

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### FINANCIAL RESERVES FUND

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Business Address  
*FEDERATED INVESTORS  
TOWER  
PITTSBURGH PA 15222  
4122888208*

FINANCIAL RESERVES FUND  
PROSPECTUS

Financial Reserves Fund (the "Fund") seeks to obtain as high a level of current income as is consistent with preserving capital and providing liquidity. The Fund will invest only in high-quality money market instruments.

Shares of the Fund are offered principally to prospective investors who have a fiduciary, custody or agency relationship with Society National Bank ("Society"), Cleveland, Ohio, or its affiliates.

SOCIETY ASSET MANAGEMENT, INC. (THE "ADVISER"), A SUBSIDIARY OF SOCIETY NATIONAL BANK, IS THE INVESTMENT ADVISER TO FINANCIAL RESERVES FUND. FEDERATED SECURITIES CORP., WHICH IS NOT AFFILIATED WITH THE ADVISER, SOCIETY INVESTMENTS, INC., OR SOCIETY NATIONAL BANK, IS THE SPONSOR AND DISTRIBUTOR FOR THE FUND. SOCIETY ASSET MANAGEMENT, INC. AND SOCIETY NATIONAL BANK RECEIVE FEES FOR THEIR SERVICES FROM THE FUND.

SHARES OF FINANCIAL RESERVES FUND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, SOCIETY ASSET MANAGEMENT, INC., SOCIETY INVESTMENTS, INC., SOCIETY NATIONAL BANK, ANY OF THEIR AFFILIATES, OR ANY OTHER BANK. SUCH SHARES ARE NOT INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENTAL AGENCY. THE FUND ATTEMPTS TO MAINTAIN A STABLE NET ASSET VALUE OF \$1.00 PER SHARE; THERE CAN BE NO ASSURANCE THAT THE FUND WILL BE ABLE TO DO SO.

Please read this prospectus before investing. It is designed to provide you with information and to help you decide if the Fund's goals match your own. Retain this document for future reference.

A Statement of Additional Information, dated December 31, 1993, for the Fund has been filed with the Securities and Exchange Commission and is incorporated herein by reference into this prospectus. This Statement is available without charge upon request from Society National Bank.

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 31, 1993

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SUMMARY OF FUND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES

<TABLE>		
<S>	<C>	<C>
Maximum Sales Load Imposed on Purchases		
(as a percentage of offering price).....		None
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 Fee (as a percentage of amount redeemed, if applicable).....		None
Exchange Fee.....		None
ANNUAL FUND OPERATING EXPENSES		
(As a percentage of average net assets)		
Management Fee (after waiver) (1).....		0.37%
12b-1 Fees.....		None
Total Other Expenses.....		0.20%
Total Fund Operating Expenses (2).....		0.57%
</TABLE>		

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

(2) The Annual Fund Operating Expenses were 0.55% for the fiscal year ended October 31, 1993. The Annual Fund Operating Expenses in the table above reflect those expenses which are expected to be incurred for the fiscal year ended October 31, 1994, and reflects an anticipated reduction in the voluntary waiver of the investment advisory fee. The Total Fund Operating Expenses are anticipated to be 0.70% absent the voluntary waiver of the investment advisory fee.

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 "ADVISER AND SERVICE FEES," "HOW TO BUY SHARES" AND "HOW TO REDEEM SHARES."

<TABLE>				
<CAPTION>				
EXAMPLE:	1 Year	3 Years	5 Years	10 Years
	-----	-----	-----	-----

<S>  
 You would pay the following expenses on a \$1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period..... \$ 6 \$ 18 \$ 32 \$ 71  
 </TABLE>

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

FINANCIAL RESERVES FUND

FINANCIAL HIGHLIGHTS

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 (FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Accountants on page 21.

<TABLE>  
 <CAPTION>

	YEAR ENDED OCTOBER 31,									
	1993+	1992+	1991+	1990	1989	1988	1987	1986	1985	1984
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Income from investment operations										
Net investment income	0.03	0.04	0.06	0.08	0.09	0.07	0.06	0.07	0.08	0.10
Less distributions										
Dividends to shareholders from net investment income	(0.03)	(0.04)	(0.06)	(0.08)	(0.09)	(0.07)	(0.06)	(0.07)	(0.08)	(0.10)
Net asset value, end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return*	2.81%	3.76%	6.28%	8.12%	9.14%	7.13%	6.19%	6.87%	8.25%	10.20%
Ratios to average net assets										
Expenses	0.55%	0.55%	0.55%	0.55%	0.56%	0.54%	0.56%	0.57%	0.59%	0.63%
Net investment income	2.78%	3.67%	6.12%	7.84%	8.77%	6.92%	6.06%	6.55%	7.92%	9.84%
Expense waiver/reimbursement (a)	0.15%	0.15%	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Supplemental Data										
Net assets, end of period (000 omitted)	\$457,872	\$523,889	\$412,542	\$432,905	\$369,582	\$409,440	\$388,938	\$231,823	\$147,407	\$120,734

</TABLE>

+ Effective May 16, 1991, Ameritrust Company National Association became investment adviser to the Fund. Ameritrust was acquired by Society Corporation on March 16, 1992, and merged into Society National Bank, a wholly-owned subsidiary of Society Corporation on July 13, 1992. On January 7, 1993, investment responsibility was transferred to Society Asset Management, Inc., another wholly-owned subsidiary of Society Corporation.

\* Based on net asset value which does not reflect the sales load or redemption fee, if applicable.

(a) This expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(See Notes which are an integral part of the financial statements)

INVESTMENT OBJECTIVE AND POLICIES

INVESTMENT OBJECTIVE

The Fund's investment objective is to seek to obtain as high a level of current income as is consistent with preserving capital and providing liquidity. The Fund will invest only in high-quality money market instruments. There can be no

assurance that the Fund will achieve its investment objective, but it will follow the investment style described in the following paragraphs.

The Adviser will invest Fund assets in the following types of high-quality, U.S. dollar-denominated money market instruments:

- obligations of domestic financial institutions including certificates of deposit, bankers' acceptances and time deposits.
- obligations of foreign branches of U.S. banks (Eurodollars) including certificates of deposit, bankers' acceptances and time deposits.
- obligations of the U.S. government or any of its agencies or instrumentalities which may be backed by the credit-worthiness of the government as a whole or by the credit-worthiness of the issuing agency.
- short-term corporate obligations, including commercial paper, notes, and bonds, with remaining maturities of one year or less.
- repurchase agreements with member banks of the Federal Reserve System and primary dealers in U.S. government securities with respect to any security in which the Fund is authorized to invest.
- other short-term debt obligations of domestic issuers discussed in this prospectus.

Currently, the Fund has no intention of purchasing obligations of savings and loan institutions or savings banks.

The Fund may engage in reverse repurchase agreements which are described in the Glossary which begins on page 11.

The Fund may invest in obligations of foreign branches of U.S. banks (Eurodollars). Payment of interest and principal upon these obligations also may be affected by governmental action in the country of domicile of the branch (generally referred to as sovereign risk). In addition, evidences of ownership of portfolio securities may be held outside of the U.S. and the Fund may be subject to the risks associated with the holding of such property overseas. Various provisions of federal law governing the establishment and operation of domestic branches do not apply to foreign branches of domestic banks. The Adviser carefully considers these factors when making investments. The Fund does not limit the amount of its assets which can be invested in any one type of instrument or in any foreign country in which a branch of a U.S. bank or the parent of a U.S. branch is located. Investments in obligations of foreign branches of U.S. banks may be subject to an overall limit of 25% of total assets which may be invested in a single industry.

#### MATCHING THE FUND TO YOUR INVESTMENT NEEDS

Available cash invested in the Fund earns income at current money market rates while remaining conveniently liquid. In order to provide full liquidity, the Fund will seek to maintain a stable \$1.00 share price; limit portfolio average maturity to 120 days or less (however, as a matter of nonfunda-

mental policy and in order to conform with applicable regulation, average weighted portfolio maturity will be limited to 90 days or less); buy U.S. dollar-denominated securities which mature in one year or less; and buy only high quality securities with minimal credit risks. As required by Rule 2a-7 under the Investment Company Act of 1940 ("Rule 2a-7"), the Fund's Board of Trustees (the "Trustees") will monitor the quality of the Fund's investments.

Of course, a \$1.00 share price cannot be guaranteed, but these practices help to minimize any price fluctuations that might result from rising or declining interest rates. Accordingly, while the Fund invests in high quality securities, investors should be aware that an investment is not without risk even if all securities are paid in full at maturity. All money market instruments, including U.S. government securities, can change in value when interest rates or an issuer's creditworthiness changes.

#### LIMITING INVESTMENT RISKS

The Fund follows specific guidelines in buying portfolio securities:

The Fund will only purchase obligations that (i) are rated high quality by two of the following four nationally recognized rating services: Duff & Phelps Inc. ("Duff"), Fitch Investors Service, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's Corporation ("S&P"), if rated by two or more services; (ii) are rated high quality if rated by only one rating service; or (iii) if unrated, are determined to be of equivalent quality pursuant to procedures reviewed by the Trustees. Obligations that are not rated are not necessarily of lower quality than those which are rated, but may be less marketable and therefore may provide higher yields.

Currently, only obligations in the top two categories are considered to be rated high quality for commercial paper. The two highest rating categories of Duff, Fitch, Moody's and S&P are Duff 1 and Duff 2, Fitch-1 and Fitch-2, Prime-1 and Prime-2, and A-1 and A-2, respectively. Under Rule 2a-7, the Fund is not permitted to invest more than 5% of its total assets in securities that would be considered to be in the second highest rating category, and, subject to this limitation, the Fund may not invest more than the greater of 1% of its total assets or \$1 million in such securities of any one issuer. However, the Fund currently has a nonfundamental policy to purchase only commercial paper which is rated in the single highest category by the rating services as outlined above, or which, if unrated, is deemed to be of equivalent quality pursuant to procedures reviewed by the Trustees. The Fund may purchase an instrument rated below highest quality by a rating service if two other services have given that instrument a highest quality rating ("split rated" obligation), and if the Adviser considers that the instrument is of highest quality and presents minimal credit risks.

