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FILER

FIRST PRIORITY FUNDS

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SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED OCTOBER 24, 1994

PROSPECTUS

FIRST PRIORITY EQUITY INCOME FUND
(A PORTFOLIO OF THE FIRST PRIORITY FUNDS)

The shares of First Priority Equity Income Fund (the "Fund") offered by this prospectus represent interests in a diversified investment portfolio of First Priority Funds (the "Trust"), an open-end management investment company (a mutual fund).

The investment objective of the Fund is to provide income and growth of capital. The Fund pursues this investment objective by investing primarily in a diversified portfolio of income-producing equity securities.

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

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

The Fund has also filed a Statement of Additional Information dated December , 1994, with the Securities and Exchange Commission. The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information free of charge, obtain other information, or make inquiries about the Fund by writing or calling toll-free 1-800-433-2829.

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

Prospectus dated December , 1994

TABLE OF CONTENTS

SUMMARY OF FUND EXPENSES	1
GENERAL INFORMATION	2
INVESTMENT INFORMATION	2
Investment Objective	2
Investment Policies	2

Acceptable Investments	2
Common and Preferred Stocks	2
Convertible Securities	3
Zero Coupon Convertible Securities	3
Other Corporate Securities	4
U.S. Government Securities	4
Temporary Investments	5
Repurchase Agreements	5
When-Issued and Delayed Delivery Transactions	5
Put and Call Options	5
Futures and Options on Futures	6
Risks	7
Investing in Securities of Other Investment Companies	7
Lending of Portfolio Securities	8
Restricted and Illiquid Securities	8
Securities of Foreign Issuers	8
Investment Limitations	8
 FIRST PRIORITY FUNDS INFORMATION	 9

Management of the First Priority Funds	9
Board of Trustees	9
Investment Adviser	9
Advisory Fees	9
Adviser's Background	9
Distribution of Fund Shares	10
Distribution Plan	10
Administration of the Fund	11
Administrative Services	11
Custodian	11
Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services	11
Legal Counsel	11
Independent Auditors	11
Brokerage Transactions	11
Expenses of the Fund	12
NET ASSET VALUE	12

INVESTING IN THE FUND	12

Minimum Investment Required	12
What Shares Cost	12
Purchases at Net Asset Value	13
Dealer Concessions	13
Other Payments to Financial Institutions	13
Share Purchases	13
Conversion to Federal Funds	14
Reducing the Sales Charge	14
Quantity Discounts and Accumulated Purchases	14
Letter of Intent	14
Reinvestment Privilege	15
Purchases with Proceeds from Redemptions of Unaffiliated Mutual Fund Shares	15
Systematic Investment Plan	15
Exchanging Securities for Fund Shares	15
Shareholder Accounts	15
Dividends and Capital Gains	15
EXCHANGE PRIVILEGE	16

REDEEMING SHARES	17

By Telephone	17
By Mail	17

Receiving Payment	18
Systematic Withdrawal Plan	18
Accounts with Low Balances	18
SHAREHOLDER INFORMATION	18

Voting Rights	18
Massachusetts Partnership Law	19
EFFECT OF BANKING LAWS	19

TAX INFORMATION	20

Federal Income Tax	20
PERFORMANCE INFORMATION	20

ADDRESSES	Inside Back Cover

SUMMARY OF FUND EXPENSES	

<TABLE>		
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	SHAREHOLDER TRANSACTION EXPENSES	
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....		2.00%
Maximum Sales Load Imposed on Reinvested Dividends (as a percentage of offering price).....		None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, as applicable).....		None
Redemption Fees (as a percentage of amount redeemed, if applicable).....		None
Exchange Fee.....		None
	ANNUAL FUND OPERATING EXPENSES*	
	(As a percentage of projected average net assets)	
Management Fee (after waiver) (1).....		0.55%
12b-1 Fees (2).....		0.00%
Total Other Expenses.....		0.40%
Total Fund Operating Expenses (3).....		0.95%

- (1) The estimated management fee has been reduced to reflect the anticipated voluntary waiver of the management fee by the investment adviser. The adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.80%.
- (2) The Fund has no present intention of paying or accruing 12b-1 fees during the fiscal year ending November 30, 1995. If the Fund were paying or accruing 12b-1 fees, the Fund would be able to pay up to 0.30% of its average daily net assets for 12b-1 fees.
- (3) Total Fund Operating Expenses are estimated to be 1.20%, absent the anticipated voluntary waiver of the advisory fee, as well as the payment of the maximum 12b-1 fee as described in note 2 above.

*Annual Fund Operating Expenses are estimated based on average expenses expected to be incurred during the fiscal year ending November 30, 1995. During the course of this period, expenses may be more or less than the average amount shown.

THE PURPOSE OF THIS TABLE IS TO ASSIST AN INVESTOR IN UNDERSTANDING THE VARIOUS COSTS AND EXPENSES THAT A SHAREHOLDER OF THE FUND WILL BEAR, EITHER DIRECTLY OR INDIRECTLY. FOR MORE COMPLETE DESCRIPTIONS OF THE VARIOUS COSTS AND EXPENSES, SEE "FIRST PRIORITY FUNDS INFORMATION" AND "INVESTING IN THE FUND."

</TABLE>
 <TABLE>
 <CAPTION>
 EXAMPLE

	1 year	3 years
<S>	<C>	<C>

You would pay the following expenses on a \$1,000 investment assuming (1) 5% annual return; (2) redemption at the end of each time period; and (3) payment of the maximum sales load of

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. THIS EXAMPLE IS BASED ON ESTIMATED DATA FOR THE FUND'S FISCAL YEAR ENDING NOVEMBER 30, 1995.

GENERAL INFORMATION

First Priority Funds was established as a Massachusetts business trust under a Declaration of Trust dated October 15, 1991.

The Declaration of Trust permits First Priority Funds to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares of beneficial interest in any one portfolio may be offered in separate classes. This prospectus relates only to First Priority Equity Income Fund.

The Fund is designed for investors seeking income and growth of capital through a professionally managed, diversified portfolio of income-producing equity securities. A minimum initial investment of \$1,000 is required.

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

INVESTMENT INFORMATION

INVESTMENT OBJECTIVE

The investment objective of the Fund is to provide income and growth of capital. This objective cannot be changed without approval of shareholders. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus.

INVESTMENT POLICIES

The Fund pursues its investment objective by investing primarily in a professionally managed, diversified portfolio of income-producing equity securities. Equity securities include common stocks, preferred stocks, and securities (including debt securities) that are convertible into common stocks. The portion of the Fund's total assets invested in common stocks, preferred stocks, and convertible securities will vary according to the Fund's assessment of market and economic conditions and outlook, but income-producing equity securities will, under normal market conditions, comprise at least 65% of the Fund's assets.

Unless indicated otherwise, the investment policies of the Fund may be changed by the Board of Trustees (the "Trustees") without the approval of shareholders. Shareholders will be notified before any material change in these policies becomes effective.

ACCEPTABLE INVESTMENTS. The Fund's investment approach is based on the conviction that over the long term the economy will continue to expand and develop and that this economic growth will be reflected in the growth of the revenues and earnings of major corporations.

COMMON AND PREFERRED STOCKS. The Fund invests primarily in common and preferred stocks of companies selected by the Fund's investment adviser on the basis of traditional research techniques and technical factors, including assessment of earnings, dividend yield and dividend growth prospects and of the risk and volatility of the company's industry. Other factors, such as product position or market share, will also be considered by the Fund's investment adviser. Common and preferred stocks at the time of purchase will be expected to pay income (dividends) and the issuing companies will have a market capitalization of at least \$1 billion, with the exception of common stocks acquired through conversion of a convertible security, to which no market capitalization threshold is applied.

