the ratings used by Standard & Poor's Corporation for municipal notes:

"SP-1" - The issuers of these municipal notes exhibit very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics are given a plus (+) designation.

"SP-2" - The issuers of these municipal notes exhibit satisfactory capacity to pay principal and interest.

"SP-3" - The issuers of these municipal notes exhibit speculative capacity to pay principal and interest.

Moody's ratings for state and municipal notes and other short-term loans are designated Moody's Investment Grade ("MIG") and variable rate demand obligations are designated Variable Moody's Investment Grade ("VMIG"). Such ratings recognize the differences between short-term credit risk and long-term risk. The following summarizes the ratings by Moody's Investors Service, Inc. for short-term notes:

"MIG-1"/"VMIG-1" - Loans bearing this designation are of the best quality, enjoying strong protection by established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing.

"MIG-2"/"VMIG-2" - Loans bearing this designation are of high quality, with margins of protection ample although not so large as in the preceding group.

"MIG-3"/"VMIG-3" - Loans bearing this designation are of favorable quality, with all security elements accounted for but lacking the undeniable strength of the preceding grades. Liquidity and cash flow protection may be narrow and market access for refinancing is likely to be less well established.

"MIG-4"/"VMIG-4" - Loans bearing this designation are of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative.

"SG" - Loans bearing this designation are of speculative quality and lack margins of protection.

D&P uses the ratings described under Corporate and Municipal Long-Term Debt Ratings for tax-exempt notes and other short-term obligations.

Fitch uses the short-term ratings described under Commercial Paper Ratings for municipal notes.

PART C. OTHER INFORMATION

Item 24. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements:

Included in the Prospectuses and Incorporated by Reference into the Statements of Additional Information:

(1) Unaudited Financial Statements:

Financial Highlights for the period ended May 31, 1996 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, Equity Value Fund, International Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund and Florida Tax-Exempt Fund.

Statements of Assets and Liabilities for the period ended May 31, 1996 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, Equity Value Fund, International Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund and Florida Tax-Exempt Fund.

Portfolios of Investments - May 31, 1996 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, Equity Value Fund, International Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund and Florida Tax-Exempt Fund.

Statements of Operations for the period ended May 31, 1996 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, Equity Value Fund, International Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund and Florida Tax-Exempt Fund.

Statements of Changes in Net Assets for the period ended May 31, 1996 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund,Tax-Exempt Fund, Equity Fund, Equity Value Fund, International Equity Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Managed Bond Fund and Florida Tax-Exempt Fund.

(2) Audited Financial Statements: Financial Highlights for the fiscal year ended November 30, 1995 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund and Managed Bond Fund.

Statements of Assets and Liabilities - November 30, 1995 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Small Capitalization Fund, Balanced Fund, Managed Bond Fund and Short-Term Fixed Income Fund.

Portfolios of Investments - November 30, 1995 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Small Capitalization Fund, Balanced Fund, Managed Bond Fund and Short-Term Fixed Income Fund.

Statements of Operations for the fiscal year ended November 30, 1995 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund and Managed Bond Fund.

Statements of Changes in Net Assets for the fiscal year ended November 30, 1995 -Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Small Capitalization Fund, Balanced Fund, Short-Term Fixed Income Fund and Managed Bond Fund.

Notes to Financial Statements - November 30, 1995 - Treasury Fund, Prime Fund, Tax-Exempt Fund, Treasury Trust Fund, Prime Trust Fund, Equity Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Small Capitalization Fund, Balanced Fund, Managed Bond Fund and Short-Term Fixed Income Fund.

Reports of Independent Accountants - January 24, 1996 - Treasury Trust Fund, Prime Trust Fund, Treasury Fund, Prime Fund, Tax-Exempt Fund, Equity Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Small Capitalization Fund, Balanced Fund, Managed Bond Fund and Short-Term Fixed Income Fund.

(3) All required financial statements are included in Parts A and B hereof, or incorporated by reference. All other financial statements and schedules are inapplicable.

(b) Exhibits:

(1) Agreement and Declaration of Trust of the Registrant dated March 15, 1988 is incorporated by reference to Exhibit (1) to Registrant's Registration Statement on Form N-1A, filed on March 21, 1988.

(2) (a) Registrant's Code of Regulations is incorporated by reference to Exhibit (2) to Registrant's Registration Statement on Form N-1A, filed on March 21, 1988.

(b) Amendment No. 1 to Registrant's Code of

Regulations is incorporated by reference to Exhibit (2) (b) to Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form N-1A, filed on June 7, 1989.

(3) None.

(4) (a) Form of Generic Share Certificate for all portfolios of Emerald Funds is incorporated by reference to Exhibit (4) (a) to Registrant's Post-Effective Amendment No. 13 to Registration Statement on Form N-1A, filed on September 16, 1994.

(5) (a) Investment Advisory Agreement between Registrant and Barnett Banks Trust Company, N.A. (Treasury Trust Fund and Prime Trust Fund) is incorporated by reference to Exhibit (5) (a) to Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form N-1A, filed on June 7, 1989.

(b) Investment Advisory Agreement between Registrant and Barnett Banks Trust Company, N.A. (Tax-Exempt Trust Fund) is incorporated by reference to Exhibit (5) (b) to Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form N-1A, filed on June 7, 1989.

(c) Investment Advisory Agreement between Registrant and Barnett Banks Trust Company, N.A. (Treasury Fund and Prime Fund) is incorporated by reference to

Exhibit (5) (e) to Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form N-1A, filed on June 7, 1989.

(d) Investment Advisory Agreement between Registrant and Barnett Banks Trust Company, N.A. (Equity Fund, Equity Income Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Tax-Exempt Target Fund (Maturity 1995), Tax-Exempt Target Fund (Maturity 2000), and Tax-Exempt Target Fund (Maturity 2005)) is incorporated by reference to Exhibit (5) (h) to Registrant's Post-Effective Amendment No. 5 to Registration Statement on form N-1A, filed on December 20, 1991.

(e) Amended Investment Advisory Agreement between Registrant and Barnett Banks Trust Company, N.A. (Tax-Exempt Fund) is incorporated by reference to Exhibit (5) (f) to Registrant's Post-Effective Amendment No. 7 to Registration Statement on Form N-1A, filed on January 29, 1993.

(f) Sub-Investment Advisory Agreement between Barnett Banks Trust Company, N.A. and Rodney Square Management Corporation (Treasury Trust Fund and Prime Trust Fund) is incorporated by reference to Exhibit (5) (g) to Registrant's Post-Effective Amendment No. 7 to Registration Statement on Form N-1A, filed on January 29, 1993.

(g) Sub-Investment Advisory Agreement between Barnett Banks Trust Company, N.A. and Rodney Square Management Corporation (Tax-Exempt Fund) is incorporated by reference to Exhibit (5) (h) to Registrant's Post-Effective Amendment No. 7 to Registration Statement on Form N-1A, filed on January 29, 1993.

(h) Sub-Investment Advisory Agreement between Barnett Capital Advisors, Inc. and Brandes Investment Partners, L.P. (International Equity Fund).

(i) Amendment No. 1 to Investment Advisory Agreement between Registrant and Barnett Banks Trust Company, N.A. dated January 4, 1994 is incorporated by reference to Exhibit (5) (i) to Registrant's Post-Effective Amendment No. 10 to Registration Statement on Form N-1A filed on January 28, 1994.

(j) Revised Amendment No. 2 to Investment Advisory Agreement between Registrant and Barnett Capital Advisors, Inc.

(6) (a) Distribution Agreement between Registrant and Emerald Asset Management, Inc. dated as of January 4, 1994 is incorporated by reference to Exhibit (6) (b) to Registrant's Post-Effective Amendment No. 10 to Registration Statement on Form N-1A filed on January 28, 1994.

(b) Amendment No. 1 to Distribution Agreement between Registrant and Emerald Asset Management, Inc. is incorporated by reference to Exhibit (6) (b) to Registrant's Post Effective Amendment No. 17 to Registration Statement on Form N-1A, filed on February 1, 1996.