For other corporate obligations, the two highest rating categories are Duff 1 and Duff 2, AAA and AA by Fitch, Aaa and Aa by Moody's, and AAA and AA by S&P. For a more complete description of these ratings see the Appendix to the Statement of Additional Information.

The Fund will commit no more than 10% of its net assets to repurchase agreements maturing in more than seven days, subject to the Fund's fundamental limitation on investments in illiquid securities.

In addition, the Fund has certain other limitations. The Fund will not purchase a security other than U.S. government securities if, as a result: (a) with respect to 75% of total assets, more than 5% of total assets would be invested in the securities of any one issuer (with respect to the remaining 25% of total assets, the Fund may invest an amount equal to 10% of total assets in bankers' acceptances, certificates of deposit and time deposits of a single bank), however, as a matter of nonfundamental policy, the Fund will limit the percentage allocation of its investments so as to comply with Rule 2a-7, which generally limits to 5% of total assets the amount which may be invested in the securities of any one

issuer; or (b) more than 25% of total assets would be invested in a particular industry, except that the Fund may invest more than 25% of total assets in the securities of banks.

Currently, the SEC defines the term "bank" to include U.S. banks and their foreign branches if, in the case of foreign branches, the parent U.S. bank is unconditionally liable for such obligations. These limitations do not apply to obligations of the U.S. government or any of its agencies or instrumentalities. The Fund does not consider utilities or companies engaged in finance generally to be one industry.

The Fund may borrow money from banks or by engaging in reverse repurchase agreements, but not in an amount equal to or exceeding 33 1/3% of the current value of its total assets.

As a matter of operating policy, the Fund does not intend to purchase securities for investment during periods when the sum of temporary bank borrowings and reverse repurchase agreements entered into to facilitate redemptions exceeds 5% of its total assets. This operating policy is not fundamental and may be changed without shareholder notification.

The limitations and policies discussed in "Investment Objective and Policies" are considered at the time of purchase; the sale of securities is not required in the event of a subsequent change in circumstances. Except where noted, the investment objective, policies, and limitations of the Fund are fundamental and can only be changed by vote of a majority of the outstanding shares of the Fund.

#### PORTFOLIO TRANSACTIONS

Money market obligations generally are traded in the over-the-counter market through broker-dealers. A broker-dealer is a securities firm or bank which makes a market for securities by offering to buy at one price and sell at a slightly higher price. The difference between the prices is known as a spread. Since the Adviser trades a large volume of securities, broker-dealers may be willing to work with the Fund on a more favorable spread than would be possible for most individual investors. Typically, there are no commissions paid on the purchase or sale of the money market obligations in which the Fund may invest.

Portfolio transactions may be directed to those broker-dealers that provide research services to the extent permitted by law. The Adviser may use this research information in managing the Fund's assets, as well as assets of other clients.

#### A FEW WORDS ABOUT DISTRIBUTIONS AND TAXES

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Dividends will be declared daily and paid monthly. Substantially all of the Fund's net interest income and capital gains (if any) will be distributed to shareholders each year.

FEDERAL TAXES. Distributions from the Fund are taxable as dividends, whether received in cash or reinvested in additional shares. A tax statement will be sent by January 31 of each year showing the tax status of the distributions you received in the past year and a copy will be filed with the IRS.

OTHER TAX INFORMATION. In addition to Federal taxes, you may be subject to state and local taxes on your investment, depending on the laws in your area.

When you sign your account application you will be asked to certify that your social security or taxpayer identification number is correct and that you are not subject to backup withholding for failing to report income to the IRS. If you violate IRS regulations, the IRS can require the Fund to withhold a portion of dividends paid to your account.

#### FINANCIAL RESERVES AND SOCIETY ASSET

MANAGEMENT, INC.

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Financial Reserves is a diversified portfolio of Financial Reserves Fund, an open-end, management investment company organized as a Massachusetts business trust under a Declaration of Trust dated June 2, 1982. The Trustees supervise Fund activities and review the Fund's contractual arrangements with companies that provide the Fund with services. The Fund is organized as a business trust and is not required to hold annual shareholder meetings, although special meetings may be called by shareholders representing 10% or more of the Fund for purposes such as electing or removing Trustees, changing fundamental policies or approving a management contract. Each shareholder has one vote for each share and a fractional vote for a fractional share owned.

ADVISER'S BACKGROUND. Effective January 7, 1993, Society Asset Management, Inc. was named as investment adviser to the Fund. The Adviser is a wholly-owned subsidiary of Society National Bank, the Fund's previous adviser. Society is a wholly-owned subsidiary of Society Corporation, a bank holding company headquartered at 127 Public Square, Cleveland, Ohio 44114.

At June 30, 1993, Society Corporation had an asset base of approximately \$26 billion, over 440 banking offices in Ohio, Florida, Indiana, and Michigan, and investment management and trust offices in eight states. Society Corporation's major business activities include providing traditional banking and associated financial services to consumer, business, and commercial markets. Its non-bank subsidiaries include securities brokerage, insurance, bank credit card processing, and leasing. Society is the lead affiliate bank of Society Corporation. Society and its affiliate banks, through their Trust offices, provide administrative and investment management services for approximately \$67 billion in trust assets, including assets managed by the Adviser.

The Adviser, an Ohio corporation organized on October 23, 1981, is a registered investment adviser under the Investment Advisers Act of 1940. The Adviser manages assets of over \$16 billion for numerous clients, including mutual funds, employee benefit plans, endowments, common trust funds, and individuals.

#### ADVISER AND SERVICE FEES

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Investment decisions for the Fund are made by the 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 Fund.

The Adviser receives an annual investment advisory fee equal to .50 of 1% of the average daily net assets of the Fund. Such fee shall be accrued and paid daily at the rate of 1/365th of .50 of 1% of the daily net assets of the Fund. The Adviser may from time to time, and for such periods as it deems appropriate, reduce its compensation to the extent that the Fund's expenses exceed expense limitations as the Adviser may, by notice to the Fund, voluntarily declare to be effective, but the Adviser is under no obligation to do so.

Federated Administrative Services ("FAS"), Federated Investors Tower, Pittsburgh, Pennsylvania, 15222-3779, a subsidiary of Federated Investors, provides the Fund with certain administrative

personnel and services necessary to operate the Fund, such as legal and accounting services. FAS provides these at an annual rate as specified below:

<TABLE> <CAPTION>	
MAXIMUM ADMINISTRATIVE FEE	AVERAGE AGGREGATE DAILY NET ASSETS
<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
	on assets in excess of \$750 million
.075 of 1%	

The annual fee is determined by applying this schedule to the daily net assets of all the mutual funds advised by the Adviser for which FAS serves as the administrator. This currently includes, in addition to the Fund, A.T. Ohio Tax-Free Money Fund, which, as of November 30, 1993 had aggregate net assets of approximately \$290,629,394. The minimum administrative fee received during any fiscal year shall be at least \$50,000 per fund. FAS has the right to voluntarily waive a portion of its fee.

CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT. Society serves as custodian, transfer agent, dividend disbursing agent, and shareholder servicing agent for the Fund.

#### DISTRIBUTION OF FUND SHARES

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

#### HOW TO BUY SHARES

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#### SHARE PRICE

Each share's net asset value ("NAV") represents the price of one share. NAV is computed by adding the value of the Fund's securities plus cash and other assets, deducting liabilities, and then dividing the result by the number of shares outstanding. The price of one share is its NAV. At a \$1.00 share price, a \$1,000 investment buys 1,000 shares. The Fund's NAV is calculated daily, at the close of the Fund's business day (12:00 noon, Eastern time). Portfolio securities are valued on the basis of amortized cost. This method of valuation assumes a steady rate of amortization of any premium or discount from the date of purchase until maturity. This value does not necessarily reflect daily changes in the actual market prices of securities. The Fund is open for business each day both the Federal Reserve Bank of Cleveland and Society are open ("business day"). The following are the designated holiday closings for 1994: New Year's Day (observed), Dr. Martin Luther King, Jr. Day (observed), Presidents' Day (observed), Memorial Day (observed), Independence Day, Labor Day, Columbus Day (observed), Veterans' Day, Thanksgiving Day and Christmas Day (observed). Each year, the Cleveland office of the Federal Reserve System or Society may designate different dates for the observance of these holidays as well as designate holidays for closing in the future.

#### OPENING AN ACCOUNT

SOCIETY CUSTOMERS. Shares of the Fund can be purchased by investment management and trust services customers of Society, or its affiliates, customers of Society or its affiliates who have a Principal Account. Society, as transfer agent, will coordinate the purchase of shares through the Fund's distributor.

Information, customer account applications, and money market fund investment authorization forms may be obtained by writing or calling:

#### Investment Management and Trust Services Accounts:

Society National Bank,  
Investment Management and Trust Services  
127 Public Square  
Cleveland, Ohio 44114-1306  
216-689-3000  
Toll free 1-800-523-7248, ext. 4-5022

#### Principal Accounts:

Society National Bank  
Customer Service  
P.O. Box 94825



Customers of Society affiliates may obtain account information and forms at banking and trust offices of affiliates.