CONVERTIBLE SECURITIES. Convertible securities are securities which may be exchanged or converted into a predetermined number of the issuer's underlying common stock at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred

stock, convertible bonds, or debentures or warrants or some combination of the features of several of these securities. The Fund will generally purchase only those convertible securities that were part of an issue that had a market value of \$50,000,000 at the time of issue. Convertible securities are not held to a specific quality standard as other debt securities purchased by the Fund (see "Other Corporate Securities"), but the investment adviser will assess the quality of the convertible security before purchase. Most convertible securities pay income at a fixed rate in the form of interest or dividends. Some convertible securities pay income at a rate which changes over time and some convertibles do not pay current income. (See "Zero Coupon Convertible Securities" below.)

The investment characteristics of each convertible security vary widely, which allows convertible securities to be employed for different investment purposes. Convertible bonds and convertible preferred stocks are fixed-income securities that generally retain the investment characteristics of fixed-income securities until they have been converted but also react to movements in the underlying equity securities. The holder is entitled to receive the fixed income of a bond or the dividend preference of a preferred stock until the holder elects to exercise the conversion privilege. Convertible securities are senior to equity securities and, therefore, have a claim to assets of the corporation prior to the holders of common stock in the case of liquidation. However, convertible securities are generally subordinated to similar nonconvertible securities of the same company. The interest income and dividends from convertible bonds and preferred stocks provide a stable stream of income with generally higher yields than common stocks, but lower than nonconvertible securities of similar quality.

The Fund will exchange or convert the convertible securities held in its portfolio into shares of the underlying common stock in instances in which, in the adviser's opinion, the investment characteristics of the underlying common stock will assist the Fund in achieving its investment objective. Otherwise, the Fund will hold or trade the convertible securities. In selecting convertible securities for the Fund, the Fund's adviser evaluates the investment characteristics of the convertible security as a fixed-income instrument and the investment potential of the underlying equity security for capital appreciation. In evaluating these matters with respect to a particular convertible security, the adviser considers numerous factors, including the economic and market outlook, the value of the security relative to other investment alternatives, trends in the determinants of the issuer's profits, and an assessment of the quality of the security.

ZERO COUPON CONVERTIBLE SECURITIES. Zero coupon convertible securities are securities which are issued at a discount to their face amount and do not entitle the holder to any periodic payments of interest prior to maturity. Rather, income earned on zero coupon convertible securities accretes at a stated yield until the security reaches its face amount at maturity. Zero coupon convertible securities are convertible into the issuer's common stock. In addition, zero coupon convertible securities usually have put features that provide the holder with the opportunity to sell the bonds back to the issuer at a stated price before maturity. Generally, the prices of zero coupon convertible securities may be more sensitive to market interest rate fluctuations than conventional convertible securities.

Federal income tax law requires the holders of a zero coupon convertible security to recognize income from the security prior to the receipt of cash payments. To maintain its qualification as a regulated investment company and avoid liability for federal income taxes, the Fund will be required to distribute income accrued from zero coupon convertible securities which it owns, and may have to sell portfolio securities (perhaps at disadvantageous times) in order to generate cash to satisfy these distribution requirements.

OTHER CORPORATE SECURITIES. The Fund may invest in issues of corporate debt obligations which are rated "A" or better by Moody's Investors Service, Inc. ("Moody's"), Standard and Poor's Ratings Group ("S&P"), or Fitch Investors Service, Inc. ("Fitch"), at the time of purchase, or which are of comparable quality in the judgment of the investment adviser, and warrants of these companies. If a security's rating is reduced below the required minimum after the Fund has purchased it, the Fund is not required to sell the security, but may consider doing so. The prices of fixed-income securities fluctuate inversely to the direction of interest rates.

U.S. GOVERNMENT SECURITIES. The U.S. government securities in which the

Fund invests are either issued or guaranteed by the U.S. government, its agencies or instrumentalities. These securities include, but are not limited to:

- . direct obligations of the U.S. Treasury, such as U.S. Treasury bills, notes and bonds; and
- . notes, bonds, and discount notes of U.S. government agencies or instrumentalities, such as Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association, Banks for Cooperatives, Federal Farm Credit Banks, Tennessee Valley Authority, Export-Import Bank of the United States, Commodity Credit Corporation, Federal Financing Bank, Student Loan Marketing Association, Federal Home Loan Mortgage Corporation, or National Credit Union Administration.

Some obligations issued or guaranteed by agencies or instrumentalities of the U.S. government, such as Government National Mortgage Association participation certificates, are backed by the full faith and credit of the U.S. Treasury. Others for which no assurances can be given that the U.S. government will provide financial support to the agencies or instrumentalities, since it is not obligated to do so, are supported by:

- . the full faith and credit of the U.S. Treasury;
- . the issuer's right to borrow an amount limited to a specific line of credit from the U.S. Treasury;
- . the discretionary authority of the U.S. government to purchase certain obligations of an agency or instrumentality; or
- . the credit of the agency or instrumentality issuing the obligation.

TEMPORARY INVESTMENTS. For temporary defensive purposes (up to 100% of its total assets) and to maintain liquidity (up to 35% of its total assets), the Fund may invest in cash and cash items, including:

- . short-term money market instruments;
- . securities issued and/or guaranteed as to payment of principal and interest by the U.S. government, its agencies or instrumentalities; and
- . repurchase agreements.

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

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Fund may purchase securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices. Accordingly, the Fund may pay more/less than the market value of the securities on the settlement date.

The Fund may dispose of a commitment prior to settlement if the adviser deems it appropriate to do so. In addition, the Fund may enter into transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later dates. The Fund may realize short-term profits or losses upon the sale of such commitments.

PUT AND CALL OPTIONS. The Fund may write (i.e., sell) covered call and put options to generate income for the Fund. By writing a call option, the Fund becomes obligated during the term of the option to deliver the securities underlying the option upon payment of the exercise price. By writing a put option, the Fund becomes obligated during the term of the option to purchase the securities underlying the option at the exercise price if the option is exercised. The Fund may also write straddles (combinations of covered puts and

calls on the same underlying security).

The Fund may only write "covered" options. This means that, so long as the Fund is obligated as the writer of a call option, it will own the underlying securities subject to the option or have the right to obtain such securities without payment of further consideration (or have segregated cash in the amount of any additional consideration).

The Fund will be considered "covered" with respect to a put option it writes if, so long as it is obligated as the writer of the put option, it deposits and maintains with its custodian in a segregated account liquid assets having a value equal to or greater than the exercise price of the option. The principal reason for writing call or put options is to obtain, through a receipt of premiums, a greater current return that would be realized on the underlying securities alone. The Fund receives a premium from writing a call or put option which it retains whether or not the option is exercised. By writing a call option, the Fund might lose the potential for gain on the underlying security while the option is open, and by writing a put option, the Fund might become obligated to purchase the underlying security for more than its current market price upon exercise.

The Fund may purchase call and put options for the purpose of offsetting previously written call and put options of the same series. If the Fund is unable to effect a closing purchase transaction with respect to covered options it has written, the Fund will not be able to sell the underlying securities or dispose of assets held in a segregated account until the options expire or are exercised. Put options may also be purchased to protect against price movements in particular securities in the Fund's portfolio. A put option gives the Fund, in return for a premium, the right to sell the underlying security to the writer (seller) at a specified price during the term of the option.

The Fund will purchase options only to the extent permitted by the policies of state securities authorities in states where shares of the Fund are qualified for offer and sale. The Fund will write put options only on securities which the Fund wishes to have in its portfolio and where the Fund has determined, as an investment consideration, that it is willing to pay the exercise price of the option.

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

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

The Fund may purchase put options and write call options using market index options such as the S&P 500 for the purpose of hedging to attempt to protect the value of the Fund or to generate income.