(7) None.

(8) (a) Custody Agreement between Registrant and The Bank of New York is incorporated by reference to Exhibit (8) (a) to Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form N-1A, filed on June 7, 1989.

(b) Amendment to Custody Agreement with respect to the addition of global custody with respect to the International Equity Fund.

(9) (a) Administration Agreement between Registrant and BISYS Fund Services Limited Partnership is incorporated by reference to Exhibit (9)(a) to Registrant's Post-Effective Amendment No. 18 to Registration Statement on Form N-1A filed on June 28, 1996.

(b) Shareholder Processing and Services Plan and Form of Servicing Agreement for Emerald Service Shares is incorporated by reference to Exhibit (9)(o) to Registrant's Post-Effective Amendment No. 17 to Registration Statement on Form N-1A filed on February 1, 1996.

(c) Shareholder Processing Plan and Form of Servicing Agreement for Retail Shares is incorporated by reference to Exhibit (9) (p) to Registrant's Post-Effective Amendment No. 17 to Registration Statement on Form N-1A filed on February 1, 1996.

(d) Transfer Agency Agreement between Registrant and BISYS Fund Services, Inc. is incorporated by reference to Exhibit (9)(d) to Registrant's Post-Effective Amendment No. 18 to Registration Statement on Form N-1A filed on June 28, 1996.

(e) Cash Management and Related Services Agreement between Registrant and The Bank of New York dated as of January 3, 1994 is incorporated by reference to Exhibit (9)(q) to Registrant's

Post-Effective Amendment No. 10 to Registration Statement on Form N-1A filed on January 28, 1994.

(f) Amendment to Cash Management and Related Services Agreement between Registrant and the Bank of New York dated as of May 20, 1996 is incorporated by reference to Exhibit (9)(f) to Registrant's Post-Effective Amendement No. 18 to Registration Statement on Form N-1A filed on June 28, 1996.

(g) Fund Accounting Agreement between BISYS Fund Services Limited Partnership and BISYS Fund Services, Inc. is incorporated by reference to Exhibit (9)(g) to Registrant's Post-Effective Amendment No. 18 to Registration Statement on Form N-1A filed on June 28, 1996.

(10) (a)(1) Opinion and consent of counsel that shares are validly issued, fully paid and non-assessable.

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(1) Filed under Rule 24f-2 as part of Registrant's Rule 24f-2 Notice.

(11) (a) Consent of Price Waterhouse LLP.

(b) Consent of Drinker Biddle & Reath.

(12) None.

(13) Purchase Agreement between Registrant and Hambrecht & Quist Group, Inc. is incorporated by reference to Exhibit (13) to Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form N-1A, filed on June 7, 1989.

(14) Individual Retirement Account Custodial Agreement and accompanying Disclosure Statement is incorporated by reference to Exhibit (14) to Registrant's Post-Effective Amendment No. 4 to Registration Statement on Form N-1A, filed on January 31, 1991.

(15) (a) Form of Broker-Dealer Agreement between Emerald Asset Management, Inc. and financial intermediaries (Equity Fund, Equity Income Fund, Short-Term Fixed Income Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Tax-Exempt Target Fund (Maturity: 1995), Tax-Exempt Target Fund (Maturity: 2000) and Tax-Exempt Target Fund (Maturity: 2005)) is incorporated by reference to Exhibit (15) (c) to Registrant's Post-Effective Amendment No. 4 to Registration Statement on Form N-1A, filed on January 31, 1991.

(b) Combined Amended and Restated Distribution and Service Plan with Related Agreement for Retail Shares (All Funds) is incorporated by reference to Exhibit (15)(e) to Registrant's Post-Effective Amendment No. 17 to Registration Statement on Form N-1A filed on February 1, 1996.

(16) (a) Schedule for Computation of Performance Quotations - Treasury Trust Fund is incorporated by reference to Exhibit (16) (a) to Registrant's Post-Effective Amendment No. 6 to Registration Statement on Form N-1A, filed on January 31, 1992.

(b) Schedule for Computation of Performance Quotations - Prime Trust Fund is incorporated by reference to Exhibit (16) (b) to Registrant's Post-Effective Amendment No. 6 to Registration Statement on Form N-1A, filed January 31, 1992.

(c) Schedule for Computation of Performance Quotations - Emerald Shares of the Treasury Fund, Prime Fund and Tax-Exempt Fund is incorporated by reference to Exhibit (16) (c) is Registrant's Post-Effective Amendment No. 6 to Registration Statement on Form N-1A, filed January 31, 1992.

(d) Schedule for Computation of Performance Quotations - Emerald Service Shares of the Treasury Fund, Prime Fund and Tax-Exempt Fund is incorporated by reference to Exhibit (16) (d) to Registrant's Post-Effective Amendment No. 6 to Registration Statement on Form N-1A, filed January 31, 1992.

(e) Schedule for Computation of Performance Quotations - Investor Shares of the Treasury Fund, Prime Fund and Tax-Exempt Fund is incorporated by reference to Exhibit (16) (e) to Registrant's Post-Effective Amendment No. 6 to Registration Statement on Form N-1A, filed January 31, 1992.

(f) Schedule for Computation of Performance Quotations - Equity Fund is incorporated by reference to Exhibit (16) (f) to Registrant's Post-Effective Amendment No. 6 to Registration Statement on Form N-1A, filed on January 31, 1992.

(g) Schedule for Computation of Performance Quotation - U.S. Government Securities Fund is incorporated by reference to Exhibit (16) (g) to Registrant's Post-Effective Amendment No. 6 to Registration Statement on Form N-1A, filed on January 31, 1992.

(h) Schedule for Computation of Performance Quotations - Florida Tax-Exempt Fund is

incorporated by reference to Exhibit (16) (h) to Registrant's Post-Effective Amendment No. 6 to Registration Statement on Form N-1A, filed on January 31, 1992.

(i) Schedule for Computation of Performance Quotations - Small Capitalization Fund is incorporated by reference to Exhibit (16) (i) to Registrant's Post-Effective Amendment No. 13 to Registration Statement on Form N-1A, filed on September 16, 1994.

(j) Schedules for Computation of Performance Quotations - Balanced Fund is incorporated by reference to Exhibit (16) (j) to Registrant's Post-Effective Amendment No. 13 to Registration Statement on Form N-1A, filed on September 16, 1994.

(k) Schedules for Computation of Performance Quotations - Short-Term Fixed Income Fund is incorporated by reference to Exhibit (16) (k) to Registrant's Post-Effective Amendment No. 13 to Registration Statement on Form N-1A, filed on September 16, 1994.

(l) Schedules for Computation of Performance Quotations - Managed Bond Fund is incorporated by reference to Exhibit (16) (l) to Registrant's Post-Effective Amendment No. 13 to Registration Statement on Form N-1A filed on September 16, 1994.

(m) Schedules for Computation of Performance Quotations - Equity Value Fund is incorporated by reference to Exhibit (16)(m) to Registrant's Post-Effective Amendment No. 18 to Registration Statement on Form N-1A filed on June 28, 1996.

(n) Schedules for Computation of Performance Quotations - International Equity Fund is incorporated by reference to Exhibit (16)(n) to Registrant's Post-Effective Amendment No. 18 to Registration Statement on Form N-1A filed on June 28, 1996.

(18) (a) Revised Plan pursuant to Rule 18f-3 for operation of a Multi-Class System is incorporated by reference to Exhibit (18)(a) to Post-Effective Amendment No. 18 to Registration Statement on Form N-1A filed on June 28, 1996.

(27) Financial Data Schedules.

Item 25. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT

Inapplicable.