After a customer account is established with Society National Bank or its affiliates, subsequent Fund investments can be made by sending a check, made payable to the customer account, to Society National Bank or the affiliate with which the account relationship is established, at the appropriate address noted above under "Opening An Account". Society customers who have a principal account should contact Society National Bank Customer Service Department for further information and instructions for wiring funds. Investment management and trust services customers of Society and its affiliates should contact their account representative. Subsequent purchases will be made as provided for in the customer's account agreement.

Texas residents must purchase shares of the Fund through Federated Securities Corp. at 1-800-618-8573.

Minimum initial and subsequent investments may be fixed from time to time by Society in the customer's account agreement and application forms. No minimum for initial and subsequent investments has been established by the Fund. Fund purchases will be processed at the next NAV calculated for the business day on which an investment has been converted to federal funds. Fund purchases will be made on the day Society receives federal funds and investments will begin to earn dividends as of the day of purchase.

In order to make investments which will immediately generate income, the Fund must have federal funds available to it (i.e., monies credited to its custodian bank by a Federal Reserve Bank). Investments in the Fund are accepted (i) on the day received if federal funds are received by wire that day or if monies immediately convertible to federal funds are received as of 12:00 noon, Eastern time or (ii) when checks have been converted to federal funds (normally within one business day after the receipt of the check(s)).

The Fund reserves the right to suspend the offering of shares for a period of time and to reject any specific purchase order.

#### ADMINISTRATIVE INFORMATION

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#### DIVIDEND DISTRIBUTIONS

Dividends will be accrued throughout the month and distributed on the first business day of the following month. Dividends will be reinvested automatically by Society or its affiliates through the purchase of full and fractional shares. Reinvestment of dividends provides for the purchase of new shares based on the NAV as of the close of business on the day dividends are distributed. For additional information see "A Few Words About Distributions and Taxes," on page 5.

#### STATEMENTS AND REPORTS

Society will furnish periodic statements to shareholders indicating share balances and other information which affects a shareholder's account. A statement with tax information will be mailed by January 31 of each year and will also be filed with the IRS. At least twice a year, shareholders will receive the Fund's financial statements.

These shareholder services are provided at no extra cost. However, shareholders may be required to pay a fee for special services, such as a request for a historical transcript of an account.

Shareholders purchasing shares of the Fund through a program of services offered by a securities dealer, financial institution, or investment adviser, should read the program materials in conjunction with this prospectus. Certain features of the Fund may be modified in these programs, and additional administrative charges may be imposed for the services rendered.

#### HOW TO REDEEM SHARES

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Shareholders may redeem all or a portion of their Fund shares on any business day. Shares will be redeemed at the next NAV calculated after a redemption request has been received and accepted.

Payment may be withheld until investments made by check have been collected (which can take up to 10 calendar days). Shares redeemed do not receive the dividend declared on the day of redemption.

If in certain circumstances making immediate payment could adversely affect the

Fund, it may take up to seven (7) days for payment to be made. Redemption may be suspended or payment dates postponed when the New York Stock Exchange is closed (or when trading is restricted) for any reason other than its customary weekend or holiday closings, or under any emergency circumstances as determined by the Securities and Exchange Commission to merit such action.

Signatures on written redemption requests and the telephone authorization must be guaranteed by:

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

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

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

This prospectus should be read in conjunction with the customer agreement and other materials provided by Society or its affiliates describing related bank or trust services. Society or its affiliates may charge a fee for related bank or trust services.

TO REDEEM:

#### FOR PRINCIPAL ACCOUNTS

Written instructions may direct any withdrawal amount from a principal account to be deposited in an existing commercial bank account in the United States. The instructions should specify the commercial bank, account name, account number and the dollar amount. Instructions should be sent to Society National Bank, Customer Service at the address listed under the section "How to Buy Shares" above or delivered to any Society National Bank branch office.

#### FOR INVESTMENT MANAGEMENT AND TRUST SERVICES ACCOUNTS

Trust, agency and custody account customers of Investment Management and Trust Services should send written instructions or direct their inquiries to:

Financial Reserves Fund  
c/o Society National Bank  
P.O. Box 5937  
Cleveland, Ohio 44101

Attention: Your Trust Officer or  
Fund Accounting T-5

For accounts established with affiliates, the assigned account representative should be contacted.

#### AUTOMATIC PURCHASE AND REDEMPTION SERVICES

Investment management and trust services customers and current Principal Account customers may request that Society, as transfer agent, automatically purchase and redeem shares of the Fund in the customer account in accordance with their instructions.

This prospectus should be read in conjunction with the customer agreement and other materials provided by Society describing this service. Society or its affiliates may charge a fee for this or other account related services.

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

#### EFFECT OF BANKING LAWS

The Glass-Steagall Act and other banking laws and regulations presently prohibit a bank holding company registered under the Federal Bank Holding Company Act of 1956 or any affiliate thereof from sponsoring, organizing or controlling a

registered, open-end investment company continuously engaged in the issuance of its shares, and from issuing, underwriting, selling or distributing securities in general. Such laws and regulations do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent, or custodian to such an investment company or from purchasing

shares of such a company as agent for and upon the order of their customers. The Adviser is subject to such banking laws and regulations.

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

#### PERFORMANCE DATA

The annualized yield for the seven-day period ended October 31, 1993 was 2.76% and the effective yield was 2.80%.

From time to time the Fund may advertise its "yield" and "effective yield" in advertisements or in reports or other communications. Both yield figures are based on historical earnings and are not intended to indicate future performance. The "yield" of the Fund refers to the income generated by an investment in the Fund over a seven-day period, expressed as an annual percentage rate. That is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The "effective yield," although calculated similarly, will be slightly higher than the yield because it assumes that income earned from the investment is reinvested (the compounding effect of reinvestment).

Advertisements and other sales literature may also refer to total return. Total return represents the change, over a specified period of time, in the value of an investment in the Fund after reinvesting all income distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

#### GLOSSARY

**BANKERS' ACCEPTANCES:** Negotiable obligations of a bank to pay a draft that has been drawn on it by a customer. These obligations are backed by large banks and usually backed by goods in international trade.

**CERTIFICATES OF DEPOSIT:** Negotiable certificates representing a commercial bank's obligations to repay funds deposited with it, earning specified rates of interest over given periods.

**COMMERCIAL PAPER:** Short-term promissory notes of large corporations with high quality credit ratings issued to finance their current operations. Commercial paper which is not rated is not necessarily of lower quality than that which is rated, but may be less marketable and therefore may provide a higher yield.

**CORPORATE OBLIGATIONS:** Bonds and notes issued by corporations and other business organizations in order to finance their longer-term credit needs.

**MONEY MARKET:** Refers to the marketplace where short-term, high-grade debt securities are traded. These securities include U.S. government obligations, commercial paper, certificates of deposit, bankers' acceptances, time-deposits and short-term corporate obligations. Money market instruments may carry fixed rates of return or have variable or floating interest rates.

**REPURCHASE AGREEMENTS:** Transactions whereby the Fund purchases a security at one price and simultaneously promises to sell that same security back to the original owner at a higher price. Currently, the Fund will only enter into repurchase agreements with member banks of the Federal Reserve System or with primary dealers in U.S. government securities. In the event of the bankruptcy of

the other party to a repurchase agreement, the Fund could experience delays in recovering its cash. To the extent that, in the meantime, the value of the securities the Fund purchased may have decreased, the Fund could experience a loss. In all cases, Society reviews the creditworthiness of the other party to the agreement and must find it satisfactory before engaging in a repurchase agreement.

REVERSE REPURCHASE AGREEMENTS: Transactions where the Fund temporarily transfers possession of a portfolio security to another party, such as a bank or a broker-dealer, in return for cash, and agrees to buy the security back at a future date and price. The Fund can invest the cash it receives or use it to meet redemption requests. If the Fund reinvests the cash at a rate higher than the rate reflected by the terms of the agreement, it may earn additional income. At the same time, the Fund is exposed to greater potential fluctuations in the value of its assets when engaging in reverse repurchase agreements.

At all times that a reverse repurchase agreement is outstanding, the Fund will maintain cash and liquid securities in a segregated account at its custodian bank with a value at least equal to its obligation under the agreement. Securities and other assets held in the segregated account may not be sold while the reverse repurchase agreement is outstanding, unless other suitable assets are substituted.

TIME DEPOSITS: Non-negotiable deposits in a banking institution earning a specified interest rate over a given period of time. Investments in time deposits are subject to the Fund's 10% limitation on illiquid securities.

U.S. GOVERNMENT OBLIGATIONS: Debt securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. government. Not all U.S. government obligations are backed by the full faith and credit of the United States. For example, securities issued by the Federal Farm Credit Bank or by the Federal National Mortgage Association are supported by the agency's right to borrow money from the U.S. Treasury under certain circumstances. Securities issued by the Federal Home Loan Banks are supported only by the credit of the agency. There is no guarantee that the government will support these types of securities, and therefore they involve more risk than government obligations which are backed by the full faith and credit of the United States.