FUTURES AND OPTIONS ON FUTURES. The Fund may purchase and sell futures contracts to hedge all or a portion of its portfolio against changes in stock prices, interest rates, and market conditions. The Fund will not engage in futures transactions for speculative purposes. Financial futures contracts call for the delivery of particular debt instruments at a certain time in the future. The seller of the contract agrees to make delivery of the type of instrument called for in the contract, and the buyer agrees to take delivery of the instrument at the specified future time.

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

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

obligated) to sell a futures contract at the fixed price during the life of the option.

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

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

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

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

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES. The Fund may invest in securities of other investment companies, but it will not own more than 3% of the total outstanding voting stock of any investment company, invest more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in investment companies in general. The Fund will invest in other investment companies primarily for the purpose of investing short-term cash which has not yet been invested in other portfolio instruments. The investment adviser will waive its investment advisory fee on assets invested in securities of open-end investment companies, although it should be noted that investment companies incur certain expenses such as custodian and transfer agency fees and, therefore, any investment by the Fund in shares of another investment company would be subject to such expenses.

LENDING OF PORTFOLIO SECURITIES. Pursuant to a fundamental policy, in order to generate additional income, the Fund may lend portfolio securities on a short-term or long-term basis to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks, or other institutions which the adviser has determined are creditworthy under guidelines established by the Trustees and where the Fund will receive collateral in the form of cash or U.S. government securities equal to at least 100% of the value of the securities loaned at all times.

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

SECURITIES OF FOREIGN ISSUERS. The Fund may invest in the securities of foreign issuers which are freely traded on United States securities exchanges or in the over-the-counter market in the form of depository receipts. Securities of a

foreign issuer may present greater risks in the form of nationalization, confiscation, domestic marketability, or other national or international restrictions. As a matter of practice, the Fund will not invest in the securities of a foreign issuer if any such risk appears to the investment adviser to be substantial.

INVESTMENT LIMITATIONS

The Fund will not:

- . borrow money directly or through reverse repurchase agreements (arrangements in which the Fund sells a portfolio instrument for a percentage of its cash value with an arrangement to buy it back on a set date) or pledge securities except, under certain circumstances, the Fund may borrow up to one-third of the value of its total assets; or
- . with respect to 75% of the value of its total assets, invest more than 5% in securities of any one issuer other than cash, cash items, or securities issued or guaranteed by the government of the United States, its agencies or instrumentalities, and repurchase agreements collateralized by such securities or acquire more than 10% of the outstanding voting securities of any one issuer.

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

The Fund will not:

- . invest more than 5% of the value of its total assets in securities of issuers that have records of less than three years of continuous operations, including the operation of any predecessor.

FIRST PRIORITY FUNDS INFORMATION

MANAGEMENT OF THE FIRST PRIORITY FUNDS

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

INVESTMENT ADVISER. Pursuant to an investment advisory contract with the Trust, investment decisions for the Fund are made by First Alabama Bank ("First Alabama" or "adviser"), as the Fund's investment adviser, subject to direction by the Trustees. The adviser continually conducts investment research and supervision for the Fund and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the assets of the Fund.

ADVISORY FEES. The Fund's adviser receives an annual investment advisory fee equal to 0.80% of the Fund's average daily net assets. The adviser has undertaken to reimburse the Fund, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states. The adviser may voluntarily choose to waive a portion of its fee or reimburse other expenses of the Fund. The adviser can terminate such waiver or reimbursement policy at any time at its sole discretion.

ADVISER'S BACKGROUND. The adviser is a wholly-owned subsidiary of Regions Financial Corp., a bank holding company organized during 1971 under the laws of the State of Delaware, and is a member of the Regions Bank organization. Operating out of more than 250 offices, it provides a wide range of banking and fiduciary services to its customers. As of June 30, 1994, Regions Financial Corp. was one of the 100 largest bank holding companies in the United States with total assets in excess of \$10 billion. First Alabama is one of only 13 banks to receive an "A" rating by Thomson BankWatch. First Alabama is also ranked in the top ten in overall soundness by U.S. Banker Magazine. Regions Financial Corp.'s common stock is currently included among those in the Dow Jones Equity Market Index as well as Standard & Poor's Midcap Index.

As fiduciary, First Alabama managed over \$2.5 billion in discretionary assets as of December 31, 1993. It manages seven common trust funds and

collective investment funds having a market value in excess of \$190 million as of August 31, 1994. First Alabama has been adviser to the First Priority Funds since inception with a market value in excess of \$450 million as of June 30, 1994.

As part of their regular banking operations, First Alabama and its affiliates may grant loans to public companies. Thus, it may be possible, from time to time, for the Fund to hold or acquire the securities of issuers which are also lending clients of First Alabama or its affiliates. The lending relationship will not be a factor in the selection of securities. Because of the internal controls maintained by the companies to restrict the flow of information, Fund investments are typically made without any knowledge of First Alabama or its affiliates' lending relationships with an issuer.

J. Kenneth Alderman has been the Fund's portfolio manager since its inception. Mr. Alderman is Vice President and Trust Investment Officer of First Alabama Bank and serves as an active member of the Trust Investment Group in the capacity of a portfolio manager, strategist, and analyst. He has ten years of investment experience, including seven years of investment experience with the Trust Department of First Alabama Bank. Mr. Alderman received his B.S. from Auburn University in 1973 and his M.B.A. from Florida State University in 1976. He became a Certified Public Accountant in 1975 and a Chartered Financial Analyst in 1989.

DISTRIBUTION OF FUND SHARES

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

DISTRIBUTION PLAN. Under a distribution plan adopted in accordance with Investment Company Act Rule 12b-1 (the "Distribution Plan"), the Fund may pay to the distributor an amount computed at an annual rate of up to 0.30% of the average daily net asset value of the Fund to finance any activity which is principally intended to result in the sale of shares subject to the Distribution Plan.

The Fund will not accrue or pay any distribution expenses pursuant to the Distribution Plan until a separate class of shares has been created for certain institutional investors.

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

The distributor may select financial institutions such as banks, fiduciaries, custodians for public funds, investment advisers, and broker/dealers to provide sales and/or administrative services as agents for their clients or customers who beneficially own shares of the Fund. Administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel, including clerical, supervisory, and computer, as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption transactions and automatic investments of client account cash balances; answering routine client inquiries regarding the Fund; assisting clients in changing dividend options, account designations, and addresses; and providing such other services as the Fund reasonably requests.

Financial institutions will receive fees from the distributor based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the distributor.

The Distribution Plan is a compensation-type plan. As such, the Fund makes no payments to the distributor except as described above. Therefore, the Fund does not pay for unreimbursed expenses of the distributor, including amounts expended by the distributor in excess of amounts received by it from the Fund, interest, carrying, or other financing charges in connection with excess amounts expended,

or the distributor's overhead expenses. However, the distributor may be able to recover such amounts or may earn a profit from future payments made by the Fund under the Distribution Plan.

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

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

ADMINISTRATION OF THE FUND

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

<TABLE>
<CAPTION>

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

</TABLE>

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

CUSTODIAN. First Alabama Bank, Birmingham, Alabama, serves as custodian for the securities and cash of the Fund for which it receives a fee for that service.

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

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

INDEPENDENT AUDITORS. The independent auditors for the Fund are Deloitte & Touche, Pittsburgh, Pennsylvania.