Item 26. NUMBER OF HOLDERS OF SECURITIES

As of June 1, 1996:

TITLE OF CLASS OF HOLDERS	NUMBER OF RECORD HOLDERS
Class A-1 Shares	1
Class B-1 Shares	1
Class C-1 Shares	0
Class D-1 Shares	2
Class D-2 Shares	5
Class D-3 Shares	7
Class E-1 Shares	5
Class E-2 Shares	6
Class E-3 Shares	409
Class F-1 Shares	2
Class F-2 Shares	4
Class F-3 Shares	17
Class G-1 Shares	1245
Class G-3 Shares	622
Class H-1 Shares	700
Class H-3 Shares	315
Class I-1 Shares	1030
Class I-3 Shares	327
Class J-1 Shares	941
Class J-3 Shares	637

TITLE OF CLASS OF HOLDERS	NUMBER OF RECORD HOLDERS
Class K-1 Shares	62
Class K-3 Shares	302
Class L-1 Shares	102
Class L-3 Shares	312
Class M-1 Shares	404
Class M-3 Shares	117
Class N-1 Shares	1
Class N-3 Shares	2
Class O-1 Shares	1
Class O-3 Shares	2

Item 27. INDEMNIFICATION

Indemnification of Registrant's principal underwriter against certain losses is provided for in Section V.3. of the Distribution Agreement incorporated herein by reference as Exhibit (6) (a) and in Section V.3. of the Distribution Agreement included herein as Exhibit (6) (b). Indemnification of Registrant's Custodian is provided for in Article XV, Section 15, of the Custody Agreement incorporated herein by reference as Exhibit (8) (a). Indemnification of Registrant's Transfer Agent and Dividend Disbursing Agent is provided for in Section 9 of the Transfer Agency Agreement filed herewith as Exhibit (9)(d). Indemnification of Registrant's Cash Management Service Provider is provided for in Article 4 VI, Section 3, of the Cash Management and Related Services Agreement incorporated by reference as Exhibit (9)(e). Registrant has obtained from a major insurance carrier a trustees' and officers' liability policy covering certain types of errors and omissions. In addition, Section 9.3 of the Registrant's Agreement and Declaration of Trust incorporated herein by reference as Exhibit (1), provides as follows:

> 9.3 INDEMNIFICATION OF TRUSTEES, REPRESENTATIVES AND EMPLOYEES. The Trust shall indemnify each of its Trustees against all liabilities and expenses (including amounts paid in satisfaction of judgments, in compromise, as fines and penalties, and as counsel fees) reasonably incurred by him in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, in

> which he may be involved or with which he may be threatened, while as a Trustee or thereafter, by reason of his being or having been such a Trustee EXCEPT with respect to any matter as to which he shall have been adjudicated to have acted in bad faith, willful misfeasance, gross negligence or reckless disregard of his duties, PROVIDED that as to any matter disposed of by a compromise payment by such person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless the Trust shall have received a written opinion from independent legal counsel approved by the Trustees to the effect that if either the matter of willful misfeasance, gross negligence or reckless disregard of duty, or the matter of bad faith had been adjudicated, it would in the opinion of such counsel have been adjudicated in favor of such person. The rights accruing to any person under these provisions shall not exclude any other right to which he may be lawfully entitled, PROVIDED that no person may satisfy any right of indemnity or reimbursement hereunder except out of the property of the Trust. The Trustees may make advance payments in connection with the indemnification under this Section 9.3, PROVIDED that the indemnified person shall have given a written undertaking to reimburse the Trust in the event it is subsequently determined that he is not entitled to such indemnification.
>
> The Trustees shall indemnify representatives and employees of the Trust to the same extent that Trustees are entitled to indemnification pursuant to this Section 9.2.

Insofar as indemnification for liability arising under the Securities Act of 1933 may be permitted to trustees, officers and controlling persons of Registrant pursuant to the foregoing provisions, or otherwise, Registrant has been advised that in the opinion of the Securities and

Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Registrant of expenses incurred or paid by a trustee, officer or controlling person of Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person in connection with the securities being registered, Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Section 9.6 of the Registrant's Agreement and Declaration of Trust, incorporated herein by reference as Exhibit

(1), also provides for the indemnification of shareholders of the Registrant. Section 9.6 states as follows:

> 9.6 INDEMNIFICATION OF SHAREHOLDERS. In case any Shareholder or former Shareholder shall be held to be personally liable solely by reason of his being or having been a Shareholder and not because of his acts or omissions or for some other reason, the Shareholder or former Shareholder (or his heirs, executors, administrators or other legal representatives or, in the case of a corporation or other entity, its corporate or other general successor) shall be entitled out of the assets belonging to the classes of Shares with the same alphabetical designation as that of the Shares owned by such Shareholder to be held harmless from and indemnified against all loss and expense arising from such liability. The Trust shall, upon request by the Shareholder, assume the defense of any claim made against any Shareholder for any act or obligations of the Trust and satisfy any judgment thereon from such assets.

Item 28. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER

(a) Barnett Capital Advisors, Inc., a Florida corporation with principal offices in Jacksonville, Florida, offers investment advisory services in the states of Florida and Georgia. Barnett Capital Advisors, Inc. is a wholly-owned subsidiary of Barnett Bank, N.A. which, in turn, is a wholly-owned subsidiary of Barnett Banks, Inc., a registered bank holding company.

To Registrant's knowledge, none of the directors or senior executive officers of Barnett Capital Advisors, Inc., except those set forth below, is, or has been at any time during Registrant's past two fiscal years, engaged in any other business, profession, vocation or employment of a substantial nature, except that certain directors and officers of Barnett Capital Advisors, Inc., also hold various positions with, and engage in business for, affiliates of Barnett Capital Advisors, Inc. Set forth below are the names and principal businesses of the directors and certain of the senior executive officers of Barnett Capital Advisors, Inc. who are or have been engaged in any other business, profession, vocation or employment of a substantial nature.

<TABLE>
<CAPTION>

Name	Position with Barnett Capital Advisors, Inc.	Other Business Connections	Type of Business
<S>	<C>	<C>	<C>
Donna L. Terry	Chairman	The Boston Company Advisors, Inc., Boston MA; The Boston Company Asset Management, Inc., Boston MA	Investment Advisor
Richard H. Jones	Director	Barnett Bank & Trust Company, N.A., Jacksonville, FL	Trust
		Fleet Financial Group, Providence, RI	Financial Services
Rebecca S. Allen	Director	Barnett Bank & Trust Company, N.A. Jacksonville, FL	Trust Company

		Barnett Bank of Southwest Florida, Sarasota, FL	Bank
Richard A. Anderson	Director	Barnett Banks, Inc. Jacksonville, FL	Banking
		Barnett Bank of Broward, Ft. Lauderdale, FL	Banking
James E. Loskill	Director	Barnett Bank of Naples, Naples, FL	Bank
Robert K. Mackenzie	Director	Barnett Securities, Inc. Jacksonville, FL	Financial Services
		Fidelity Investments, New York, NY; Chicago, IL; Boston, MA	Financial Services
Robert L. Nellsen	Director	Barnett Banks, Inc. Jacksonville, FL	Bank Holding Company
		The New England Boston, MA	Mutual Insurance Company
		Fleet Financial Group, Providence, RI	Bank Holding Company

</TABLE>

(b) Rodney Square Management Corporation is a Delaware corporation organized in 1981 to provide management services to mutual funds and others, and has been advising mutual funds since 1985.

To the knowledge of Registrant, none of the directors or officers of Rodney Square Management Corporation, except those set forth below, is or has been, at any time during the past two calendar years, engaged in any other business, profession, vocation or employment of a substantial nature, except that certain directors and officers of Rodney Square Management Corporation also hold various positions with, and engage in business for, Wilmington Trust Company, or other subsidiaries of Wilmington Trust Company. Set forth below are the names and principal businesses of the directors and officers of Rodney Square Management Corporation including those who are engaged in any other business, profession, vocation or employment of a substantial nature.