FINANCIAL RESERVES FUND

PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 1993

<TABLE>  
<CAPTION>  
PRINCIPAL AMOUNT

<C>	<C>	<S>	VALUE <C>
CORPORATE BONDS--2.2%			
\$10,000,000	Bear Stearns Cos., Inc.,	3.65%, 8/31/94	\$ 10,000,000
CERTIFICATES OF DEPOSIT--7.9%			
10,000,000	Harris Bank,	3.19%, 11/1/93	10,000,000
22,000,000	Huntington Bank,	3.40%-3.56%, 8/2/94-8/25/94	22,000,000
4,200,000	Morgan Bank (Toronto),	3.38%, 11/29/93	4,200,000
TOTAL CERTIFICATES OF DEPOSIT			36,200,000
*NOTES--VARIABLE--20.7%			
20,000,000	CIT Group Holdings, Inc.,	3.43%, 11/5/93	19,996,338
15,000,000	FCC National Bank, Wilmington, Delaware,	3.33%, 11/2/93	15,000,000
10,000,000	Goldman Sachs Group L.P.,	3.19%, 11/15/93	10,000,000
15,000,000	Merrill Lynch & Co., Inc.,	3.24%-3.43%, 11/1/93-11/3/93	15,000,000
20,000,000	Pacific Mutual,	3.31%, 11/1/93-11/29/93	20,000,000
10,000,000	Peoples Security Life,	3.36%, 11/29/93	10,000,000
5,000,000	United States Leasing International, Inc.,	3.58%, 4/24/94	5,000,000
TOTAL NOTES--VARIABLE			94,996,338

NOTES--11.7%

8,500,000	AT&T Capital Corp., 4.35%, 8/26/94	8,557,640
20,000,000	Comerica Bank, Detroit, Michigan, 3.35%, 9/14/94	19,982,984
5,000,000	Ford Motor Credit Corp., 7.90%, 8/15/94	5,167,899
10,000,000	Pittsburgh National Bank, 3.75%, 8/2/94	10,019,986
5,000,000	PNC Bank Corp., 3.70%, 9/5/94	5,009,454
5,000,000	Shearson Lehman Brothers, Inc., 3.50%, 5/19/94	5,000,000
	TOTAL NOTES	53,737,963

</TABLE>

FINANCIAL RESERVES FUND

<TABLE>

<CAPTION>

PRINCIPAL  
AMOUNT

<C>	<C>	<S>	VALUE <C>
**COMMERCIAL PAPER--41.9%			
BANKING--1.1%			
\$ 5,000,000	NBD Bancorp, Inc., 3.12%, 11/15/93		\$ 4,993,933
ELECTRONICS--1.0%			
5,000,000	Pioneer Electronics Capital, Inc., 3.14%, 11/30/93		4,987,353
FINANCE--AUTOMOTIVE--1.1%			
5,000,000	Nissan Capital of America Inc., 3.15%, 11/2/93		4,999,562
FINANCE--COMMERCIAL--9.5%			
16,911,000	General Electric Capital Corp., 3.30%, 11/1/93-5/20/94		16,727,667
7,000,000	Merrill Lynch & Co., Inc., 3.27%, 2/25/94		6,926,243
20,000,000	Transamerica Corp., 3.09%-3.14%, 11/15/93-12/8/93		19,956,031
	Total		43,609,941
FUNDING CORPORATION--21.5%			
19,000,000	Asset Securitization Cooperative Corp., 3.10%-3.14%, 11/3/93-11/19/93		18,982,750
20,801,000	Blue Hawk Funding Corp., 3.10%-3.12%, 11/2/93-11/19/93		20,784,564
23,570,000	Broadway Capital, Inc., 3.12%-3.15%, 11/17/93-11/24/93		23,533,763
15,180,000	Fleet Funding Corp., 3.10%, 11/12/93		15,165,621
10,000,000	Goldman Sachs Group L.P., 3.34%, 1/7/94		9,939,328
10,000,000	Lehman Brothers Holdings, Inc., 3.25%, 3/10/94		9,883,542
	Total		98,289,568
LEASING--4.4%			
20,000,000	PHH Corp., 3.08%-3.09%, 11/4/93-11/17/93		19,983,736
MISCELLANEOUS--1.1%			
5,000,000	Waste Management, Inc., 3.25%, 12/10/93		4,982,396
RETAIL--2.2%			
10,000,000	KMart Corp., 3.09%, 11/3/93		9,998,283
	TOTAL COMMERCIAL PAPER		191,844,772

</TABLE>

## FINANCIAL RESERVES FUND

<C>	<C>	<S>	VALUE <C>
GOVERNMENT SECURITIES--15.3%			
GOVERNMENT AGENCIES--10.9%			
\$10,000,000		Federal Farm Credit Banks, 3.20%, 11/5/93	\$ 10,000,000
10,000,000		Federal National Mortgage Association, 3.60%, 11/5/93	10,000,000
10,000,000		Student Loan Marketing Association, 3.34%, 11/2/93	9,992,333
20,000,000		Student Loan Marketing Association, 3.34%, 11/2/93	20,000,000
		Total Government Agencies	49,992,333
U.S. TREASURY NOTES--4.4%			
20,000,000		11.75%, 11/15/93	20,064,531
		TOTAL GOVERNMENT SECURITIES	70,056,864
		TOTAL INVESTMENTS (AT AMORTIZED COST)	\$456,835,937+

&lt;/TABLE&gt;

\*Current rate and next demand date shown.

\*\*Each issue shows the rate of discount at the time of purchase.

+Also represents cost for federal tax purposes.

Note: The categories of investments are shown as a percentage of net assets  
\$457,872,216 at October 31, 1993.

(See Notes which are an integral part of the Financial Statements)

## FINANCIAL RESERVES FUND

STATEMENT OF ASSETS AND LIABILITIES  
OCTOBER 31, 1993

<S>	<C>	<C>
ASSETS:		
Investments in securities at value (Note 1A)		\$456,835,937
Cash		1,323
Interest receivable		2,232,340
Total assets		459,069,600
LIABILITIES:		
Dividends payable	\$1,143,227	
Accrued expenses and other liabilities	54,157	
Total liabilities		1,197,384
NET ASSETS for 457,872,216 shares of beneficial interest outstanding		\$457,872,216
NET ASSET VALUE, Offering Price and Redemption Price Per Share (\$457,872,216 / 457,872,216 shares of beneficial interest outstanding)		\$1.00

&lt;/TABLE&gt;

(See Notes which are an integral part of the Financial Statements)

## FINANCIAL RESERVES FUND

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED OCTOBER 31, 1993

	<C>	<C>
<TABLE>		
<S>		
INVESTMENT INCOME:		
Interest income (Note 1C)		\$15,859,748
EXPENSES:		
Investment advisory fee (Note 4)	\$2,383,062	
Trustees' fees	35,057	
Administrative personnel and services (Note 4)	594,916	
Insurance premiums	14,743	
Custodian, transfer and dividend disbursing agent fees and expenses (Note 4)	161,980	
Registration fees	90,403	
Auditing fees	29,851	
Legal fees	5,953	
Printing and postage	11,438	
Miscellaneous	8,884	
Total expenses	3,336,287	
Deduct--Waiver of investment advisory fee (Note 4)	(714,919)	
Net expenses		2,621,368
Net investment income		\$13,238,380

&lt;/TABLE&gt;

(See Notes which are an integral part of the Financial Statements)

## FINANCIAL RESERVES FUND

## STATEMENT OF CHANGES IN NET ASSETS

	YEAR ENDED OCTOBER 31,	
	1993	1992
<TABLE>		
<CAPTION>		
<S>		
INCREASE (DECREASE) IN NET ASSETS:	<C>	<C>
OPERATIONS--		
Net investment income	\$ 13,238,380	\$ 16,779,342
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 2)--		
Dividends to shareholders from net investment income	(13,238,380)	(16,779,342)
Distributions to shareholders from net realized gain on investment transactions	--	(5,028)
Change in net assets from distributions to shareholders	(13,238,380)	(16,784,370)
FUND SHARE (PRINCIPAL) TRANSACTIONS (NOTE 3)--		
Proceeds from sale of shares	3,644,576,588	3,109,375,364
Cost of shares redeemed	(3,710,593,276)	(2,998,028,683)

Change in net assets from Fund share transactions	(66,016,688)	111,346,681
Change in net assets	(66,016,688)	111,341,653
NET ASSETS:		
Beginning of period	523,888,904	412,547,251
End of period	\$ 457,872,216	\$ 523,888,904

(See Notes which are an integral part of the Financial Statements)

FINANCIAL RESERVES FUND

NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1993

(1) SIGNIFICANT ACCOUNTING POLICIES

Financial Reserves Fund (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles.

<TABLE>  
<S> <C>

- A. INVESTMENT VALUATIONS--The Board of Trustees ("Trustees") has determined that the best method currently available for valuing portfolio securities is amortized cost. The Fund's use of the amortized cost method to value its portfolio securities is conditioned on its compliance with Rule 2a-7 under the Investment Company Act of 1940, as amended.
- B. REPURCHASE AGREEMENTS--It is the policy of the Fund to require the custodian bank to take possession, to have legally segregated in the Federal Reserve Book Entry System or to have segregated within the custodian bank's vault, all securities held as collateral in support of repurchase agreement investments. Additionally, procedures have been established by the Fund to monitor, on a daily basis, the market value of each repurchase agreement's underlying securities to ensure the existence of a proper level of collateral.  
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. Risks may arise from the potential inability of counterparties to honor the terms of the repurchase agreement. Accordingly, the Fund could receive less than the repurchase price on the sale of collateral securities.
- C. INCOME--Interest income is recorded on the accrual basis. Interest income includes interest and discount earned (net of premium), including original issue discount as required by the Internal Revenue Code, plus realized gains, if any, on portfolio securities.
- D. FEDERAL TAXES--The Fund has qualified and intends to continue to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended. It is the Fund's policy to comply with the provisions of the Internal Revenue Code available to investment companies and to distribute to shareholders each year all of its taxable income. Accordingly, no provision for federal tax is necessary.
- E. WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Fund may engage in when-issued or delayed delivery transactions. To the extent the Fund engages in such transactions, it will do so for the purpose of acquiring portfolio securities consistent with its investment objectives and policies and not for the purpose of investment leverage. The Fund will record a when-issued security and the related liability on the trade date. Until the securities are received and paid for, the Fund will maintain security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.
- F. OTHER--Investment transactions are accounted for on the date of the transaction.