BROKERAGE TRANSACTIONS

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

EXPENSES OF THE FUND

The Fund pays all of its own expenses and its allocable share of Trust expenses. These expenses include, but are not limited to, the cost of: Trustees' fees; investment advisory and administrative services; printing prospectuses and other Fund documents for shareholders; registering the Trust, the Fund, and shares of the Fund with federal and state securities commissions; taxes and commissions;

issuing, purchasing, repurchasing, and redeeming shares; fees for custodians, transfer agents, dividend disbursing agents, shareholder servicing agents, and registrars; printing, mailing, auditing, accounting, and legal expenses; reports to shareholders and governmental agencies; meetings of Trustees and shareholders and proxy solicitations therefor; distribution fees; insurance premiums; association membership dues; and such nonrecurring and extraordinary items as may arise. However, the adviser may voluntarily reimburse some expenses and has, in addition, undertaken to reimburse the Fund, up to the amount of the advisory fee, the amount by which operating expenses exceed limitations imposed by certain states.

NET ASSET VALUE

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

INVESTING IN THE FUND

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in shares of the Fund by an investor is \$1,000. Subsequent investments may be in any amounts. The Fund may waive the initial minimum investment from time to time. For further information, please call First Priority Mutual Funds at 1-800-433-2829.

Officers, directors, employees, and retired employees of First Alabama and other Regions Banks, or their affiliates, and their spouses and their dependent children may purchase shares of the Fund with a minimum initial investment of \$500, unless they choose to participate in the systematic investment plan, in which case the minimum initial investment is \$100.

WHAT SHARES COST

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

<TABLE>
<CAPTION>

AMOUNT OF TRANSACTION <S>	SALES CHARGE AS A PERCENTAGE OF PUBLIC OFFERING PRICE <C>	SALES CHARGE AS A PERCENTAGE OF NET AMOUNT INVESTED <C>
Less than \$100,000	2.00%	2.04%
\$100,000 but less than \$250,000	1.50%	1.52%
\$250,000 but less than \$500,000	1.00%	1.01%
\$500,000 but less than \$750,000	0.50%	0.50%
\$750,000 but less than \$1 million	0.25%	0.25%
\$1 million or more	0.00%	0.00%

</TABLE>

The net asset value is determined at 4:00 p.m. (Eastern time), Monday through Friday, except on: (i) days on which there are not sufficient changes in the value of the Fund's portfolio securities that its net asset value might be materially affected; (ii) days during which no shares are tendered for redemption and no orders to purchase shares are received; or (iii) the following holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

PURCHASES AT NET ASSET VALUE. Fund shares may be purchased at net asset value, without a sales charge, by officers, directors, employees and retired employees of First Alabama and other Regions Banks, or their affiliates, and their spouses and dependent children. Additionally, shares are available at net asset value without a sales charge to trust customers purchasing through the Trust Departments of First Alabama and other Regions Banks. The Trust Departments, however, may charge fees for services provided, which may be related to the ownership of Fund shares. This prospectus should, therefore, be read together with any agreement between the Trust customer and the Trust Department with regard to services provided and the fees charged for these services.

DEALER CONCESSIONS. For sales of shares of the Fund, a dealer will normally receive up to 85% of the applicable sales charge. Any portion of the sales charge which is not paid to a dealer will be retained by the distributor. However, from time to time, and at the sole discretion of the distributor, all or part of that portion may be paid to a dealer. If accepted by the dealer, such

additional payments will be predicated upon the amount of Fund shares sold. Such payments may take the form of cash or promotional incentives, such as payment of certain expenses of qualified employees and their spouses to attend informational meetings about the Fund or other special events at recreational facilities, or items of material value. In some instances, these incentives will be made available only to dealers whose employees have sold or may sell significant amounts of shares of the Fund.

OTHER PAYMENTS TO FINANCIAL INSTITUTIONS. The distributor, the adviser, or their affiliates may offer to pay a fee from their own assets to financial institutions as financial assistance for providing substantial marketing and sales support. The support may include initiating customer accounts, providing sales literature, or participating in sales, education, and training seminars (including those held at recreational facilities). Such assistance will be predicated upon the amount of shares the financial institution sells or may sell and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor will be reimbursed by the adviser or its affiliates and are in addition to any payments made under the Fund's Distribution Plan.

SHARE PURCHASES. Fund shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business. Trust customers may purchase shares through the Trust Departments of First Alabama and other Regions Banks. Other customers may purchase shares through First Alabama Investments, Inc. ("FAII"). Texas residents must purchase shares through Federated Securities Corp. at 1-800-356-2805. In connection with the sale of Fund shares, the distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Fund reserves the right to reject any purchase request.

Trust customers may place an order to purchase shares by contacting their local Trust Administrator or by calling First Alabama. Other customers may purchase shares by contacting their local FAII office or telephone FAII at 1-800-456-3244.

Payment may be made by either check or federal funds or by debiting a customer's account at First Alabama or another Regions Bank. Purchase orders must be received by 3:00 p.m. (Central time) in order to be credited on the same day. For settlement of an order, payment must be received within five business days of receipt of the order.

CONVERSION TO FEDERAL FUNDS

It is the Fund's policy to be as fully invested as possible so that maximum interest may be earned. To this end, all payments from shareholders must be in federal funds or be converted into federal funds before shareholders begin to earn dividends.

REDUCING THE SALES CHARGE

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

- . quantity discounts and accumulated purchases;
- . signing a 13-month letter of intent;
- . using the reinvestment privilege; or
- . purchases with proceeds from redemptions of unaffiliated mutual fund shares.

QUANTITY DISCOUNTS AND ACCUMULATED PURCHASES. As shown in the table above, larger purchases reduce the sales charge paid. The Fund will combine purchases of shares made on the same day by the investor, his spouse, and his dependent children when it calculates the sales charge.

If an additional purchase of shares is made, the Fund will consider the previous purchases still invested in the Fund. For example, if a shareholder already owns shares having a current value at the public offering price of \$90,000 and purchases \$10,000 more at the current public offering price, the sales charge on the additional purchase according to the schedule now in effect would be 1.50%, not 2.00%.

To receive the sales charge reduction, Federated Securities Corp. must be

notified by the shareholder in writing at the time the purchase is made that shares are already owned or that purchases are being combined. The Fund will reduce the sales charge after it confirms the purchases.

LETTER OF INTENT. If a shareholder intends to purchase at least \$100,000 of shares in the First Priority Funds over the next 13 months, the sales charge may be reduced by signing a letter of intent to that effect. This letter of intent includes a provision for a sales charge adjustment depending on the amount actually purchased within the 13-month period and a provision for the custodian to hold up to 2.00% of the total amount intended to be purchased in escrow until such purchase is completed.

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

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

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

PURCHASES WITH PROCEEDS FROM REDEMPTIONS OF UNAFFILIATED MUTUAL FUND SHARES. Investors may purchase shares of the Fund at net asset value, without a sales charge, with the proceeds from the redemption of shares of a mutual fund which was sold with a sales charge or commission. The purchase must be made within 60 days of the redemption, and FAII must be notified by the investor in writing or by his financial institution at the time the purchase is made. The adviser will offer to pay broker/dealers an amount equal to 0.50% of the net asset value of shares of the Fund purchased by their clients or customers in this manner. This offer is not available for the redemption of mutual fund shares that were or would be subject to a contingent deferred sales charge upon redemption.

SYSTEMATIC INVESTMENT PLAN

Holders of shares may arrange for systematic monthly investments in their accounts in amounts of \$100 or more. Officers, directors, employees, and retired employees of First Alabama and other Regions Banks, or their affiliates, and their spouses and their dependent children, may arrange for systematic monthly investments in their accounts in amounts of \$25 or more. Once proper authorization is given, a shareholder's bank account will be debited to purchase shares in the Fund.

EXCHANGING SECURITIES FOR FUND SHARES

Investors may exchange certain securities or a combination of certain securities and cash for Fund shares. The Fund reserves the right to determine the acceptability of securities to be exchanged. On the day securities are accepted by the Fund, they are valued in the same manner as the Fund values its assets. Investors wishing to exchange securities should first contact First Alabama or another Regions Bank. The market value of any securities exchanged in an initial investment, plus any cash, must be at least \$1,000,000.