<TABLE>
<CAPTION>

Name	Position with Rodney Square Management Corporation	Other Business Connections	Type of Business
<S>	<C>	<C>	<C>
Leah M. Anderson	Accounting Officer	N/A	N/A
Rebecca J. Booz	Accounting Officer	N/A	N/A
Cornelius G. Curran	Vice President since October, 1993	Vice President, Fund Plan Ser- vices, Inc., from July 1991 through October 1993	Mutual Fund/ Services
Scott W. Edmonds	Senior Investment Officer, since September, 1993	N/A	N/A
Joseph M. Fahey, Jr.	Vice President, Secretary & Director from 1992; Assistant Vice President & Director from 1988 to 1992	N/A	N/A
Molly Graham	Senior Fund Administration Officer, since January 1995; Mutual Fund	Legal Assistant, Clark, Ladner, Fortenbaugh &	Law Firm

	Administrator, since December, 1994	Young, from 1991 to December, 1993.	
Robert C. Hancock	Vice President & Treasurer	N/A	N/A
John J. Kelley	Vice President, since February, 1995; Assistant Vice President from 1989 to 1995	N/A	N/A

Martin L. Klopping	President & Director	Director of Rodney Square Distributors Inc., Rodney Square North, 1100 N. Market Street, Wilmington, DE 19890, wholly owned subsidiary of Wilmington Trust Company and the distributor of each of the Rodney Square Family of mutual funds, since 1993.	broker/ dealer
Diane D. Marky	Senior Funds Administration Officer	N/A	N/A
Robert J. Christian	Director	Senior Vice President, Wilmington Trust Company, Rodney Square North, 1100 N. Market Street, Wilmington, DE 19890; the sole parent of RSMC.	Banking
		Director of Rodney Square Distributors, Inc.	broker/dealer
Carl M. Rizzo	Vice President, since July, 1996	N/A	N/A
Jody I. Thomas	Senior Transfer Officer, since January, 1995	N/A/	N/A
Wayne D. Weaver*	Vice President, since February, 1995 Assistant Vice President, since August, 1992	N/A	N/A
M. Martine Slicer	Accounting Officer, since November 1995	N/A	N/A
Richard Arthur Morgan	Vice President Since Nov. 1995	Asst. Vice Pres. PFPC, Inc. 6/84 to 11/95	Mutual Fund Serv.
Lynette Lucille Becker	Operations Officer	N/A	N/A
Jo Michelle Robinson	Operations Officer	N/A	N/A
Louis Craig Schwartz	Sr. Fund Admin. Officer Since 11/95	Associate Mason, Briody, Gallagher & Taylor 8/93 to 2/95	Law Firm
Connie L. Meyers	Regulatory Compliance Officer	N/A	N/A
James John Palermo	Investment Officer	N/A	N/A
David A. Fischer	Accounting Officer	Fund Accountant PFPC, Inc. 11/91 to 12/93	Mutual Fund Services
Jeffrey A. Wirosloff	Operations Officer	Transfer Agent	Mutual Fund

	Supervisor PFPC, Inc. 9/92 to 9/94	Services

</TABLE>

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*   Except as noted in the table, all Rodney Square Management Corporation Officers and Directors have been employed solely by Wilmington Trust Company or an affiliate thereof for the past two years.

(c) Brandes Investment Partners, L.P. is a California Limited Partnership with principal offices in San Diego, California.

The list required by this Item 28 of officers and directors of Brandes, together with information as to any business profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two years is incorporated herein by reference to Schedule A and D of Form ADV filed by Brandes pursuant to the Advisers Act (SEC File No. 801-24896).

Item 29. PRINCIPAL UNDERWRITER

(a) None.

(b) To the best of Registrant's knowledge, the directors and executive officers of Emerald Asset Management, Inc., distributor for Registrant, are as follows:

<TABLE>
<CAPTION>

Name and Principal Business Address	Positions and Offices with Emerald Asset Management, Inc.	Positions and Offices with Registrant
<S>	<C>	<C>
Lynn J. Mangum 3435 Stelzer Road Columbus, OH 43219-3035	Chairman	None
Richard E. Stierwalt 3435 Stelzer Road Columbus, OH 43219-3035	President/CEO	None
Robert J. McMullan 3435 Stelzer Road Columbus, OH 43219-3035	Executive Vice President	None
Sean Kelly 3435 Stelzer Road Columbus, OH 43219-3035	First Vice President	None
William Blundin 3435 Stelzer Road Columbus, OH 43219-3035	Vice President	None
Dennis Sheehan 3435 Stelzer Road Columbus, OH 43219-3035	Vice President	None
Catherin T. Dwyer 3435 Stelzer Road Columbus, OH 43219-3035	Vice President/Secretary	None
Michael Burns 3435 Stelzer Road Columbus, OH 43219-3035	Vice President/Compliance	None
Annamarie Porcaro 3435 Stelzer Road Columbus, OH 43219-3035	Assistant Secretary	None
Robert Tuch 3435 Stelzer Road Columbus, OH 43219-3035	Assistant Secretary	None
Stephen G. Mintos	Executive Vice President/COO	None

3435 Stelzer Road
Columbus, OH 43219-3035

George Martinez 3435 Stelzer Road Columbus, OH 43219-3035	Senior Vice President	None
Dale Smith 3435 Stelzer Road Columbus, OH 43219-3035	Vice President/CFO	None
Chris Davis 3435 Stelzer Road Columbus, OH 43219-3035	Regional Vice President	None

</TABLE>

(c) None.

Item 30. LOCATION OF ACCOUNTS AND RECORDS

(1) Barnett Captial Advisors, Inc., 9000 Southside Blvd., Building 100, P.O. Box 40200, Jacksonville, Florida 32203-0200 (records relating to its functions as investment adviser - all portfolios).

(2) Bank of America, NT&SA, 300 South Grand Avenue, HCP 225, Los Angeles, California 90071 (records relating to its prior functions as sub-adviser - Treasury Trust Fund, Prime Trust Fund, Tax-Exempt Trust Fund and Tax-Exempt Fund).

(3) Rodney Square Management Corporation, Rodney Square North, Wilmington, Delaware 19890 (records relating to its functions as sub-adviser - Treasury Trust Fund, Prime Trust Fund and Tax-Exempt Fund).

(4) Brandes Investment Partners, L.P., 12750 High Bluff Drive, San Diego, California 92130 (records relating to its functions as sub-adviser (International Equity Fund).

(5) BISYS Fund Services Limited Partnership, 3435 Stelzer Road, Columbus, OH 43219-3035 (records relating to its functions as administrator and accounting services agent - all portfolios).

(6) Emerald Asset Management, Inc., 3435 Stelzer Road, Columbus, Ohio 43219-3035 (records relating to its functions as distributor -all portfolios).

(7) The Bank of New York, 110 Washington Street, 24th Floor, New York, New York 10286 (records relating to its functions as custodian for the Funds - all portfolios).

(8) BISYS Fund Services, Inc., 3435 Stelzer Road, Columbus, Ohio 43219-3035 (records relating to its functions as transfer agent and dividend disbursing agent - all portfolios).

(9) Drinker Biddle & Reath, Philadelphia National Bank Building, 1345 Chestnut Street, Philadelphia, Pennsylvania 19107 (Registrant's Agreement and Declaration of Trust, Code of Regulations and Minute Books).

Item 31. MANAGEMENT SERVICES

None.

Item 32. UNDERTAKINGS

The Registrant 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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant has duly caused this Post-Effective Amendment No. 19 to its Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized in the City of Jacksonville and State of Florida on the 21st day of August, 1996.