</TABLE>

FINANCIAL RESERVES FUND

(2) DIVIDENDS

The Fund computes its net income daily and, immediately prior to the calculation of its net asset value at the close of business, declares and records dividends to shareholders of record at the time of the previous computation of the Fund's net asset value. Payment of dividends is made monthly.

(3) SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of



full and fractional shares of beneficial interest (without par value). At October 31, 1993, capital paid-in aggregated \$457,872,216. Transactions in Fund shares were as follows:

<TABLE>

<CAPTION>

	YEAR ENDED OCTOBER 31,	
	1993	1992
<S>	<C>	<C>
Shares outstanding, beginning of period	523,888,904	412,542,223
Shares sold	3,644,576,588	3,109,375,364
Shares redeemed	(3,710,593,276)	(2,998,028,683)
Shares outstanding, end of period	457,872,216	523,888,904

</TABLE>

(4) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Effective January 7, 1993, Society Asset Management, Inc., became the Fund's investment adviser ("Adviser"). Adviser receives for its services an annual investment advisory fee equal to 0.50 of 1% of average daily net assets. Prior to January 7, 1993, Society National Bank served as the Fund's investment adviser and received for its services an annual investment advisory fee equal to 0.50 of 1% of the Fund's average daily net assets. The Adviser may voluntarily waive some or all of its investment advisory fee and may terminate any such voluntary waiver at any time at its sole discretion. Prior to May 17, 1993, if the total expenses of the Fund exceeded 0.55 of 1% of average daily net assets, the Adviser was required to waive the amount of any such excess, up to 0.15 of 1% of average daily net assets. For the year ended October 31, 1993, the Adviser earned an investment advisory fee of \$2,383,062 of which \$714,919 was waived in accordance with such an agreement.

Society National Bank performs services as custodian of the assets of the Fund and as transfer, dividend disbursing and shareholder servicing agent for the Fund. For the year ended October 31, 1993, Society received \$161,980 for these services. Society has retained Federated Services Company, a subsidiary of Federated Investors, to perform certain responsibilities as recordkeeper of the Fund.

Federated Administrative Services ("FAS") provides the Fund with certain administrative personnel and services at an annual fee determined by applying a rate schedule ranging from 0.15% on the first \$250 million of daily net assets to .075% on assets in excess of \$750 million of all the mutual funds advised by Society Asset Management, Inc., for which FAS serves as the administrator. For the year ended October 31, 1993, FAS earned \$594,916.

Federated Securities Corporation, a subsidiary of Federated Investors, is the principal distributor for shares of the Fund.

Certain Officers of the Fund are Officers and Trustees of FAS.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Trustees of Financial Reserves Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights (included on page 2) present fairly, in all material respects, the financial position of Financial Reserves Fund (the "Fund") at October 31, 1993, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for the ten years indicated, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 1993 by correspondence with the custodian, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE

Boston, Massachusetts  
December 17, 1993

ADDRESSES

<TABLE>

<S>	<C> Financial Reserves Fund	<C> 127 Public Square Cleveland, Ohio 44114-1306
-----	--------------------------------	--

Distributor	Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Investment Adviser	Society Asset Management, Inc.	127 Public Square Cleveland, Ohio 44114-1306
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Administrator	Federated Administrative Services	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Custodian, Transfer Agent and Dividend Disbursing Agent	Society National Bank	900 Euclid Avenue (T-5) Cleveland, Ohio 44115
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Legal Counsel	Squire, Sanders & Dempsey	4900 Society Center 127 Public Square Cleveland, Ohio 44114
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Independent Accountants	Price Waterhouse	160 Federal Street Boston, Massachusetts 02110
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</TABLE>

Financial Reserves  
Fund

December 31, 1992

Prospectus

Federated Securities Corp.,  
Distributor  
A Subsidiary of  
Federated Investors  
Federated Investors Tower  
Pittsburgh, PA 15222-3779

Society National Bank  
Investment Adviser

1052901A (12/93)

FINANCIAL RESERVES FUND  
STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information is not a prospectus but should be read in conjunction with the Fund's current prospectus, dated December 31, 1993. Please retain this Statement for future reference. To obtain an additional copy of the prospectus, or the Statement of Additional Information, please call Society National Bank ("Society") at (216) 689-8178.

FEDERATED INVESTORS TOWER  
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated December 31, 1993

-----  
Distributor

A subsidiary of FEDERATED INVESTORS

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INVESTMENT ADVISER

Society Asset Management, Inc.  
(the "Adviser"--includes  
references to its predecessors,  
Society National Bank and

Ameritrust Company  
National Association, unless  
context indicates otherwise.)

DISTRIBUTOR

Federated Securities Corp.

("Distributor")

ADMINISTRATOR

Federated Administrative Services  
("Administrator")

INVESTMENT POLICIES AND LIMITATIONS

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The following policies supplement those set forth in the prospectus. Unless otherwise noted, whenever an investment policy or limitation states a maximum percentage of the Fund's assets that may be invested in any security or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitation shall be determined immediately after and as a result of the Fund's acquisition of such security or other asset. Accordingly, any later increase or decrease resulting from a change in values, net assets, or other

circumstances will not be considered when determining whether the investment complies with the Fund's investment policies and limitations.

The following are the Fund's fundamental investment limitations set forth in their entirety. The Fund's fundamental limitations cannot be changed without consent of a "majority of the outstanding shares" (as defined in the Investment Company Act of 1940) of the Fund. The Fund will not:

(1) purchase the securities of any issuer (other than obligations issued or guaranteed as to principal and interest by the United States government, its agencies or instrumentalities) if, as a result thereof: (i) more than 5% of its total assets would be invested in the securities of such issuer, provided, however, that in the case of certificates of deposit, time deposits and bankers' acceptances up to 25% of the Fund's total assets may be invested without regard to such 5% limitation, but shall instead be subject to a 10% limitation; (ii) more than 25% of its total assets would be invested in the securities of one or more issuers having their principal business activities in the same industry, provided, however, that it may invest more than 25% of its total assets in the obligations of banks. Neither finance companies as a group nor utility companies as a group are considered a single industry for purposes of this policy;

(2) purchase the securities of a company if such purchase, at the time thereof, would cause more than 5% of the Fund's total assets to be invested in securities of companies, which, including predecessors, have a record of less than three years' continuous operation;

(3) borrow money except (i) from a bank for temporary or emergency purposes (not for leveraging or investment) or (ii) by engaging in reverse repurchase agreements, provided that (i) and (ii) in combination ("borrowings") do not exceed an amount equal to one third of the current value of its total assets (including the amount borrowed) less liabilities (not including the amount borrowed) at the time the borrowing is made;

(4) make loans to other persons, except (i) by the purchase of debt obligations in which the Fund is authorized to invest in accordance with its investment objective, and (ii) by engaging in repurchase agreements. In addition, the Fund may lend its portfolio securities to broker-dealers or other institutional investors, provided that the borrower delivers cash or cash equivalents as collateral to the Fund and agrees to maintain such collateral so that it equals at least 100% of the value of the securities loaned. Any such securities loan may not be made if, as a result thereof, the aggregate value of all securities loaned exceeds 33 1/3% of the total assets of the Fund;

(5) pledge assets, except that the Fund may pledge not more than one third of its total assets (taken at current value) to secure borrowings made in accordance with limitation (3) above;

(6) knowingly purchase a security which is subject to legal or contractual restrictions on resale or for which there is no readily available market or engage in a repurchase agreement maturing in more than seven days with respect to any security if, as a result, more than 10% of the Fund's net assets (taken at current value) would be invested in such securities;

(7) purchase or retain the securities of any issuer, any of whose officers, directors, or security holders is a trustee, director, or officer of the Fund or of its investment adviser, if or so long as the Board of Trustees, directors, and officers of the Fund and of its investment adviser together own beneficially more than 5% of any class of securities of such issuer;

(8) act as an underwriter (except as it may be deemed such in a sale of restricted securities);

(9) purchase securities on margin (but the Fund may obtain such credits as may be necessary for the clearance of purchases and sales of securities);

(10) write or purchase any put or call option;

(11) make short sales of securities;

(12) invest in companies for the purpose of exercising control or management;

(13) buy or sell real estate, commodities, or commodity (futures) contracts or invest in oil, gas or other mineral exploration or development programs;

(14) purchase the securities of other investment companies or investment trusts;  
or

(15) issue senior securities.

The following limitations are not fundamental and may be changed without shareholder notification.

(i) The Fund does not currently intend to purchase obligations of savings and loan institutions and savings banks.

(ii) The Fund does not currently intend to purchase commercial paper which is not rated in the single highest category by Duff & Phelps Inc., Fitch Investors Service, Inc., Standard & Poor's Corporation, or Moody's Investors

-----  
Service, Inc., or if unrated, which is not deemed to be of equivalent quality pursuant to procedures reviewed by the Trustees.

(iii) The Fund does not currently intend to purchase securities for investment during periods when the sum of temporary bank borrowings and reverse repurchase agreements (described in fundamental limitation (3)) entered into to facilitate redemptions exceeds 5% of its total assets.

(iv) The Fund does not currently intend to lend more than 5% of its portfolio securities.

Fundamental limitation (3) is construed in conformity with the Investment Company Act of 1940, and if at any time Fund borrowings exceed an amount equal to one third of the current value of the Fund's total assets (including the amount borrowed) less liabilities (other than borrowings) at the time the borrowing is made due to a decline in net assets, such borrowings will be reduced within three days (not including Sundays and holidays) to the extent necessary to comply with the 33 1/3% limitation.