SHAREHOLDER ACCOUNTS

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

DIVIDENDS AND CAPITAL GAINS

Dividends are declared and paid quarterly. Dividends are declared just prior to determining net asset value. Capital gains realized by the Fund, if any, will be distributed at least once every twelve months. Dividends and capital gains will be reinvested in additional shares of the Fund on payment dates at the

ex-dividend date net asset value unless cash payments are requested by shareholders by writing to the Fund, First Alabama, or another Regions Bank, as appropriate.

EXCHANGE PRIVILEGE

A shareholder may exchange shares of one fund for the appropriate class of shares of any other fund in the First Priority Funds by calling or by writing to First Alabama, another Regions Bank, or FAII, as appropriate. Texas residents must telephone Federated Securities Corp. at 1-800-356-2805 to exchange shares. In addition, shareholders of the Trust may have the ability to exchange shares of certain funds distributed by Federated Securities Corp. For further information, contact First Alabama or another Regions Bank. Shares purchased by check are not eligible for exchange until the purchase check has cleared, which could take up to seven calendar days. The exchange feature applies to shares of each fund as of the effective offering date of each fund's shares. Telephone exchange instructions may be recorded.

Orders to exchange shares of one fund for shares of any of the other First Priority Funds will be executed by redeeming the shares owned at net asset value and purchasing shares of any of the other First Priority Funds at the offering price determined after the proceeds from such redemption become available. Orders for exchanges received by the Fund prior to 3:00 p.m. (Central time) on any day the funds are open for business will be executed as of the close of business that day. Orders for exchanges received after 3:00 p.m. (Central time) on any business day will be executed at the close of the next business day.

Shares of funds with a sales charge may be exchanged at net asset value for shares of other funds with an equal sales charge or no sales charge. Shares of funds with a sales charge may be exchanged for shares of funds with a higher sales charge at net asset value, plus the additional sales charge. Shares of funds with no sales charge, whether acquired by direct purchase, reinvestment of dividends on such shares, or otherwise, may be exchanged for shares of funds with a sales charge at net asset value, plus the applicable sales charge.

When an exchange is made from a fund with a sales charge to a fund with no sales charge, the shares exchanged and additional shares which have been purchased by reinvesting dividends or capital gains on such shares retain the character of the exchanged shares for purposes of exercising further exchange privileges.

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

An excessive number of exchanges may be disadvantageous to the Trust. Therefore, the Trust, in addition to its right to reject any exchange, reserves the right to terminate the exchange privilege of any shareholder who makes more than five exchanges of shares of the funds in a year or three in a calendar quarter.

An exchange order must comply with the requirements for a redemption and purchase order and must specify the dollar value or number of shares to be exchanged. Exchanges are subject to the minimum initial purchase requirements of each fund being acquired. An exchange constitutes a sale for federal income tax purposes.

The exchange privilege is only available in states where shares of the fund being acquired may legally be sold. Before the exchange, a shareholder must receive a prospectus of the fund for which the exchange is being made.

REDEEMING SHARES

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

BY TELEPHONE

Trust customers may redeem shares of the Fund by contacting their Trust Administrator. Other shareholders may redeem shares by telephoning their local FAII office. For calls received by First Alabama and other Regions Banks before 3:00 p.m. (Central time), proceeds will normally be wired within five business

days to the shareholder's account at First Alabama or another Regions Bank or a check will be sent to the address of record. Those shares will be entitled to the dividend declared on the day the redemption request was received. In no event will proceeds be wired more than seven days after a proper request for redemption has been received.

An authorization form permitting the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from First Alabama and other Regions Banks. Telephone redemption instructions may be recorded.

In the event of drastic economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, another method of redemption, such as a written request to Federated Services Company, First Alabama, or another Regions Bank, should be considered.

If, at any time, the Fund shall determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

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

BY MAIL

A shareholder may redeem shares by sending a written request to FAII. The written request should include the shareholder's name, the Fund name, the account number, and the share or dollar amount requested. Shareholders should call FAII for assistance in redeeming by mail.

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

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

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

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

RECEIVING PAYMENT. Normally, a check for the proceeds is mailed within five business days, but in no event more than seven days, after receipt of a proper written redemption request, provided that the transfer agent has received payment for shares from the shareholder.

SYSTEMATIC WITHDRAWAL PLAN

Under a Systematic Withdrawal Plan, accounts having a value of at least \$10,000 may arrange for regular monthly or quarterly fixed withdrawal payments. Each payment must be at least \$100 and may be as much as 1.5% per month or 4.5% per quarter of the total net asset value of the shares in the account when the Systematic Withdrawal Plan is opened. Excessive withdrawals may deplete or decrease the value of an account. For this reason, payments under this Systematic Withdrawal Plan should not be considered as yield or income on the shareholder's investment in the Fund. Due to the fact that shares are sold with a sales charge, it is not advisable for shareholders to be purchasing shares of the Fund while participating in this Systematic Withdrawal Plan.

ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Fund may

redeem shares in any account and pay the proceeds to the shareholder if the account balance falls below the required minimum value of \$1,000. This requirement does not apply, however, if the balance falls below \$1,000 because of changes in the Fund's net asset value. Before shares are redeemed to close an account, the shareholder is notified in writing and allowed 30 days to purchase additional shares to meet the minimum requirement.

SHAREHOLDER INFORMATION

VOTING RIGHTS

Each share of the Fund gives the shareholder one vote in Trustee elections and other matters submitted to shareholders for vote. All shares of all classes of each portfolio in the Trust have equal voting rights, except that, in matters affecting only a particular fund or class, only shareholders of that fund or class are entitled to vote. As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust's or the Fund's operation and for the election of Trustees under certain circumstances.

Trustees may be removed by Trustees or by shareholders at a special meeting. A special meeting of shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the Trust's outstanding shares.

MASSACHUSETTS PARTNERSHIP LAW

Under certain circumstances, shareholders may be held personally liable under Massachusetts law for acts or obligations of the Trust. To protect shareholders, the Trust has filed legal documents with Massachusetts that expressly disclaim the liability of shareholders for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument the Trust or its Trustees enter into or sign.

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

EFFECT OF BANKING LAWS

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

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

TAX INFORMATION

FEDERAL INCOME TAX

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

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

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

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

PERFORMANCE INFORMATION

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

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

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

The performance information described above reflects the effect of the maximum sales load which, if excluded, would increase the total return and yield.

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

ADDRESSES

<TABLE>		
<S>	<C>	<C>
	First Priority Equity Income Fund	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779

Distributor	Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Investment Adviser	First Alabama Bank Mutual Funds Group	P.O. Box 10247 Birmingham, Alabama 35202
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Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services	Federated Services Company	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Legal Counsel	Houston, Houston & Donnelly	2510 Centre City Tower Pittsburgh, Pennsylvania 15222
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Legal Counsel	Dickstein, Shapiro & Morin, L.L.P.	2101 L Street, N.W. Washington, D.C. 20037
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</TABLE>

FIRST PRIORITY
EQUITY INCOME FUND
PROSPECTUS

Prospectus dated December , 1994

[LOGO] FEDERATED SECURITIES CORP.

Distributor
A subsidiary of FEDERATED INVESTORS

FEDERATED INVESTORS TOWER
PITTSBURGH, PA 15222-3779

G00707-01 (10/94)

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS STATEMENT OF ADDITIONAL INFORMATION SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION
PRELIMINARY STATEMENT OF ADDITIONAL INFORMATION
DATED OCTOBER 24, 1994

FIRST PRIORITY EQUITY INCOME FUND
(A PORTFOLIO OF FIRST PRIORITY FUNDS)

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus for First Priority Equity Income Fund (the "Fund") dated December , 1994. This Statement is not a prospectus itself. To receive a copy of the prospectus, write the Fund or call 1-800-433-2829.