EMERALD FUNDS
(Registrant)

By /S/ JOHN G. GRIMSLEY

John G. Grimsley
President

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
*CHESTERFIELD H. SMITH -------------------------- Chesterfield H. Smith	Chairman of the Board of Trustees	August 21, 1996
/S/ JOHN G. GRIMSLEY -------------------------- John G. Grimsley	President (Chief Executive Officer) and Trustee	August 21, 1996
*MARTIN R. DEAN -------------------------- Martin R. Dean	Treasurer (Principal Financial and Accounting Officer)	August 21, 1996
*RAYNOR E. BOWDITCH -------------------------- Raynor E. Bowditch	Trustee	August 21, 1996
*ALBERT D. ERNEST -------------------------- Albert D. Ernest	Trustee	August 21, 1996
*MARY DOYLE -------------------------- Mary Doyle	Trustee	August 21, 1996
*HARVEY R. HOLDING -------------------------- Harvey R. Holding	Trustee	August 21, 1996

/S/ JOHN G. GRIMSLEY
----
* By John G. Grimsley,
Attorney-in-Fact

EMERALD FUNDS

CERTIFICATE OF SECRETARY

The following resolution was duly adopted by the Board of Trustees of Emerald Funds at a meeting held on May 3, 1996 and remains in effect on the date hereof:

> FURTHER RESOLVED, that the trustees and officers of the Trust who may be required to execute any amendments to the Trust's Registration Statement be, and each of them hereby is, authorized to execute a

power of attorney appointing John G. Grimsley and William B. Blundin, and either of them, their true and lawful attorney of attorneys, to execute in their name, place and stead, in their capacity as trustee or officer, or both, of the Trust any and all amendments to the Registration Statement, and all instruments necessary or incidental in connection therewith, and to file the same with the Securities and Exchange Commission; and either of said attorneys shall have the power to act thereunder with or without the other of said attorneys and shall have full power of substitution and resubstitution; and either of said attorneys shall have full power and authority to do in the name and on behalf of said trustees and officers, or any or all of them, in any and all capacities, every act whatsoever requisite or necessary to be done on the premises, as fully and to all intents and purposes as each of said trustees or officers, or any or all of them, might or could do in person, said acts of said attorneys, or either of them, being hereby ratified and approved.

EMERALD FUNDS

By: /s/ Jeffrey A. Dalke

Jeffrey A. Dalke
Secretary

Dated: August 21, 1996

EMERALD FUNDS

POWER OF ATTORNEY

Martin R. Dean, whose signature appears below, does hereby constitute and appoint John G. Grimsley and William B. Blundin, and either of them, his true and lawful attorneys and agents, with power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable Emerald Funds, a Massachusetts business trust (the "Fund"), to comply with the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended ("Acts"), and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing and effectiveness of any and all amendments (including post-effective amendments) to the Fund's Registration Statement pursuant to said Acts, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the name and on behalf of the undersigned as a trustee and/or officer of the Fund any and all such amendments filed with the Securities and Exchange Commission under said Acts, and any other instruments or documents related thereto, and the undersigned does hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

/s/ Martin R. Dean

Date: October 5, 1995

EMERALD FUNDS

POWER OF ATTORNEY

Chesterfield H. Smith, whose signature appears below, does hereby constitute and appoint John G. Grimsley and William B. Blundin, and either of them, his true and lawful attorneys and agents, with power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable Emerald Funds, a Massachusetts business trust (the "Fund"), to comply with the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended

("Acts"), and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing and effectiveness of any and all amendments (including post-effective amendments) to the Fund's Registration Statement pursuant to said Acts, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the name and on behalf of the undersigned as a trustee and/or officer of the Fund any and all such amendments filed with the Securities and Exchange Commission under said Acts, and any other instruments or documents related thereto, and the undersigned does hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

/s/ Chesterfield H. Smith

Date: May 10, 1989

EMERALD FUNDS

POWER OF ATTORNEY

Albert Ernest, whose signature appears below, does hereby constitute and appoint John G. Grimsley and William B. Blundin, and either of them, his true and lawful attorneys and agents, with power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable Emerald Funds, a Massachusetts business trust (the "Fund"), to comply with the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended ("Acts"), and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing and effectiveness of any and all amendments (including post-effective amendments) to the Fund's Registration Statement pursuant to said Acts, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the name and on behalf of the undersigned as a trustee and/or officer of the Fund any and all such amendments filed with the Securities and Exchange Commission under said Acts, and any other instruments or documents related thereto, and the undersigned does hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

/s/ Albert Ernest

Date: October 5, 1995

EMERALD FUNDS

POWER OF ATTORNEY

Raynor E. Bowditch, whose signature appears below, does hereby constitute and appoint John G. Grimsley and William B. Blundin, and either of them, his true and lawful attorneys and agents, with power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable Emerald Funds, a Massachusetts business trust (the "Fund"), to comply with the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended ("Acts"), and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing and effectiveness of any and all amendments (including post-effective amendments) to the Fund's Registration Statement pursuant to said Acts, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the name and on behalf of the undersigned as a trustee and/or officer of the Fund any and all such amendments filed with the Securities and Exchange Commission under said Acts, and any other instruments or documents related thereto, and the undersigned does hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

/s/ Raynor E. Bowditch

Date: May 10, 1989

EMERALD FUNDS

POWER OF ATTORNEY

Mary Doyle, whose signature appears below, does hereby constitute and appoint John G. Grimsley and William B. Blundin, and either of them, his true and lawful attorneys and agents, with power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents, or either of them, may deem necessary or advisable or which may be required to enable Emerald Funds, a Massachusetts business trust (the "Fund"), to comply with the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended ("Acts"), and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing and effectiveness of any and all amendments (including post-effective amendments) to the Fund's Registration Statement pursuant to said Acts, including specifically, but without limiting the generality of the foregoing, the power and authority to sign in the name and on behalf of the undersigned as a trustee and/or officer of the Fund any and all such amendments filed with the Securities and Exchange Commission under said Acts, and any other instruments or documents related thereto, and the undersigned does hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

/s/ Mary Doyle

Date: October 31, 1990

EXHIBIT INDEX

EXHIBIT NO.	EXHIBIT	PAGE NO.
(5)(h)	Sub-Investment Advisory Agreement between Barnett Capital Advisors, Inc. and Brandes Investment Partners, L.P. (International Equity Fund).	
(5)(j)	Revised Amendment No. 2 to Investment Advisory Agreement between Registrant and Barnett Capital Advisors, Inc.	
(8)(b)	Amendment to Custody Agreement with respect to the addition of global custody with respect to the International Equity Fund.	
(11)(a)	Consent of Price Waterhouse LLP.	
(11)(b)	Consent of Drinker Biddle & Reath.	
(27)	Financial Data Schedules.	

SUB-INVESTMENT ADVISORY AGREEMENT

(International Equity Fund)

AGREEMENT made as of August 19, 1996 between BARNETT CAPITAL ADVISORS, INC. (herein called the "Adviser"), and BRANDES INVESTMENT PARTNERS, L.P., a California limited partnership (herein called the "Sub-Adviser").

WHEREAS, EMERALD FUNDS, a Massachusetts business trust (herein called the "Trust"), is registered as an open-end, management investment company under the Investment Company Act of 1940, as amended ("1940 Act"); and

WHEREAS, pursuant to Revised Amendment No. 2 to the Investment Advisory Agreement by and between Trust and the Adviser (herein called the "Investment Advisory Agreement"), the Adviser has agreed to furnish investment advisory services to the Trust with respect to its International Equity Fund investment portfolio (the "Fund"); and

WHEREAS, the Investment Advisory Agreement authorizes the Adviser to sub-contract investment advisory services with respect to the International Equity Fund to the Sub-Adviser pursuant to a sub-advisory agreement agreeable to the Trust and approved in accordance with the provisions of the 1940 Act; and

WHEREAS, this Agreement has been so approved, and the Sub-Adviser is willing to furnish sub-advisory services to the Fund upon the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is agreed between the parties hereto as follows:

1. APPOINTMENT.

The Adviser hereby appoints the Sub-Adviser to act as sub-investment adviser to the Trust's International Equity Fund for the period and on the terms set forth in this Agreement. Sub-Adviser accepts such appointment and agrees to furnish the services herein set forth for the compensation herein provided.