Repurchase agreements are transactions by which the Fund purchases a security and simultaneously commits to resell that security to the seller at an agreed upon price on an agreed upon date within a number of days (usually not more than seven) from the date of purchase. The resale price reflects the purchase price plus an agreed upon incremental amount which is unrelated to the coupon rate or maturity of the purchased security. A repurchase agreement involves the obligation of the seller to pay the agreed upon price, which obligation is in effect secured by the value (at least equal to the amount of the agreed upon resale price and marked to market daily) of the underlying security. The Fund may engage in a repurchase agreement with respect to any security in which the Fund is authorized to invest even though the underlying security matures in more than one year. Whether a repurchase agreement is the purchase and sale of a security or a collateralized loan has not been definitively established. This might become an issue in the event of the bankruptcy of the other party to the transaction. While it does not presently appear possible to eliminate all risks from these transactions (particularly the possibility of a decline in the market value of the underlying securities, as well as delay and costs to the Fund in connection with bankruptcy proceedings), it is the policy of the Fund to limit repurchase transactions to those member banks of the Federal Reserve System and primary dealers in U.S. government securities whose creditworthiness has been reviewed and found satisfactory by the Adviser under policies established and reviewed by the Board of Trustees ("Trustees").

In a reverse repurchase agreement, the Fund temporarily transfers possession of a portfolio instrument to another party, such as a financial institution or broker-dealer, in return for cash. At the same time, the Fund agrees to repurchase the instrument at an agreed upon time (normally within seven days) and price including interest payment. The Fund expects that it will engage in reverse repurchase agreements when it is able to invest the cash so acquired at a rate higher than the rate reflected by the agreement, which would increase the income earned by the Fund. The Fund could also engage in reverse repurchase agreements as a means of raising cash to satisfy redemption requests without the necessity of selling portfolio instruments.

When the Fund engages in a reverse repurchase agreement, any fluctuations in the market value of either the securities transferred to another party or the securities in which the proceeds may be invested would affect the market value of the Fund's assets. As a result, such transactions may increase fluctuation in the market value of the Fund's assets (as opposed to the amortized cost value of its assets used in determining its net asset value per share). While there is a potential risk that large fluctuations in the market value of the Fund's assets could affect the Fund's net asset value per share, this risk is not significantly increased by engaging in reverse repurchase agreements in the Adviser's opinion. If the Fund reinvests the proceeds of a reverse repurchase agreement at a rate lower than the rate reflected by the agreement, engaging in the agreement will lower the Fund's yield.

At all times that a reverse repurchase agreement is outstanding, the Fund will maintain cash and liquid securities in a segregated account at its custodian bank with a value at least equal to its obligation under the agreement. Securities and other assets held in the segregated account may not be sold while the reverse repurchase agreement is outstanding, unless other suitable assets are substituted.

While the Adviser does not consider reverse repurchase agreements to involve borrowing money, reverse repurchase agreements will be included within the

aggregate limitation on "borrowings" contained in the Fund's fundamental limitation (3).

PORTFOLIO TRANSACTIONS

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All orders for the purchase or sale of portfolio securities are placed on behalf of the Fund by the Adviser, pursuant to authority contained in the Investment Advisory Contract. The Adviser is also responsible for the placement of transaction orders for other investment companies and accounts for which it or its affiliates act as investment adviser. Securities purchased and sold by the Fund will be traded on a net basis (i.e., without commission) through principals acting for their own account and not as agents or otherwise involve transactions directly with the issuer of the

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instrument. In selecting broker-dealers, subject to applicable limitations of federal securities laws, the Adviser will consider various relevant factors, including, but not limited to, the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the execution efficiency, settlement capability, and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; and the reasonableness of any commissions.

The Fund may execute portfolio transactions with broker-dealers who provide research and/or execution services to the Fund and/or other accounts over which the Adviser or its affiliates exercise investment discretion. Such services may include advice concerning the value of securities; the advisability of investing in, purchasing or selling securities; the availability of securities or the purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). The Adviser maintains a listing of broker-dealers who provide such services on a regular basis. However, because many transactions on behalf of the Fund are placed with broker-dealers (including broker-dealers on the list) without regard to the furnishing of such services to the Fund, it is not possible to estimate the proportion of such transactions directed to such broker-dealers solely because such services were provided. The selection of such broker-dealers is generally made by the Adviser (to the extent possible consistent with execution considerations) based upon the quality of research and/or execution services provided.

The receipt of research from broker-dealers that execute transactions on behalf of the Fund may be useful to the Adviser in rendering investment management services to the Fund and/or its other clients; and conversely, such research provided by broker-dealers who have executed transaction orders on behalf of other Society Asset Management, Inc. clients may be useful to the Adviser in carrying out its obligations to the Fund. The receipt of such research has not reduced the Adviser's normal independent research activities; however, it enables the Adviser to avoid the additional expenses that could be incurred if the Adviser tried to develop comparable information through its own efforts.

Subject to applicable limitations of the federal securities laws, broker-dealers may receive commissions for agency transactions that are in excess of the amount of commissions of other broker-dealers in recognition of their research and/or execution services. In order to cause the Fund to pay such higher commissions, the Adviser must determine in good faith that such commissions are reasonable in relation to the value of the brokerage and/or research services provided by such executing broker-dealers viewed in terms of a particular transaction or the Adviser's overall responsibilities to the Fund and its other clients. In reaching this determination, the Adviser will not attempt to place specific dollar value on the brokerage and/or research services provided or to determine what portion of the compensation should be related to those services. The Adviser is authorized to use research services provided by and place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the Fund, or shares of other funds, to the extent permitted by law. The Fund currently purchases securities in principal transactions only and, therefore, does not currently pay commissions to broker-dealers.

The Trustees periodically review the Adviser's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the Fund and review the compensation paid by the Fund over representative periods of time to determine if they are reasonable in relation to the benefits to the Fund.

If the Fund engages in agency transactions on which commissions are paid, from time to time the Trustees will review whether the recapture for the benefit of the Fund of some portion of the brokerage commissions or similar fees paid by the Fund on portfolio transactions is legally permissible and advisable.

Although substantially the same personnel provide investment advisory services to the Fund and to other clients of, or funds managed by the Adviser, investment decisions for the Fund are made independently from those of such other funds or accounts managed by the Adviser or accounts managed by affiliates of the Adviser. It sometimes happens that the same security is held in the portfolio of more than one of these funds or accounts. Simultaneous transactions are inevitable when several funds or accounts are managed by the same investment adviser, particularly when the same security is suitable for the investment objective of more than one fund.

When two or more funds are simultaneously engaged in the purchase or sale of the same security, the prices and amounts are allocated in accordance with a formula considered by the officers of the funds involved to be equitable to each fund. In some cases this system could have a detrimental effect on the price of volume of the security as far as the Fund is concerned. In other cases, however, the ability of the Fund to participate in volume transactions will produce better execution for the Fund. While the Trustees will continue to scrutinize simultaneous transactions, it is their current opinion that the desirability of retaining Society Asset Management, Inc. as investment adviser to the Fund outweighs any disadvantages that may be said to exist from exposure to simultaneous transactions.

#### VALUATION OF PORTFOLIO SECURITIES

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The Fund's portfolio holdings are valued on each business day on the basis of amortized cost. This technique involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Fund would receive if it sold the instrument. During periods of declining interest rates, the daily yield on shares of the Fund computed as described above may tend to be higher than a like computation made by a fund with identical investments utilizing a method of valuation based upon market prices and estimates of market prices for all of its portfolio instruments. Thus, if the use of amortized cost by the Fund resulted in a lower aggregate portfolio value on a particular day, a prospective investor in the Fund would be able to obtain a somewhat higher yield than would result from investment in a fund utilizing solely market values, and existing investors in the Fund would receive less investment income. The converse would apply in a period of rising interest rates.

The valuation of the Fund's portfolio instruments based upon their amortized cost and the concomitant maintenance of the Fund's per share net asset value ("NAV") of \$1.00 is permitted in accordance with Rule 2a-7 under the Investment Company Act of 1940, pursuant to which the Fund must adhere to certain conditions. Pursuant to Rule 2a-7, the Fund must maintain a dollar-weighted average portfolio maturity of 90 days or less, purchase only those U.S. dollar denominated instruments having remaining maturities of thirteen months or less and invest only in securities determined under the supervision of the Trustees to present minimal credit risks and which, if rated, meet quality rating standards set forth in the Rule, or, in the case of any instrument which is not rated, which are of comparable quality as determined pursuant to procedures reviewed by the Trustees. The maturities of certain variable rate demand instruments held in the Fund's portfolio are determined in accordance with Rule 2a-7, which currently requires that the maturity of such instruments be deemed to be the longer of the demand period or the period remaining until the next interest rate adjustment, although stated maturities may be in excess of one year.

It is the intention of the Fund to maintain an NAV of \$1.00 but there can be no assurance of this. The Trustees have established procedures designed to stabilize, to the extent reasonably possible, the Fund's price per share as computed for the purpose of sales and redemptions at a single value. These procedures include review of the Fund's portfolio holdings pursuant to procedures reviewed at such intervals as the Trustees may deem appropriate, to determine whether the NAV calculated by using available market quotations deviates from \$1.00 and, if so, whether such deviation may result in material dilution or is otherwise unfair to existing shareholders. In the event the Trustees determine that such a deviation exists, they may take such corrective action as they regard as necessary and appropriate, which may include the sale of portfolio instruments prior to maturity to realize capital gains or losses or to shorten average portfolio maturity; withholding dividends; redeeming shares in kind; or establishing an NAV by using available market quotations.

The Trustees monitor adherence to the rules and regulations of the SEC, including credit quality and maturity standards. Further, the Trustees regularly receive reports comparing the market value of the Fund to its amortized cost value.