FEDERATED INVESTORS TOWER
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated December , 1994

[LOGO] FEDERATED SECURITIES CORP.

Distributor
A subsidiary of FEDERATED INVESTORS

TABLE OF CONTENTS

GENERAL INFORMATION ABOUT THE FUND	1
INVESTMENT OBJECTIVE AND POLICIES	1
Types of Investments	1
Warrants	1
Money Market Instruments	1
Repurchase Agreements	1
When-Issued and Delayed Delivery Transactions	1
Futures and Options Transactions	2
Lending of Portfolio Securities	3
Restricted Securities	3

Reverse Repurchase Agreements	4
Portfolio Turnover	4
Investment Limitations	4
FIRST PRIORITY FUNDS MANAGEMENT	6

Officers and Trustees	6
The Funds	9
Fund Ownership	9
Trustee Liability	9
INVESTMENT ADVISORY SERVICES	10

Adviser to the Fund	10
Advisory Fees	10
ADMINISTRATIVE SERVICES	10

CUSTODIAN	10

BROKERAGE TRANSACTIONS	10

PURCHASING SHARES	11

Distribution Plan	11
EXCHANGING SECURITIES FOR FUND SHARES	11

DETERMINING NET ASSET VALUE	11

Determining Market Value of Securities	11
EXCHANGE PRIVILEGE	12

Requirements for Exchanging Shares	12
Making an Exchange	12
REDEEMING SHARES	12

Redemption in Kind	12
TAX STATUS	12

The Fund's Tax Status	12
Shareholders' Tax Status	13
TOTAL RETURN	13

YIELD	13

PERFORMANCE COMPARISONS	13

APPENDIX	15

GENERAL INFORMATION ABOUT THE FUND	

The Fund is a portfolio in First Priority Funds (the "Trust"), which was established as a Massachusetts business trust under a Declaration of Trust dated October 15, 1991.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to provide income and growth of capital. The investment objective cannot be changed without approval of shareholders. Unless indicated otherwise, the policies described below may be changed by the Board of Trustees ("Trustees") without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

TYPES OF INVESTMENTS

The Fund invests primarily in a diversified portfolio of income-producing equity securities. The portion of the Fund's total assets invested in common stocks, preferred stocks, and convertible securities will vary according to the Fund's assessment of market and economic conditions and outlook, but income-producing equity securities will, under normal market conditions, comprise at least 65% of the Fund's assets.

WARRANTS

The Fund may invest in warrants. Warrants are basically options to purchase common stock at a specific price (usually at a premium above the market value of the optioned common stock at issuance) valid for a specific period of time. Warrants may have a life ranging from less than a year to twenty years or may be perpetual. However, most warrants have expiration dates after which they are worthless. In addition, if the market price of the common stock does not exceed the warrant's exercise price during the life of the warrant, the warrant will expire as worthless. Warrants have no voting rights, pay no dividends, and have no rights with respect to the assets of the corporation issuing them. The percentage increase or decrease in the market price of the warrant may tend to be greater than the percentage increase or decrease in the market price of the optioned common stock. The Fund will not invest more than 5% of the value of its total assets in warrants. No more than 2% of this 5% may be in warrants which are not listed on the New York or American Stock Exchanges. Warrants required in units or attached to securities may be deemed to be without value for purposes of this policy.

MONEY MARKET INSTRUMENTS

The Fund may invest in the following money market instruments:

- . instruments of domestic and foreign banks and savings and loans if they have capital, surplus, and undivided profits of over \$100,000,000 or if the principal amount of the instrument is insured in full by the Bank Insurance Fund or the Savings Association Insurance Fund, both of which are administered by the Federal Deposit Insurance Corporation; and
- . prime commercial paper (rated "A-1" by Standard and Poor's Ratings Group, "Prime-1" by Moody's Investors Service, Inc., or "F-1" by Fitch Investors Service, Inc.).

REPURCHASE AGREEMENTS

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

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are made to secure what is considered to be an advantageous price and yield for the Fund. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the Fund sufficient to make payment for the securities to be purchased are segregated on the Fund's records at the trade date. These securities are marked to market daily and are maintained until the transaction has been settled. The Fund does not intend to engage in when-issued and delayed delivery transactions to an extent that would

cause the segregation of more than 20% of the total value of its assets.

FUTURES AND OPTIONS TRANSACTIONS

The Fund will maintain its positions in securities, options rights, and segregated cash subject to puts and calls until the options are exercised, closed, or have expired. An option position on futures contracts may be closed out over-the-counter or on a nationally recognized exchange which provides a secondary market for options of the same series.

A futures contract is a firm commitment by two parties: the seller who agrees to make delivery of the specific type of security called for in the contract ("going short") and the buyer who agrees to take delivery of the security ("going long") at a certain time in the future.

"MARGIN" IN FUTURES TRANSACTIONS

Unlike the purchase or sale of a security, the Fund does not pay or receive money upon the purchase or sale of a futures contract. Rather, the Fund is required to deposit an amount of "initial margin" in cash or U.S. Treasury bills with its custodian (or the broker, if legally permitted). The nature of initial margin in futures transactions is different from that of margin in securities transactions in that initial margin in futures transactions does not involve the borrowing of funds by the Fund to finance the transactions. Initial margin is in the nature of a performance bond or good-faith deposit on the contract which is returned to the Fund upon termination of the futures contract, assuming all contractual obligations have been satisfied.

A futures contract held by the Fund is valued daily at the official settlement price of the exchange on which it is traded. Each day the Fund pays or receives cash, called "variation margin," equal to the daily change in value of the futures contract. This process is known as "marking to market." Variation margin does not represent a borrowing or loan by the Fund but is instead settlement between the Fund and the broker of the amount one would owe the other if the futures contract expired. In computing its daily net asset value, the Fund will mark to market its open futures positions.

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

PUT OPTIONS ON FUTURES CONTRACTS

The Fund may purchase listed put options on futures contracts. Unlike entering directly into a futures contract, which requires the purchaser to buy a financial instrument on a set date at a specified price, the purchase of a put option on a futures contract entitles (but does not obligate) its purchaser to decide on or before a future date whether to assume a short position at the specified price.

Generally, if the hedged portfolio securities decrease in value during the term of an option, the related futures contracts will also decrease in value and the option will increase in value. In such an event, the Fund will normally close out its option by selling an identical option. If the hedge is successful, the proceeds received by the Fund upon the sale of the second option will be large enough to offset both the premium paid by the Fund for the original option plus the decrease in value of the hedged securities.

Alternatively, the Fund may exercise its put option to close out the position. To do so, it would simultaneously enter into a futures contract of the type underlying the option (for a price less than the strike price of the option) and exercise the option. The Fund would then deliver the futures contract in return for payment of the strike price. If the Fund neither closes out nor exercises an option, the option will expire on the date provided in the option contract, and only the premium paid for the contract will be lost.

CALL OPTIONS ON FUTURES CONTRACTS

In addition to purchasing put options on futures, the Fund may write listed and over-the-counter call options on futures contracts to hedge its portfolio. When the Fund writes a call option on a futures contract, it is undertaking the obligation of assuming a short futures position (selling a futures contract) at the fixed strike price at any time during the life of the option if the option is exercised. As stock prices fall

or market interest rates rise, causing the prices of futures to go down, the Fund's obligation under a call option on a future (to sell a futures contract) costs less to fulfill, causing the value of the Fund's call option position to increase.