2. SERVICES OF SUB-ADVISER.

Subject to the oversight and supervision of the Adviser and the Trust's Board of Trustees, the Sub-Adviser will provide a continuous investment program for the Fund, including investment research and management with respect to all securities and investments, except for such cash balances of the Fund as are managed by the Adviser. Pursuant to the foregoing, the Sub-Adviser will determine from time to time what securities and other investments will be purchased, retained or sold by the Fund. The Sub-Adviser will provide the services rendered by it under this Agreement in accordance with the investment criteria and policies established from time to time for the Fund by the Adviser, the Fund's investment objective, policies and restrictions as stated in the Trust's Prospectus and Statement of Additional Information for the Fund, and resolutions of the Trust's Board of Trustees.

The Sub-Adviser further agrees that it will:

(a) Provide information to the Fund's accountant for the purpose of updating the Fund's cash availability throughout the day as required;

(b) Maintain historical tax lots for each portfolio security held by the Fund;

(c) Transmit trades to the Trust's custodian for proper settlement;

(d) Maintain all books and records with respect to the Fund that are required to be maintained under Rule 31a-1(f) under the 1940 Act;

(e) Supply the Adviser, the Trust and the Trust's Board of Trustees with reports, statistical data and economic information as requested; and

(f) Prepare a quarterly broker security transaction summary and, if requested in advance, monthly security transaction listing for the Fund.

3. OTHER COVENANTS.

The Sub-Adviser agrees that it:

(a) will comply with all applicable Rules and Regulations of the Securities and Exchange Commission and will in addition conduct its activities under this Agreement in accordance with other applicable law;

(b) will use the same skill and care in providing such services as it uses in providing services to fiduciary accounts for which it has investment responsibilities;

(c) will place orders pursuant to its investment determinations for the Fund either directly with the issuer or with any broker or dealer. In executing portfolio transactions and selecting brokers or dealers, the Sub-Adviser will use its best efforts to seek on behalf of the Fund the best overall terms available. In assessing the best overall terms available for any transaction, the Sub-Adviser shall consider all factors that it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, both for the specific transaction and on a continuing basis. In evaluating the best overall terms available, and in selecting the broker-dealer to execute a particular transaction, the Sub-Adviser may also consider the brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) provided to the Fund or other accounts over which the Sub-Adviser or an affiliate of the Sub-Adviser exercises investment discretion. The Sub-Adviser is authorized, subject to the prior approval of the Adviser and the Trust's Board of Trustees, to pay to a broker or dealer who provides such brokerage and research services a commission for executing a portfolio transaction for the Fund which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction if, but only if, the Sub-Adviser determines in good faith that such commission was reasonable in relation to the value of the brokerage and research services provided by such broker or dealer -- viewed in terms of that particular transaction or in terms of the overall responsibilities of the Sub-Adviser to the Fund. In addition, the Sub-Adviser is authorized to take into account the sale of shares of the Trust in allocating purchase and sale orders for portfolio securities to brokers or dealers (including brokers and dealers that are affiliated with the Adviser, Sub-Adviser or the Trust's principal underwriter), provided that the Sub-Adviser believes that the quality of the transaction and the commission are comparable to what they would be with other qualified firms. In no instance, however, will portfolio securities be purchased from or sold to the Adviser, Sub-Adviser, the Trust's principal underwriter or any affiliated person of either the Trust, the Adviser, Sub-Adviser, or the principal underwriter, acting as principal in the transaction, except to the extent permitted by the Securities and Exchange Commission; and

(d) will treat confidentially and as proprietary information of the Trust all records and other information relative to the Trust maintained by the Sub-Adviser, and will not use such records and information for any purpose other than performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by the Trust, which approval shall not be unreasonably withheld and may not be withheld where the Sub-Adviser may be exposed to civil or criminal contempt proceeding for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by the Trust.

(e) will maintain a policy and practice of conducting its sub-investment advisory services hereunder independently of its, and any of its affiliates', commercial banking operations. When the Sub-Adviser makes investment recommendations for the Fund, its investment advisory personnel will not inquire or take into consideration whether the issuers of securities proposed for purchase or sale for the Fund's account are customers of its, or any of its affiliates', commercial department. In dealing with commercial customers, the commercial department of the Sub-Adviser, or any of its affiliates, will not inquire or take into consideration whether securities of those customers are held by the Fund.

4. SERVICES NOT EXCLUSIVE.

The services furnished by the Sub-Adviser hereunder are deemed not to be exclusive, and the Sub-Adviser shall be free to furnish similar services to others so long as its services under this Agreement are not impaired thereby. To the extent that the purchase or sale of securities or other investments of the same issuer may be deemed by the Sub-Adviser to be suitable for two or more accounts managed by the Sub-Adviser, the available securities or investments may be allocated in a manner believed by the Sub-Adviser to be equitable to each account. It is recognized that in some cases this procedure may adversely affect the price paid or received by the Fund or the size of the position obtainable for or disposed of by the Fund.

5. BOOKS AND RECORDS.

In compliance with the requirements of Rule 31a-3 under the 1940 Act, the Sub-Adviser hereby agrees that all records which it maintains for the Fund are the property of the Trust and further agrees to surrender promptly to the Trust any of such records upon the Trust's request. The Sub-Adviser further agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act the records required to be maintained by it under this Agreement.

6. EXPENSES.

During the term of this Agreement, the Sub-Adviser will pay all expenses incurred by it in connection with its activities under this Agreement other than the cost of securities, commodities and other investments (including brokerage commissions, custodial charges and other transaction costs, if any) purchased or sold for the Fund.

7. COMPENSATION.

For the services provided and the expenses assumed pursuant to this Agreement, the Adviser will pay the Sub-Adviser, and the Sub-Adviser will accept as full compensation therefor, a fee, computed daily and payable monthly, at the annual rate of .50% of the average daily net assets of the Fund. Such fee shall be a separate charge to the Fund and shall be the several (and not joint or joint and several) obligation of the Fund. The Sub-Adviser acknowledges that it shall not be entitled to any further compensation from either the Adviser or the Trust in respect of the services provided and expenses assumed by it under this Agreement.

8. LIMITATION OF LIABILITY.

The Sub-Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Trust in connection with the performance of this Agreement, except that the Sub-Adviser shall be liable to the Trust for any loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or any loss resulting from willful misfeasance, bad faith or negligence on the part of the Sub-Adviser in the performance of its duties or from reckless disregard by it of its obligations and duties under this Agreement.

9. DURATION AND TERMINATION.

This Agreement will become effective as of the date first above written. Unless sooner terminated as provided herein, this Agreement shall continue in effect until November 30, 1997. Thereafter, if not terminated, this Agreement shall automatically continue in effect for successive annual periods ending on November 30, PROVIDED such continuance is specifically approved at least annually (a) by the vote of a majority of those members of the Trust's Board of Trustees who are not interested persons of any party to this Agreement, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Trust's Board of Trustees or by vote of a majority of the outstanding voting securities of the Fund. Notwithstanding the foregoing, this Agreement may be terminated as to the Fund at any time, without the payment of any penalty, by the Adviser or by the Trust (by vote of the Trust's Board of Trustees or by vote of majority of the outstanding voting securities of the Fund) on sixty days' written notice to the Sub-Adviser, or by the Sub-Adviser, on sixty days' written notice to the Trust, provided that in each such case, notice shall be given simultaneously to the Adviser. In addition, notwithstanding anything herein to the contrary, in the event of the termination of the Investment Advisory Agreement with respect to the Fund for any reason (whether by the Trust, by the Adviser or by operation of law) this Agreement shall terminate upon the effective date of such termination of the Investment Advisory Agreement. This Agreement will also immediately terminate in the event of its assignment. (As used in this Agreement, the terms "majority of the outstanding voting securities," "interested persons" and "assignment" shall have the same meaning as such terms have in the 1940 Act.)