#### YIELD INFORMATION

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From time to time, the Fund may advertise its performance compared to similar funds or portfolios using certain indices, reporting services, and financial publications. This comparative performance may include averages or medians prepared by Lipper Analytical Services, Inc. ("Lipper"), or Donoghue's Money Fund Average ("Donoghue's"). Lipper is a widely recognized independent service which monitors the performance of mutual funds. Donoghue's reports average yields which include the effect of reinvesting distributions for over 400 taxable and tax-exempt money market funds. The Lipper performance analysis includes the reinvestment of dividends and capital gains distributions, but does not take sales charges into consideration and is prepared without regard to tax consequences.

Yields quoted in advertising may be based on any historical seven-day period. Yield information may be useful in reviewing the Fund's performance and for providing a basis for comparison with other investment alternatives. The Fund's yield will fluctuate, unlike investments which pay a fixed yield for a stated period of time. Also, other investment companies may calculate yields on a different basis and may hold portfolio securities of different quality and maturities.

#### ----- ADDITIONAL PURCHASE AND REDEMPTION INFORMATION -----

If, in the opinion of the Trustees, conditions exist that make cash payment undesirable, redemption payments may be made in whole or in part in securities or other property, valued for this purpose as they are valued in computing the NAV of the Fund. Shareholders receiving any such securities or other property on redemption may realize either a gain or loss for tax purposes and will incur any costs of sale.

The Fund is open for business and its NAV per share is calculated on every day on which both the Cleveland office of the Federal Reserve System and the Fund's custodian bank, Society, are open. To the extent that securities held by the Fund are traded on days the Fund is closed for business, the Fund's NAV per share may be affected on days when investors may not purchase or redeem shares.

#### ----- TAXES -----

The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code, as amended. By so qualifying, the Fund will not be subject to federal income taxes to the extent that it distributes all of its taxable income for each fiscal year. In addition, by distributing during each calendar year substantially all of its interest income, net realized capital gains and certain other income, if any, the Fund will not be subject to a federal excise tax. The Fund may distribute any net realized short term gains once each year or more frequently if necessary in order to maintain the Fund's NAV at \$1.00 per share. The Fund does not expect to realize any long term capital gains. Any additional portfolios created under the Trust instrument pursuant to which the Trust was established will be taxed as separate entities.

This information is only a summary of the tax consequences generally affecting the Fund and its shareholders, and no attempt has been made to discuss individual tax consequences. In addition to federal income taxes, shareholders of the Fund may be subject to state and local taxes on distributions received from the Fund. Investors should consult their tax advisors to determine whether the Fund is suitable to their particular tax situation.

Net interest income of the Fund (from the time of the immediately preceding declaration) consists of interest accrued or discount earned (including both original issue and market discount) on the securities in the Fund less amortization of premium and the estimated expenses applicable to that dividend period. The amount of discount or premium on portfolio instruments is fixed at the time of their purchase.

#### ----- TRUSTEES AND OFFICERS -----

The Trustees and executive officers of the Fund are listed below. Except as indicated, each individual has held his position with the Fund since May, 1991, and the office shown or other offices in the same company for the last five years.

<TABLE>  
<CAPTION>

	POSITIONS WITH	PRINCIPAL OCCUPATIONS
	THE FUND	DURING PAST FIVE YEARS
<S>	<C>	<C>



James H. Bodurtha\* Trustee  
 One International Place  
 Suite 3010  
 Boston, MA

Chairman and Chief Executive Officer, China Enterprise Management Corporation; Partner in the law firm of Squire, Sanders & Dempsey (1980-1993).

Edward P. Campbell Trustee  
 Nordson Corporation  
 28601 Clemens Road  
 Westlake, OH

Vice President of Nordson Corporation (manufacturer of application equipment, 1988); Vice President of Finance of BP America, Inc. (oil company, August 1987-April 1988); Vice President of Finance of The Standard Oil Company (August 1986-July 1987); Vice President of Acquisitions and Divestitures of The Standard Oil Company (May-July 1986); Vice President of Retail Sales of Sohio Oil Company (September 1985-April 1986); and a member of the Supervisory Committee of Society's Collective Investment Retirement Fund (1987).

</TABLE>

<TABLE>  
 <CAPTION>

<S>	NAME AND ADDRESS <C>	POSITIONS WITH THE FUND <C>	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS <C>
	James E. Gulick 3961 West Valley Drive Fairview Park, OH	Trustee	Adjunct Professor, Master of Business Administration Program, Baldwin-Wallace College (1991); Executive Director of Cleveland Commission on Higher Education (September 1990-July 1992); and various Senior Officer positions with Brush Wellman Inc. (beryllium products electronics and equipment components, 1979-1990) including Vice President, Planning and Administration (1987-1990), President of Equipment Components Group (1984-1987), President, S.K. Wellman Co. (1985-1987); and a member of the Supervisory Committee of Society's Collective Investment Retirement Fund (1991).
	Harald Miller, CPA 1215 Superior Avenue Suite 400 Cleveland, OH	Trustee	Principal of Barnes, Wendling, Cook & O'Connor, Inc. (Certified Public Accountants, 1992); President of Harald Miller, Inc. (Certified Public Accounting, 1989-1992); Principal of Miller, Miller & Haney, Inc. (Certified Public Accounting 1973-1989); and a member of the Supervisory Committee of Society's Collective Investment Retirement Fund (1987).
	Thomas F. Morrissey Case Western Reserve University Weatherhead School of Management Cleveland, OH	Trustee	Associate Dean of Weatherhead School of Management, Case Western Reserve University (1989); Professor of Banking and Finance of Weatherhead School of Management, Case Western Reserve University (1970-1989); and a member of the Supervisory Committee of Society's Collective Investment Retirement Fund (1987).
	Edward C. Gonzales Federated Investors Tower Pittsburgh, PA	President and Treasurer	Vice President, Treasurer and Trustee, Federated Investors; Vice President and Treasurer, Federated Advisers, Federated Management, and Federated Research; Executive Vice President, Treasurer and Director, Federated Securities Corp.; Chairman, Treasurer and Director, Federated Administrative Services, Inc.; Trustee, President, Vice President and Treasurer of numerous other investment companies that are advised, administered, or distributed by affiliates of Federated Investors.
	Jeffrey W. Sterling Federated Investors Tower Pittsburgh, PA	Vice President and Assistant Treasurer	Vice President of Federated Administrative Services.
	Jay S. Neuman Federated Investors Tower Pittsburgh, PA	Secretary	Corporate Counsel, Federated Investors; prior to January, 1991, Associate Counsel, The Boston Company Advisors, Inc.

\* Mr. Bodurtha is deemed to be an interested person of the Fund and Society under the 1940 Act because the law firm in which he was formerly a partner, Squire, Sanders & Dempsey, provides legal services to Society and the Fund.

</TABLE>

The fees and expenses of the non-interested Trustees are paid by the Fund.

During the fiscal year ended October 31, 1993, the non-interested persons then serving as Trustees, as a group, received a total of \$35,057 in their capacities as Trustees of the Fund. On November 30, 1993, the Trustees and officers of the Fund, as a group, beneficially owned less than 1% of the outstanding shares of the Fund.

SOCIETY NATIONAL BANK

Society National Bank, 900 Euclid Avenue, Cleveland, Ohio 44115, serves as custodian of the assets of the Fund and as transfer, dividend disbursing and shareholder servicing agent for the Fund. Society is a full service bank and conducts a broad range of banking and trust services. Under the custodian agreement, Society holds the Fund's

portfolio securities and keeps all necessary records and documents relating to its duties. Effective May 16, 1991, Society's fees for custody services are based upon the market value of Fund securities held in custody (subject to certain minimum fees), plus certain securities transaction charges, plus out-of-pocket expenses; and Society's fees for transfer agent and related services are based on the number of shareholder accounts it maintains for the Fund, plus out-of-pocket expenses.

ADVISORY CONTRACT

Under the investment advisory contract with the Fund, Society Asset Management, Inc., 127 Public Square, Cleveland, Ohio 44114-1306 serves as investment adviser to the Fund, and, subject to the supervision of the Trustees, directs the investments of the Fund in accordance with its investment objective, policies and limitations. The Adviser also provides the Fund with all necessary office facilities and personnel for servicing the Fund's investments, and pays the salaries and fees of all personnel of the Fund or the Adviser in performing services relating to research, statistical, and investment activities.

For its advisory services, the Adviser receives an annual investment advisory fee as described in the prospectus. For the year ended October 31, 1993, the Adviser earned \$2,383,062 in advisory fees, of which \$714,919 was waived. For the period from July 13, 1992 to October 31, 1992, Society National Bank, the Fund's previous adviser, earned \$722,053 in advisory fees, which was reduced by \$216,616, because of undertakings to limit Fund expenses. For the period from November 1, 1991 through July 12, 1992, and the period from May 16, 1991 through October 31, 1991, Ameritrust Company National Association, the Fund's former adviser, earned \$1,562,099 and \$1,025,673, respectively, in advisory fees, which was reduced by \$468,629 and \$307,687, respectively, because of undertakings to limit the Fund's expenses.

In addition to the advisory fee, the Fund pays all of its expenses, without limitation, that are not assumed by those parties. The Fund pays for the typesetting, printing and mailing of its prospectuses, Statements of Additional Information, reports and proxy material to existing shareholders, legal expenses and the fees of the custodian, auditor and non-interested Trustees. Other charges paid by the Fund include interest, taxes, brokerage commissions, the Fund's proportionate share of insurance premiums and Investment Company Institute dues, and the costs of registering shares under federal and state securities laws. The Fund also is liable for such nonrecurring or extraordinary expenses as may arise, including costs of litigation to which the Fund is a party, and any obligation it may have to indemnify its officers and Trustees with respect to litigation.

Prior to May 16, 1991, Fidelity Management & Research Co. ("FMR") served as investment adviser to the Fund. For the period from November 1, 1990 through May 15, 1991, the Fund paid FMR (its former investment adviser) fees of \$627,945 for its services as investment adviser to the Fund, based on an annual fee rate of .25% of average daily net assets.