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

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

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

STOCK INDEX OPTIONS

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

The effectiveness of purchasing stock index options will depend upon the extent to which price movements in the Fund's portfolio correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize a gain or loss from the purchase of the option on an index depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of a particular stock. Accordingly, successful use by the Fund of options on stock indices will be subject to the availability of the Fund's adviser to predict correctly movements in the directions of the stock market generally or of a particular industry. This requires different skills and techniques than predicting changes in the prices of individual stocks.

LENDING OF PORTFOLIO SECURITIES

As a fundamental policy of the Fund, the Fund may lend portfolio securities. The collateral received when the Fund lends portfolio securities must be valued daily and, should the market value of the loaned securities increase, the borrower must furnish additional collateral to the Fund. During the time portfolio securities are on loan, the borrower pays the Fund any dividends or interest paid on such securities. Loans are subject to termination at the option of the Fund or the borrower. The Fund may pay reasonable administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash or equivalent collateral to the borrower or placing broker. The Fund would not have the right to vote securities on loan, but would terminate the loan and regain the right to vote if that were considered important with respect to the investment.

RESTRICTED SECURITIES

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

and possibly certain other restricted securities which meet the criteria for liquidity established by the Trustees are quite liquid. The Fund intends, therefore, to treat the restricted securities which meet the criteria for liquidity established by the Trustees, including Section 4(2) commercial paper, as determined by the Fund's investment adviser, as liquid and not subject to the investment limitation applicable to illiquid securities. In addition, because Section 4(2) commercial paper is liquid, the Fund intends to not subject such paper to the limitation applicable to restricted securities.

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

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

REVERSE REPURCHASE AGREEMENTS

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

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

PORTFOLIO TURNOVER

Although the Fund does not intend to invest for the purpose of seeking short-term profits, securities in its portfolio will be sold whenever the Fund's investment adviser believes it is appropriate to do so in light of the Fund's investment objective, without regard to the length of time a particular security may have been held. It is not anticipated that the portfolio trading engaged in by the Fund will result in its annual rate of portfolio turnover exceeding 100%.

INVESTMENT LIMITATIONS

SELLING SHORT AND BUYING ON MARGIN

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

ISSUING SENIOR SECURITIES AND BORROWING MONEY

The Fund will not issue senior securities, except that the Fund may borrow money directly or through reverse repurchase agreements in amounts up to one-third of the value of its total assets, including the amounts

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

PLEDGING ASSETS

The Fund will not mortgage, pledge, or hypothecate any assets except to secure permitted borrowings. For purposes of this limitation, the following are not deemed to be pledges: margin deposits for the purchase and sale of financial future contracts and related options and the segregation or collateral arrangements made in connection with options activities or the purchase of securities on a when-issued basis.

DIVERSIFICATION OF INVESTMENTS

With respect to securities comprising 75% of the value of its total assets, the Fund will not purchase securities issued by any one issuer (other than cash, cash items or securities issued or guaranteed by the government of the United States or its agencies or instrumentalities and repurchase agreements collateralized by such securities) if, as a result, more than 5% of the value of its total assets would be invested in the securities of that issuer or if it would own more than 10% of the outstanding voting securities of that issuer. For these purposes, the Fund considers common stock and all preferred stock of an issuer each as a single class, regardless of priorities, series, designations, or other differences.

UNDERWRITING

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

INVESTING IN REAL ESTATE

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

INVESTING IN COMMODITIES

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

LENDING CASH OR SECURITIES

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

CONCENTRATION OF INVESTMENTS

The Fund will not invest 25% or more of its total assets in securities of issuers having their principal business activities in the same industry (other than securities issued by the U.S. government, its agencies or instrumentalities).

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

INVESTING IN RESTRICTED SECURITIES

The Fund will not invest more than 15% of the value of its total assets in securities subject to restrictions on resale under federal securities laws, except for commercial paper issued under Section 4(2) of the Securities Act of 1933 and certain other restricted securities which meet the criteria for liquidity as established by the Board of Trustees.

INVESTING IN ILLIQUID SECURITIES

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

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund will limit its investment in other investment companies to no more than 3% of the total outstanding voting stock of any investment company, invest no more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in investment companies in general. The Fund will purchase securities of closed-end investment companies only in open market transactions involving only customary broker's commissions. However, these limitations are not applicable if the securities are acquired in a merger, consolidation, reorganization or acquisition of assets; nor are they applicable with respect to securities of investment companies that have been exempted from registration under the Investment Company Act of 1940.

INVESTING IN NEW ISSUERS

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

INVESTING IN MINERALS

The Fund will not purchase interests in oil, gas, or other mineral exploration or development programs or leases, except it may purchase the securities of issuers which invest in or sponsor such programs.

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

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

PURCHASING SECURITIES TO EXERCISE CONTROL

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

INVESTING IN WARRANTS

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

INVESTING IN PUT OPTIONS

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

WRITING COVERED CALL OPTIONS

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

ARBITRAGE TRANSACTIONS

The Fund will not enter into transactions for the purpose of engaging in

arbitrage.

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

The Fund has no present intent to borrow money, pledge securities or invest in reverse repurchase agreements in excess of 5% of the value of its net assets in the coming fiscal year.

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

To comply with registration requirements in certain states, the Fund will (1) limit the aggregate value of the assets underlying covered call options or put options written by the Fund to not more than 25% of its net assets; (2) will limit the premiums paid for options purchased by the Fund to 20% of its net assets; and (3) will limit the margin deposits on futures contracts entered into by the Fund to 5% of its net assets. If state requirements change, these restrictions may be revised without shareholder notification.

FIRST PRIORITY FUNDS MANAGEMENT

OFFICERS AND TRUSTEES

Officers and Trustees are listed with their addresses, present positions with the Trust, and principal occupations.

John F. Donahue+*
Federated Investors Tower
Pittsburgh, PA

Chairman and Trustee

Chairman and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; Chairman and Director, Federated Research Corp.; Chairman, Passport Research, Ltd.; Director, AETna Life and Casualty Company; Chief Executive Officer and Director, Trustee, or Managing General Partner of the Funds. Mr. Donahue is the father of J. Christopher Donahue, Vice President of the Trust.

John T. Conroy, Jr.
Wood/IPC Commercial Department
John R. Wood and Associates, Inc., Realtors
3255 Tamiami Trail North
Naples, FL

Trustee

President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; President, Northgate Village Development Corporation; Partner or Trustee in private real estate ventures in Southwest Florida; Director, Trustee, or Managing General Partner of the Funds; formerly, President, Naples Property Management, Inc.

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

Trustee

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

James E. Dowd
571 Hayward Mill Road
Concord, MA

Trustee

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

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

Trustee

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

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

Trustee

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

Edward C. Gonzales*
Federated Investors Tower
Pittsburgh, PA

President, Treasurer, and Trustee

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

Peter E. Madden
225 Franklin Street
Boston, MA

Trustee

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

Gregor F. Meyer
5916 Penn Mall
Pittsburgh, PA

Trustee

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

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

Trustee

Professor, Foreign Policy and Management Consultant; Trustee, Carnegie Endowment

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

Marjorie P. Smuts
4905 Bayard Street
Pittsburgh, PA

Trustee

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

J. Christopher Donahue
Federated Investors Tower
Pittsburgh, PA

Vice President

President and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; President and Director, Federated Research Corp.; President, Passport Research, Ltd.; Trustee, Federated Administrative Services, Federated Services Company, and Federated Shareholder Services; President or Vice President of the Funds; Director, Trustee, or Managing General Partner of some of the Funds. Mr. Donahue is the son of John F. Donahue, Chairman and Trustee of the Trust.