10. AMENDMENT OF THIS AGREEMENT.

No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. To the extent required by the 1940 Act, no amendment of this Agreement shall be effective until approved by vote of a majority of the outstanding voting securities of the Fund.

11. MISCELLANEOUS.

The captions in the Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and shall be governed by Delaware law.

12. NAMES.

The names "Emerald Funds" and "Trustees of Emerald Funds" refer respectively to the Trust created and the Trustees, as trustees but not individually or personally, acting from time to time under an Agreement and Declaration of Trust dated March 15, 1988, which is hereby referred to and a copy of which is on file at the office of the State Secretary of the Commonwealth of Massachusetts and at the principal office of the Trust. The obligations of "Emerald Funds" entered into in the name or on behalf thereof by any of the Trustees, representatives or agents are made not individually, but in such capacities, and are not binding upon any of the Trustees, shareholders, or representatives of the Trust personally, but bind only the Trust Property, and all persons dealing with any class of shares of the Trust must look solely to the Trust Property belonging to such class for the enforcement of any claims against the Trust.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their officers designated below as of the day and year first above written.

BARNETT CAPITAL ADVISORS, INC.

BY: /s/Donna Terry

TITLE: President and CEO

BRANDES INVESTMENT PARTNERS, L.P.

BY: /s/Jeffrey Busby

TITLE:___________________________

REVISED AMENDMENT NO. 2 TO INVESTMENT ADVISORY AGREEMENT

This Amendment, dated as of the 19th day of August, 1996, is entered into between EMERALD FUNDS (the "Trust"), a Massachusetts business trust, and BARNETT CAPITAL ADVISORS, INC. (the "Investment Adviser").

WHEREAS, the Trust and Barnett Banks Trust Company, N.A. ("BBTC") entered into an Investment Advisory Agreement dated as of June 28, 1991 (the "Advisory Agreement"), providing for investment advisory services for certain of the Trust's portfolios, including its Equity Fund, U.S. Government Securities Fund, Florida Tax-Exempt Fund, Small Capitalization Fund, Balanced Fund, Managed Bond Fund and Short-Term Fixed Income Fund; and

WHEREAS, the Investment Adviser has assumed the rights and obligations of BBTC under the Advisory Agreement pursuant to an Assumption Agreement dated as of June 28, 1996; and

WHEREAS, Section 1(b) of the Advisory Agreement provides that in the event the Trust establishes one or more additional investment portfolios with respect to which it desires to retain the Investment Adviser to act as investment adviser under the Advisory Agreement, the Trust shall so notify the Investment Adviser in writing and if the Investment Adviser is willing to render such services it shall notify the Trust in writing, and the compensation to be paid to the Investment Adviser shall be that which is agreed to in writing by the Trust and the Investment Adviser; and

WHEREAS, pursuant to Section 1(b) of the Advisory Agreement the Investment Adviser currently provides investment advisory services to the International Equity Fund and Equity Value Fund (the "Additional Funds") pursuant to Amendment No. 2 to the Advisory Agreement dated December 26, 1995 ("Amendment No. 2"); and

WHEREAS, Section 1(b) of the Advisory Agreement provides that said Additional Funds will be subject to the provisions of the Advisory Agreement to the same extent as the Funds named in subparagraph (a) thereof except to the extent said provisions are modified with respect to an Additional Fund in writing by the Trust and the Investment Adviser; and

WHEREAS, the Trust and the Investment Adviser wish to revise Amendment No. 2 in certain respects;

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree that Amendment No. 2 is revised and restated in its entirety as follows:

1. APPOINTMENT. The Trust hereby appoints the Investment Adviser

to act as investment adviser to the Trust for the Additional Funds for the period and on the terms set forth in the Advisory Agreement. The Investment Adviser hereby accepts such appointment and agrees to render the services set forth in the Advisory Agreement for the compensation herein provided.

2. SUBCONTRACTORS. It is understood that the Investment Adviser may from time to time employ or associate with such person or persons as the Investment Adviser may believe to be particularly fitted to assist it in the performance of this Agreement with respect to the Additional Funds; provided, however, that the compensation of such person or persons shall be paid by the Investment Adviser. In addition, notwithstanding any such employment or association, the Investment Adviser shall itself (a) establish and monitor general investment criteria and policies for the Additional Funds, (b) review and analyze on a periodic basis the Additional Funds' portfolio holdings and transactions in order to determine their appropriateness in light of the Additional Funds' shareholder base, (c) review and analyze on a periodic basis the policies established by any sub-adviser for the Additional Funds with respect to the placement of orders for the purchase and sale of portfolio securities, (d) provide for the investment of the Additional Funds' cash balances to the extent not provided for by any sub-adviser, (e) review, monitor, analyze and report to the Board of Trustees on the performance of any sub-adviser, (f) recommend, either in its sole discretion or in conjunction with any sub-adviser, potential changes in investment policy, (g) furnish to the Board of Trustees or any sub-adviser reports, statistics and economic information as may be requested, (h) review investments in the Additional Funds on a periodic basis for compliance with the Additional Funds' investment objectives, policies and restrictions as stated in their Prospectuses; and (i) review jointly with any sub-adviser country and regional investment allocation guidelines for the Additional Funds, as well as investment hedging guidelines, if any. Subject to the foregoing, it is agreed that investment advisory services to an Additional Fund may be provided by a sub-investment adviser (the "Sub-Adviser") pursuant to a sub-advisory agreement agreeable to the Trust and approved in accordance with the provisions of the 1940 Act (the "Sub-Advisory Agreement").

3. COMPENSATION. For the services provided and the expenses assumed pursuant to the Advisory Agreement, the Trust will pay the Investment Adviser, and the Investment Adviser will accept as full compensation therefor from the Trust, a fee, computed daily and payable monthly, at the following annual rates: 1.00% of the average daily net assets of the

International Equity Fund, and .60% of the average daily net assets of the Equity Value Fund.

Such fee as is attributable to each Additional Fund shall be the several (and not joint or joint and several) obligation of each such Fund.

If in any fiscal year the aggregate expenses of any Additional Fund (as defined under the securities regulations of any state having jurisdiction over such Fund) exceed the expense limitations of any such state, the Trust may deduct from the fees to be paid hereunder, or the Investment Adviser will bear, to the extent required by state law, that portion of the excess which bears the same relation to the total of such excess as the Investment Adviser's fee hereunder with respect to such Fund bears to the total fees otherwise payable with respect to such Fund for the fiscal year by the Trust hereunder and under the administration agreement between the Trust and its administrator. The Investment Adviser's obligation is not limited to the amount of its fees hereunder. Such deduction or payment, if any, will be estimated and accrued daily and paid on a monthly basis.

4. AMENDMENTS. The last sentence of Section 11 of Advisory Agreement is amended and restated in its entirety to read: "With respect to each Additional Fund, to the extent required by the 1940 Act, no amendment of the Advisory Agreement shall be effective as to a particular Additional Fund until approved by vote of a majority of the outstanding voting securities of such Additional Fund."

5. CAPITALIZED TERMS. From and after the date hereof, the term "Funds" as used in the Advisory Agreement shall be deemed to include the Additional Funds. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Advisory Agreement.

6. MISCELLANEOUS. Except to the extent supplemented hereby, the Advisory Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects as supplemented hereby.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date and year first above written.

EMERALD FUNDS

By: /s/ JOHN G. GRIMSLEY

Name: John G. Grimsley
Title: President

BARNETT CAPITAL ADVISORS, INC.

By: /s/ Donna L. Terry

Name: Donna L. Terry
Title: President & CEO

AMENDMENT

AMENDMENT made as of this 19th day of August, 1996 to that certain Custody Agreement, dated as of October 31, 1988, between Emerald Funds (the "Fund") and The Bank of New York (the "Custodian") (such Custody Agreement herein referred as the "Agreement").