Pursuant to a state expense limitation regulation, the Adviser has agreed to reimburse the Fund if, and to the extent that, the Fund's aggregate operating expenses, including the management fee but generally excluding interest, taxes, brokerage commissions and extraordinary expenses, are in excess of specified percentages of average daily net assets of the Fund for its fiscal year. The limitations applicable to the Fund are currently at an annual rate of 2 1/2% on the first \$30 million of average net assets, 2% on the next \$70 million and 1 1/2% of assets in excess of that amount.

Prior to May 16, 1991, the Fund had an agreement with Fidelity Service Co. ("Service"), an affiliate of FMR, 82 Devonshire St., Boston, MA 02109, under which Service determined the NAV per share and dividends and maintained the accounting records of the Fund, for an annual base fee (ranging from \$40,000 to \$200,000), based on the Fund's average daily net assets; transaction fees

charged for various portfolio transactions; and reimbursements for related out-of-pocket expenses. Transaction fees ranged from \$5 to \$40 for each portfolio transaction, depending on the type of transaction, and were adjusted to reflect labor cost increases. For the period from November 1, 1990 through May 15, 1991, Service received \$52,463 for pricing and bookkeeping services.

The Glass-Steagall Act generally prohibits federally chartered or supervised banks from engaging in the business of underwriting, selling or distributing securities. Although the scope of this prohibition under the Glass-Steagall Act has not been fully defined, it should not prohibit the activities of Society or the Adviser in informing its customers of, and performing investment and redemption services in connection with the Fund, and in providing services to the Fund as adviser, custodian, transfer, shareholder servicing and dividend disbursing agent. If because of changes in law or regulation or because of new interpretations of existing law, Society, the Adviser, or the Fund were prevented from continuing these arrangements, it is expected that other arrangements would be made for these services and that shareholders would not suffer adverse financial consequences. In addition, state securities laws on this issue may differ from the interpretations of federal law expressed herein, and banks and financial institutions may be required to register as dealers pursuant to state law.

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 Society from continuing to perform all or a part of the contemplated services for its customers and/or the Fund. If Society were prohibited from engaging in the contemplated customer-related activities, the Trustees would consider alternative means of continuing available cash management 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 then being provided by Society. It is not expected that existing shareholders would suffer any adverse financial consequences as a result of any of these occurrences. If Society or the Adviser were prohibited from serving the Fund in any of its present capacities as adviser, custodian, transfer, shareholder servicing and dividend disbursing agent, the Trustees would seek an alternative provider of such service(s).

#### ADMINISTRATIVE SERVICES

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Federated Administrative Services ("FAS"), a subsidiary of Federated Investors, provides administrative personnel and services to the Fund for a fee as described in the prospectus. For the fiscal year ended October 31, 1993, 1992, and the period from May 16, 1991 to October 31, 1991, the Fund paid fees to FAS for administrative services of \$594,916, \$577,085 and \$259,334, respectively. Prior to May 16, 1991, Ameritrust served as the Fund's administrator. For its services as administrator (including custodian, transfer agent, dividend disbursing agent and shareholder servicing agent) prior to May 16, 1991, Ameritrust received a monthly fee at an annual rate of .25% of the average daily net assets of the Fund, plus out-of-pocket expenses for items such as postage, forms and mail insurance. For the fiscal year ended October 31, 1991, the fee paid to Ameritrust amounted to \$768,858.

#### DESCRIPTION OF THE FUND

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The Fund is organized as a Massachusetts business trust by Declaration of Trust dated June 2, 1982. The Declaration of Trust permits the Trustees to create additional series (or "portfolios"), each of which will issue a separate class of shares. There is currently one portfolio of the Fund.

#### SHAREHOLDER AND TRUSTEE LIABILITY

The Fund is an entity of the type commonly known as a "Massachusetts business trust." Under certain circumstances, shareholders of such a trust might be held personally liable for the obligations of the trust. The Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Fund and requires that notice of such disclaimer be given in each agreement, obligation, or instrument entered into or executed by the Fund or the Trustees. The Declaration of Trust provides for indemnification out of the Fund property of any shareholder held personally liable for the obligations of the Fund. The Declaration of Trust also provides that the Fund shall, upon request, assume the defense of any claim made against any shareholder for any act or obligation of the Fund and satisfy any judgment thereon. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund itself would be unable to meet its obligations. Society believes that, in view of the above, the risk of personal liability to any shareholder is remote.

The Declaration of Trust further provides that the Trustees will not be liable

for errors of judgment or mistakes of fact or law, but nothing in the Declaration of Trust protects a Trustee against any liability to which a Trustee would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his or her office.

#### VOTING RIGHTS

The Fund's capital consists of shares of beneficial interest. The shares have no preemptive or conversion rights; the voting and dividend rights, the right of redemption and the privilege of exchange are described in the Prospectus. Shares are fully paid and nonassessable, except as set forth under the heading "Shareholder and Trustee Liability" above. In the event that additional portfolios are created for this Fund, shares of the Fund regardless of the portfolio, entitle their holders to one vote per share and fractional votes for fractional shares held. However, separate votes would be taken by each portfolio on matters affecting an individual portfolio. For example, a change in investment policy for a portfolio would be voted upon only by shareholders of the portfolio involved. Additionally, approval of the Management Contract is a matter to be determined separately by each portfolio. Approval by the shareholders of one portfolio is effective as to that portfolio whether or not sufficient votes are received from the shareholders of the other portfolios to approve such a Contract as to those portfolios. As set forth in the Declaration of Trust, shareholders representing 10% or more of the Fund may call meetings for any purpose, including the purpose of voting on removal of one or more Trustees. The Fund may be terminated upon the sale of its assets to another diversified, open-end management investment company, or upon liquidation and distribution of the assets of the

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Fund, if approved by the vote of the holders of a majority of the outstanding shares of the Fund. If not so terminated, the Fund will continue indefinitely.

As of November 30, 1993, the following shareholders of record owned 5% or more of the outstanding shares of the Fund: Presbyterian Healthcare System Various Custody Accounts, Dallas, Texas, owned approximately 30,010,380 Shares (5.75%); Case Western Reserve University Various Custody Accounts, Cleveland, Ohio, owned approximately 31,583,582 Shares (6.06%); Community Mutual Various Custody Accounts, Columbus, Ohio, owned approximately 32,754,534 Shares (6.28%); University Hospitals Various Custody Accounts, Cleveland, Ohio, owned approximately 53,334,864 Shares (10.23%).

#### INDEPENDENT ACCOUNTANTS

Price Waterhouse, 160 Federal Street, Boston, MA 02110 serves as the Fund's independent accountants, providing services including the audit of annual financial statements.

#### APPENDIX

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##### DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S COMMERCIAL PAPER RATINGS

PRIME-1 (or related institutions) have a superior capacity for repayment of short-term promissory obligations.

Prime-1 repayment capacity will normally be evidenced by the following characteristics:

- - Leading market positions in well established industries.
- - High rates of return on funds employed.
- - Conservative capitalization structures with moderate reliance on debt and ample asset protection.
- - Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- - Well established access to a range of financial markets and assured sources of alternate liquidity.

PRIME-2 (or related supporting institution) 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.

##### DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S 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.

#### DESCRIPTION OF STANDARD & POOR'S CORPORATION'S COMMERCIAL PAPER RATINGS

A-1--This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics will be 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.

#### DESCRIPTION OF STANDARD & POOR'S CORPORATION'S CORPORATE BOND RATINGS

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

AA--Bonds rated AA also qualify as high quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from AAA issues only in small degree.

#### DESCRIPTION OF FITCH INVESTOR'S SERVICE, INC.'S COMMERCIAL PAPER RATINGS

FITCH-1--(Highest Grade) Commercial paper assigned this rating is regarded as having the strongest degree of assurance for timely payment.

FITCH-2--(Very Good Grade) Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than the strongest issues.

#### DESCRIPTION OF FITCH INVESTOR'S SERVICE, INC.'S CORPORATE BOND RATINGS

AAA--Bonds of this rating are regarded as strictly high grade, broadly marketable, suitable for investment by trustees and fiduciary institutions, and liable to but slight market fluctuation other than through changes in the money rate. The factor last named is of importance, varying with the length of maturity. Such bonds are mainly senior issues of strong companies, and are most numerous in the railway and public utility fields, though some industrial obligations have this rating. The prime feature of an AAA bond is showing of earnings several times or many times interest requirements with such stability of applicable earnings that safety is beyond reasonable question whatever changes occur in conditions. Other features may enter, such as a wide margin of protection through collateral security or direct lien on specific property as in the case of high-class equipment certificates or bonds that are first mortgages on valuable real estate. Sinking funds or voluntary reduction of the debt, by call or purchase are often factors, while guarantee or assumption by parties other than the original debtor may influence the rating.

AA--Bonds in this group are of safety virtually beyond question, and as a class are readily salable while many are highly active. Their merits are not greatly unlike those of the "AAA" class, but a bond so rated may be of junior though strong lien--in many cases directly following an AAA bond--or the margin of safety is strikingly broad.

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The issue may be the obligation of a small company, strongly secured but influenced as to rating by the lesser financial power of the enterprise and more local type of market.

#### DESCRIPTION OF DUFF & PHELPS INC. COMMERCIAL PAPER RATINGS

DUFF 1--High certainty of timely payment. Liquidity factors are excellent and supported by strong fundamental protection factors. Risk factors are minor.

DUFF 2--Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing internal funds needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

DESCRIPTION OF DUFF & PHELPS INC. CORPORATE BOND RATINGS

DUFF 1--Highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

DUFF 2--High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

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