Richard B. Fisher
Federated Investors Tower
Pittsburgh, PA

Vice President

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

John W. McGonigle
Federated Investors Tower
Pittsburgh, PA

Vice President and Secretary

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

Ronald M. Petnuch
Federated Investors Tower
Pittsburgh, PA

Vice President and Assistant Treasurer

Vice President, Federated Administrative Services; Vice President and Assistant Treasurer of some of the Funds; formerly, Associate Corporate Counsel, Federated Investors.

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

+Member of the Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board of Trustees between meetings of the Board.

THE FUNDS

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

FUND OWNERSHIP

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

TRUSTEE LIABILITY

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

INVESTMENT ADVISORY SERVICES

ADVISER TO THE FUND

The Fund's investment adviser is First Alabama Bank ("First Alabama" or "adviser"), which is a wholly-owned subsidiary of Regions Financial Corp. Because of internal controls maintained by First Alabama to restrict the flow of non-public information, Fund investments are typically made without any knowledge of First Alabama's or its affiliates' lending relationships with an issuer.

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

ADVISORY FEES

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

STATE EXPENSE LIMITATIONS

The adviser has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Fund's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes, and extraordinary expenses)

exceed 2-1/2% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1-1/2% per year of the remaining average net assets, the adviser will reimburse the Fund for its expenses over the limitation.

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

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

ADMINISTRATIVE SERVICES

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

CUSTODIAN

First Alabama Bank, Birmingham, Alabama, is custodian for the securities and cash of the Fund. Under the custodian agreement, First Alabama Bank holds the Fund's portfolio securities and keeps all necessary records and documents relating to its duties. First Alabama Bank's fees for custody services are based upon the market value of Fund securities held in custody plus certain securities transaction charges.

BROKERAGE TRANSACTIONS

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

- . advice as to the advisability of investing in securities;
- . security analysis and reports;
- . economic studies;
- . industry studies;
- . receipt of quotations for portfolio evaluations; and
- . similar services.

The adviser and its affiliates exercise reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. They determine in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

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

PURCHASING SHARES

Shares are sold at their net asset value with a sales charge on days the New York Stock Exchange is open for business. The procedure for purchasing shares of the Fund is explained in the prospectus under "Investing in the Fund." As used in the prospectus, the term "dependent children" means all children under the age of 19 and full-time students under the age of 23.

DISTRIBUTION PLAN

With respect to shares of the Fund, the Trust has adopted a Distribution Plan pursuant to Rule 12b-1 (the "Distribution Plan") which was promulgated by the SEC under the Investment Company Act of 1940. The Distribution Plan provides for

payment of fees to Federated Securities Corp. to finance any activity which is principally intended to result in the sale of Fund shares. Such activities may include the advertising and marketing of Fund shares; preparing, printing and distributing prospectuses and sales literature to prospective shareholders, brokers or administrators; and implementing and operating the Distribution Plan. Pursuant to the Distribution Plan the distributor may pay fees to brokers for distribution and administrative services and to administrators for administrative services as to Fund shares. The administrative services are provided by a representative who has knowledge of the shareholder's particular circumstances and goals, and include, but are not limited to: communicating account openings; communicating account closings; entering purchase transactions; entering redemption transactions; providing or arranging to provide accounting support for all transactions; wiring funds and receiving funds for Fund share purchases and redemptions; confirming and reconciling all transactions; reviewing the activity in Fund accounts; providing training and supervision of broker personnel; posting and reinvesting dividends to Fund accounts or arranging for this service to be performed by the Fund's transfer agent; and maintaining and distributing current copies of prospectuses and shareholder reports to the beneficial owners of Fund shares and prospective shareholders.

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

EXCHANGING SECURITIES FOR FUND SHARES

Any securities to be exchanged must meet the investment objective and policies of the Fund, must have a readily ascertainable market value, must be liquid, and must not be subject to restrictions on resale. An investor should forward the securities in negotiable form with an authorized letter of transmittal to First Alabama Bank or any Regions Bank. The Fund will notify the investor of its acceptances and valuation of the securities within five business days of their receipt by Federated Services Company.

The basis of the exchange will depend upon the net asset value of Fund shares on the day the securities are valued. One share of the Fund will be issued for each equivalent amount of securities accepted.

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

TAX CONSEQUENCES

Exercise of this exchange privilege is currently treated as a sale for federal income tax purposes. Depending upon the cost basis of the securities exchanged for Fund shares, a gain or loss may be realized by the investor.

DETERMINING NET ASSET VALUE

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

DETERMINING MARKET VALUE OF SECURITIES

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

- . for equity securities, according to the last sale price on a national securities exchange, if applicable;
- . in the absence of recorded sales for listed equity securities, according to the mean between the last closing bid and asked prices;
- . for unlisted equity securities, latest bid prices;
- . for bonds and other fixed income securities, as determined by an independent pricing service;

- . for short-term obligations, according to the mean between bid and asked prices as furnished by an independent pricing service, or for short-term obligations with remaining maturities of 60 days or less at the time of purchase, at amortized cost; or
- . for all other securities, at fair value as determined in good faith by the Trustees.

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

The Fund will value options at their market values established by the exchanges at the close of options trading on such exchanges unless the Trustees determine in good faith that another method of valuing option positions is necessary.

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

EXCHANGE PRIVILEGE

REQUIREMENTS FOR EXCHANGING SHARES

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

This privilege is available to shareholders resident in any state in which the fund shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund.

Further information on the exchange privilege and prospectuses may be obtained by calling First Alabama or any Regions Bank.

MAKING AN EXCHANGE

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

REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after the Fund receives the redemption request. Redemption procedures are explained in the prospectus under "Redeeming Shares."

REDEMPTION IN KIND

Although the Trust intends to redeem shares in cash, it reserves the right under certain circumstances to pay the redemption price in whole or in part by a distribution of securities from the respective Fund's portfolio.

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

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

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

TAX STATUS

THE FUND'S TAX STATUS

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

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

SHAREHOLDERS' TAX STATUS

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

CAPITAL GAINS

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

TOTAL RETURN

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

YIELD

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

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

PERFORMANCE COMPARISONS

The performance of Fund shares depends upon such variables as:

- . portfolio quality;
- . average portfolio maturity;
- . type of instruments in which the portfolio is invested;

- . changes in interest rates and market value of portfolio securities;
- . changes in the Fund's expenses; and
- . various other factors.

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

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

.LIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all income dividends and capital gains distributions, if any. From time to time, the Fund will quote its Lipper ranking in an appropriate category in advertising and sale literature.

.STANDARD & POOR'S DAILY STOCK PRICE INDEX OF 500 COMMON STOCKS, a composite index of common stocks in industry, transportation, and financial and public utility companies, can be used to compare the total returns of funds whose portfolios are invested primarily in common stocks. In addition, the Standard & Poor's Index assumes reinvestments of all dividends paid by stocks listed on its index. Taxes due on any of these distributions are not included, nor are brokerage or other fees calculated in Standard & Poor's figures.

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

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

APPENDIX

STANDARD AND POOR'S RATINGS GROUP CORPORATE BOND RATINGS

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

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

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

NR--Indicates that no public rating has been requested, that there is insufficient information on which to base a rating, or that Standard & Poor's does not rate a particular type of obligation as a matter of policy.

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

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

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

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

which make the long-term risks appear somewhat larger than in Aaa securities.

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

NR--Not rated by Moody's.

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

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

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

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

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

STANDARD AND POOR'S RATINGS GROUP COMMERCIAL PAPER RATINGS

A-1--This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. The issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

A-2--Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as high as for issues designated A-1.

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

P-1--Issuers rated PRIME-1 (for related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. PRIME-1 repayment capacity will normally be evidenced by the following characteristics: conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earning coverage of fixed financial charges and high internal cash generation; and well-established access to a range of financial markets and assured sources of alternate liquidity.

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

FITCH INVESTORS SERVICE, INC., SHORT-TERM RATINGS

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

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

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

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