W I T N E S S E T H:

That in consideration of the mutual agreements and covenants herein contained, the Custodian and the Fund do hereby amend the Agreement as follows:

1. The following Article XVIII is hereby added to the Agreement in its entirety:

"Article XVIII

DUTIES OF THE CUSTODIAN WITH RESPECT TO PROPERTY OF ANY SERIES HELD OUTSIDE OF THE UNITED STATES

1. The Custodian is authorized and instructed to employ, as sub-custodian for each Series' Foreign Securities (as such term is defined in paragraph (c) (1) of Rule 17f-5 under the Investment Company Act of 1940, as amended) and other assets, the foreign banking institutions and foreign securities depositories and clearing agencies designated on

Schedule I hereto ("Foreign Sub-Custodians") to carry out their respective responsibilities in accordance with the terms of the sub-custodian agreement between each such Foreign Sub-Custodian and the Custodian, copies of which have been previously delivered to the Fund and receipt of which is hereby acknowledged (each such agreement, a "Foreign Sub-Custodian Agreement"). Upon receipt of a Certificate, together with a certified resolution substantially in the form attached as Exhibit E of the Fund's Board of Trustees, the Fund may designate any additional foreign sub-custodian with which the Custodian has an agreement for such entity to act as the Custodian's agent, as its sub-custodian and any such additional foreign sub-custodian shall be deemed added to Schedule I. Upon receipt of a Certificate from the Fund, the Custodian shall cease the employment of any one or more Foreign Sub-Custodians for maintaining custody of the Fund's assets and such Foreign Sub-Custodian shall be deemed deleted from Schedule I.

2. Each Foreign Sub-Custodian Agreement shall be substantially in the form previously delivered to the Fund and will not be amended in a way that

materially adversely effects the Fund without the Fund's prior written consent.

3. The Custodian shall identify on its books, as belonging to each Series of the Fund the Foreign Securities of such Series held by each Foreign Sub-Custodian. At the election of the Fund, it shall be entitled to be subrogated to the rights of the Custodian with respect to any claims by the Fund or any Series against a Foreign Sub-Custodian as a consequence of any loss, damage, cost, expense, liability or claim sustained or incurred by the Fund or any Series if and to the extent that the Fund or such Series has not been made whole for any such loss, damage, cost, expense, liability or claim.

4. Upon request of the Fund, the Custodian will, consistent with the terms of the applicable Foreign Sub-Custodian Agreement, use reasonable efforts to arrange for the independent accountants of the Fund to be afforded access to the books and records of any Foreign Sub-Custodian insofar as such books and records relate to the performance of such Foreign Sub-Custodian under its agreement with the Custodian on behalf of the Fund.

5. The Custodian will supply to the Fund from time to time, as mutually agreed upon, statements in respect of the securities and other assets of each Series held by Foreign Sub-Custodians, including but not limited to, an identification of entities having possession of each Series' Foreign Securities and other assets, and advices or notifications of any transfers of Foreign Securities to or from each custodial account maintained by a Foreign Sub-Custodian for the Custodian on behalf of the Series.

6. The Custodian shall furnish at least annually to the Fund, as mutually agreed upon, information concerning the Foreign Sub-Custodians employed by the Custodian. Such information shall be similar in kind and scope to that furnished to the Fund in connection with the Fund's initial approval of such Foreign Sub-Custodians and, in any event, shall include information pertaining to (i) the Foreign Custodians' financial strength, general reputation and standing in the countries in which they are located and their ability to provide the custodial services required, and (ii) whether the Foreign Sub-Custodians would provide a level of safeguards for safekeeping and custody of securities

not materially different form those prevailing in the United States. The Custodian shall monitor the general operating performance of each Foreign Sub-Custodian. The Custodian agrees that it will use reasonable care in monitoring compliance by each Foreign Sub-Custodian with the terms of the relevant Foreign Sub-Custodian Agreement and that if it learns of any breach of such Foreign Sub-Custodian Agreement believed by the Custodian to have a material adverse effect on the Fund or any Series it will promptly notify the Fund of such breach. The Custodian also agrees to use reasonable and diligent efforts to enforce its rights under the relevant Foreign Sub-Custodian Agreement. The Custodian shall provide the Fund on an annual basis its confirmation that each of the Subcustodians utilized by the Custodian on behalf of the Fund during the past year, to the best of the Custodian's knowledge, qualifies as an "Eligible Foreign Custodian" as defined in Rule 17f-5(c)(2) under the Investment Company Act 1940, as amended.

7. The Custodian shall transmit promptly to the Fund all notices, reports or other written information received pertaining to the Fund's

Foreign Securities, including without limitation, notices of corporate action, proxies and proxy solicitation materials.

8. Notwithstanding any provision of this Agreement to the contrary, settlement and payment for securities received for the account of any Series and delivery of securities maintained for the account of such Series may be effected in accordance with the customary or established securities trading or securities processing practices and procedures in the jurisdiction or market in which the transaction occurs, including, without limitation, delivery of securities to the purchaser thereof or to a dealer therefor (or an agent for such purchaser or dealer) against a receipt with the expectation of receiving later payment for such securities from such purchaser or dealer.

9. Notwithstanding any other provision in this Agreement to the contrary, with respect to any losses or damages arising out of or relating to any action or omissions of any Foreign Sub-Custodian the sole responsibility and liability of the Custodian shall be to take appropriate action at the

Fund's expense to recover such loss or damage from the Foreign Sub-Custodian. It is expressly understood and agreed that the Custodian's sole responsibility and liability shall be limited to amounts so recovered from the Foreign Sub-Custodian.

2. The Agreement and this Amendment thereto shall together constitute a single agreement, and all provisions of the Agreement not hereby amended shall remain in full force and effect.

IN WITNESS WHEREOF, the paries hereto have caused this Amendment to be executed by their respective corporate officers, thereunto duly authorized, as of the day and year first above written.

EMERALD FUNDS, INC.

By: /s/ illegible

Name:
Title:

THE BANK OF NEW YORK

By: /s/ illegible

Name:
Title: Vice President

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Statement of Additional Information constituting part of this Post-Effective Amendment No. 19 to the registration statement on Form N-1A (the "Registration Statement"), of our reports dated January 24, 1996, relating to the financial statements and financial highlights appearing in the November 30, 1995 Annual Report to Shareholders of Emerald Equity Fund, Emerald Small Capitalization Fund, Emerald Balanced Fund, Emerald Short-Term Fixed Income Fund, Emerald U.S. Government Securities Fund, Emerald Managed Bond Fund, Emerald Florida Tax-Exempt Fund, Emerald Prime Fund, Emerald Treasury Fund, Emerald Tax-Exempt Fund, Emerald Treasury Trust Fund and Emerald Prime Trust Fund (twelve of the portfolios constituting the Emerald Funds), which are also incorporated by reference into the Registration Statement. We also consent to the references to us under the heading "Financial Highlights" in the Prospectuses constituting part of Post-Effective Amendment No. 18 to the Registration Statement which Prospectuses are incorporated by reference into this Registration Statement and under the headings "Independent Accountants/Experts" and "Financial Statements" in the Statements of Additional Information.

/s/ Price Waterhouse, LLP

Price Waterhouse LLP
New York, New York
August 20, 1996

CONSENT OF COUNSEL

We hereby consent to the use of our name and to the reference to our firm under the caption "Counsel" in the Statements of Additional Information that are included in Post-Effective Amendment No. 19 to the Registration Statement (File No. 33-20658) on Form N-1A of Emerald Funds under the Securities Act of 1933 and the Investment Company Act of 1940, respectively. This consent does not constitute a consent under Section 7 of the Securities Act of 1933, and in consenting to the use of our name and the references to our Firm under such caption we have not certified any part of the Registration Statement and do not otherwise come within the categories of persons whose consent is required under Section 7 or the rules and regulations of the Securities and Exchange Commission thereunder.

/s/DRINKER BIDDLE & REATH

Drinker Biddle & Reath

Philadelphia, Pennsylvania
August 23, 1996

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